ODELLA LEATHER HOLDINGS LIMITED

愛特麗皮革控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 8093

2015

Interim Report

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

Contents

CORPORATE INFORMATION

Board of Directors

Executive Directors

Ms. CHEUNG Woon Yiu — *Chairman*
(appointed on 3 September 2014)
Ms. LAM Wai Si Grace — *Chief Executive Officer (appointed on 3 September 2014)*
Mr. CHING Wai Man
(appointed on 3 September 2014)

Non-Executive Director

Ms. NG Lai Hung
(appointed on 3 September 2014)

Independent Non-Executive Directors

Mr. WONG Wai Kong
(appointed on 28 January 2015)
Mr. HOW Sze Ming
(appointed on 28 January 2015)
Mr. Philip David THACKER
(appointed on 28 January 2015)

Audit Committee

Mr. WONG Wai Kong — *Chairman*
Mr. HOW Sze Ming
Mr. Philip David THACKER

Remuneration Committee

Mr. HOW Sze Ming — *Chairman*
Ms. LAM Wai Si Grace
Mr. WONG Wai Kong

Nomination Committee

Ms. CHEUNG Woon Yiu — *Chairman*
Mr. WONG Wai Kong
Mr. HOW Sze Ming

Corporate Governance Committee

Ms. NG Lai Hung — *Chairman*
Mr. WONG Wai Kong
Mr. HOW Sze Ming
Mr. Philip David THACKER

Authorised Representatives

Ms. CHEUNG Woon Yiu
Mr. CHAN Hing Yik

Company Secretary

Mr. CHAN Hing Yik *(CPA)*

Auditors

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Principal Banker

Chong Hing Bank Limited

Registered Office

Cricket Square, Hutchins Drive
PO Box 2681, Grand Cayman
KY1-1111, Cayman Islands

Headquarters and Principal Place of Business

Unit 1701 Treasure Centre
42 Hung To Road
Kwun Tong, Kowloon, Hong Kong

Legal Advisor

Chiu & Partners *(as to Hong Kong Law)*

Compliance Advisor

Halcyon Capital Limited

Principal Share Registrar

Codan Trust Company (Cayman) Limited

Hong Kong Branch Share Registrar

Tricor Investor Services Limited

Website

www.odella.com

MANAGEMENT DISCUSSION AND ANALYSIS

Listing of the Company's Shares and Reorganisation

The Company was incorporated in the Cayman Islands on 3 September 2014 as an exempted company with limited liability. In preparation for the listing of the shares of the Company (the "Shares") on GEM of the Stock Exchange (the "Listing") by way of placing ("Placing") of 100,000,000 Shares of HK$0.01 each, the Company and its subsidiaries (the "Group") underwent a corporate reorganisation (the "Reorganisation") in 2014. Pursuant to the Reorganisation which was completed on 4 December 2014, the Company became the holding company of the subsidiaries now comprising the Group. Details of the Reorganisation are set out in the section headed "History, Development and Reorganisation" to the prospectus of the Company dated 5 February 2015 (the "Prospectus") and have been summarised in note 2 to the financial statements below. On 12 February 2015, the Shares first became listed on GEM. Since the Company was first listed on 12 February 2015, the disclosure requirement under Rule 18.08A of the GEM Listing Rules is not applicable to this interim report.

The total net proceeds from the Placing after deducting all related expenses was approximately HK$26.2 million. As stated in the Prospectus, the Company intends to apply the net proceeds from the Placing to the following purposes:

(a) approximately 31% will be used for strengthening the Group's business development capability by expanding its marketing function;

(b) approximately 2% will be used for enhancing the Group's manufacturing facilities through purchasing new production equipment and machineries;

(c) approximately 31% will be used for expansion of the Group's pre-production product development function;

(d) approximately 29% will be used for expansion of the Group's sourcing capability; and

(e) the remaining amount will be used to provide funding for the Group's working capital and other general corporate purposes.

Since the Company was listed after 31 December 2014, the disclosure requirement under Rule 18.08A of the GEM Listing Rules is not applicable in this interim report.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Overview

During the period under review the revenue of the Group has recorded a mild growth of about 3% from about HK$41.0 million to about HK$42.1 million for the first half of the financial year ended 31 December 2014 ("FY2014") and the first half of the financial year ending 30 June 2015 ("FY2015") respectively. Significant growth was recorded as to the Group's operating profit after tax (excluding listing expenses) of about 51% from about HK$6.7 million to about HK$10.2 million for the first half of FY2014 and FY2015 respectively. However, we reported a loss of about HK$3.5 million for the first half of FY2015. This is mainly attributable to the one-off listing expenses of about HK$13.7 million recorded during the first half of FY2015 in connection with the preparation for Listing.

Revenue

The Group's revenue principally represented income derived from the manufacturing and sales of leather garment products.

Revenue of approximately HK$15.2 million and HK$19.8 million was recognised for each of the second quarter of FY2014 and FY2015 respectively, which represents an increase of about 30%. Revenue of approximately HK$41.0 million and HK$42.1 million was recognised for each of the six months ended 31 December 2013 and 2014 respectively, which represents a mild growth of about 3%.

The increase was mainly due to additional products being delivered in the second quarter of FY2015 to customers based in Australia, South Africa, Hong Kong and the People's Republic of China (the "PRC") markets.

Cost of Sales and Gross Profit

Costs of sales mainly represent costs of raw materials, costs of accessories, labour costs and other manufacturing overheads.

The costs of sales amounted to about HK$9.8 million and HK$10.8 million in the second quarter of FY2014 and FY2015 respectively, representing a rise of about 11%. The costs of sales amounted to about HK$27.0 million and HK$23.1 million in the first half of FY2014 and FY2015 respectively, representing a drop of about 14%. The drop in costs of sales in the first half of FY2015 is mainly due to lower costs of accessories materials accrued in the first half of FY2015.

Gross profit for the second quarter of FY2014 and FY2015 were about HK$5.4 million and HK$9.0 million respectively, representing a growth of about 65%. Gross profit for the first half of FY2014 and FY2015 were about HK$14.0 million and HK$18.9 million respectively, representing a growth of about 35%.

Although the number of pieces of leather garments shipped in the first half of FY2015 was at a similar level of the corresponding period in the previous year, orders in the first half of FY2015 consist of a substantial amount of leather garments involving more sophisticated designs or made of high value materials (such as shearling and calf skin) which need exceptional extent of experienced craftsmanship. Accordingly, the Group was able to charge a price with higher gross margins. On average, we enjoyed higher margin from old and new customers for the second quarter and first half of FY2015, as compared with those for the corresponding periods of FY2014.

Other Revenue and Other Income

Other revenue and other income amounted to about HK$7,000 and HK$5,000 for the first half and second quarter of FY2015, respectively, represented mainly sundry income that are incidental to our business principally including interest income and sales of scrap materials.

Selling and Distribution Expenses

Selling and distribution expenses comprise mainly logistic expenses and marketing expenses.

The selling and distribution expenses have increased from about HK$0.4 million in the second quarter of FY2014 to about HK$0.6 million in the second quarter of FY2015, representing an increase of about HK$0.2 million. The selling and distribution expenses for the first half of FY2015 were in line with those for the first half of FY2014.

The higher selling and distribution expenses in the second quarter of FY2015 is mainly attributable to higher marketing expenses as a result of more intensive marketing activities in that period.

Administrative Expenses

Administrative expenses comprise mainly payroll expenses, rent and rates and other office administrative expenses.

Administrative expenses have increased from about HK$2.2 million in the second quarter of FY2014 to about HK$2.8 million in the second quarter of FY2015, representing an increase of about 26%. Administrative expenses have increased from about HK$4.5 million in the first half of FY2014 to about HK$5.2 million in the first half of FY2015, representing an increase of about 14%.

The higher administrative expenses in the second quarter and first half of FY2015 are mainly attributable to higher rental and payroll expenses during those periods.

Listing Expenses

During the second quarter and first half of FY2015, the Group recorded listing expenses of about HK$9.5 million and HK$13.7 million, respectively, in connection with the preparation for Listing. Total listing expenses are estimated to be about HK$28.8 million. According to Hong Kong Accounting Standard, part of these expenses is available for offsetting against the Company's equity reserves.

Finance Costs

Finance costs represent bank loan and trust receipt loan interests. For both of the second quarter and first half of FY2015 and 2014, there were insignificant amount of bank loan interests as there were no major outstanding bank loans.

Income Tax Expense

Income tax represents Hong Kong profits tax at 16.5% for the Company's subsidiary in Hong Kong and PRC profits tax at 25% for the Company's subsidiary in Foshan, the PRC.

Higher effective tax rates for the second quarter and first half of FY2015 as compared to the corresponding periods in FY2014 were recorded because the listing expenses which were only incurred in FY2015 mainly consisted of expenditures which may not be tax deductible.

(Loss)/Profit for the Period

For the first half of FY2014, the Group recorded profit for the period of about HK$6.7 million. For the first half of FY2015, the Group recorded loss for the period of about HK$3.5 million. This is the net effect of recurring operational profit after tax for the period of about HK$10.2 million and non-recurring listing expenses of about HK$13.7 million incurred for the preparation for the Listing during the first half of FY2015.

After taking out the effect of the one-off non-recurring listing expenses of about HK$9.5 million for the second quarter of FY2015, the Group would have recorded profit after tax of about HK$4.6 million. For the second quarter of FY2014, the Group recorded profit after tax of about HK$2.3 million.

Financial Position, Liquidity and Financial Resources

The Group adopts a prudent cash and financial management policy. In order to achieve better cost control and minimise the costs of funds, the Group's treasury activities are centralised and cash is generally deposited with banks in Hong Kong and the PRC and denominated mostly in United States dollars and Renminbi. Hong Kong dollars are pegged to United States dollars under the current policy of the Government of Hong Kong.

The Group has remained at a sound financial resource level. Included in net current assets were cash and bank balances (including pledged deposits) as at 31 December 2014 totalling about HK$13.0 million (30 June 2014: HK$15.1 million). Gearing ratio is calculated by dividing the net debt by total equity where net debt is calculated as bank borrowings and amounts due to directors less cash and bank balances. The Group did not have any outstanding net debt as at 31 December 2014 and 30 June 2014 and thus no gearing ratio is applicable.

In previous years before the Company became listed on the Stock Exchange, the Group's operations were mainly financed by its shareholders' fund injections, loans and internal resources. Following the Placing and the Listing, the Group's liquidity position became stronger and this enables the Group to expand in accordance with its business directions.

Charge Over Assets of the Group

At 30 June 2014, the Group's banking facilities were supported by the Special Loan Guarantee Scheme of the Government of Hong Kong. The trust receipt loan was not less than 80% guaranteed by the Government of Hong Kong and 100% personally guaranteed by an executive Director. During the six months ended 31 December 2014, new banking facilities were arranged to replace the then existing banking facilities. The aforesaid personal guarantee by an executive Director had been released following the termination of the aforesaid banking facilities.

At 31 December 2014, the Group's banking facilities are supported by pledged deposits of the Group of approximately HK$3 million.

Financial Management Policies

The Group in its ordinary course of business is exposed to market risks such as currency risk and interest rate risk. The Group's risk management strategy aims to minimise the adverse effects of these risks on its financial performance.

As most of the Group's trading transactions, monetary assets and liabilities are denominated mainly in Hong Kong dollars, being the Group's operating and reporting currencies, United States dollars (to which Hong Kong dollars were pegged) and Renminbi, the impact of foreign exchange exposure to the Group was minimal and there was no significant adverse effect on normal operations during the reporting period.

With the current interest rates staying at relatively low levels, the Group has not entered into any interest rate hedging contracts or any other interest rate related derivative financial instrument. However, the Group continues to monitor its related interest rate exposure closely.

Capital Commitments and Contingent Liabilities

At 31 December 2014, the Group did not have any significant capital commitment (30 June 2014: nil).

At 31 December 2014, the Group did not have any significant contingent liability (30 June 2014: nil).

Material Acquisitions and Disposals

Save for the Reorganisation, during the six months ended 31 December 2014, the Group did not have any material acquisition and disposal (six months ended 31 December 2013: nil).

Employees and Remuneration Policy

As at 31 December 2014, the Group had a workforce of 119 employees (30 June 2014: 114). The increase in number of employees was mainly due to increase in production and administrative workforce. Total staff cost for the six months ended 31 December 2014 was about HK$6.6 million, representing an increase of about HK$0.7 million as compared to the staff cost for the six months ended 31 December 2013.

The Group's remuneration policy is basically determined by the performance of individual employees and the Directors and the market conditions. In addition to salaries and discretionary bonuses, employee benefits included pension scheme contributions.

During the period under review, the Group did not experience any strikes, work stoppages or significant labor disputes which affected its operations in the past and it did not experience any significant difficulties in recruiting and retaining qualified staff.

The Group provides various training to our employees to enhance their technical skills and knowledge relevant to the employees' responsibilities. The Group also provides our employees with quality control standards and work safety standards training to enhance their safety awareness.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group produces all the leather garment products according to its customers' specifications and under their brands or labels. It is considered that the customers' orders, including the types, specification and design of the products, were made based on consumer preference, market trend, seasonality and their fashion style for a particular season, and the Group determines the price of each order with the customers with reference to the cost of sales such as the cost of raw materials, labour costs, the size of the order, the complexity of the product design and the manufacturing process, the packaging and transportation costs, the customer's relationship with the Group, the customer's approximate retail price of the products, and mark-up.

The management believes that the Group has earned its reputation and enjoyed a competitive advantage over its competitors as it has in its employ skilled and experienced workers, especially sewing workers and cutter workers who can produce products which conform to its customers' stringent product design specifications and aesthetic requirements. Unlike other manufacturers who purely produce garments on original equipment manufacturer basis, the Group also offers a range of ancillary pre-production product development services to certain of its international and regional fashion brand customers at the early stage of their pre-production product development. It is considered that these international and regional fashion brands customers highly appreciate the Group's craftsmanship, dedication in the value-added pre-production product development services and experience in the leather garment manufacturing industry and they are willing to pay higher prices for the Group's products.

The Group can effectively manage the risk as to the fluctuations in the raw materials price and are generally able to pass on any increase in the costs of raw materials to its customers.

The Group has recorded similar level of revenue while much higher gross profit in second quarter and first half of FY2015. As an observation of fashion trend, customers are more interested in shearlings, calf skin and double faced leather, which are of generally higher value in costs and require more complex and sophisticated craftsmanship. The Group has also further strengthened its marketing efforts to boost up sales to customers in Australia, South Africa, Hong Kong and the PRC markets.

MANAGEMENT DISCUSSION AND ANALYSIS

Outlook

The management believes the global financial climate is going to recover gradually from the economic downturn. Recently, signs of recovery, especially in the United States market, have become apparent. With the gradual recovery of economy of the Group's major markets, such as the United States market, the demand for leather garments are expected to improve gradually. All these bring positive impact to the growth of our garments sale in the foreseeable future.

Looking ahead, the management believes that the Listing of the Shares on GEM will enhance the Group's corporate profile and image, and that the net proceeds from the Placing of approximately HK$26.2 million will strengthen its financial position.

The Group intends to further develop its business by:

(i) strengthening its marketing capability by expanding its marketing team, participation in trade shows and fairs and pay more visits to our customers in Hong Kong and overseas to enhance its relations with existing customers and expand its customer base;

(ii) expanding of the Group's pre-production product development function by recruiting more staff for the Group's design and development team;

(iii) expanding of its sourcing capability by recruiting more staff or agents to expand our geographical coverage of suppliers and make more frequent supplier visits to strengthen the Group's quality control on leather raw materials; and

(iv) enhancing its manufacturing facilities through purchasing new production equipment and machineries to replace certain old equipment and machineries and enhance its technical ability and production capability in order to meet the increasing demand for the Group's production capability.

It is expected that the performance of the Group for the financial year ending 30 June 2015 will be impacted by the further recognition of additional listing expenses.

DISCLOSURE OF INTERESTS AND OTHER INFORMATION

Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares of the Company

As at 31 December 2014, the Shares were not listed on GEM. The respective Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (the "SFO"), Section 352 of the SFO and Rules 5.46 to 5.67 of the GEM Listing Rules were not applicable to the Company.

For information purposes and assuming the relevant provisions of the SFO and the GEM Listing Rules were applicable to the Company, as at 31 December 2014, interests in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) held by the Directors and chief executives of the Company which would be required 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 were taken or deemed to have under such provisions of the SFO) or would be required to be entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise would be required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules are as follows:

Interests in the Company

			Long position	
Name of Director	**Capacity**	***Notes***	**Number of ordinary Shares**	**Approximate percentage of total number of Shares *(Note 1)***
Cheung Woon Yiu	Interest in controlled corporation	2	6,800,000	68.00%
Lam Wai Si Grace	Interest in controlled corporation	3	1,700,000	17.00%
Ching Wai Man	Interest in controlled corporation	4	1,500,000	15.00%

Notes:

1. As at 31 December 2014, the Company had 10,000,000 Shares in issue.
2. As at 31 December 2014, Quality Century Limited ("BVI-Cheung"), a company incorporated in the British Virgin Islands, held 6,800,000 Shares. Immediately after the completion of Placing, BVI-Cheung held 204,000,000 Shares, representing approximately 51.00% of the then issued Shares. BVI-Cheung is wholly owned by Ms. Cheung Woon Yiu.
3. As at 31 December 2014, Design Vanguard Limited ("BVI-Lam"), a company incorporated in the British Virgin Islands, held 1,700,000 Shares. Immediately after the completion of Placing, BVI-Lam held 51,000,000 Shares, representing approximately 12.75% of the then issued Shares. BVI-Lam is wholly owned by Ms. Lam Wai Si Grace.
4. As at 31 December 2014, Olson Global Limited ("BVI-Ching"), a company incorporated in the British Virgin Islands, held 1,500,000 Shares. Immediately after the completion of Placing, BVI-Ching held 45,000,000 Shares, representing approximately 11.25% of the then issued Shares. BVI-Ching is wholly owned by Mr. Ching Wai Man.

Save as disclosed above (and assuming the relevant provisions of the SFO and the GEM Listing Rules were applicable), as at 31 December 2014, none of the Directors and chief executives held an interest or 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) which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which would be required to be recorded pursuant to Section 352 of the SFO, or otherwise would be required to be notified to the Company and the Stock Exchange pursuant to the standards of dealing by Directors pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

Substantial Shareholders' Interests in the Shares, Underlying Shares and Debentures of the Company

As at 31 December 2014, the Shares were not listed on GEM. Divisions 7 and 8 of Part XV of the SFO, Section 352 of the SFO and Rules 5.46 to 5.67 of the GEM Listing Rules were not applicable to the Company.

For information purpose and assuming the relevant provisions of the SFO and the GEM Listing Rules were applicable to the Company, as at 31 December 2014, so far as the Directors are aware, other than the Directors and chief executive of the Company, the following persons/entities would have an interest in the Shares or the underlying shares of the Company which would have been recorded in the register of the Company required to be kept under section 336 of the SFO:

Interests in the Company

			Long position	
Name of shareholders	**Capacity**	***Notes***	**Number of ordinary Shares**	**Approximate percentage of total number of Shares *(Note 1)***
Lam Andrew Hung Yun	Interest of spouse	2	6,800,000	68.00%
BVI-Cheung	Beneficial owner	2	6,800,000	68.00%
Lee Ben	Interest of spouse	3	1,700,000	17.00%
BVI-Lam	Beneficial owner	3	1,700,000	17.00%
BVI-Ching	Beneficial owner	4	1,500,000	15.00%

Notes:

1. As at 31 December 2014, the Company has 10,000,000 Shares.

2. As at 31 December 2014, BVI-Cheung held 6,800,000 Shares. Immediately after completion of the Placing, BVI-Cheung held 204,000,000 Shares, representing approximately 51.00% of the then issued Shares. BVI-Cheung is wholly owned by Ms. Cheung Woon Yiu. Mr. Lam Andrew Hung Yun is the spouse of Ms. Cheung Woon Yiu and he is deemed to be interested in such Shares by virtue of the SFO.

3. As at 31 December 2014, BVI-Lam held 1,700,000 Shares. Immediately after completion of the Placing, BVI-Lam held 51,000,000 Shares, representing approximately 12.75% of the then issued Shares. BVI-Lam is wholly owned by Ms. Lam Wai Si Grace. Mr. Lee Ben is the spouse of Ms. Lam Wai Si Grace and is deemed to be interested in such Shares by virtue of the SFO.

4. As at 31 December 2014, BVI-Ching held 1,500,000 Shares. Immediately after completion of the Placing, BVI-Ching held 45,000,000 Shares, representing approximately 11.25% of the then issued Shares. BVI-Ching is wholly owned by Mr. Ching Wai Man.

Save as disclosed above (and assuming the relevant provisions of the SFO and the GEM Listing Rules were applicable), as at 31 December 2014, no other persons had any interests or short positions in the shares or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as would have been required to be recorded in the register required to be kept under section 336 of the SFO.

DISCLOSURE OF INTERESTS AND OTHER INFORMATION

Directors' Interest in Competing Business

For the six months ended 31 December 2014, the Directors are not aware of any business or interest of the Directors, and their respective associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interests which any such person has or may have with the Group.

Compliance Advisor's Interests

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Halcyon Capital Limited ("Halcyon") to be the compliance advisor. Halcyon, being the sponsor, has declared its independence pursuant to Rule 6A.07 of the GEM Listing Rules. Save as provided for under the underwriting agreement relating to the placing of the Shares during the Listing, neither Halcyon nor any of its associates and none of the directors or employees of Halcyon who have been involved in providing advice to the Company as the sponsor, has or may, as a result of the Placing, have any interest in any securities of the Company or any other companies of the Group (including options or rights to subscribe for such securities).

The compliance advisor's appointment is for a period commencing on 12 February 2015 (i.e. date of Listing) and ending on the date on which the Company complies with Rule 18.03 of the GEM Listing Rules in respect of the despatch of its annual report of the financial results for the second full financial year commencing after that date, i.e. for the year ending 30 June 2017, or until the compliance advisor agreement is terminated in accordance with its terms and conditions, whichever is earlier. Pursuant to the compliance advisor agreement entered into between Halcyon and the Company, Halcyon will receive fees for acting as the Company's compliance advisor.

Compliance with Code of Conduct for Directors' Securities Transaction

The Company has adopted a code of conduct regarding securities transactions by Directors ("Model Code") on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules.

DISCLOSURE OF INTERESTS AND OTHER INFORMATION

The Shares were listed on GEM on 12 February 2015. As of 31 December 2014, the Shares were not yet listed on GEM, the requirements in the GEM Listing Rules were not applicable. In response to specific inquiry made by the Company, each of Directors excluding those appointed after 31 December 2014 gave confirmation that other than the steps taken out in connection with the Reorganisation and the Placing, he/she was in compliance with the Model Code throughout the six months ended 31 December 2014.

For information purpose and assuming the period up to the latest practicable date (i.e. 12 February 2015) prior to the printing of this report is the period required to be reported under the GEM Listing Rules, each of the Directors gave confirmation that other than the steps taken out in connection with the Placing, he/she was in compliance the Model Code from the date of Listing upto the latest practicable date.

Compliance with the Code on Corporate Governance

The Company is committed to achieving high standards of corporate governance with a view to safeguarding the interests of its shareholders. To accomplish this, the Company has adopted the principles and the code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 15 of the GEM Listing Rules.

The Shares were listed on GEM on 12 February 2015. As of 31 December 2014, the Shares were not yet listed on GEM, the requirements in the CG Code were not applicable during the six months ended 31 December 2014.

For information purpose and assuming the period upto the latest practicable date (i.e. 12 February 2015) prior to the printing of this report is the period required to be reported under the GEM Listing Rules, the Company was in compliance to the CG Code from the date of Listing upto the latest practicable date.

Compliance with the Requirement of Timely Lodgment of Trade Declarations under the IAE Registration Regulations

As disclosed in the Prospectus, the Company will, for the first two years after Listing, report its compliance with the requirement of timely lodgement of trade declarations under the Import and Export (Registration) Regulations ("IAE Registration Regulation" Chapter 60E of the Laws of Hong Kong) in its annual and interim reports.

Since 1 October 2014 and up to 31 December 2014, all trade declarations lodged by the Group were lodged within the prescribed 14-day period under the IAE Registration Regulation. For compliance status during the period between 1 July 2012 and 30 September 2014, please refer to page 146–147 and 152–154 of the Prospectus.

DISCLOSURE OF INTERESTS AND OTHER INFORMATION

Audit Committee and Review of Financial Statements

The audit committee of the Company has been established in accordance with the GEM Listing Rules. Members of the audit committee comprise Mr. Wong Wai Kong (chairman of the audit committee), Mr. How Sze Ming and Mr. Philip David Thacker, all of them are independent non-executive Directors.

The consolidated interim financial statements for the six months ended 31 December 2014 have been audited by the Company's auditors, HLB Hodgson Impey Cheng Limited ("HLB"). The committee has reviewed with the management this interim report, the accounting principles and practices adopted by the Group, financial reporting matters including a review of the audited consolidated results for the six months ended 31 December 2014 prior to recommending them to the board of Directors (the "Board") for approval.

Interim Dividend

The Directors do not recommend payment of any interim dividend for the six months ended 31 December 2014.

Dividends declared and paid by Perline, a subsidiary of the Company, to the then shareholders of the Perline of HK$16 per Perline's share for the six months ended 31 December 2014 was HK$3,200,000 (2013: nil).

Share Option Scheme

A share option scheme was adopted and approved by the then shareholders of the Company on 28 January 2015 (the "Share Option Scheme"). No share options have been granted pursuant to the Share Option Scheme since its adoption.

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

The Shares were first listed on GEM of the Stock Exchange on 12 February 2015. During the six months ended 31 December 2014, save for the Reorganisation and Placing disclosed in the Prospectus, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities.

Events After the Reporting Period

Details of the significant events of the Group after the reporting period are set out in note 32 to the financial statements.

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF
ODELLA LEATHER HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Odella Leather Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 18 to 72, which comprise the consolidated statements of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors (the "Directors") of the Company are responsible for the preparation of consolidated financial statements 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit, and to 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. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

INDEPENDENT AUDITORS' REPORT

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's loss and cash flows for the six months then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Other Matter

The consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended 31 December 2013 and the relevant explanatory information have not been audited.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Yu Chi Fat
Practising Certificate Number: P05467
Hong Kong, 13 February 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Six months ended 31 December 2014 HK$'000 (audited)	Six months ended 31 December 2013 HK$'000 (unaudited)	Three months ended 31 December 2014 HK$'000 (audited)	Three months ended 31 December 2013 HK$'000 (unaudited)
REVENUE	6	**42,057**	41,025	**19,813**	15,221
Cost of sales		**(23,149)**	(27,028)	**(10,809)**	(9,776)
Gross profit		**18,908**	13,997	**9,004**	5,445
Other revenue and other income	7	**7**	4	**5**	1
Selling and distribution expenses		**(1,345)**	(1,269)	**(610)**	(379)
Administrative expenses		**(5,157)**	(4,528)	**(2,774)**	(2,205)
Listing expenses		**(13,695)**	—	**(9,465)**	—
Finance costs	9	**(12)**	(14)	**—**	—
(Loss)/profit before tax	8	**(1,294)**	8,190	**(3,840)**	2,862
Income tax expense	10	**(2,235)**	(1,454)	**(1,011)**	(536)
Net (loss)/profit for the period attributable to owners of the Company		**(3,529)**	6,736	**(4,851)**	2,326
Other comprehensive (expense)/income					
Items that may be reclassified subsequently to consolidated statement of profit or loss:					
Exchange differences on translation of foreign operations		**(3)**	8	**—**	—
Other comprehensive (expense)/income for the period		**(3)**	8	**—**	—
Total comprehensive (expense)/income for the period attributable to owners of the Company		**(3,532)**	6,744	**(4,851)**	2,326
(Loss)/earnings per share attributable to owners of the Company	13				
Basic and diluted		**HK(1.2) cents**	HK2.2 cents	**HK(1.6) cents**	HK0.8 cent

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**31 December 2014 HK$'000 (audited)**	30 June 2014 HK$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	14	**238**	283
Deferred tax assets	15	**4**	4
Total non-current assets		**242**	287
CURRENT ASSETS			
Inventories	16	**3,191**	8,236
Trade receivables	17	**9,640**	9,806
Deposits, prepayments and other receivables	18	**615**	431
Cash and cash equivalents	19	**9,970**	15,133
Pledged deposits	19	**3,012**	—
Total current assets		**26,428**	33,606
CURRENT LIABILITIES			
Trade payables	20	**3,481**	1,811
Accruals, other payables and trade deposits received	21	**9,181**	5,918
Amounts due to Directors	22	**—**	4,824
Tax payable		**3,390**	3,990
Total current liabilities		**16,052**	16,543
NET CURRENT ASSETS		**10,376**	17,063
TOTAL ASSETS LESS CURRENT LIABILITIES		**10,618**	17,350
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	24	**100**	200
Reserves	25	**10,518**	17,150
Total equity		**10,618**	17,350

Approved by the board of directors on 13 February 2015.

Cheung Woon Yiu
Director

Lam Wai Si Grace
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company						
	Share capital HK$'000	Statutory reserve HK$'000 (note i)	Exchange fluctuation reserve HK$'000 (note ii)	Other reserve HK$'000	Retained earnings HK$'000	Reserves Sub-total HK$'000	Total HK$'000
At 1 July 2014 (audited) (note iii)	**200**	**48**	**179**	**—**	**16,923**	**17,150**	**17,350**
Effect of shares exchange (audited) (note iii)	**(200)**	**—**	**—**	**200**	**—**	**200**	**—**
Issue of shares on group reorganisation (audited)	**100**	**—**	**—**	**(100)**	**—**	**(100)**	**—**
Loss for the period (audited)	**—**	**—**	**—**	**—**	**(3,529)**	**(3,529)**	**(3,529)**
Other comprehensive expense for the period (audited)	**—**	**—**	**(3)**	**—**	**—**	**(3)**	**(3)**
Total comprehensive expense for the period (audited)	**—**	**—**	**(3)**	**—**	**(3,529)**	**(3,532)**	**(3,532)**
Appropriation of statutory reserve (audited)	**—**	**160**	**—**	**—**	**(160)**	**—**	**—**
Dividend of Perline to the then shareholders of Perline (audited)	**—**	**—**	**—**	**—**	**(3,200)**	**(3,200)**	**(3,200)**
At 31 December 2014 (audited)	**100**	**208**	**176**	**100**	**10,034**	**10,518**	**10,618**
At 1 July 2013 (audited)	200	36	171	—	4,039	4,246	4,446
Profit for the period (unaudited)	—	—	—	—	6,736	6,736	6,736
Other comprehensive income for the period (unaudited)	—	—	8	—	—	8	8
Total comprehensive income for the period (unaudited)	—	—	8	—	6,736	6,744	6,744
At 31 December 2013 (unaudited)	200	36	179	—	10,775	10,990	11,190

Notes:

(i) Statutory reserve

Pursuant to the relevant laws and regulations for business enterprises in the People's Republic of China (the "PRC"), a portion of the profits of the entities which are registered in the PRC has been transferred to the statutory reserve which is restricted as to use. When the balance of such reserve reaches 50% of the capital of that entity, any further appropriation is optional. The statutory reserve can be utilised, upon approval of the relevant authority, to offset prior years' losses or to increase capital. However, the balance of the statutory reserve must be maintained at a minimum 25% of capital after such usage.

(ii) Exchange fluctuation reserve

Exchange fluctuation reserve represents exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Hong Kong dollars) that are recognised directly in other comprehensive income and accumulated in the exchange fluctuation reserve. Such exchange differences accumulated in the exchange fluctuation reserve are reclassified to profit or loss on the disposal of the foreign operations.

(iii) The share capital as at 30 June 2014 represented the share capital of Perline Company Limited ("Perline"), the then holding company amounted to HK$200,000.

On 3 September 2014, the Company was incorporated in the Cayman Islands as an exempted company with limited liability, with an authorised share capital of HK$1,000,000 divided into 100,000,000 Shares of HK$0.01 each. On 3 September 2014, one share of HK$0.01 was allotted and issued, nil paid, to Sharon Pierson (an officer of Codan Trust Company (Cayman) Limited, the provider of registered office of the Company), which was transferred to Quality Century Limited ("BVI-Cheung") on the same date. On 3 September 2014, the Company further allotted and issued 999,999 Shares, nil paid, to BVI-Cheung, Design Vanguard Limited ("BVI-Lam") and Olson Global Limited ("BVI-Ching").

On 11 September 2014, Odella International Limited ("Odella BVI") was incorporated in the British Virgin Islands ("BVI") with an authorised share capital of US$50,000 divided into 50,000 shares of US$1 each. On 11 September 2014, 100 shares in Odella BVI were issued to the Company, and the subscription price of each share was US$1 (i.e. the par value of such share).

On 4 December 2014, Odella BVI acquired from BVI-Cheung, BVI-Lam and BVI-Ching the entired share capital in Perline. In consideration of and in exchange for such acquisition, the Company credited as fully paid the 1,000,000 nil-paid Shares which were first issued on 3 September 2014, and issued to BVI-Cheung, BVI-Lam and BVI-Ching 9,000,000 new Shares (in the proportion of 68%, 17% and 15% respectively), all credited as fully paid. On completion, Odella BVI became the sole shareholder of Perline, and the number of issued shares in the Company was increased to 10,000,000.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 31 December 2014 HK$'000 (audited)	2013 HK$'000 (unaudited)
Cash flows from operating activities		
(Loss)/profit before tax	**(1,294)**	8,190
Adjustments for:		
Interest income	**(4)**	(1)
Interest expenses	**12**	14
Depreciation	**65**	53
(Outflow)/inflow from operations before working capital changes	**(1,221)**	8,256
Decrease in inventories	**5,045**	3,955
Decrease in trade receivables	**142**	4,118
(Increase)/decrease in deposits, prepayments and other receivables	**(184)**	499
Increase/(decrease) in trade payables	**1,689**	(3,751)
Increase in accruals, other payables and trade deposits received	**3,269**	5,564
Cash generated from operations	**8,740**	18,641
Interest received	**4**	1
Net income tax paid	**(2,830)**	(510)
Net cash generated from operating activities	**5,914**	18,132
Cash flows from investing activities		
Purchases of items of property, plant and equipment	**(20)**	(48)
Increase in pledged deposits	**(3,012)**	—
Net cash used in investing activities	**(3,032)**	(48)
Cash flows from financing activities		
Proceeds from bank borrowings	**3,389**	—
Repayment of bank borrowings	**(3,389)**	(2,066)
Decrease in amounts due to Directors	**(4,824)**	—
Dividend paid to then shareholders of Perline	**(3,200)**	—
Interest paid	**(12)**	(14)
Net cash used in financing activities	**(8,036)**	(2,080)
Net (decrease)/increase in cash and cash equivalents	**(5,154)**	16,004
Effect of foreign exchange rate change, net	**(9)**	—
Cash and cash equivalents at the beginning of the period	**15,133**	5,702
Cash and cash equivalents at the end of the period	**9,970**	21,706
Cash and cash equivalents as stated in the consolidated statement of financial position	**9,970**	21,706

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General Information

The Company was incorporated in the Cayman Islands on 3 September 2014 as an exempted company with limited liability under the Companies Law (as Revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company's shares (the "Shares") are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 12 February 2015 (the "Listing").

The Company is an investment holding company and its subsidiaries are principally engaged in the manufacturing and sales of leather products.

2. Basis of Presentation and Basis of Preparation

Basis of Presentation

Pursuant to a group reorganisation (the "Reorganisation") in preparation for the Listing, the Company became the holding company of the subsidiaries now comprising the Group on 4 December 2014, the details of which are set out in the prospectus issued by the Company dated 5 February 2015 (the "Prospectus").

Immediately prior to and after the Reorganisation, the principal business of the Group remained under the control of Ms. Cheung Woon Yiu, Ms. Lam Wai Si Grace and Mr. Ching Wai Man. The principal business of the Group is conducted through Perline including its subsidiary, 佛山市南海盛麗皮衣有限公司 (Foshan Nanhai Shengli Leather Garment Co. Ltd., being an English name for identification purpose only). Perline was directly owned by Ms. Cheung Woon Yiu, Ms. Lam Wai Si Grace and Mr. Ching Wai Man immediately prior to the Reorganisation. The Company has not been involved in any business prior to the Reorganisation. Pursuant to the Reorganisation, the Company became the holding company of the companies now comprising the Group on 4 December 2014. The Reorganisation was merely reorganisations of the principal business of the Group with no change in management of such business and the ultimate owners of the business. Accordingly these financial statements have been prepared by applying the principles of merger accounting as if the Reorganisation had been completed since 1 July 2013.

2. Basis of Presentation and Basis of Preparation (continued)

Basis of Presentation (continued)

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the six months ended 31 December 2013 and 2014 include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries first came under the common control, where this is a shorter period. The consolidated statement of financial position of the Group's subsidiaries as at 30 June 2014 have been prepared to present the assets and liabilities of the subsidiaries using the existing carrying values of the principal business of the Group for the periods presented. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

All intra-group transactions and balances have been eliminated on consolidation in full.

Basis of Preparation

These financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which include all individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretation issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 July 2014, together with the relevant transitional provisions, have been adopted by the Group in the preparation of these financial statements throughout the periods covered in these financial statements.

These financial statements have been prepared under the historical cost convention. The financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand ("HK$000") except when otherwise indicated.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to these financial statements, are disclosed in note 5 to the financial statements.

3. Issued But Not Yet Effective Hong Kong Financial Reporting Standards

The Group has not early applied the following new or revised HKFRSs which are relevant to the Group and have been issued but are not yet effective for the accounting period covered by these financial statements.

HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements[1]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012–2014 Cycle[1]
HKFRS 9 (As revised in 2014)	Financial Instruments[3]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interest in Joint Operations[1]
HKFRS 15	Revenue from Contracts with Customers[2]

[1] Effective for annual periods beginning on or after 1 January 2016.

[2] Effective for annual periods beginning on or after 1 January 2017.

[3] Effective for annual periods beginning on or after 1 January 2018.

Management is in the process of making an assessment of the impact of these new standards, amendments to existing standards and interpretations on the financial statements of the Group upon their initial application. The adoption of above is not expected to have a material effect on the Group's operating results or financial position.

4. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to the periods presented.

4.1 Subsidiaries

4.1.1 Consolidation

These financial statements include the financial statements of the Company and its subsidiaries now comprising the Group for the periods covered. As explained in note 2 to the financial statements, the acquisition of subsidiaries under common control has been accounted for using the merger accounting.

The merger method of accounting involves incorporating the financial statement items of the combining subsidiaries in which the common control combination occurs as if they had been consolidated from the date when the combining subsidiaries first came under the control of the controlling party.

No amount is recognised in respect of goodwill or the excess of the acquirers' interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over the cost of investment at the time of common control combination.

The consolidated statement of profit or loss include the results of each of the combining subsidiaries from the earliest date presented or since the date when the combining subsidiaries first came under common control, where this is a shorter period, regardless of the date of the common control combination. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group. All significant intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on combination.

4. Summary of Significant Accounting Policies (continued)

4.1 Subsidiaries (continued)

4.1.1 Consolidation (continued)

For the purpose of these consolidated financial statements, the financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

4.1.2 Investments in subsidiaries

A subsidiary is an entity, directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current liabilities to direct the relevant activities of the investee).

4. Summary of Significant Accounting Policies (continued)

4.1 *Subsidiaries (continued)*

4.1.2 Investments in subsidiaries (continued)

When the Company has, directly or indirectly, less than majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual agreement with the other vote holders of the investee;

(b) rights arising from other contractual agreement; and

(c) the Group's voting rights and potential voting rights.

4.2 *Segment reporting*

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors, Ms. Cheung Woon Yiu, Ms. Lam Wai Si Grace and Mr. Ching Wai Man (the "Management") that makes strategic decisions.

4.3 *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"). These consolidated financial statements are presented in HK$, which is the Company's functional and presentation currency.

4. Summary of Significant Accounting Policies (continued)

4.3 *Foreign currency translation (continued)*

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

(c) *Group companies*

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each statement of comprehensive income 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 rates on the dates the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, corresponding exchange differences that are recorded in other comprehensive income are recognised in the profit or loss as part of the gains or losses on sale.

4. Summary of Significant Accounting Policies (continued)

4.4 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Machinery and equipment	10%–20%
Furniture, fixtures and office equipment	20%–50%
Motor vehicles	10%–30%
Leasehold improvements	50% or over the lease term, whichever is shorter

The assets' depreciation method, residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the profit or loss.

4. Summary of Significant Accounting Policies (continued)

4.5 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of an impairment at each reporting date.

4.6 Financial assets and financial liabilities

4.6.1 Financial assets

(a) Classification

The Group classifies its financial assets under the category of loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise trade receivables, deposits and other receivables and cash and cash equivalents in the consolidated statement of financial position.

4. Summary of Significant Accounting Policies (continued)

4.6 Financial assets and financial liabilities (continued)

4.6.1 Financial assets (continued)

(b) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date-the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

(c) Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

4. Summary of Significant Accounting Policies (continued)

4.6 *Financial assets and financial liabilities (continued)*

4.6.1 Financial assets (continued)

(c) Impairment of financial assets (continued)

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of profit or loss.

4.6.2 Financial liabilities

(a) Classification

The Group classifies its financial liabilities under the category of loans and borrowing. The classification depends on the substance of the contractual arrangements and the definitions of a financial liability. Management determines the classification of its financial liabilities at initial recognition.

4. Summary of Significant Accounting Policies (continued)

4.6 *Financial assets and financial liabilities (continued)*

4.6.2 Financial liabilities (continued)

(a) Classification (continued)

Loans and borrowing are non-derivative financial liabilities. They are included in current liabilities, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current liabilities. The Group's loans and borrowing comprise trade payables, accruals and other payables, amounts due to directors and bank borrowing in the consolidated statement of financial position.

(b) Subsequent measurement

Loans and borrowing

After initial recognition, interest-bearing loans and borrowing are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is recognised in the statement of profit or loss.

(c) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

4. Summary of Significant Accounting Policies (continued)

4.6 *Financial assets and financial liabilities (continued)*

4.6.2 Financial liabilities (continued)

(c) Derecognition of financial liabilities (continued)

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

(d) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

4.7 *Inventories*

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in first-out method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling costs.

4.8 *Trade and other receivables*

Trade receivables are amounts due from customers for merchandise sold in the ordinary course of business. If collection of trade and other receivables is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

4. Summary of Significant Accounting Policies (continued)

4.9 Cash and cash equivalents

Cash and cash equivalents includes cash on hand and in banks. Restricted bank deposits are excluded from cash and cash equivalents.

4.10 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

4.11 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

4.12 Borrowing

Borrowing is recognised initially at fair value, net of transaction costs incurred. Borrowing is subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowing using the effective interest method.

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

4. Summary of Significant Accounting Policies (continued)

4.13 Borrowing costs

General and specific 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 added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4.14 Current and deferred income tax

The income tax expense for the year comprises current and deferred income tax.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax assets

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business consolidation that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

4. Summary of Significant Accounting Policies (continued)

4.14 Current and deferred income tax (continued)

(b) Deferred income tax assets (continued)

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

4.15 Employee benefits

Pension Schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") in Hong Kong under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

4. Summary of Significant Accounting Policies (continued)

4.15 Employee benefits (continued)

Pension Schemes (continued)

The Group entity in the Mainland China participates in defined contribution retirement benefit plans (including Housing Provident Fund) organised by relevant government authorities for its employees in the Mainland China and contribute to these plans based on certain percentage of the salaries of the employees on a monthly basis, up to a maximum fixed monetary amount, as stipulated by the relevant government authorities. The government authorities undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans.

The Group has no further obligation for post-employment benefits beyond the contributions made. The Group's contributions to these plans are charged to the consolidated statement of profit or loss as incurred.

4.16 Provision

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliability.

4. Summary of Significant Accounting Policies (continued)

4.17 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, after allowances for returns. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

(a) Sales of goods

Revenue from the sales of goods is recognised when the risk and reward of the goods has been transferred to the customer, which is usually when the Group has delivered the products to the customer, the collectability of the related receivables is reasonably assumed and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

(b) Interest income

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

4.18 Leases

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of profit or loss on a straight-line basis over the period of the lease.

4. Summary of Significant Accounting Policies (continued)

4.19 Dividend distribution

Dividend distribution to the owners is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the owners.

4.20 Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and 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 Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint ventures of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group 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;
- (vi) the entity is controlled or jointly controlled by a person identified in (a); and
- (vii) a person identified in (a) (i) 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).

5. Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions 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) Useful lives of property, plant and equipment

The Group's Management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Impairment of trade and other receivables

The Group's Management estimates the provision of impairment of trade and other receivables by assessing their recoverability. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible and require the use of estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of trade and other receivables and impairment charge in the period in which such estimate has been changed.

5. Critical Accounting Estimates and Judgements (continued)

(c) Net realisable value of inventories

The Group's Management estimates the provision of impairment of inventories by assessing their net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs to completion and estimated costs necessary to make the sale. Provisions are applied to inventories where events or changes in circumstances indicate that the inventory cost may exceed the net realisable value and require the use of estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of inventories and impairment charge in the period in which such estimate has been changed.

(d) Current income tax and deferred income tax

The Group is mainly subject to income tax in Hong Kong and the PRC. Significant judgement is required in determining the provision for income tax. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and provisions in the year in which such determination is made.

Deferred income tax assets and liabilities are determined using income tax rates that are expected to apply when the related deferred income tax assets are realised or the deferred income tax liabilities are settled. The expected applicable income tax rate is determined based on the enacted tax laws and regulations and the actual situation of the Group. The Management will revise the expectation where the final income tax rate is different from the original expectation.

6. Revenue and Operating Segment Information

Revenue, which is also the Group's turnover, represents the aggregate of the net invoiced value of leather products sold, after allowances for returns.

The Group has only one single operating segment as the Group is principally engaged in the manufacturing and sales of leather products which is the basis to allocate resources and assess performance.

The chief operating decision-maker has been identified as the Management. The Management reviews the Group's internal reporting in order to assess performance and allocate resources. The Group focuses primarily on manufacturing and sales of leather products during the periods. Information reported to the chief operating decision-marker, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

(a) Information about major customers

Revenues from customer contributing over 10% of the total revenue of the Group during the periods are as follows:

	Six months ended 31 December		**Three months ended 31 December**	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(audited)	(unaudited)	**(audited)**	(unaudited)
Customer A	**9,067**	7,583	**3,045**	3,048
Customer B	**5,555**	*	**5,555**	*
Customer C	*	8,584	*	2,436
Customer D	*	8,507	*	3,650
Customer E	*	4,353	*	*

* The corresponding revenue did not contribute over 10% of the total sales of the Group for the respective period.

6. Revenue and Operating Segment Information (continued)

(b) Geographical information

The following table sets out information about geographical location of (i) the Group's revenue from external customers and (ii) the Group's non-current assets. The geographical location of customers is based on the location to which the goods are delivered. The geographical location of non-current assets is based on the physical location of the assets excluding deferred tax assets.

Revenue from external customers

	Six months ended 31 December		Three months ended 31 December	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(audited)	(unaudited)	**(audited)**	(unaudited)
United States of America	**15,041**	21,355	**4,286**	7,704
Hong Kong	**7,356**	5,734	**3,346**	2,616
PRC	**6,255**	189	**5,732**	189
Australia	**6,138**	2,451	**4,074**	1,248
Japan	**2,310**	2,105	**343**	341
Malaysia	**2,217**	4,330	**971**	986
South Africa	**1,314**	—	**493**	—
Netherlands	**776**	3,823	**—**	1,983
Others *(Note)*	**650**	1,038	**568**	154
	42,057	41,025	**19,813**	15,221

Note: Other countries included Canada, Italy, South Korea, Mexico, Singapore, New Zealand, Brazil and Cambodia.

6. Revenue and Operating Segment Information (continued)

(b) *Geographical information (continued)*

Non-current assets

	At 31 December 2014 HK$'000 (audited)	At 30 June 2014 HK$'000 (audited)
Hong Kong	**54**	54
PRC	**184**	229
	238	283

7. Other Revenue and Other Income

	Six months ended 31 December		**Three months ended 31 December**	
	2014 HK$'000 (audited)	2013 HK$'000 (unaudited)	**2014 HK$'000 (audited)**	2013 HK$'000 (unaudited)
Interest income	**4**	1	**3**	1
Sales of scrap materials	**3**	3	**2**	—
	7	4	**5**	1

8. (Loss)/Profit Before Tax

The Group's (loss)/profit before tax is arrived at after charging/(crediting):

	Six months ended 31 December		Three months ended 31 December	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(audited)	(unaudited)	**(audited)**	(unaudited)
Auditors' remuneration	**150**	—	**150**	—
Cost of inventories sold*	**23,149**	27,028	**10,809**	9,776
Depreciation of property, plant and equipment*	**65**	53	**31**	25
Exchange losses/(gains), net	**195**	29	**76**	(21)
Operating lease rental in respect of premises	**539**	469	**270**	239
Listing expenses	**13,695**	—	**9,465**	—
Staff costs (including directors' remuneration)*:				
— Salaries and bonus	**5,990**	5,224	**3,016**	1,858
— Pension scheme contributions	**615**	717	**324**	347
	6,605	5,941	**3,340**	2,205

* Included in cost of inventories sold for the six months ended 31 December 2013 and 2014 and three months ended 31 December 2013 and 2014 were depreciation charge of approximately HK$19,000, HK$22,000, HK$10,000 and HK$11,000 respectively and staff costs of approximately HK$3,864,000, HK$2,968,000, HK$1,922,000 and HK$1,390,000, respectively.

9. Finance Costs

	Six months ended 31 December		Three months ended 31 December	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(audited)	(unaudited)	**(audited)**	(unaudited)
Interests on:				
Bank borrowing wholly repayable within a year	**12**	14	**—**	—

10. Income Tax Expense

The income tax expense is as follow:

	Six months ended 31 December		Three months ended 31 December	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(audited)	(unaudited)	**(audited)**	(unaudited)
Current income tax:				
Hong Kong Profits Tax	**1,654**	1,352	**529**	451
The PRC Enterprise Income Tax	**581**	102	**482**	85
Total income tax expense for the period	**2,235**	1,454	**1,011**	536

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

The PRC Enterprise Income Tax (the "EIT") is provided on the assessable income of entity of the Group incorporated in the PRC. Pursuant to the PRC Corporate Income Tax Law, the EIT is unified at 25% for all types of entities effective from 1 January 2008.

10. Income Tax Expense (continued)

The income tax expense for the periods can be reconciled to the (loss)/profit before tax per the consolidated statement of profit or loss as follows:

	Six months ended 31 December		Three months ended 31 December	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(audited)	(unaudited)	**(audited)**	(unaudited)
(Loss)/profit before tax	**(1,294)**	8,190	**(3,840)**	2,862
Tax calculated at the rates applicable to profit in the respective tax jurisdictions	**(43)**	1,340	**(464)**	472
Tax effect of:				
Expenses not deductible for tax purpose	**2,288**	114	**1,485**	64
Income not taxable for tax purpose	**(1)**	—	**(1)**	—
Tax losses utilised from previous periods	**(9)**	—	**(9)**	—
Income tax expense for the period	**2,235**	1,454	**1,011**	536

11. Directors', Chief Executive Officer's and Employees' Remuneration

Directors' remuneration for the periods, disclosed pursuant to the GEM Listing Rules is as follows:

Six months ended 31 December 2014

Name of director	Director fee HK$'000	Salary HK$'000	Other benefits HK$'000	Bonus HK$'000	Pension scheme contributions HK$'000	Total HK$'000
Executive directors						
Ms. Cheung Woon Yiu	—	250	—	—	9	259
Ms. Lam Wai Si Grace	—	282	—	—	9	291
Mr. Ching Wai Man	—	282	—	—	9	291
Non-executive director						
Ms. Ng Lai Hung	—	60	—	—	3	63
	—	874	—	—	30	904

Three months ended 31 December 2014

Name of director	Director fee HK$'000	Salary HK$'000	Other benefits HK$'000	Bonus HK$'000	Pension scheme contributions HK$'000	Total HK$'000
Executive directors						
Ms. Cheung Woon Yiu	—	125	—	—	5	130
Ms. Lam Wai Si Grace	—	141	—	—	4	145
Mr. Ching Wai Man	—	141	—	—	4	145
Non-executive director						
Ms. Ng Lai Hung	—	30	—	—	2	32
	—	437	—	—	15	452

11. Directors', Chief Executive Officer's and Employees' Remuneration (continued)

Six months ended 31 December 2013

Name of director	Director fee HK$'000	Salary HK$'000	Other benefits HK$'000	Bonus HK$'000	Pension scheme contributions HK$'000	Total HK$'000
Executive directors						
Ms. Cheung Woon Yiu	—	250	—	—	—	250
Ms. Lam Wai Si Grace	—	277	—	—	8	285
Mr. Ching Wai Man	—	277	—	—	8	285
Non-executive director						
Ms. Ng Lai Hung	—	—	—	—	—	—
	—	804	—	—	16	820

Three months ended 31 December 2013

Name of director	Director fee HK$'000	Salary HK$'000	Other benefits HK$'000	Bonus HK$'000	Pension scheme contributions HK$'000	Total HK$'000
Executive directors						
Ms. Cheung Woon Yiu	—	125	—	—	—	125
Ms. Lam Wai Si Grace	—	146	—	—	4	150
Mr. Ching Wai Man	—	146	—	—	4	150
Non-executive director						
Ms. Ng Lai Hung	—	—	—	—	—	—
	—	417	—	—	8	425

11. Directors', Chief Executive Officer's and Employees' Remuneration (continued)

Ms. Lam Wai Si Grace is also the Chief Executive Officer of the Company and her emoluments disclosed above include those for services rendered by her as the Chief Executive Officer for the periods.

There were no arrangements under which a director waived or agreed to waive any remuneration during the periods.

During the periods, no remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

Five highest paid employees

The five highest paid employees of the Group for the six months ended 31 December 2013 and 2014 and three months ended 31 December 2013 and 2014 were included 3, 3, 3 and 3 directors respectively, details of whose remuneration are disclosed above. The remuneration of the remaining employees for the six months ended 31 December 2013 and 2014 and three months ended 31 December 2013 and 2014 are 2, 2, 2 and 2, respectively and employees disclosed were as follows:

	Six months ended 31 December		**Three months ended 31 December**	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(audited)	(unaudited)	**(audited)**	(unaudited)
Salaries	**348**	274	**174**	110
Pension scheme contributions	**17**	15	**9**	7
	365	289	**183**	117

11. Directors', Chief Executive Officer's and Employees' Remuneration (continued)

The remuneration fell within the following band:

	Six months ended 31 December		Three months ended 31 December	
	2014	2013	**2014**	2013
	Number of employees (audited)	Number of employees (unaudited)	**Number of employees (audited)**	Number of employees (unaudited)
Nil–HK$500,000	**2**	2	**2**	2

During the periods, no remuneration was paid by the Group to any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

12. Dividends

The dividends declared by Perline to its then shareholders for the periods are as follows:

	Six months ended 31 December		Three months ended 31 December	
	2014	2013	**2014**	2013
	HK$'000 (audited)	HK$'000 (unaudited)	**HK$'000 (audited)**	HK$'000 (unaudited)
Dividend of Perline to the then shareholders of Perline of HK$16 per Perline's share (2013: nil)	**3,200**	—	**3,200**	—

Subsequent to the year ended 30 June 2014, in October 2014, dividend of HK$3,200,000 was approved to be appropriated to the then shareholders of Perline.

Such dividend was fully paid by way of cash in December 2014 and the payment of such dividend was financed by internal resources of Perline.

The Company has not declared any dividends since its incorporation.

13. (Loss)/Earnings Per Share Attributable to Owners of the Company

For the purpose of this report, the calculation of the basic loss/earnings per Share attributable to owners of the Company was based on (i) the loss/profit attributable to owners of the Company for the periods and (ii) the weighted average number of 300,000,000 Shares.

The diluted loss/earnings per Share for the six months and three months ended 31 December 2013 and 2014 are equal to the basic loss/earnings per Share as there were no dilutive potential ordinary shares in issue.

14. Property, Plant and Equipment

	Motor vehicles HK$'000	Furniture, fixtures and office equipment HK$'000	Machinery and equipment HK$'000	Leasehold improvements HK$'000	Total HK$'000
Cost					
At 1 July 2013	242	920	331	282	1,775
Additions	—	30	67	27	124
Exchange alignments	(1)	(2)	(2)	(1)	(6)
At 30 June 2014 and at 1 July 2014	241	948	396	308	1,893
Additions	—	16	4	—	20
At 31 December 2014	241	964	400	308	1,913
Accumulated depreciation					
At 1 July 2013	155	857	205	277	1,494
Charge for the year	36	33	43	10	122
Exchange alignments	(1)	(2)	(2)	(1)	(6)
At 30 June 2014 and at 1 July 2014	190	888	246	286	1,610
Charge for the period	18	16	22	9	65
At 31 December 2014	208	904	268	295	1,675
Carrying amounts					
At 31 December 2014	33	60	132	13	238
At 30 June 2014	51	60	150	22	283

15. Deferred Tax

The following is the major deferred tax assets/(liabilities) recognised and movement during the periods.

	Decelerated depreciation allowances HK$'000	Accelerated depreciation allowances HK$'000	Total HK$'000
At 1 July 2013	23	(18)	5
Recognised in the consolidated statement of profit or loss	(1)	—	(1)
At 30 June 2014, 1 July 2014 and 31 December 2014	22	(18)	4

The above deferred tax assets and liabilities have been offset for presentation purpose in the consolidated statement of financial position.

16. Inventories

	At 31 December 2014 HK$'000 (audited)	At 30 June 2014 HK$'000 (audited)
Raw materials	**2,299**	2,941
Work in progress	**653**	2,977
Finished goods	**239**	2,318
	3,191	8,236

17. Trade Receivables

	At 31 December 2014 HK$'000 (audited)	At 30 June 2014 HK$'000 (audited)
Trade receivables	**9,640**	9,806

Majority of the Group's sales are based on letters of credit and advances before delivery, and the remaining sales are made with credit terms ranged from 10 to 45 days.

The Group's approach to managing credit risk is disclosed in note 26(b) to the financial statements.

Aging analysis

The following is an aging analysis of trade receivables of the Group, presented based on the invoice date.

	At 31 December 2014 HK$'000 (audited)	At 30 June 2014 HK$'000 (audited)
Within 30 days	**7,695**	8,329
31 to 60 days	**1,382**	1,197
61 to 90 days	**403**	70
Over 90 days	**160**	210
	9,640	9,806

17. Trade Receivables (continued)

Aging analysis of trade receivables which are past due but not impaired

Trade receivables disclosed above include amounts (see below for aging analysis) which are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

The following is an aging analysis of trade receivables of the Group which are past due but not impaired. These related to a number of independent customers for whom there is no recent history of default.

	At 31 December 2014 HK$'000 (audited)	At 30 June 2014 HK$'000 (audited)
Within 30 days	**2,802**	8,086
31 to 60 days	**161**	425
61 to 90 days	**379**	44
Over 90 days	**137**	179
	3,479	8,734

18. Deposits, Prepayments and Other Receivables

	At 31 December 2014 HK$'000 (audited)	At 30 June 2014 HK$'000 (audited)
Deposits	184	175
Prepayments	409	122
Other receivables	22	134
	615	431

Deposits are refundable deposits for whom there is no recent history of default.

Other receivables are receivables from independent third parties for whom there is no recent history of default.

19. Cash and Cash Equivalents and Pledged Deposits

	At 31 December 2014 HK$'000 (audited)	At 30 June 2014 HK$'000 (audited)
Cash and bank balances	12,982	15,133
Less: Pledged deposits for banking facilities	(3,012)	—
Cash and cash equivalents	9,970	15,133

19. Cash and Cash Equivalents and Pledged Deposits (continued)

Cash and bank balances are denominated in the following currencies:

	At 31 December 2014 HK$'000 (audited)	At 30 June 2014 HK$'000 (audited)
United States dollars ("USD")	**9,499**	12,061
Hong Kong dollars	**733**	465
Renminbi ("RMB")	**2,397**	1,438
Australia dollars ("AUD")	**51**	54
Euro ("EUR")	**302**	1,115
	12,982	15,133

RMB is not a freely convertible currency in the PRC and the remittance of funds out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the PRC Government. For the Group's cash and cash equivalents denominated in RMB located in Hong Kong, they are not subject to the foreign exchange control.

Pledged deposits represent deposits pledged to banks to secure bank facilities granted to the Group. The pledged deposits carry fixed interest rate of 0.4% per annum. Bank balances earn interests at floating rate based on daily bank deposit rates and are placed with creditworthy banks with no recent history of default.

At 30 June 2014, the Group's banking facilities were supported by the Special Loan Guarantee Scheme of the Government of Hong Kong. The trust receipt loan was not less than 80% guaranteed by the Government of Hong Kong and 100% personally guaranteed by an executive Director. During the six months ended 31 December 2014, new banking facilities were arranged to replace the then existing banking facilities. The aforesaid personal guarantee by an executive Director had been released following the termination of the aforesaid banking facilities. At 31 December 2014, the Group's banking facilities are supported by pledged deposits of approximately HK$3 million.

20. Trade Payables

	At 31 December 2014 HK$'000 (audited)	At 30 June 2014 HK$'000 (audited)
Trade payables	**3,481**	1,811

The following is an aging analysis of the trade payables, presented based on invoice date:

	At 31 December 2014 HK$'000 (audited)	At 30 June 2014 HK$'000 (audited)
Within 30 days	**2,962**	1,740
31 to 60 days	**347**	35
61 to 90 days	**115**	7
Over 90 days	**57**	29
	3,481	1,811

21. Accruals, Other Payables and Trade Deposits Received

	At 31 December 2014 HK$'000 (audited)	At 30 June 2014 HK$'000 (audited)
Accruals	**5,596**	2,793
Other payables	**1,045**	241
Trade deposits received	**2,540**	2,884
	9,181	5,918

Trade deposits received are non-interest-bearing.

22. Amounts due to Directors

At 30 June 2014, amounts due to Directors were interest-free, unsecured and had no fixed terms of repayment. The amounts due to Directors have been fully settled during the six months ended 31 December 2014.

23. Bank Borrowing

Details of the Groups bank borrowing are disclosed in note 19 to the financial statements.

There was no outstanding bank borrowings as at 30 June 2014 and 31 December 2014.

24. Share Capital

As at 30 June 2014, the issued share capital of the Group represented the issued share capital of Perline.

For the purpose of the preparation of the consolidated statement of financial position as at 31 December 2014 , the balance of share capital of the Group represents the issued share capital of the Company.

The Company was incorporated in the Cayman Islands on 3 September 2014 as an exempted company with limited liability with an authorised share capital of HK$1,000,000 divided into 100,000,000 shares of HK$0.01 each. On 3 September 2014, one share of HK$0.01 each was allotted and issued at nil paid to the subscriber. As part of the Reorganisation, on the same date, the Company further allotted and issued 999,999 Shares at nil paid to BVI-Cheung, BVI-Lam and BVI-Ching.

On 11 September 2014, Odella BVI was incorporated in the BVI with an authorised share capital of US$50,000 divided into 50,000 shares of US$1 each. On 11 September 2014, 100 shares in Odella BVI were issued to the Company, and the subscription price of each share was US$1 (i.e. the par value of such share).

24. Share Capital (continued)

On 4 December 2014, Odella BVI acquired from BVI-Cheung, BVI-Lam and BVI-Ching the entired share capital in Perline. In consideration of and in exchange for such acquisition, the Company credited as fully paid the 1,000,000 nil-paid Shares which were first issued on 3 September 2014, and issued to BVI-Cheung, BVI-Lam and BVI-Ching 9,000,000 new Shares in the proportion of 68%, 17% and 15% respectively, all credited as fully paid. On completion, Odella BVI became the sole shareholder of Perline, and the number of issued shares in the Company was increased to 10,000,000. Following the completion of Reorganisation on 4 December 2014, the Company became the holding company of the Group.

25. Reserves

The amounts of the Group's reserves and the movements therein for the periods are presented in the consolidated statement of changes in equity.

26. Financial Risk Management

	At 31 December 2014 HK$'000 (audited)	At 30 June 2014 HK$'000 (audited)
Financial assets		
Loans and receivables (including cash and bank balances)	**22,828**	25,248
Financial liabilities		
Amortised cost	**10,122**	9,669

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity 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.

26. Financial Risk Management (continued)

(a) *Market risk*

(i) *Foreign currency risk*

The Group is mainly exposed to foreign exchange risk arising from future commercial transactions, and from recognised assets and liabilities. The Group is mainly exposed to foreign exchange risk in respect of exchange fluctuation of HK$ against USD, RMB, AUD and EUR. The Group does not hedge its foreign exchange risk during the periods.

As HK$ is pegged to USD, it is assumed that there would be no material foreign exchange risk exposure between USD and HK$ and therefore USD is excluded from the analysis below.

As at 31 December 2013 and 2014, if HK$ had reasonably strengthened/weakened by 5% against RMB, AUD and EUR with all other variables held constant, the profit before tax for each of the periods then ended would have changed mainly as a result of exchange gains/losses on translation to HK$ against the relevant foreign currencies.

26. Financial Risk Management (continued)

(a) Market risk (continued)

(i) Foreign currency risk (continued)

Details of the changes are as follows:

	Six months ended 31 December		Three months ended 31 December	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(audited)	(unaudited)	**(audited)**	(unaudited)
(Loss)/profit before tax increase/(decrease):				
— HK$ strengthened 5% against RMB	**31**	—	**31**	—
— HK$ weakened 5% against RMB	**(31)**	—	**(31)**	—
— HK$ strengthened 5% against AUD	**3**	(21)	**3**	(21)
— HK$ weakened 5% against AUD	**(3)**	21	**(3)**	21
— HK$ strengthened 5% against EUR	**15**	(27)	**15**	(27)
— HK$ weakened 5% against EUR	**(15)**	27	**(15)**	27

(ii) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Except for cash and cash equivalents, the Group has no other significant interest-bearing assets. Management does not anticipate significant impact on interest-bearing assets resulted from the changes in interest rates because the interest rates of cash and cash equivalents are not expected to change significantly.

26. Financial Risk Management (continued)

(a) *Market risk (continued)*

(iii) *Price risk*

Leather is the main raw materials for the Group's production. They account for a substantial portion of the Group's costs of sales. The prices of leather is affected by various factors which are beyond the control of the Group, such as changes in government policies, the supply-demand relation and other unexpected events. The fluctuations of the price may have favourable or unfavourable impacts on the Group. The Group monitors the changes in the market price of leather. The Group did not enter into any hedging of its price risk during the periods.

(b) *Credit risk*

Credit risk mainly arises from deposits at banks, trade receivables, deposits and other receivables.

The Group has no significant concentrations of credit risk due to the customers' base being large and unrelated. The carrying amounts of bank balances, trade receivables, deposits and other receivables included in the consolidated statements of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets. As at 31 December 2014, all bank deposits were deposited into highly reputable and sizable banks without significant credit risk. Majority of the Group's sales are based on letters of credit and advances before delivery, and the remaining sales are made with credit term. Credit will only be granted to selected customers with long-term relationship and good credit history. Deposits and other receivables are made with counterparties with no recent history of default. The Group performs ongoing credit evaluations of its counterparties' financial conditions and has policies in place to ensure that receivables are followed up on a timely basis.

(c) *Liquidity risk*

Cash flow is managed at group level by the Management. The Management monitors the Group's liquidity requirements to ensure that it has sufficient cash to meet operational needs at all times and does not breach borrowing limits or covenants on any of its borrowing facilities. The Management usually takes into consideration the Group's debt financing plans, covenant compliance and compliance with internal ratio targets.

26. Financial Risk Management (continued)

(c) *Liquidity risk (continued)*

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of reporting period to the contractual maturity date. The amounts disclosed in the tables are the contractual undiscounted cash flows.

	At 31 December 2014		
	On demand or within 1 year HK$'000	**Total undiscounted cash flows HK$'000**	**Total carrying amount HK$'000**
Non-derivative financial liabilities			
Trade payables	**3,481**	**3,481**	**3,481**
Accruals and other payables	**6,641**	**6,641**	**6,641**
	10,122	**10,122**	**10,122**

	At 30 June 2014		
	On demand or within 1 year HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
Non-derivative financial liabilities			
Trade payables	1,811	1,811	1,811
Accruals and other payables	3,034	3,034	3,034
Amounts due to Directors	4,824	4,824	4,824
	9,669	9,669	9,669

27. Fair Value Estimation

As at 31 December 2014 and 30 June 2014, the Group did not have any financial assets or financial liabilities that are measured at fair value.

The carrying amount of the Group's financial assets including trade receivables, deposits and other receivables and cash and cash equivalents and financial liabilities including trade payables, accruals and other payables and amounts due to Directors are assumed to approximate their fair values due to their short-term maturities.

28. Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity holder, return capital to equity holder or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as bank borrowings and amounts due to Directors less cash and bank balances.

The gearing ratios as at end of reporting period were as follows:

	At 31 December 2014 HK$'000 (audited)	At 30 June 2014 HK$'000 (audited)
Amounts due to Directors (note 22)	**—**	4,824
Cash and bank balances	**(12,982)**	(15,133)
Net debt (a)	**(12,982)**	(10,309)
Total equity (b)	**10,618**	17,350
Gearing ratio (a)/(b)	**N/A**	N/A

29. Lease Commitments

As lessee

	Six months ended 31 December		Three months ended 31 December	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(audited)	(unaudited)	**(audited)**	(unaudited)
Minimum lease payments paid under operating leases during the periods:				
Premises	**539**	469	**270**	239

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

	At 31 December	At 30 June
	2014	2014
	HK$'000	HK$'000
	(audited)	(audited)
Within one year	**1,242**	653
In the second to fifth years, inclusive	**2,061**	40
	3,303	693

Operating lease payments represent rentals payable by the Group for certain of its premises. Leases are negotiated at terms which ranged from 1 to 5 years. The Group does not have an option to purchase the leased premises at the expiry of the lease periods.

30. Contingent Liabilities

The Group had no significant contingent liabilities at 30 June 2014 and 31 December 2014.

31. Material Related Party Transactions

Save as disclosed elsewhere in the consolidated financial statements and the steps out in the Reorganisation and Placing, the Group has entered into the following transactions with related parties:

(a) The remuneration of Directors and other member of key management during the periods was disclosed as follows:

	Six months ended 31 December		Three months ended 31 December	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(audited)	(unaudited)	**(audited)**	(unaudited)
— Salary and bonus	**874**	804	**437**	417
— Pension scheme contributions	**30**	16	**15**	8

(b) Details of the balances with related parties for the periods are set out in note 22 to the financial statements.

(c) Details of the banking facilities which were 100% personally guaranteed by a Director for the periods are set out in note 23 to the financial statements.

32. Events After the Reporting Period

The following significant events took place subsequent to 31 December 2014:

(a) The Company adopted a share option scheme on 28 January 2015, a summary of the terms and conditions of which are set out in the paragraph headed "Share Option Scheme" in Appendix V "Statutory and General Information" to the Prospectus.

(b) On 28 January 2015, the authorised share capital of the Company was increased from HK$1,000,000 to HK$40,000,000 by the creation of additional 3,900,000,000 shares of HK$0.01 each.

(c) The Shares first became listed on GEM on 12 February 2015.

33. Subsidiaries

As at 31 December 2014, the Company had direct and indirect interests in the following subsidiaries:

Name of company	Country/ place of incorporation/ operation	Share capital/ registered capital	Proportion of ownership interest and voting rights held by the Company[a] %	Principal activities
Odella BVI	British Virgin Islands	USD100 (Ordinary share capital)	100	Investment holding
Perline	Hong Kong	HK$200,000 (Ordinary share capital)	100	Sales, marketing and development of leather products
佛山市南海盛麗皮衣有限公司 (Foshan Nanhai Shengli Leather Garment Co. Ltd.)[(b) and (c)]	PRC	HK$1,500,000 (Registered capital)	100	Manufacture of various leather products, domestic and foreign trading (restricted items being subject to relevant approval)

33. Subsidiaries (continued)

Notes:

(a) Other than Odella BVI which is directly held by the Company, all subsidiaries are indirectly held by the Company.

(b) Wholly foreign-owned enterprise.

(c) The English translation of the name is for identification only.