

Season Pacific Holdings Limited

雲裳衣控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8127



** For identification purpose only*

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This report, for which the directors (the “Directors”) of Season Pacific 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 (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.

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FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

The board of Directors (the “Board”) is pleased to announce the unaudited results of the Company and its subsidiaries (the “Group”) for the three months and six months ended 30 September 2016 together with the comparative unaudited figures for the corresponding periods in 2015 as follows:

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 September 2016

	Notes	For the three months ended 30 September		For the six months ended 30 September	
		2016	2015	2016	2015
		HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Revenue	4	60,167	71,791	93,753	101,594
Cost of sales	5	(41,190)	(49,601)	(63,175)	(68,839)
Gross profit		18,977	22,190	30,578	32,755
Other income	4	–	253	–	253
Selling expenses	5	(1,349)	(876)	(2,649)	(1,561)
General and administrative expenses	5	(4,124)	(9,641)	(8,416)	(20,337)
Operating profit		13,504	11,926	19,513	11,110
Finance expenses	7	(13)	–	(42)	–
Profit before income tax		13,491	11,926	19,471	11,110
Income tax expense	8	(2,319)	(2,783)	(3,397)	(3,747)
Profit and total comprehensive income for the period attributable to owners of the Company		11,172	9,143	16,074	7,363
Basic and diluted earnings per share attributable to owners of the Company (expressed in HK cents per share)	10	1.12	1.08	1.61	0.87

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2016

	Notes	30 September 2016 HK\$'000 (unaudited)	31 March 2016 HK\$'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	11	1,223	954
Deferred income tax asset		262	262
Prepayments and deposits	12	5,284	5,784
		6,769	7,000
Current assets			
Trade and bills receivables, prepayments and deposits	12	22,169	15,884
Cash and cash equivalents		41,090	29,560
		63,259	45,444
Total assets		70,028	52,444
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	13	10,000	10,000
Other reserves		9,820	9,820
Retained earnings		32,483	16,409
Total equity		52,303	36,229
Non-current liability			
Provision for reinstatement cost	14	250	250
Current liabilities			
Trade, bills and other payables	14	10,166	14,806
Bank borrowing	15	3,600	–
Current income tax liabilities		3,709	1,159
		17,475	15,965
Total liabilities		17,725	16,215
Total equity and liabilities		70,028	52,444

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2016

	Share capital	Attributable to owners of the Company			Total equity
		Share premium	Capital reserve (Note (a))	Retained earnings	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 April 2016	10,000	9,810	10	16,409	36,229
<i>Total comprehensive income</i>					
Profit for the period ended 30 September 2016	-	-	-	16,074	16,074
Balance at 30 September 2016 (unaudited)	10,000	9,810	10	32,483	52,303
Balance at 1 April 2015	-	-	10	24,270	24,280
<i>Total comprehensive income</i>					
Profit for the period ended 30 September 2015	-	-	-	7,363	7,363
<i>Transactions with owners in their capacity as owners</i>					
Dividends (Note 9)	-	-	-	(12,000)	(12,000)
Shares issued upon capitalisation (Note (b))	8,500	(8,500)	-	-	-
Total transactions with owners in their capacity of owners	8,500	(8,500)	-	(12,000)	(12,000)
Balance at 30 September 2015 (unaudited)	8,500	(8,500)	10	19,633	19,643

Notes:

- (a) Capital reserve of HK\$10,000 represented the difference between the combined capital of group subsidiaries acquired over the nominal value of the share capital of the Company issued in exchange thereof in the group reorganisation prior to the listing of the Company's shares on GEM.
- (b) On 22 September 2015, the authorised share capital of the Company increased from HK\$380,000 to HK\$100,000,000 by the creation of additional 9,962,000,000 shares of HK\$0.01 each. On the same date, the Company capitalised an amount of HK\$8,499,990 by charging to the share premium account of the Company at condition and that the said sum to be applied in paying up in full for 849,999,000 shares. Such shares are allotted and issued, credited as fully paid to the then shareholders of the Company.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2016

	For the six months ended 30 September	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Cash flows from operating activities		
Cash generated from operations	9,314	17,561
Income tax paid	(847)	(3,831)
Net cash generated from operating activities	8,467	13,730
Cash flows from investing activity		
Purchases of property, plant and equipment	(495)	(83)
Cash used in investing activity	(495)	(83)
Cash flows from financing activities		
Increase in short-term bank borrowing	3,600	–
Decrease in amount due to a director	–	(6,928)
Payment of listing expenses (equity portion)	–	(634)
Interest paid	(42)	–
Dividends paid to the then owner of a company now comprising the Group	–	(12,000)
Net cash generated from/(used in) financing activities	3,558	(19,562)
Net increase/(decrease) in cash and cash equivalents	11,530	(5,915)
Cash and cash equivalents at beginning of the period	29,560	29,366
Cash and cash equivalents at the end of the period	41,090	23,451

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL

The Company was incorporated in the Cayman Islands on 11 May 2015 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company has established a place of business in Hong Kong at 5/F, AIA Financial Centre, 112 King Fuk Street, San Po Kong, Kowloon, Hong Kong.

The Company is an investment holding company. The Group is principally engaged in sales of apparel products with the provision of supply chain management total solutions to customers. The ultimate holding company of the Company is Alpha Direct Investments Limited ("Alpha Direct").

The shares of the Company (the "Share(s)") have been listed on GEM by way of placing (the "Listing") on 7 October 2015 (the "Listing Date").

2 BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the three months and six months ended 30 September 2016 (the "Interim Financial Information") have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure provisions of the GEM Listing Rules. The Interim Financial Information has been prepared under the historical cost convention and is presented in Hong Kong Dollars ("HK\$"), and all values are rounded to the nearest thousand except when otherwise indicated.

The Interim Financial Information does not include all of the information and disclosures required in annual financial statements in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which comprises all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the HKICPA, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2016.

The preparation of the Interim Financial Information requires the Company's management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing the Interim Financial Information, the significant judgments made by the Company's management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's annual financial statements for the year ended 31 March 2016.

NOTES TO THE FINANCIAL STATEMENTS

3 ACCOUNTING POLICIES

Except for the adoption of new and revised HKFRSs issued by the HKICPA, which are effective for the Company's financial year beginning on 1 April 2016, the accounting policies applied in preparing the Interim Financial Information are consistent with those of the annual financial statements for the year ended 31 March 2016, as described in the Company's annual report for the year ended 31 March 2016. The Directors anticipate that the application of these new and revised HKFRSs will not have material impact on the Interim Financial Information. The Group has not early adopted any new and revised HKFRSs that have been issued by the HKICPA but are not yet effective.

4 SEGMENT INFORMATION

The executive Directors have been identified as the chief operating decision makers of the Group who review the Group's internal reporting in order to assess performance and allocate resources.

The Group is principally engaged in sales of apparel products with the provision of supply chain management total solutions to customers. Information reported to the executive Directors for the purpose of resources allocation and performance assessment focuses on the operation results of the Group as a whole as the Group's resources are integrated. Accordingly, the Group has identified one operating segment — sales of apparel with the provision of supply chain management total solutions to customers, and segment disclosures are not presented.

Analysis of revenue and other income is as follows:

	For the three months ended 30 September		For the six months ended 30 September	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Revenue				
Sales of goods	60,167	71,791	93,753	101,594
Other income				
Service fee income	–	253	–	253
Total revenue and other income	60,167	72,044	93,753	101,847

NOTES TO THE FINANCIAL STATEMENTS

4 SEGMENT INFORMATION *(Continued)*

Revenue from external customers is analysed by region as follows:

	For the three months ended 30 September		For the six months ended 30 September	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
America	47,815	25,897	71,555	36,721
Middle East	2,748	21,009	12,423	32,122
Europe	8,543	23,093	8,820	25,702
Africa	945	–	839	–
Asia Pacific	116	1,792	116	7,049
	60,167	71,791	93,753	101,594

Revenue individually generated from the following customers contributed more than 10% of the total revenue of the Group:

	For the three months ended 30 September		For the six months ended 30 September	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Customer A	13,734	14,563	28,619	22,347
Customer B	20,500	–	20,500	–
Customer C	6,432	9,976	11,623	10,606
Customer D	306	15,479	9,265	26,491
Customer E	7,638	9,393	7,638	9,393

NOTES TO THE FINANCIAL STATEMENTS

5 EXPENSES BY NATURE

	For the three months ended 30 September		For the six months ended 30 September	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Cost of goods sold	39,606	47,738	59,864	65,142
Sales commission				
— to a related company (Note 17)	—	363	—	670
— to third parties	780	169	1,496	396
Depreciation of property, plant and equipment	108	312	226	622
Reversal of provision for impairment of trade receivables (Note 12)	—	—	—	(58)
Operating lease rentals in respect of				
— office	832	821	1,665	1,622
— staff quarter	191	191	382	375
— car park	59	51	114	101
Auditors' remuneration				
— Audit services	270	250	540	500
— Non-audit services	—	—	—	—
Employee benefit expenses (Note 6)	3,344	3,373	6,812	6,240
Entertainment and travelling expenses	332	576	576	1,116
Listing expenses	—	4,939	—	11,598
Other expenses	1,141	1,335	2,565	2,413
Total cost of sales, selling expenses and general and administrative expenses	46,663	60,118	74,240	90,737

NOTES TO THE FINANCIAL STATEMENTS

6 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	For the three months ended 30 September		For the six months ended 30 September	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Salaries, bonus and other short-term employee benefits	3,238	3,262	6,599	6,024
Pension costs — defined contribution plans	106	111	213	216
	3,344	3,373	6,812	6,240

7 FINANCE EXPENSES

	For the three months ended 30 September		For the six months ended 30 September	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Interest expenses on bank borrowing	13	—	42	—

8 INCOME TAX EXPENSE

The amount of taxation charged to the unaudited consolidated statement of comprehensive income represents:

	For the three months ended 30 September		For the six months ended 30 September	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Hong Kong profits tax — Current income tax	2,319	2,783	3,397	3,747

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for each of the periods shown above. The Group is not subject to taxation in the Cayman Islands or the British Virgin Islands.

NOTES TO THE FINANCIAL STATEMENTS

9 DIVIDENDS

The Board does not recommend any payment of dividend for the six months ended 30 September 2016. Dividends of HK\$12,000,000 out of the profits of Seazon Pacific Limited for the year ended 31 March 2015 were proposed and approved on 4 June 2015 and were fully paid on 31 August 2015.

10 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the respective periods. In determining the weighted average number of ordinary shares, the 693 ordinary shares of the Company issued to Alpha Direct during the group reorganisation prior to the Listing (the "Reorganisation") and the additional 654,499,230 shares of the Company under the capitalisation on 22 September 2015 were treated as if they had been in issue since 1 April 2014; the 135 ordinary shares of the Company issued to Success Time Holdings Limited ("Success Time") during the Reorganisation and the additional 127,499,850 shares of the Company under the capitalisation on 22 September 2015 were treated as if they had been in issue since 13 February 2015; and the 72 ordinary shares of the Company issued to Wise Manner Limited ("Wise Manner") during the Reorganisation and the additional 67,999,920 shares of the Company under the capitalisation on 22 September 2015 were treated as if they had been in issue since 10 April 2015.

	For the three months ended 30 September		For the six months ended 30 September	
	2016 (unaudited)	2015 (unaudited)	2016 (unaudited)	2015 (unaudited)
Profit attributable to owners of the Company (HK\$'000)	11,172	9,143	16,074	7,363
Weighted average number of ordinary Shares in issue ('000)	1,000,000	850,000	1,000,000	843,033
Basic earnings per Share (HK cents per Share)	1.12	1.08	1.61	0.87

(b) Diluted

For the six months ended 30 September 2016 and 2015, diluted earnings per Share were equal to the basic earnings per Share as there were no potential dilutive ordinary Shares outstanding during the respective periods.

NOTES TO THE FINANCIAL STATEMENTS

11 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2016, the Group purchased property, plant and equipment of approximately HK\$495,000 (six months ended 30 September 2015: HK\$83,000).

12 TRADE AND BILLS RECEIVABLES, PREPAYMENTS AND DEPOSITS

	30 September 2016 HK\$'000 (unaudited)	31 March 2016 HK\$'000 (audited)
Trade and bills receivables	10,905	9,996
Payment in advance to suppliers	6,777	4,087
Prepaid incentive fee (<i>Note (a)</i>)	4,454	4,954
Advance payment of sales commission (<i>Note a</i>)	2,779	–
Rental deposits	1,884	1,891
Prepayments	551	581
Other receivables	103	159
	27,453	21,668
Less: Non-current portion		
Long-term portion of prepaid incentive fee	(3,454)	(3,954)
Long-term portion of rental deposits	(1,830)	(1,830)
	22,169	15,884

Note:

- (a) On 14 March 2016, the Group entered into a consultancy agreement with Asian Succeed Limited ("Asian Succeed"), an independent third party, to appoint Asian Succeed as the consultant to provide consultancy services in relation to the sales of the Group's products and services to the Group for a period of five years. On the commencement date, 15 March 2016, the Group shall pay a sign up and incentive fee to Asian Succeed of HK\$5,000,000. As at 30 September 2016, the Group recognised HK\$4,454,000 (31 March 2016: HK\$4,954,000) as prepaid incentive fee to Asian Succeed. The prepaid incentive fee is subject to amortisation of five years and an incentive fee of HK\$500,000 has been charged to the unaudited consolidated statement of comprehensive income for the six months ended 30 September 2016. Besides, the Group shall also pay a sum of HK\$3,000,000 as advance payment of sales commission to Asian Succeed. As at 30 September 2016, the Group recognised approximately HK\$2.8 million as advance payment of sales commission to Asian Succeed and sales commission of approximately HK\$0.2 million has been charged to the unaudited consolidated statement of comprehensive income for the six months ended 30 September 2016.

The carrying amounts of trade and bills receivables, prepayments and deposits approximated their fair values.

NOTES TO THE FINANCIAL STATEMENTS

12 TRADE AND BILLS RECEIVABLES, PREPAYMENTS AND DEPOSITS *(Continued)*

The Group's sales are with credit terms of up to 90 days. The ageing analysis of trade and bills receivables, based on due date, is as follows:

	30 September 2016 HK\$'000 (unaudited)	31 March 2016 HK\$'000 (audited)
Current	8,247	3,576
1 to 30 days	1,018	3,083
31 to 60 days	973	916
61 to 90 days	–	2,324
Over 90 days	667	97
Past due but not impaired	2,658	6,420
Total trade and bills receivables	10,905	9,996

Trade receivables that were past due but not impaired related to a number of independent customers for whom there has been no significant financial difficulty and based on past experience, the overdue amounts could be recovered.

As at 30 September and 31 March 2016, no trade receivables were impaired.

Movements on the provision for impairment of trade receivables are as follows:

	HK\$'000
At 1 April 2016 and 30 September 2016 (unaudited)	–
At 1 April 2015	58
Reversal of provision for impairment of trade receivables	(58)
At 30 September 2015 (unaudited)	–

NOTES TO THE FINANCIAL STATEMENTS

13 SHARE CAPITAL

Authorised share capital

	Number of ordinary shares	Nominal value of ordinary shares HK\$ (unaudited)
As at 31 March 2016 and 30 September 2016	10,000,000,000	100,000,000

Issued and fully paid

	Number of ordinary shares	Nominal value of ordinary shares HK\$ (unaudited)
As at 31 March 2016 and 30 September 2016	1,000,000,000	10,000,000

14 PROVISION FOR REINSTATEMENT COST, TRADE, BILLS AND OTHER PAYABLES

	30 September 2016 HK\$'000 (unaudited)	31 March 2016 HK\$'000 (audited)
Trade and bills payable	6,868	4,440
Commission payable		
— to a third party	—	106
Receipts in advance from customers	950	1,309
Provision for reinstatement cost	250	250
Accrued employee benefits expenses	1,077	1,062
Incentive fee payable	—	5,000
Design fee payable	—	1,793
Other accruals and payables	1,271	1,096
	10,416	15,056
Less: Non-current portion		
Provision for reinstatement cost	(250)	(250)
	10,166	14,806

NOTES TO THE FINANCIAL STATEMENTS

14 PROVISION FOR REINSTATEMENT COST, TRADE, BILLS AND OTHER PAYABLES *(Continued)*

Trade and bills payable

The ageing analysis of the trade and bills payable based on due date is as follows:

	30 September 2016 HK\$'000 (unaudited)	31 March 2016 HK\$'000 (audited)
Current	5,303	3,700
1 to 30 days	796	145
31 to 60 days	50	505
61 to 90 days	1	46
Over 90 days	718	44
	6,868	4,440

15 BANK BORROWING

As at 30 September 2016, the bank borrowing was, which was denominated in Hong Kong dollars, repayable on demand and carried at amortised cost (31 March 2016: nil). Interest was charged at one-month Hong Kong Interbank Offered Rate +1% per annum.

As at 30 September 2016, the Group had aggregate banking facilities of HK\$73,570,000 for overdrafts, import facilities, loans, trust receipts, business card and factoring. These facilities were secured/ guaranteed by (i) an unlimited guarantee from the Company and (ii) an unlimited guarantee from Trinity Ally Limited, being a subsidiary of the Company.

NOTES TO THE FINANCIAL STATEMENTS

16 COMMITMENTS

The Group leases its office and staff quarter under non-cancellable operating lease agreements. The lease terms range from two to three years.

The future aggregate minimum lease payments under non-cancellable operating leases of the Group are as follows:

	30 September 2016 HK\$'000 (unaudited)	31 March 2016 HK\$'000 (audited)
No later than 1 year	4,088	3,520
Later than 1 year and no later than 5 years	2,403	3,602
	6,491	7,122

The Group did not have any material capital commitments as at 30 September and 31 March 2016.

17 RELATED PARTY TRANSACTIONS

- (a) The Directors are of the view that the following parties/company were related parties that had transactions or balances with the Group during the six months ended 30 September 2016 and 2015:

Name of the related party	Relationship with the Group
Mr. Cheung Lui	Executive director and ultimate shareholder of the Company
Seven Retail Limited	Formerly controlled by Ms. Mang Ngai, a shareholder of the Company and it was no longer controlled by Ms. Mang starting from 20 June 2015

(b) **Transaction with related party**

Save as disclosed elsewhere in the Interim Financial Information, no related party transaction was noted for the six months ended 30 September 2016, while during the six months ended 30 September 2015, the commission expenses paid to Seven Retail Limited and regarded as related party transaction was HK\$670,000.

NOTES TO THE FINANCIAL STATEMENTS

17 RELATED PARTY TRANSACTIONS *(Continued)*

(c) Key management compensation

Key management includes executive and non-executive Directors, five highest paid individuals and other senior management of the Group. The compensation paid or payable to key management for employee services is shown below:

	For the three months ended 30 September		For the six months ended 30 September	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Salaries, bonus and other short-term employee benefits	1,530	1,181	3,059	2,060
Pension costs — defined contribution plans	26	23	51	42
	1,556	1,204	3,110	2,102

(d) Other arrangement with related party

No other arrangement with related party was noted for the six months ended 30 September 2016. During the month ended 30 April 2015, the operating lease agreement for the office was entered by Seven Retail Limited and the landlord. Seven Retail Limited had assigned all the liabilities and obligation under the operating lease agreement to the Group.

18 CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 September and 31 March 2016.

19 SUBSEQUENT EVENT

Save as disclosed in other part of this interim report, the following significant event took place subsequent to 30 September 2016:

On 31 October 2016, the Board announced that the board lot size of the Shares for trading on the Stock Exchange would be changed from 20,000 Shares to 1,000 Shares with effect from 9:00 a.m. on Tuesday, 22 November 2016. For further details, please refer to the Company's announcement dated 31 October 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Although the Group's revenue slightly dropped to approximately HK\$93.8 million for the six months ended 30 September 2016, representing a decrease of approximately 7.7% as compared with that for the six months ended 30 September 2015, the Group recorded a profit and total comprehensive income attributable to owners of the Company of approximately HK\$16.1 million for the six months ended 30 September 2016, representing an increase of approximately 117.6% as compared with that for the six months ended 30 September 2015. Such an increase was mainly attributable to nil listing expense incurred for the six months ended 30 September 2016, while there was approximately HK\$11.6 million non-recurring listing expenses incurred for the six months ended 30 September 2015. During the six months ended 30 September 2016, the Group was still affected by the challenging global business environment, it, however, strived to maintain the Group's gross profit margin by continuously offering innovative supply chain management total solutions to retain existing and attract new customers.

On 7 October 2015, the Shares were successfully listed on GEM by way of placing (the "Placing"). After deducting all the relevant commission and expenses borne by the Company, there are approximately HK\$5.1 million of net proceeds from the Placing. During the period from the Listing Date to 30 September 2016, approximately HK\$1.9 million was utilised in accordance with the business strategies as set out in the Company's prospectus dated 29 September 2015 in relation to the Placing (the "Prospectus"). Further details are set out in the section headed "Use of Proceeds" in this report.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased to approximately HK\$93.8 million for the six months ended 30 September 2016 from approximately HK\$101.6 million for the six months ended 30 September 2015, representing a decrease of approximately 7.7%. Although the Group was able to make a significant growth in sales to the American market, the sales to the Middle East and European markets dropped due to overall economic sentiment in the Middle East being adversely affected by the fluctuation on the oil price and discontinuance of order in European market which would expose the Group to high credit risk.

Cost of sales

The Group's cost of sales primarily consists of cost of goods sold, employee benefit expenses and other direct costs. The cost of sales decreased to approximately HK\$63.2 million for the six months ended 30 September 2016 from approximately HK\$68.8 million for the six months ended 30 September 2015, representing a decrease of approximately 8.1%. The Group's cost of sales decreased along with the drop in revenue for the six months ended 30 September 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross profit and gross profit margin

The Group's gross profit decreased to approximately HK\$30.6 million for the six months ended 30 September 2016 from approximately HK\$32.8 million for the six months ended 30 September 2015, representing a decrease of approximately 6.7%. The Group's gross profit margin slightly increased to approximately 32.6% for the six months ended 30 September 2016 from approximately 32.2% for the six months ended 30 September 2015. Despite the tough trading environment during the six months ended 30 September 2016, the Group strived to maintain the gross profit margin by providing both high quality designs and innovative total supply chain solutions for higher gross profit margin, and also products with competitive pricing to certain customers.

Selling expenses

Selling expenses mainly consist of sales commission paid to the external sales representatives and staff costs of in-house staff whose role are mainly focused on sourcing new customers. Selling expenses increased to approximately HK\$2.6 million for the six months ended 30 September 2016 from approximately HK\$1.6 million for the six months ended 30 September 2015, representing an increase of approximately 62.5%. The increase in selling expenses was mainly attributable to additional staff costs paid to a new merchandising team since June 2015 and service fee paid to a new consultant pursuant to a consultancy agreement entered into with an independent third party for provision of consultancy services to the Group in relation to the sales of the Group's products and services since March 2016.

General and administrative expenses

General and administrative expenses primarily consist of employee benefit expenses, operating lease rentals mainly for office, entertainment and travelling expenses, depreciation of property, plant and equipment, legal and professional fees and other miscellaneous general and administrative expenses. General and administrative expenses decreased to approximately HK\$8.4 million for the six months ended 30 September 2016 from approximately HK\$20.3 million for the six months ended 30 September 2015, representing a decrease of approximately 58.6%. Such a decrease was mainly due to nil listing expense incurred for the six months ended 30 September 2016, while approximately HK\$11.6 million non-recurring listing expenses incurred for the six months ended 30 September 2015.

Profit and total comprehensive income attributable to owners of the Company

Profit and total comprehensive income attributable to owners of the Company increased to approximately HK\$16.1 million for the six months ended 30 September 2016 from approximately HK\$7.4 million for the six months ended 30 September 2015, representing an increase of approximately 117.6%. The increase in profit and total comprehensive income was mainly due to nil listing expense incurred for the six months ended 30 September 2016, while approximately HK\$11.6 million non-recurring listing expenses incurred for the six months ended 30 September 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

During the six months ended 30 September 2016, the Group mainly financed its operations with its own working capital and net proceeds from the Placing. As at 30 September and 31 March 2016, the Group had net current assets of approximately HK\$45.8 million and HK\$29.5 million respectively, including cash and bank balances of approximately HK\$41.1 million and HK\$29.6 million respectively. The Group's current ratio increased from approximately 2.8 as at 31 March 2016 to approximately 3.6 as at 30 September 2016. Such an increase was mainly attributable to the increase in cash and cash equivalents as at 30 September 2016.

Gearing ratio is calculated by dividing total debts by total equity as at the end of the period. As at 30 September 2016, the Group's gearing ratio was approximately 0.1 times, while the Group had nil balance of bank borrowings or payables incurred not in the ordinary course of business as at 31 March 2016.

TREASURY POLICIES

The Group adopts prudent treasury policies. The Group's management performs ongoing credit evaluation of the financial conditions of the customers in order to reduce the Group's exposure of credit risk. Besides, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

COMMITMENTS

The Group's contractual commitments primarily related to the leases of its office premises and staff quarter. The Group's operating lease commitments amounted to approximately HK\$6.5 million and HK\$7.1 million as at 30 September and 31 March 2016 respectively. As at 30 September 2016, the Group did not have any significant capital commitments (31 March 2016: nil).

CAPITAL STRUCTURE

Details of changes in the Company's share capital are set out in note 13 to the Interim Financial Information of the Group.

SIGNIFICANT INVESTMENTS

As at 30 September 2016, the Group did not hold any significant investments.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the six months ended 30 September 2016, the Group did not have any acquisitions or disposals of subsidiaries and affiliated companies.

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

FOREIGN EXCHANGE EXPOSURE

The Group's exposure to currency risk primarily related to Hong Kong dollars (HK\$) and Euro dollars ("EUR"). As at 30 September and 31 March 2016, foreign exchange risk on financial assets and liabilities denominated in EUR was insignificant to the Group. Although the Group's revenue and major expenses are mainly in US\$, which is the functional currency of the Group, as HK\$ is pegged to US\$, the Group does not expect any significant movement in the US\$/HK\$ exchange rate. The Group does not undertake any foreign currency hedging currently.

PLEDGE OF ASSETS

As at 30 September 2016, the Group did not pledge any of its assets (31 March 2016: nil) as securities for any facilities granted to the Group.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2016 and 2015, the Group employed a total of 33 full-time employees respectively. The Group's employee benefit expenses mainly included salaries, wages, other staff benefits and contributions to retirement schemes. For the six months ended 30 September 2016 and 2015, the Group's total employee benefit expenses (including Directors' emoluments) amounted to approximately HK\$6.8 million and HK\$6.2 million respectively. Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. In addition to a basic salary, year-end bonuses would be discretionary offered to those employees with outstanding performance.

USE OF PROCEEDS

The Shares have been successfully listed on GEM on 7 October 2015. The actual net proceeds from the Placing, after deducting commission and expenses borne by the Company in connection with the Placing, were approximately HK\$5.1 million (the "Actual Net Proceeds"), which were less than the estimated one stated in the Prospectus. Thus, the Company plans to apply the Actual Net Proceeds on the same business strategic plans as stated in the Prospectus for the period from 1 October 2015 to 30 June 2018 (the "Period") but with monetary adjustments to each business strategic plan on a pro rata basis. As the Placing completed after 30 September 2015, the estimated use of proceeds for the period ended 30 September 2015 as stated in the Prospectus would be foregone. Table below sets out an adjusted allocation and the actual use of the Actual Net Proceeds for the period from the Listing Date to 30 September 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

Business strategies as set out in the Prospectus	Adjusted allocation of the Actual Net Proceeds	Actual use of the Actual Net Proceeds
	For the period from Listing Date to 30 September 2016	
	HK\$'000	HK\$'000
Expand the geographical coverage of the Group's customers <i>(Note 1)</i>	633	633
Expand the geographical base of the Group's third-party manufacturers	291	184
Further develop the Group's design and development capabilities	449	425
Expand the Group's product types to further cater to customers' needs	348	348
General working capital	<i>(Note 2)</i>	330
Total	1,721	1,920

Notes:

1. The Actual Net Proceeds would only be utilised for, among others, salary of the team head for the new merchandising team subsequent to the Placing.
2. There is approximately HK\$330,000 for the Period.

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PROSPECTS

The substantial market volatility, particularly coming from the uncertainty regarding Brexit and the economic implications in the Eurozone as well as oil price volatility which has affected the Group's sales to the Middle East may continue to cause short term challenges to some of the Group's major markets. The Group expects tough economic conditions for the current financial year and both sales and profit margins will continue to be under pressure. Nevertheless, the Group is confident to maintain its organic growth by utilising the net proceeds from the Placing as planned in expanding the geographic coverage of customers, and providing innovative solutions and products that cater to customers' needs.

In March 2016, the Company has entered into a consultancy agreement with an independent third party for provision of consultancy services to the Group in relation to the sales of the Group's products and services for a period of five years. The Group expects such consultant, which has extensive network and immense experience in apparel industry worldwide, will introduce the Group new customers and business opportunities with the aim to further broaden the Group's customer base for continuous growth, if and when opportunities arise. With profound knowledge in the industry, the consultant will advise the Group appropriate strategies with respect to marketing and promotion of products, partnerships with brands and new innovation technologies in the retail and fashion space for the Group on a global scale. The Directors are confident that the Group is able to expand the markets and types of customers served and to become a leading supply chain management company in Hong Kong with full vertical value propositions to its clients from the factory to the consumer.

OTHER INFORMATION

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

As at 30 September 2016, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong)) (the "SFO") which would have to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which would be required, pursuant to section 352 of the SFO, to be entered in the register as referred to therein, or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors to be notified to the Company and the Stock Exchange, are as follows:

Name of Director	Capacity/nature of interest	Number of Shares	Percentage of interest in the Company
Mr. Cheung Lui ("Mr. Cheung")	Interest in controlled corporation (<i>Note</i>)	554,500,000 (long position)	55.45%

Note: Alpha Direct is wholly-owned by Mr. Cheung. Therefore, Mr. Cheung is deemed to be interested in the Shares held by Alpha Direct under the SFO.

Save as disclosed above, as at 30 September 2016, none of the Directors and chief executive of the Company had any interests and short positions in the Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors to be notified to the Company and the Stock Exchange.

OTHER INFORMATION

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 September 2016, so far as it is known to the Directors, the following persons, not being a Director or chief executive of the Company, had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name	Capacity/nature of interest	Number of Shares	Percentage of interest in the Company
Alpha Direct	Beneficial owner	554,500,000	55.45%
Ms. Ngan Shui Ling Crystal	Interest of spouse (<i>Note 1</i>)	554,500,000	55.45%
Success Time	Beneficial owner	57,500,000	5.75%
Mr. Yip Chung Wai David ("Mr. Yip")	Interest in controlled corporation (<i>Note 2</i>)	57,500,000	5.75%
Ms. Chang Mei Nai Vinnie	Interest of spouse (<i>Note 2</i>)	57,500,000	5.75%
Wise Manner	Beneficial owner	68,000,000	6.8%
Ms. Mang Ngai ("Ms. Mang")	Interest in controlled corporation (<i>Note 3</i>)	68,000,000	6.8%

Notes:

- Alpha Direct is wholly-owned by Mr. Cheung. Ms. Ngan Shui Ling Crystal ("Mrs. Cheung"), being the spouse of Mr. Cheung, is deemed to be interested in all the Shares that Mr. Cheung is interested in. Accordingly, Mrs. Cheung is deemed to be interested in the 554,500,000 Shares held by Alpha Direct under the SFO.
- Success Time is wholly-owned by Mr. Yip. Ms. Chang Mei Nai Vinnie ("Mrs. Yip"), being the spouse of Mr. Yip, is deemed to be interested in all the Shares that Mr. Yip is interested in. Accordingly, each of Mr. Yip and Mrs. Yip is deemed to be interested in the 57,500,000 Shares held by Success Time under the SFO.
- Wise Manner is wholly-owned by Ms. Mang. Accordingly, Ms. Mang is deemed to be interested in the 68,000,000 Shares held by Wise Manner under the SFO.

Save as disclosed above, as at 30 September 2016, the Directors are not aware of any interests and short positions owned by any parties (other than a Director or chief executive of the Company) in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

The Company's corporate governance practices are based on principles and code provisions as set out in the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules ("CG Code"). The Board and the management of the Company are committed to maintaining and achieving a high standard of corporate governance practices with an emphasis on a quality Board, an effective accountability system and a healthy corporate culture in order to safeguard the interests of the Shareholders and enhance the business growth of the Group.

During the six months ended 30 September 2016, the Company has complied with all the code provisions as set out in the CG Code except the deviation stated in the following paragraph.

Paragraph A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. However, the Board is of the view that although Mr. Cheung is the chairman and chief executive officer of the Company, this structure will not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high caliber individuals and meets regularly to discuss issues affecting the operations of the Company. The Board believes that this structure is conducive to strong and consistent leadership, enabling the Group to make and implement decisions efficiently, and thus is in the best interest of the Group. The Board has full confidence in Mr. Cheung and believes that his appointment to the posts of chairman and chief executive officer of the Company is beneficial to the business prospects of the Group.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having been made specific enquiry by the Company, all Directors confirmed that they have complied with the required standard of dealings and the code of conduct concerning securities transactions by the Directors during the six months ended 30 September 2016.

SHARE OPTION SCHEME

A share option scheme was adopted and approved by the then shareholders of the Company on 22 September 2015 (the "Share Option Scheme"). No share options have been granted pursuant to the Share Option Scheme since its adoption.

OTHER INFORMATION

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

During the six months ended 30 September 2016, the Company did not redeem any of its Shares listed on GEM nor did the Company or any of its subsidiaries purchase or sell any such Shares.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No Director had a material interest in any contract of significance to the business of the Group, to which the Company or any of its subsidiaries was a party during the six months ended 30 September 2016.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the six months ended 30 September 2016 and up to the date of this report, none of the Directors or any of their respective close associates, engaged in any business that competes or might compete with the business of the Group, or had any other conflict of interest with the Group.

NON-COMPETITION UNDERTAKING

The Company confirms that the non-competition undertaking of Ms. Mang and Wise Manner, details of which were set out in the Prospectus has been fully complied and enforced during the six months ended 30 September 2016. The Board also confirms that there are no other matters in relation to the aforesaid undertaking which should be brought to the attention of the Shareholders and the potential investors.

INTERESTS OF THE COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Guotai Junan Capital Limited ("Guotai Junan") to be the compliance adviser. As informed by Guotai Junan, neither Guotai Junan nor any of its directors or employees or associates, has or may have, any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities), which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules, except for the compliance adviser agreement entered into between the Company and Guotai Junan dated 22 June 2015.

OTHER INFORMATION

AUDIT COMMITTEE

The audit committee of the Company (the “Audit Committee”) was established on 22 September 2015 with its terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and code provision C.3.3 of the CG Code. The terms of reference of the Audit Committee have been revised on 30 March 2016 to reflect the additional responsibilities of the Audit Committee arising from the Stock Exchange’s amendments on risk management and internal control under the Code on Corporate Governance applicable to listed companies with an accounting period beginning on or after 1 January 2016.

The primary duties of the Audit Committee are mainly to make recommendations to the Board on the appointment and removal of external auditor, review the financial statements and material advice in respect of financial reporting, and oversee risk management and internal control systems of the Group.

The Audit Committee currently consists of three members, namely Mr. Ng Ka Lok (chairman of the Audit Committee), Mr. Choi Sheung Jeffrey and Ms. Luk Yung Yung Claire, all being independent non-executive Directors. No member of the Audit Committee is a member of the former or existing independent auditor of the Company. The Audit Committee has reviewed the interim report, including the Interim Financial Information.

By order of the Board

Season Pacific Holdings Limited
Cheung Lui

Chairman, Chief Executive Officer & Executive Director

Hong Kong, 8 November 2016

As at the date of this report, the executive Directors are Mr. Chak Ka Wai and Mr. Cheung Lui, the non-executive Director is Ms. Chan Hong Nei Connie; and the independent non-executive Directors are Mr. Choi Sheung Jeffrey, Ms. Luk Yung Yung Claire and Mr. Ng Ka Lok.