



Vision International Holdings Limited

威誠國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock code : 8107

INTERIM REPORT
2018

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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

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

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This report, for which the directors (the “Directors”) of Vision International Holdings Limited (the “Company”, and together with its subsidiaries, the “Group”, “we” or “our”) 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 Group. 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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Corporate Information

BOARD OF DIRECTORS

Executive Directors:

Mr. Ko Sin Yun (*Chairman*)
Mr. Ko Man Ho
Mr. Cheng Ka Wing

Independent Non-Executive Directors:

Mr. To King Yan, Adam
Mr. Kwok Chee Kin
Mr. Chan Kim Sun

AUDIT COMMITTEE

Mr. Chan Kim Sun (*Chairman*)
Mr. To King Yan, Adam
Mr. Kwok Chee Kin

REMUNERATION COMMITTEE

Mr. To King Yan, Adam (*Chairman*)
Mr. Chan Kim Sun
Mr. Kwok Chee Kin

NOMINATION COMMITTEE

Mr. Ko Sin Yun (*Chairman*)
Mr. Chan Kim Sun
Mr. To King Yan, Adam

COMPANY SECRETARY

Ms. Ngai Kit Fong, *FCLIS, FCS (PE)*

COMPLIANCE OFFICER

Mr. Cheng Ka Wing

AUTHORISED REPRESENTATIVES FOR THE PURPOSE OF THE GEM LISTING RULES

Mr. Cheng Ka Wing
Ms. Ngai Kit Fong

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

No. 4, 7/F, Saxon Tower
7 Cheung Shun Street
Lai Chi Kok
Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 268
Grand Cayman KY1-1111
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Computershare Hong Kong Investor Services
Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

COMPLIANCE ADVISER

Giraffe Capital Limited

LEGAL ADVISER TO THE COMPANY AS TO HONG KONG LAW

Miao & Co. (in association with
Han Kun Law Offices)

PRINCIPAL BANKERS

The Hongkong and Shanghai
Banking Corporation Limited

Standard Chartered Bank
(Hong Kong) Limited

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

STOCK CODE

8107

COMPANY'S WEBSITE

www.vision-holdings.com.hk

Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

The board of Directors (the "Board") of the Company hereby announces the unaudited interim condensed consolidated financial results of the Group for the six months ended 30 June 2018 together with the comparative unaudited figures for the corresponding period in 2017, as follows:

	Notes	Three months ended 31 March		Six months ended 30 June	
		2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000
Revenue	3	8,082	4,833	33,841	27,041
Cost of sales		(5,726)	(2,368)	(26,048)	(17,547)
Gross profit		2,356	2,465	7,793	9,494
Other income	4	928	7,282	1,172	12,929
Other gains and losses	5	106	951	154	(785)
Selling and distribution expenses		(1,740)	(1,124)	(3,259)	(2,930)
Administrative expenses		(1,413)	(785)	(3,536)	(1,614)
Listing expenses		(1,510)	(1,601)	(7,023)	(3,088)
Finance costs		(61)	(73)	(97)	(149)
(Loss) Profit before taxation		(1,334)	7,115	(4,796)	13,857
Income tax expense	6	(36)	(92)	(292)	(855)
(Loss) Profit for the period	7	(1,370)	7,023	(5,088)	13,002

Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Notes	Three months ended 31 March		Six months ended 30 June	
		2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000
Other comprehensive (expense) income					
<i>Item that will not be reclassified subsequently to profit or loss</i>					
Exchange differences arising on the translation of functional currency to presentation currency		–	(893)	–	878
Total comprehensive (expense) income for the period		(1,370)	6,130	(5,088)	13,880
(Loss) Earnings per Share — basic and diluted (HK cents)	9	(0.14)	0.70	(0.51)	1.30

Unaudited Condensed Consolidated Statement of Financial Position

As at 30 June 2018

	Note	As at 30 June 2018 (unaudited) HK\$'000	As at 31 December 2017 (audited) HK\$'000
Non-current assets			
Intangible assets — Trademark	10	9,083	9,583
Deposits		96	95
Plant and equipment	11	446	506
		9,625	10,184
Current assets			
Goods in transit		1,718	926
Trade receivables	12	9,920	8,691
Other receivables, deposits and prepayments		19,275	4,904
Amount due from controlling shareholder		2	—
Amount due from ultimate holding company		—	8
Tax recoverable		1,830	6,466
Bank balances and cash		41,089	23,767
		73,834	44,762
Current liabilities			
Trade payables	13	20	1,668
Other payables and accrued charges		5,065	7,422
Bank borrowings — due within one year		—	6,800
Financial guarantee liability		—	816
		5,085	16,706
Net current assets		68,749	28,056
Total assets less current liabilities		78,374	38,240

Unaudited Condensed Consolidated Statement of Financial Position

As at 30 June 2018

	Note	As at 30 June 2018 (unaudited) HK\$'000	As at 31 December 2017 (audited) HK\$'000
Non-current liabilities			
Deferred tax liabilities		416	343
Net Assets			
		77,958	37,897
Capital and reserves			
Share Capital	14	10,000	1
Share Premium		41,649	–
Retained Earnings		136,822	148,410
Translation reserve		(7,252)	(7,252)
Other reserve		(103,261)	(103,262)
Equity attributable to owners of the Company			
		77,958	37,897

Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018

	Share capital HK\$'000	Other reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
As at 1 January 2017 (audited)	–*	(99,345)	(8,130)	130,245	22,770
Profit for the period	–	–	–	13,002	13,002
Exchange differences arising on the translation of functional currency to presentation currency	–	–	878	–	878
Total comprehensive income for the period	–	–	878	13,002	13,880
Dividends	–	–	–	(4,300)	(4,300)
Deemed distribution arising from issue of financial guarantee to related companies	–	(3,916)	–	–	(3,916)
Group reorganisation	1	(1)	–	–	–
At 30 June 2017 (unaudited)	1	(103,262)	(7,252)	138,947	28,434
As at 1 January 2018 (audited)	1	(103,262)	(7,252)	148,410	37,897
Listing					
Issue Capital	10,000	–	–	–	10,000
Share Premium	41,649	–	–	–	41,649
Group reorganisation	(1)	1	–	–	–
	51,648	1	–	–	51,649
Loss for the period	–	–	–	(5,088)	(5,088)
Total comprehensive expense for the period	–	–	–	(5,088)	(5,088)
Dividends	–	–	–	(6,500)	(6,500)
At 30 June 2018 (unaudited)	51,649	(103,261)	(7,252)	136,822	77,958

* Amount less than HK\$1,000

Unaudited Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000
Net cash (used in) from operating activities	(26,711)	24,007
Net cash used in investing activities	–	(10,444)
Net cash from (used in) financing activities	44,033	(4,512)
Net increase in cash and cash equivalents	17,322	9,051
Cash and cash equivalents at the beginning of the period	23,767	25,691
Effect of foreign exchange rate changes	–	878
Cash and cash equivalents at the end of the period	41,089	35,620

Notes to the Unaudited Condensed Consolidated Financial Statements

Six months ended 30 June 2018

1. GENERAL

The Company is an exempted company with limited liability incorporated in the Cayman Islands on 19 January 2017. The Company was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) on 23 June 2017. The shares of the Company (the "Share(s)") have been listed (the "Listing") on GEM of the Stock Exchange on 4 May 2018 (the "Listing Date"). The address of the registered office and principal place of business in Hong Kong of the Company are disclosed in the corporate information section to this report.

The Company is an investment holding company. The principal activities of its subsidiaries are to provide one-stop full-service apparel supply chain management ("SCM") services.

The Company regarded Euro ("EUR") as its functional currency for the three months ended 31 March 2017 and starting from 31 May 2017, due to the change of the underlying transactions, events and conditions that are relevant to the Group, the Directors have reconsidered and determined that the functional currency of the Company should be changed from EUR to United States dollars ("US\$") in order to better reflect the currency that mainly influences the development of the business activities of the Company. The change in the functional currency of the Company was applied prospectively from the date of change in accordance with Hong Kong Accounting Standard ("HKAS") 21 "The Effects of Changes in Foreign Exchange Rate".

The unaudited condensed consolidated financial statements are presented in Hong Kong dollar ("HK\$"), which is different from the functional currency of the Company. The Directors consider that presenting the unaudited condensed consolidated financial statements in HK\$ is preferable as the Group's principle place of business is in Hong Kong.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants as well as with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules.

The accounting policies and basis of preparation adopted in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and disclosed in Appendix I of the prospectus of the Company dated 23 April 2018 (the "Prospectus"), except for the adoption of the following new and amendments to HKFRSs effective from 1 January 2018, as noted below.

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Notes to the Unaudited Condensed Consolidated Financial Statements

Six months ended 30 June 2018

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no significant financial effect on these unaudited condensed consolidated interim financial statements.

HKFRS 9 “Financial Instruments”

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

All of the Group’s financial assets and financial liabilities were carried at amortised cost, therefore, the new guidance would not have a significant impact on the classification and measurement of its financial assets and financial liabilities.

The Group does not have any hedging instruments. There would have no significant impact arising from the new hedging accounting rules on the accounting for its hedging relationships.

In relation to the impairment of financial assets, the Group has adopted the simplified expected credit loss (“ECL”) model for its trade receivables. This model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses under HKAS 39. The adoption of ECL model has no significant effect on the amounts of receivables as the credit quality of the financial assets of the Group do not change significantly during the six months ended 30 June 2018.

HKFRS 15 “Revenue from Contracts with Customers”

HKFRS 15 replaces HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and related literature.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The Group recognises revenue from sales of sales of apparel products with the provision of supply chain management services. Under the current business model and contract terms, the adoption of HKFRS 15 has no significant financial effect on the financial results of the Group.

The Group has not early applied those new and revised HKFRSs that have been issued but are not yet effective.

The Directors anticipate that the application of those new standard(s), amendments and interpretation(s) will have no material impact on the unaudited condensed consolidated financial statements.

Notes to the Unaudited Condensed Consolidated Financial Statements

Six months ended 30 June 2018

3. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising on sales of apparel products with the provision of SCM services for the six months ended 30 June 2018.

Geographical information

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

The Group's revenue from external customers is mainly derived from customers in Germany, accounted for approximately 73% and 96% of the Group's revenue for the six months ended 30 June 2017 and 2018 respectively.

The following table sets forth a breakdown of the Group's revenue by the geographical location of the customers.

	Three months ended 31 March		Six months ended 30 June	
	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000
Germany	4,568	4,833	24,740	25,896
France	1,529	–	6,860	1,145
Others	1,985	–	2,241	–
	8,082	4,833	33,841	27,041

Information about major customers

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

	Three months ended 31 March		Six months ended 30 June	
	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000
Customer A	2,291	2,016	3,270	7,885
Customer B	*	1,316	–*	–*
Customer C	*	565	–*	–*
Customer D	*	505	–*	–*
Customer E	1,362	–*	19,934	12,213
Customer F	1,529	#	6,860	–*
Customer G	1,058	#	–*	#

* The corresponding revenue does not contribute over 10% of the Group's revenue.

No revenue was attributed from the relevant customer for the respective period.

Notes to the Unaudited Condensed Consolidated Financial Statements

Six months ended 30 June 2018

3. REVENUE AND SEGMENT INFORMATION (Continued)

Non-current assets (excluding financial assets) by geographical location of assets are detailed below:

	As at 30 June 2018 (unaudited) HK\$'000	As at 31 December 2017 (audited) HK\$'000
Hong Kong	446	506
Germany	9,083	9,583
	9,529	10,089

The following table sets forth a breakdown of the Group's revenue by product category.

	Three months ended 31 March		Six months ended 30 June	
	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000
Knitwear	5,877	3,979	30,656	24,846
T-shirts	1,883	854	2,649	1,378
Woven	322	-	536	817
	8,082	4,833	33,841	27,041

The following table sets forth a breakdown of the Group's revenue by customer type.

	Three months ended 31 March		Six months ended 30 June	
	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000
Apparel sourcing agent	5,303	2,447	25,142	20,098
Boutique shop	2,211	1,316	8,099	3,670
Department store	568	1,070	600	3,273
	8,082	4,833	33,841	27,041

Notes to the Unaudited Condensed Consolidated Financial Statements

Six months ended 30 June 2018

4. OTHER INCOME

	Three months ended 31 March		Six months ended 30 June	
	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000
Financial guarantee income	816	7,266	816	12,649
Sample sales income	112	16	355	280
Other	–	–	1	–
Total	928	7,282	1,172	12,929

5. OTHER GAINS AND LOSSES

	Three months ended 31 March		Six months ended 30 June	
	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000
Net gain on structured foreign currency forward contracts	50	28	46	28
Net foreign exchange gain (loss)	56	923	108	(813)
	106	951	154	(785)

6. INCOME TAX EXPENSE

	Three months ended 31 March		Six months ended 30 June	
	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000
Hong Kong Profits Tax:				
Current tax	–	25	219	788
Deferred taxation	36	67	73	67
	36	92	292	855

Hong Kong Profits Tax is calculated at 16.5% (2017: 16.5%) of the estimated assessable profit for the period. No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits for the period under review.

Notes to the Unaudited Condensed Consolidated Financial Statements

Six months ended 30 June 2018

7. (LOSS) PROFIT FOR THE PERIOD

	Three months ended 31 March		Six months ended 30 June	
	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000
(Loss)/Profit for the period has been arrived at after charging:				
Directors' remuneration	429	76	1,373	151
Other staff costs:				
— Salaries and other benefits	597	699	1,288	1,595
— Retirement benefit scheme contributions	22	30	51	66
	619	729	1,339	1,661
Total employee benefits expenses	1,048	805	2,712	1,812
Auditor's remuneration	325	120	450	240
Depreciation of plant and equipment	29	11	60	33
Amortisation of intangible assets	250	–	500	–
Cost of inventories recognised as cost of sales	5,726	2,368	26,048	17,547
Minimum lease payment under operating leases in respect of land and building	70	70	140	140

Notes to the Unaudited Condensed Consolidated Financial Statements

Six months ended 30 June 2018

8. DIVIDENDS

The Board has declared interim dividends with an aggregate amount of HK\$6,500,000 (2017: HK\$4,300,000) to its then sole shareholder in April 2018 which had been fully settled.

9. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per Share attributable to the owners of the Company is based on the following data:

The calculation of basic (loss) earnings per Share for the period is based on the unaudited condensed consolidated loss for the six months ended 30 June 2018 of HK\$5,088,000 (profit for the six months ended 30 June 2017: HK\$13,002,000), and on the assumption that 1,000,000,000 (six months ended 30 June 2017: (restated) 1,000,000,000) ordinary shares have been in issue throughout the period, being the total number of Shares in issue of the Company immediately upon the Listing.

No diluted (loss) earnings per Share in both periods was presented as there were no potential ordinary shares outstanding during both periods.

10. INTANGIBLE ASSETS — TRADEMARK

	Trademarks
	HK\$'000
<hr/>	
At 31 December 2017	
Cost	10,000
Accumulated amortisation	(417)
<hr/>	
Net book amount	9,583
<hr/>	
Half-year ended 30 June 2018	
Opening net book amount	9,583
Amortisation charge	(500)
<hr/>	
Closing net book amount	9,083
<hr/>	
At 30 June 2018	
Cost	10,000
Accumulated amortisation	(917)
<hr/>	
Net book amount	9,083
<hr/>	

The above intangible assets have finite useful lives. Such intangible assets are amortised on a straight-line basis over the following periods:

Trademarks	10 years
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The Group acquired two trademarks from an independent third party at an aggregate consideration of HK\$10,000,000 in July 2017.

Notes to the Unaudited Condensed Consolidated Financial Statements

Six months ended 30 June 2018

11. PLANT AND EQUIPMENT

During the six months ended 30 June 2018, reductions in plant and equipment, which mainly comprised depreciation of computer and office equipment, amounted to HK\$60,000 (2017: HK\$33,000).

12. TRADE RECEIVABLES

For long-term customers with good credit quality and payment history, the Group allows credit periods of not more than 120 days. For other customers, the Group demands full settlements upon delivery of goods.

The following is an analysis of trade receivables by age, presented based on the invoice dates at the end of each reporting period:

	As at 30 June 2018 (unaudited) HK\$'000	As at 31 December 2017 (audited) HK\$'000
1 to 30 days	6,776	5,687
31 to 60 days	3,046	2,031
61 to 90 days	82	13
Over 90 days	16	960
	9,920	8,691

13. TRADE PAYABLES

The following is an analysis of the trade payables by age, presented based on the invoice dates at the end of each reporting period:

	As at 30 June 2018 (unaudited) HK\$'000	As at 31 December 2017 (audited) HK\$'000
1 to 30 days	–	489
31 to 60 days	8	1,179
61 to 90 days	–	–
Over 90 days	12	–
	20	1,668

Notes to the Unaudited Condensed Consolidated Financial Statements

Six months ended 30 June 2018

14. SHARE CAPITAL

	Number of Shares	Share capital HK\$
Ordinary Shares of US\$1 each		
Authorised:		
At 19 January 2017 (date of incorporation)	50,000	390,000
Ordinary Shares of HK\$0.01 each		
Authorised:		
At 31 December 2017 (Note 1)	38,000,000	380,000
Increase in authorised share capital (Note 2)	9,962,000,000	99,620,000
At 30 June 2018	10,000,000,000	100,000,000
Issued and fully paid:		
At date of incorporation	1	–
Issuance of Shares (Note 3)	99	1
At 31 December 2017	100	1
Capitalisation Issue (Note 4)	749,999,900	7,499,999
Issuance of new Shares upon Listing (Note 5)	250,000,000	2,500,000
At 30 June 2018	1,000,000,000	10,000,000

Note 1: Pursuant to the resolutions passed by the Board and the sole shareholder dated 7 July 2017, the authorised share capital of the Company was re-denominated into HK\$380,000, divided into 38,000,000 Shares of HK\$0.01 each.

Note 2: Pursuant to the resolutions of the sole shareholder passed on 16 April 2018, the authorised share capital of the Company was increased from HK\$380,000 to HK\$100,000,000 by the creation of an additional 9,962,000,000 Shares of HK\$0.01 each.

Note 3: On 15 February 2017, as part of the Group's reorganisation, the Company acquired the entire issued share capital of Market Gala Limited, a company incorporated in the British Virgin Islands, the issued share capital of which is wholly owned by the Company, from Metro Vanguard Limited ("Metro Vanguard"), a company incorporated in the British Virgin Islands, the issued share capital of which is wholly owned by Mr. Ko Sin Yun ("Mr. Ko"), at a consideration of 99 new Shares of the Company to Metro Vanguard, all credited as fully paid.

Note 4: Pursuant to the resolutions of the sole shareholder passed on 16 April 2018, conditional upon the share premium account of the Company being credited as a result of the share offer and Listing, the Directors were authorised to capitalise the amount of HK\$7,499,999 from the amount standing to the credit of the share premium account of the Company to pay up in full at par of 749,999,900 Shares for allotment and issuance to Metro Vanguard ("Capitalisation Issue").

Note 5: On 4 May 2018, 250,000,000 ordinary shares with a par value of HK\$0.01 each of the Company were issued at a price of HK\$0.225 per Share by way of share offer.

Notes to the Unaudited Condensed Consolidated Financial Statements

Six months ended 30 June 2018

15. RELATED PARTY TRANSACTIONS

(a) Related party balances

Details of the outstanding balances with related parties are set out in the statements of financial position.

(b) Related party transactions

During the six months ended 30 June 2017 and 2018, save as disclosed elsewhere in the report, the Group carried out the following significant transactions with its related parties:

Name of related party	Nature of transaction	Three months ended 31 March		Six months ended 30 June	
		2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000
Wisewing International Limited (Note 6)	Rental expenses	-	49	-	49
Meridian Industries Garment (Cambodia) Limited	Purchases of goods	640	-	1,194	-

Note 6: Meridian Industries Garment (Cambodia) Limited ("MIGCL") is controlled by Mr. Ko Sek Yan ("Mr. Murray Ko"), the elder brother of Mr. Ko. Wisewing International Limited is controlled by Mr. Murray Ko.

Management Discussion and Analysis

BUSINESS REVIEW

Our Group is an apparel SCM services provider based in Hong Kong delivering one-stop solution to customers in Europe, predominantly Germany. We have developed a vertically integrated business model and our services range across market trend analysis, product design and development, sourcing of suppliers, production management, logistics services and quality control. We primarily generate revenue from the supply of middle to high-end apparel products to the customers. Through engaging us for apparel SCM services, our customers are able to focus their resources on their retail businesses and respond quickly to the fast-evolving changes of fashion industry, as they do not have to separately engage different suppliers for various types of services throughout the apparel supply chain.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

Our Group's business objective is to become a key market player in the Hong Kong apparel SCM industry. After the Listing, the proceeds raised from the Listing is targeted to expand our business to maintain and strengthen our market position by pursuing our business strategies. An analysis comparing the business objectives as set out in the Prospectus with the Group's actual business progress for the period from the Listing Date up to 30 June 2018 is set out below:

Business objectives	Actual progress
Continue our growth by solidifying our relationship with existing customers and exploring new customers	Our staff paid visits to our existing and new customers.
Increase our geographic footprint to new apparel retail market	Our staff tried to explore and paid visits to a number of potential new customers located in Finland, Poland, Italy and Switzerland.
Set up a new showroom to showcase our product offerings	The Group has carried out preparation work for identifying suitable premise for acquisition of the new showroom located around Kowloon and gathering the quotations for the acquisition.
Strengthen our design and development capabilities to develop new design collection	The Group is in the preparation stage for expanding our variety of sample products for our design collections to be displayed in our new showroom.

Management Discussion and Analysis

Business objectives

Actual progress

Enhance our quality control process

Our quality control team performed on-site quality inspections at the location of our suppliers.

Repay bank borrowings

HK\$5.2 million of bank borrowing has been repaid, as set out in the section headed "Statement of Business Objective and Use of Proceeds" in the Prospectus.

FINANCIAL REVIEW

Revenue

Our Group's revenue increased by 25.1% from HK\$27.0 million for the six months ended 30 June 2017 to HK\$33.8 million for the six months ended 30 June 2018. The increase was mainly driven by the increased revenue from new customers in France, Switzerland and Austria.

Cost of sales

Our cost of sales mainly consists of purchase costs, import duty and other cost of sales. Purchase cost represents the cost of finished goods purchased from our suppliers located in the People's Republic of China, Madagascar and Cambodia.

The cost of sales increased by 48.4% from HK\$17.5 million for the six months ended 30 June 2017 to HK\$26.0 million for the six months ended 30 June 2018, which was in line with the increase in sales for the six months ended 30 June 2018.

Gross profit and gross profit margin

Our gross profit was HK\$9.5 million and HK\$7.8 million for the six months ended 30 June 2017 and 2018 respectively. The gross profit margin dropped from 35.1% for the six months ended 30 June 2017 to 23.0% for the six months ended 30 June 2018, which was mainly due to the change in customer mix of our Group. In addition, the gross profit margins of new customers were lower than the overall average gross profit margin which enabled our Group to develop the French apparel market.

Management Discussion and Analysis

Other income

Our other income mainly represents financial guarantee income amounted to HK\$12.9 million and HK\$1.2 million for the six months ended 30 June 2017 and 2018 respectively. As our Group provided cross financial guarantee in favour of banks for bank loans of certain related companies, such arrangement resulted in a financial guarantee liability recognised at fair value at initial recognition. Such financial guarantee liability had been amortised over the term of the financial guarantee contract and be recognised as financial guarantee income. The financial guarantee income decreased significantly as a result of the reducing financial guarantee liability after the Listing. All financial guarantee liability was released upon Listing and no financial guarantee income is incurred thereafter.

Other gains and losses

Other gains and losses mainly represents (i) the net gain on structured foreign currency forward contracts; and (ii) the net foreign exchange gain resulted from fluctuations in the exchange rate of the foreign currency incurred in our operation. Following the change in functional currency to US\$ during the year ended 31 December 2017, the Directors estimated that the effect of foreign currency to be insignificant to the Group in the future.

Selling and distribution expenses

Our selling and distribution expenses mainly include staff costs, customer service fee, freight and transportation cost, travelling expenses, design fee, sample and development cost and other selling and distribution expenses.

The selling and distribution expenses amounted to HK\$2.9 million and HK\$3.3 million for the six months ended 30 June 2017 and 2018 respectively. Such increase was primarily due to the increase in our staff cost, travelling expenses and design fee as a result of increased sales during such period.

Administrative expenses

Our administrative expenses mainly include professional fees, staff costs (including Directors' remuneration), amortisation of intangible assets, depreciation, rent and rates and other administrative expenses.

The administrative expenses amounted to HK\$1.6 million and HK\$3.5 million for the six months ended 30 June 2017 and 2018 respectively. Such increase was mainly due to an increase in our staff costs, professional fees as a result of being a listed company and the amortisation of intangible assets resulting from the acquisition of two trademarks in July 2017. Amortisation of intangible assets is recognised on a straight-line basis over its estimated useful lives of 10 years.

Management Discussion and Analysis

Finance costs

The Group's finance costs amounted to approximately HK\$0.1 million and less than HK\$0.1 million for the six months ended 30 June 2017 and 2018 respectively. The decrease was mainly due to the repayment of bank borrowing during the period.

Income tax expense

Our income tax expense mainly represents Hong Kong profits tax of 16.5% on the assessable profits arising in Hong Kong amounted to HK\$0.9 million and HK\$0.3 million for the six months ended 30 June 2017 and 2018 respectively.

(Loss)/Profit for the period of six months ended 30 June 2017 and 2018

The loss attributable to owners of the Group for the six months ended 30 June 2018 was HK\$5.1 million, while the Group recorded a profit attributable to owners of the Group of HK\$13.0 million for the six months ended 30 June 2017. Such decrease was due to the drop in the financial guarantee incomes of HK\$11.8 million and the increase in the listing expenses of HK\$3.9 million.

Excluding the listing expenses and financial guarantee income, our adjusted profit for the year ended 30 June 2018 decreased by \$2.3 million, from HK\$3.4 million for the six months ended 30 June 2017 to HK\$1.1 million for the six months ended 30 June 2018. The decrease in the adjusted profit was mainly due to the decrease in gross profit margin, increase in selling and distribution expenses and administrative expenses as explained above.

Pledge of the Group's assets

As at 30 June 2018, none of the Group's assets was pledged.

As at 31 December 2017, the Group pledged a bank deposits of approximately HK\$18,037,000 to a bank to secure cross financial guarantee in favour of banks for bank loans of certain related companies. Such financial guarantee provided by our Group to related companies has been released upon Listing. As a result, we do not have pledge of the assets after Listing.

Management Discussion and Analysis

Share capital

Details of the movements in share capital are set out in note 14 of the financial statements.

Related Party Transactions

For the six months ended 30 June 2018, the Company purchased certain goods from MIGCL. The cumulative purchase from MIGCL for the six months ended 30 June 2018 was approximately HK\$1.2 million. The payment amount was determined based on market price and our Directors (including the independent non-executive Directors) considered that the connected transaction as described above had been entered into in the ordinary and usual course of business of the Group and had been based on arm's length negotiations and on normal commercial terms.

Pursuant to Rule 20.74 of the GEM Listing Rules, the relevant applicable percentage ratios (other than the profit ratio) as prescribed under Chapter 20 of the GEM Listing Rules of transactions contemplated under the above arrangement was less than 5% and the total consideration was less than HK\$3 million, hence the connected transaction contemplated herein was fully exempt from the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

Significant investment held

As at 30 June 2018, the Group did not hold any significant investment.

Financial guarantee liability and contingent liabilities

Before the Listing, our Group and certain companies controlled by Mr. Murray Ko and his spouse entered into several banking facilities agreements and cross guarantees were provided by our Group and such companies of Mr. Murray Ko and his spouse. The estimated fair value of the financial guarantee was recognised as financial guarantee liability with the equivalent amount charged to equity as shareholder distribution at the agreement date. The financial guarantee income was recognised in profit or loss over the term of agreement. The financial guarantee liabilities were all denominated in HK\$. For further information about our financial guarantee liability, please refer to note 23 to the Accountants' Report set out in Appendix I to the Prospectus. As at 30 June 2018, banking facilities was nil (31 December 2017: HK\$6.8 million), as such financial guarantee provided by our Group to related companies was released upon the Listing.

Save as the abovementioned financial guarantee liability which was released upon the Listing, the Group did not have any material contingent liabilities or guarantees as at 30 June 2018.

Management Discussion and Analysis

Foreign exchange exposure

The revenue of the Group is mainly denominated in US\$, while a certain amount of the revenue is denominated in HK\$ and EUR.

Our Group considered that the foreign exchange risk with respect to US\$ is not significant as HK\$ is pegged to US\$.

For the transaction denominated in EUR during the six months ended 30 June 2018, our Group considers that there is no significant foreign exchange risks in respect of EUR.

Nevertheless, the Group will endeavour to manage the foreign exchange risk by closely monitoring the movement of foreign currency rates and will consider hedging significant foreign currency exposure should the need arises.

PROSPECTS

The Listing marks a major milestone as well as a new chapter of the Company. Due to the uncertainties of the Hong Kong economy, the Directors anticipate that the Group's business will face various challenges in the foreseeable future such as (i) the reliance on a limited number of major customers; (ii) the fast-changing fashion trends; (iii) the reliance on third party suppliers for the manufacturing of apparel products; and (iv) the increase in cost of raw materials and labour.

Nonetheless, the management of the Company is confident that the Group can succeed and enhance the shareholders' value, based on the years of experience of the senior management of the Company in apparel SCM market. Going forward, the Group's objective is to become a key market player in the Hong Kong apparel SCM industry, with an aim to optimise the returns to the Group's shareholders. The Group will continue to strengthen its key market player position in the apparel SCM industry in Hong Kong and enhance the overall competitiveness and market share.

With our objective of becoming a key market player in the Hong Kong apparel SCM industry, we will continue our growth by solidifying our relationship with existing customers and exploring new customers, increase our geographic footprint to new apparel retail markets, set up a new showroom to showcase our product offerings, strengthen our design and development capabilities to develop new design collections, and enhance our quality control process.

Management Discussion and Analysis

USE OF PROCEEDS

The net proceeds from the Listing, after deducting the actual underwriting commission and expenses paid by the Company in connection thereto, were approximately HK\$32.2 million. The Company intends to utilise the net proceeds according to the section headed “Statement of Business Objectives and Use of Proceeds” of the Prospectus.

Up to 30 June 2018, the Group has utilised approximately HK\$5.2 million to repay its bank borrowings.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2018, the total equity of the Group was HK\$78.0 million. The Group’s cash and cash equivalent was HK\$41.1 million. Our working capital represented by the net current assets as at 30 June 2018 was HK\$68.7 million. Our current ratio was 14.5 times as at 30 June 2018. Our turnover days of trade receivables and trade payables were 50.2 days and 5.9 days as at 30 June 2018 respectively. Our gearing ratio was nil as at 30 June 2018. Based on the above analysis, coupled with sufficient cash and bank balances, we have adequate liquidity and financial resources to meet our working capital requirements.

DIVIDENDS

The Board has declared interim dividends with an aggregate amount of HK\$6,500,000 (2017: HK\$4,300,000) to its then sole shareholder in April 2018 which had been fully settled.

SEGMENT INFORMATION

Segmental information is presented for the Group as disclosed on note 3 of the financial statements.

MATERIAL ACQUISITIONS AND DISPOSALS

For the six months ended 30 June 2018, the Group had not made any material acquisition or disposal (2017: Nil).

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2018, the Group employed a total number of ten full-time employees and engaged three external design consultants (30 June 2017: fifteen full-time employees and three external design consultants). The staff costs of our Group (including Directors’ remuneration, employees’ salaries, wages, other benefits and contribution to defined contribution retirement plan) for the six months ended 30 June 2018 were approximately HK\$2.7 million (2017: HK\$1.8 million).

Management Discussion and Analysis

Our remuneration package includes basic salary, bonuses and allowances. We review the performance of our employees regularly, and the review outcome is used for the employees' salary review and promotion appraisal. We have set up a competitive remuneration system that links a portion of our employees' compensation to the performance of our business in order to provide incentives to our employees to strive for better results.

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group did not have any plan for material investments or capital assets as at 30 June 2018.

Other Information

DISCLOSURE OF INTERESTS

A. Directors' and Chief Executive's Interests And/Or Short Positions in the Shares, Underlying Shares and Debentures of the Company or Any of its Associated Corporations

As at 30 June 2018, the interests and short positions of the Directors or chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which are 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 in which they are taken or deemed to have under such provisions of the SFO) or which will be required pursuant to section 352 of the SFO to be entered in the register referred to therein, or which will be required to notify to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, will be as follows:

(a) Long Position in the Shares of the Company

Name of Director	Nature of interest and capacity	Number of Shares held <i>(Note 1)</i>	Percentage of issued share capital <i>(Note 3)</i>
Mr. Ko	Interest in a controlled corporation <i>(Note 2)</i>	750,000,000 (L)	75%

Notes:

1. The letter "L" denotes to the long position in the Shares.
2. The Shares are registered in the name of Metro Vanguard. Accordingly, Mr. Ko is deemed to be interested in all the Shares held by Metro Vanguard for the purpose of Part XV of the SFO.
3. The percentage of shareholding was calculated based on the Company's total number of issued Shares as at 30 June 2018 (i.e. 1,000,000,000 Shares).

Other Information

(b) *Long Position in the Shares of Associated Corporation*

Name of Director	Name of associated corporation	Capacity/ nature of interest	Number and class of securities	Percentage of issued share capital
Mr. Ko	Metro Vanguard	Beneficial owner	100 ordinary shares	100%

Save as disclosed above, as at 30 June 2018, none of the Directors and chief executive of the Company had any interests or short positions 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) which were 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 or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required pursuant to Section 352 of the SFO, to be entered in the register of members of the Company or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

Other Information

B. Substantial Shareholders' and Other Persons' Interests And/Or Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2018, the interest and short positions of the persons (other than the Directors or chief executive of the Company) in the Shares, underlying Shares and debentures of the Company which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or required to be recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Long Position in the Company's Shares

Name	Nature of interest and capacity	Number of Shares held <i>(Note 1)</i>	Percentage of issued share capital <i>(Note 3)</i>
Metro Vanguard	Beneficial owner	750,000,000 (L)	75%
Ms. Chan Sau Fung	Interest of spouse <i>(Note 2)</i>	750,000,000 (L)	75%

Notes:

1. The letter "L" denotes to the long position in the Shares.
2. Ms. Chan Sau Fung is the spouse of Mr. Ko. By virtue of the SFO, she is deemed to be interested in all Shares held by Metro Vanguard, in which Mr. Ko is deemed to be interested.
3. The percentage of shareholding was calculated based on the Company's total number of issued Shares as at 30 June 2018 (i.e. 1,000,000,000 Shares).

Save as disclosed above, as at 30 June 2018, the Company had not been notified by any persons (other than Directors or chief executive of the Company) who had interests or short positions in the Shares, underlying Shares or debentures of the Company which would fall under the provisions of Divisions 2 and 3 of Part XV of the SFO to be disclosed to the Company, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Other Information

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Save as disclosed in the sub-sections headed "Disclosure of Interests" and "Share Option Scheme" herein, at no time during the six months ended 30 June 2018 was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executive of the Company (including their spouses or children under 18 years of age) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' COMPETING INTERESTS

For the six months ended 30 June 2018, the Directors have confirmed that to the best of their knowledge, information and belief and having made all reasonable enquiries, none of the Directors, the Controlling Shareholders and their respective close associates (as defined in the GEM Listing Rules) had any business or interests in any company that competes or may compete with the business of the Group and any other conflict of interests which any such person has or may have with the Group.

INTERESTS OF THE COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Giraffe Capital Limited as its compliance adviser, which provides advices and guidance to the Company in respect of compliance with the GEM Listing Rules including various requirements relating to the Directors' duties. Except for the compliance adviser agreement entered into between the Company and the compliance adviser dated 3 August 2017, neither the compliance adviser nor its directors, employees or close associates had any interests in relation to the Company which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules as at 30 June 2018.

CORPORATE GOVERNANCE PRACTICES AND COMPLIANCE

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules (the "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 of the Company and enhance the business growth of the Group. Where applicable, the Company has complied with the code provisions as set out in the CG Code since the Listing Date up to 30 June 2018.

Other Information

CHANGE IN DIRECTORS' BIOGRAPHICAL DETAILS

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, change(s) in Directors' biographical details since the date of the Prospectus, which are required to be disclosed, are set out below:

Name of Director	Details of change
Mr. To King Yan, Adam	Mr. To King Yan, Adam has been appointed as an independent non-executive Director of Shen You Holdings Limited (listed on the GEM of the Stock Exchange (stock code: 8377)) with effect from 24 November 2017.

Saved as disclosed above, the Company is not aware of any other changes in the Directors' information which are required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules ("Required Standard of Dealings") regarding Directors' securities transactions. Having been enquired by the Company, all Directors confirmed that they had complied with the Required Standard of Dealings from the Listing Date to 30 June 2018.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period from the Listing Date to 30 June 2018.

Other Information

SHARE OPTION SCHEME

The share option scheme of the Company (the “Share Option Scheme”) was adopted pursuant to a resolution passed by the Company’s then sole shareholder on 16 April 2018 for the primary purpose of providing eligible participants an opportunity to have a personal stake in the Company and to motivate, attract and retain the eligible participants whose contributions are important to the long-term growth and profitability of the Group. Eligible participants of the Share Option Scheme include any employee, adviser, consultant, service provider, agent, customer, partner or joint-venture partner of the Company or any of its subsidiaries (including any Director of the Company or any of its subsidiaries) who is in full-time or part-time employment with or otherwise engaged by the Company or any of its subsidiaries at the time when an option is granted. The Share Option Scheme became effective on the Listing Date and, unless otherwise cancelled or amended, will remain in force for 10 years commencing on the Listing Date. The principal terms of the Share Option Scheme were summarised in the paragraph headed “Statutory and General Information — D. Share Option Scheme” in Appendix IV to the Prospectus. No share option was granted, lapsed, exercised or cancelled by the Company under the Share Option Scheme since its adoption and there was no outstanding share option as at 30 June 2018.

AUDIT COMMITTEE AND REVIEW OF ACCOUNTS

The Company has established the Audit Committee on 16 April 2018 with written terms of reference in compliance with the requirements as set out in Rules 5.28 of the GEM Listing Rules and code provision C.3.3 of the CG Code. The Audit Committee consists of three members, all of whom are our independent non-executive Directors, namely Mr. Chan Kim Sun (chairman), Mr. To King Yan, Adam and Mr. Kwok Chee Kin.

The primary duties of the Audit Committee are, among others, to make recommendations to the Board on the appointment, reappointment and removal of external auditor, review the financial information, oversee the financial reporting process, internal control and risk management systems and audit process, and perform other duties and responsibilities as assigned by the Board.

The Audit Committee has reviewed the unaudited interim financial results of the Group for the six months ended 30 June 2018.

Other Information

FORWARD LOOKING STATEMENTS

This interim report contains certain statements that are forward-looking or which use certain forward-looking terminologies. These forward-looking statements are based on the current beliefs, assumptions and expectations of the Directors regarding the industry and markets in which it operates. These forward-looking statements are subject to risks, uncertainties and other factors beyond the Company's control which may cause actual results or performance to differ materially from those expressed or implied in such forward-looking statements.

By Order of the Board
Vision International Holdings Limited
Mr. Ko Sin Yun
Chairman and Executive Director