



VISION
INTERNATIONAL HOLDINGS

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

2019

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

Mr. Tam Chun Wai Edwin

COMPLIANCE OFFICER

Mr. Cheng Ka Wing

AUTHORISED REPRESENTATIVES FOR THE PURPOSE OF THE GEM LISTING RULES

Mr. Cheng Ka Wing
Mr. Tam Chun Wai Edwin

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

3/F, China United Plaza
1002-1008 Tai Nan West Street
Cheung Sha Wan
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
United Overseas Bank Limited
Hong Kong Branch

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 2019 together with the comparative unaudited figures for the corresponding period in 2018, as follows:

	Notes	Three months ended 31 March		Six months ended 30 June	
		2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000
Revenue	3	6,117	8,082	42,528	33,841
Cost of sales		(3,911)	(5,726)	(33,606)	(26,048)
Gross profit		2,206	2,356	8,922	7,793
Other income	4	90	928	345	1,172
Other gains and losses	5	95	106	(57)	154
Selling and distribution expenses		(2,222)	(1,740)	(3,457)	(3,259)
Administrative expenses		(2,445)	(1,413)	(4,895)	(3,536)
Listing expenses		–	(1,510)	–	(7,023)
Finance costs		(90)	(61)	(184)	(97)
Profit (loss) before taxation		(2,366)	(1,334)	674	(4,796)
Income tax expense	6	(8)	(36)	(175)	(292)
Profit (loss) and total comprehensive income (expense) for the period	7	(2,374)	(1,370)	499	(5,088)
Earnings (loss) per Share — basic and diluted (HK cents)	9	(0.24)	(0.14)	0.05	(0.51)

Unaudited Condensed Consolidated Statement of Financial Position

As at 30 June 2019

	Notes	As at 30 June 2019 (unaudited) HK\$'000	As at 31 December 2018 (audited) HK\$'000
Non-current assets			
Intangible assets	10	8,083	8,583
Deposits		67	153
Property, plant and equipment	11	29,628	30,004
		37,778	38,740
Current assets			
Goods in transit		–	1,557
Trade receivables, prepayments and deposits	12	42,464	26,687
Tax recoverable		526	686
Bank balances and cash		21,575	37,808
		64,565	66,738
Current liabilities			
Trade and other payables	13	21,338	11,702
Contract liabilities		17	17
Bank borrowings		10,619	10,904
		31,974	22,623
Net current assets		32,591	44,115
Total assets less current liabilities		70,369	82,855

Unaudited Condensed Consolidated Statement of Financial Position

As at 30 June 2019

	Note	As at 30 June 2019 (unaudited) HK\$'000	As at 31 December 2018 (audited) HK\$'000
Non-current liability			
Deferred tax liabilities		518	503
Net assets			
Capital and reserves			
Share capital	14	10,000	10,000
Reserves		59,851	72,352
Equity attributable to owners of the Company			
		69,851	82,352

Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
As at 1 January 2018 (audited)	1	–	(103,262)	(7,252)	148,410	37,897
Listing						
Capitalisation issue	7,499	(7,499)	–	–	–	–
Issue of shares upon share offer	2,500	53,750	–	–	–	56,250
Transaction cost directly attributable to issue of shares	–	(4,602)	–	–	–	(4,602)
	9,999	41,649	–	–	–	51,648
Loss and total comprehensive expense for the period	–	–	–	–	(5,088)	(5,088)
2018 interim dividends	–	–	–	–	(6,500)	(6,500)
At 30 June 2018 (unaudited)	10,000	41,649	(103,262)	(7,252)	136,822	77,957
As at 1 January 2019 (audited)	10,000	38,444	(103,262)	(7,252)	144,422	82,352
Profit and total comprehensive income for the period	–	–	–	–	499	499
2018 final dividends	–	–	–	–	(13,000)	(13,000)
At 30 June 2019 (unaudited)	10,000	38,444	(103,262)	(7,252)	131,921	69,851

Unaudited Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000
Net cash used in operating activities	(2,738)	(26,711)
Net cash used in investing activities	(210)	–
Net cash (used in) from financing activities	(13,285)	44,033
Net (decrease) increase in cash and cash equivalents	(16,233)	17,322
Cash and cash equivalents at the beginning of the period	37,808	23,767
Cash and cash equivalents at the end of the period	21,575	41,089

Notes to the Unaudited Condensed Consolidated Financial Statements

Six months ended 30 June 2019

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.

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

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 2018, 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 2019, as noted below.

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

The application of the new and amendments to HKFRSs in the current period has had no significant financial effect on these unaudited condensed consolidated financial statements for the six months ended 30 June 2019.

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 2019

3. REVENUE AND SEGMENT INFORMATION

Revenue from contracts with customers represents the fair value of amounts received and receivable from the sales of apparel products with the provision of SCM services to customers by the Group.

Timing of revenue recognition and category of revenue

	Three months ended 31 March		Six months ended 30 June	
	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000
Recognised at a point in time and short-term contracts:				
Sales of apparel products with the provision of supply chain management services to customers	6,117	8,082	42,528	33,841

The customers of the Group are mainly apparel sourcing agents, boutique shops and large department stores in Europe. All of the Group's sales of apparel products with the provision of SCM services are provided directly to the customers. Contracts with the Group's customers are fixed-price contracts.

All revenue contracts are for period of one year or less. As permitted by HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

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	
	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000
Knitwear	5,070	5,877	39,435	30,656
T-shirts	986	1,883	1,115	2,649
Woven	61	322	1,978	536
Total	6,117	8,082	42,528	33,841

Notes to the Unaudited Condensed Consolidated Financial Statements

Six months ended 30 June 2019

3. REVENUE AND SEGMENT INFORMATION (Continued)

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	
	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000
Apparel sourcing agent	4,730	5,303	30,756	25,142
Boutique shop	1,274	2,211	9,561	8,099
Department store	113	568	2,211	600
Total	6,117	8,082	42,528	33,841

Geographical information

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

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	
	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000
Germany	4,063	4,568	33,195	24,740
France	538	1,529	5,622	6,860
Switzerland	350	1,058	2,045	1,220
Austria	1,166	927	1,666	1,021
Total	6,117	8,082	42,528	33,841

Notes to the Unaudited Condensed Consolidated Financial Statements

Six months ended 30 June 2019

3. REVENUE AND SEGMENT INFORMATION (Continued)

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	
	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000
Customer A	737	1,362	19,611	19,934
Customer B	3,212	2,291	7,709	3,270
Customer C	*	1,529	5,622	6,860
Customer D	736	*	*	*
Customer E	*	1,058	*	*

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

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

	As at 30 June 2019 (unaudited) HK\$'000	As at 31 December 2018 (audited) HK\$'000
Hong Kong	29,628	30,004
Germany	8,083	8,583
Total	37,711	38,587

Notes to the Unaudited Condensed Consolidated Financial Statements

Six months ended 30 June 2019

4. OTHER INCOME

	Three months ended 31 March		Six months ended 30 June	
	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000
Financial guarantee income	–	816	–	816
Sample sales income	81	112	332	355
Other	9	–	13	1
Total	90	928	345	1,172

5. OTHER GAINS AND LOSSES

	Three months ended 31 March		Six months ended 30 June	
	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000
Net gain on structured foreign currency forward contracts	–	50	–	46
Net foreign exchange (loss) gain	95	56	(57)	108
Total	95	106	(57)	154

6. INCOME TAX EXPENSE

	Three months ended 31 March		Six months ended 30 June	
	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000
Hong Kong Profits Tax:				
Current tax	–	–	160	219
Deferred taxation	8	36	15	73
Total	8	36	175	292

The profits tax of the Group is following the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first HK\$2 million of the profits of the qualifying group entity shall be taxed at 8.25% and profits above HK\$2 million shall be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime shall be taxed at a flat rate of 16.5%.

Notes to the Unaudited Condensed Consolidated Financial Statements

Six months ended 30 June 2019

7. PROFIT (LOSS) FOR THE PERIOD

	Three months ended 31 March		Six months ended 30 June	
	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000
Profit (loss) for the period has been arrived at after charging:				
Directors' remuneration	639	429	1,252	1,373
Other staff costs:				
— Salaries and other benefits	759	597	1,350	1,288
— Retirement benefit scheme contributions	29	22	54	51
Total staff costs	788	619	1,404	1,339
Total employee benefits expenses	1,427	1,048	2,656	2,712
Auditor's remuneration	225	325	450	450
Depreciation of property, plant and equipment	292	29	586	60
Amortisation of intangible assets	250	250	500	500
Cost of inventories recognised as cost of sales	3,911	5,726	33,606	26,048
Minimum lease payment under operating leases in respect of land and building	47	70	47	140

8. DIVIDENDS

The Board recommends the payment of an interim dividend of HK\$0.01 per Share, amounting to a total of HK\$10 million for the six months ended 30 June 2019 (six months ended 30 June 2018: HK\$6.5 million). The interim dividend is expected to be paid on or about 16 September 2019 to all shareholders whose names appear on the register of members of the Company on 4 September 2019.

9. EARNINGS (LOSS) PER SHARE

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

The calculation of basic earnings (loss) per Share for the period is based on the unaudited condensed consolidated profit for the six months ended 30 June 2019 of HK\$499,000 (loss for the six months ended 30 June 2018: HK\$5,088,000), and on the assumption that 1,000,000,000 (six months ended 30 June 2018: 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 earnings (loss) per Share in both periods was presented as there were no potentially dilutive ordinary shares outstanding during both periods.

Notes to the Unaudited Condensed Consolidated Financial Statements

Six months ended 30 June 2019

10. INTANGIBLE ASSETS

	Trademarks HK\$'000
At 31 December 2018	
Cost	10,000
Accumulated amortisation	(1,417)
<hr/>	
Net book amount	8,583
<hr/>	
Six months ended 30 June 2019	
Opening net book amount	8,583
Amortisation charge	(500)
<hr/>	
Closing net book amount	8,083
<hr/>	
At 30 June 2019	
Cost	10,000
Accumulated amortisation	(1,917)
<hr/>	
Net book amount	8,083
<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

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

11. PROPERTY, PLANT AND EQUIPMENT

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold land and buildings Over the term of remaining land lease
Computer and office equipment 20%

For the six months ended 30 June 2019, the Group incurred cost of HK\$210,000 for the addition of leasehold improvements (six months ended 30 June 2018: nil).

At 30 June 2019, leasehold land and building of the Group with carrying value of approximately HK\$29,098,000 (31 December 2018: HK\$29,617,000) were pledged with a bank to secure a loan granted to the Group.

Notes to the Unaudited Condensed Consolidated Financial Statements

Six months ended 30 June 2019

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 2019 (unaudited) HK\$'000	As at 31 December 2018 (audited) HK\$'000
1 to 30 days	20,770	7,728
31 to 60 days	2,480	2,453
61 to 90 days	534	853
Over 90 days	301	7,832
	24,085	18,866

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 2019 (unaudited) HK\$'000	As at 31 December 2018 (audited) HK\$'000
1 to 30 days	15,749	7,957
31 to 60 days	2,631	433
61 to 90 days	145	-
Over 90 days	24	-
	18,549	8,390

Notes to the Unaudited Condensed Consolidated Financial Statements

Six months ended 30 June 2019

14. SHARE CAPITAL

	Number of Shares	Share capital HK\$'000
Ordinary Shares of HK\$0.01 each		
Authorised:		
At 31 December 2018 and 30 June 2019	10,000,000,000	100,000
Issued and fully paid:		
Ordinary Shares of HK\$0.01 each		
At 31 December 2018 and 30 June 2019	1,000,000,000	10,000

15. RELATED PARTY TRANSACTIONS

(a) Related party balances

As at 30 June 2019, included in the balance of prepayments, there is an amount of HK\$1,251,000 (31 December 2018: HK\$2,484,000) paid to a related company namely Meridian Industries Garment (Cambodia) Limited ("MIGCL") which is controlled by Mr. Murray Ko, brother of Mr. Ko, such balance is in connection with the sales of apparel products with the provision of supply chain management services.

(b) Related party transactions

During the six months ended 30 June 2018 and 2019, save as disclosed elsewhere in the report, the Group carried out the following transactions with its related party:

Name of related party	Nature of transaction	Three months ended 31 March		Six months ended 30 June	
		2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000
MIGCL	Purchases for the apparel products	–	640	1,233	1,194

Management Discussion and Analysis

BUSINESS REVIEW

The Group is an apparel SCM services provider based in Hong Kong delivering one-stop solution to customers in Europe and Asia. 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

The 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 be used for expanding 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 2019 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 explored and paid visits to a number of potential new customers located in Europe and Asia. The Group has successfully commenced business relationship with a number of them.
Set up a new showroom to showcase our product offerings	The Group has acquired a new showroom on 10 September 2018 to showcase its product offerings.
Strengthen our design and development capabilities to develop new design collection	The Group has prepared a wider variety of sample products for our design collections 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

The Group’s revenue increased by 25.7% from HK\$33.8 million for the six months ended 30 June 2018 to HK\$42.5 million for the six months ended 30 June 2019. The increase was mainly driven by the increased revenue from a number of customers in Germany, Switzerland and Austria.

Cost of sales

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 29.0% from HK\$26.0 million for the six months ended 30 June 2018 to HK\$33.6 million for the six months ended 30 June 2019, which was in line with the increase in sales for the six months ended 30 June 2019.

Gross profit and gross profit margin

Gross profit was HK\$7.8 million and HK\$8.9 million for the six months ended 30 June 2018 and 2019 respectively. The gross profit margin dropped from 23.0% for the six months ended 30 June 2018 to 21.0% for the six months ended 30 June 2019, which was mainly due to the change in customer mix of the Group, in which the overall gross profit margin was lowered by the increased sales to the customers with lower gross profit margin.

Other income

Other income dropped significantly from HK\$1.2 million for the six months ended 30 June 2018 to HK\$0.3 million for the six months ended 30 June 2019, mainly due to the decrease in the financial guarantee income. As the Group provided cross financial guarantee in favour of banks for bank loans of certain related companies before the Listing, such arrangement

Management Discussion and Analysis

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. All financial guarantee liability was released upon Listing and no financial guarantee income has been incurred thereafter.

Other gains and losses

Other gains and losses mainly represent (i) the net gain on structured foreign currency forward contracts; and (ii) the net foreign exchange (loss) gain resulted from fluctuations in the exchange rate of the foreign currency incurred in our operation.

Selling and distribution expenses

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

The selling and distribution expenses amounted to HK\$3.3 million and HK\$3.5 million for the six months ended 30 June 2018 and 2019, respectively. Such an increase was primarily due to the increase in our staff cost and exhibition fees for participating in trade fairs.

Administrative expenses

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\$3.5 million and HK\$4.9 million for the six months ended 30 June 2018 and 2019 respectively. Such an increase was mainly due to (i) an increase in the professional fees as a result of being a listed company; and (ii) the depreciation of property resulting from the purchase of showroom in September 2018. The depreciation of property is recognised on a straight-line basis over its property lease term.

Finance costs

The Group's finance costs amounted to less than HK\$0.1 million and HK\$0.2 million for the six months ended 30 June 2018 and 2019 respectively.

Management Discussion and Analysis

Income tax expense

The income tax expense amounted to HK\$0.3 million and HK\$0.2 million for the six months ended 30 June 2018 and 2019, respectively.

Profit (loss) for the period

The profit of the Group for the six months ended 30 June 2019 amounted to HK\$0.5 million (loss for the six months ended 30 June 2018: HK\$5.1 million). Such a significant increase in profit was mainly attributable to (i) the decrease in Listing expenses from HK\$7.0 million for the six months ended 30 June 2018 to nil for the corresponding period in 2019; and (ii) the increase in gross profit due to the increase in revenue for the six months ended 30 June 2019.

Charge of the Group's assets

As at 30 June 2019, the Group pledged the property comprising workshops 1–3 and 5–7 on 3rd Floor of China United Plaza, No. 1008 Tai Nan West Street, Kowloon, Hong Kong to a bank for the bank finance facility for the Group.

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 2019, the Company purchased certain goods from MIGCL. The cumulative purchase from MIGCL for the six months ended 30 June 2019 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\$3.0 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 2019, the Group did not hold any significant investment.

Management Discussion and Analysis

Contingent liabilities

The Group did not have any material contingent liabilities or guarantees as at 30 June 2019.

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 2019, our Group considers that there is no significant foreign exchange risk 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 Directors expect that the forthcoming business environment would remain challenging as the China-US trade war exerts uncertainties on the markets and the economies of Europe, Asia, China and Hong Kong, which might lead to possible slowdown in the European and Asian economy. Moreover, the recent social unrest in Hong Kong might affect the appetite of our overseas customers for visiting our showroom and placing sales orders.

Nonetheless, the Directors are confident that the Group can overcome the aforesaid challenges with the extensive experience of our management team in the apparel SCM market. Further, going forward, the Group will continue to strive to improve our competitiveness and strengthen its key market player position in the apparel SCM industry, by solidifying relationship with existing customers and exploring new customers, increasing geographic footprint to new apparel retail markets, strengthening design and development capabilities to develop new design collections, and enhancing 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 2019, the Group has utilised approximately HK\$17.5 million to set up a new showroom, HK\$5.2 million to repay its bank borrowings, HK\$1.7 million to fund the general working capital need, HK\$1.0 million to solidify relationship with existing customers and explore new customers, HK\$0.2 million to enhance quality control process, and HK\$0.2 million to strengthening our design and development capabilities to develop new design collections.

The unutilised proceeds were placed in a licensed bank in Hong Kong.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2019, the total equity of the Group was HK\$69.9 million (31 December 2018: HK\$82.4 million). The Group’s cash and cash equivalent was HK\$21.6 million (31 December 2018: HK\$37.8 million). Our working capital represented by the net current assets as at 30 June 2019 was HK\$32.6 million (31 December 2018: HK\$44.1 million). Our current ratio was 2.0 times as at 30 June 2019 (31 December 2018: 3.0 times). Our gearing ratio (calculated based on bank borrowings divided by total equity) was 15.2% as at 30 June 2019 (31 December 2018: 13.2%).

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 recommends the payment of an interim dividend of HK\$0.01 per Share, amounting to a total of HK\$10 million for the six months ended 30 June 2019 (six months ended 30 June 2018: HK\$6.5 million). The interim dividend is expected to be paid on or about 16 September 2019 to all shareholders whose names appear on the register of members of the Company on 4 September 2019.

Management Discussion and Analysis

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 2 September 2019 to Wednesday, 4 September 2019, both days inclusive, during which period no share transfers can be registered. In order to be qualified for the interim dividend, unregistered holders of shares of the Company should ensure all transfer documents accompanied by the relevant share certificates are lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong before 4:30 p.m. on Friday, 30 August 2019.

SEGMENT INFORMATION

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

For the six months ended 30 June 2019, the Group had not made any material acquisition or disposal of subsidiaries, associates and joint ventures (six months ended 30 June 2018: Nil).

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2019, the Group employed a total number of ten full-time employees and engaged three external design consultants (30 June 2018: ten 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 2019 were approximately HK\$2.7 million (six months ended 30 June 2018: HK\$2.7 million).

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 2019.

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 2019, 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 Limited ("Metro Vanguard"), a company incorporated in the British Virgin Islands. 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 2019 (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 2019, 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 2019, 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 2019 (i.e. 1,000,000,000 Shares).

Save as disclosed above, as at 30 June 2019, 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 2019 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 2019, 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 2019.

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 during the six months ended 30 June 2019 and up to the date of this report.

Other Information

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 during the six months ended 30 June 2019.

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 six months ended 30 June 2019.

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 2019 and the date of this report.

Other Information

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 condensed consolidated financial results of the Group for the six months ended 30 June 2019 and this report, and is of the opinion that the preparation of such statements complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures have been made.

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

Hong Kong, 14 August 2019