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Season Pacific Holdings Limited

雲裳衣控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1709



2017/2018

INTERIM REPORT

** For identification purpose only*

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FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

The board of Directors (the “Board”) is pleased to announce the unaudited results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2017 together with the comparative unaudited figures for the six months ended 30 September 2016 as follows:

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2017

	Notes	For the six months ended 30 September	
		2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Revenue	4	169,409	93,753
Cost of sales	5	(132,831)	(63,175)
Gross profit		36,578	30,578
Selling expenses	5	(3,495)	(2,649)
General and administrative expenses	5	(12,123)	(8,416)
Operating profit		20,960	19,513
Finance expenses	7	(29)	(42)
Profit before income tax		20,931	19,471
Income tax expense	8	(4,008)	(3,397)
Profit and total comprehensive income for the period attributable to owners of the Company		16,923	16,074
Basic and diluted earnings per share attributable to owners of the Company (expressed in HK cents per share)	10	1.69	1.61

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2017

	Notes	As at 30 September 2017 HK\$'000 (unaudited)	As at 31 March 2017 HK\$'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	11	941	1,078
Deferred income tax asset		241	241
Prepayments and deposits	12	2,454	4,713
		3,636	6,032
Current assets			
Trade and bills receivables, prepayments and deposits	12	82,973	50,861
Cash and cash equivalents		24,172	34,016
		107,145	84,877
Total assets		110,781	90,909
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	13	10,000	10,000
Other reserves		9,820	9,820
Retained earnings		58,475	41,552
Total equity		78,295	61,372
Non-current liability			
Provision for reinstatement cost	14	–	250
Current liabilities			
Trade, bills, other payables and provision for reinstatement cost	14	24,487	26,147
Bank borrowing	15	2,339	1,488
Current income tax liabilities		5,660	1,652
		32,486	29,287
Total liabilities		32,486	29,537
Total equity and liabilities		110,781	90,909

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2017

	Share capital	Attributable to owners of the Company			Total equity
		Share premium	Capital reserve (Note)	Retained earnings	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 April 2017	10,000	9,810	10	41,552	61,372
<i>Total comprehensive income</i>					
Profit for the period ended 30 September 2017	–	–	–	16,923	16,923
Balance at 30 September 2017 (unaudited)	10,000	9,810	10	58,475	78,295
Balance at 1 April 2016	10,000	9,810	10	16,409	36,229
<i>Total comprehensive income</i>					
Profit for the period ended 30 September 2016	–	–	–	16,074	16,074
Balance at 30 September 2016 (unaudited)	10,000	9,810	10	32,483	52,303

Note: Capital reserve of HK\$10,000 represented the difference between the combined capital of group subsidiaries acquired over the nominal value of the share capital of the Company issued in exchange thereof in the group reorganisation prior to the listing of the Company's shares on GEM.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2017

	For the six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Cash flows from operating activities		
Cash (used in)/generated from operations	(10,621)	9,314
Income tax paid	–	(847)
Net cash (used in)/generated from operating activities	(10,621)	8,467
Cash flows from investing activity		
Purchases of property, plant and equipment	(45)	(495)
Cash used in investing activity	(45)	(495)
Cash flows from financing activities		
Increase in short-term bank borrowing	851	3,600
Interest paid	(29)	(42)
Net cash generated from financing activities	822	3,558
Net (decrease)/increase in cash and cash equivalents	(9,844)	11,530
Cash and cash equivalents at beginning of the period	34,016	29,560
Cash and cash equivalents at the end of the period	24,172	41,090

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL

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

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

The shares of the Company (the "Share(s)") were listed on GEM by way of placing (the "Listing") on 7 October 2015 (the "Listing Date") and have been transferred to the main board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 27 September 2017.

2 BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the six months ended 30 September 2017 (the "Interim Financial Information") have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Interim Financial Information has been prepared under the historical cost convention and is presented in Hong Kong Dollars ("HK\$"), and all values are rounded to the nearest thousand except when otherwise indicated.

The Interim Financial Information does not include all of the information and disclosures required in annual financial statements in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which comprises all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the HKICPA, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2017.

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

In preparing the Interim Financial Information, the significant judgments made by the Company's management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's annual financial statements for the year ended 31 March 2017.

NOTES TO THE FINANCIAL STATEMENTS

3 ACCOUNTING POLICIES

Except for the adoption of new and revised HKFRSs issued by the HKICPA, which are effective for the Company's financial year beginning on 1 April 2017, the accounting policies applied in preparing the Interim Financial Information are consistent with those of the annual financial statements for the year ended 31 March 2017, as described in the Company's annual report for the year ended 31 March 2017. The Directors anticipate that the application of these new and revised HKFRSs will not have material impact on the Interim Financial Information. The Group has not early adopted any new and revised HKFRSs that have been issued by the HKICPA but are not yet effective.

4 SEGMENT INFORMATION

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

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

Analysis of revenue and other income is as follows:

	For the six months ended	
	30 September	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Revenue		
Sales of goods	169,409	93,753

NOTES TO THE FINANCIAL STATEMENTS

4 SEGMENT INFORMATION *(Continued)*

Revenue from external customers is analysed by region as follows:

	For the six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
America	79,159	71,555
Europe	47,820	8,820
Middle East	33,653	12,423
Asia Pacific	8,777	116
Africa	–	839
	169,409	93,753

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

	For the six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Customer A	25,921	28,619
Customer B	24,234	9,265
Customer C	15,665	20,500
Customer D	10,985	11,623

NOTES TO THE FINANCIAL STATEMENTS

5 EXPENSES BY NATURE

	For the six months ended	
	30 September	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Cost of goods sold	129,130	59,864
Sales commission to third parties	1,636	1,496
Depreciation of property, plant and equipment	182	226
Operating lease rentals in respect of		
— office	1,681	1,665
— staff quarter	377	382
— car park	122	114
Auditors' remuneration		
— Audit services	550	540
— Non-audit services	—	—
Employee benefit expenses (Note 6)	7,541	6,812
Entertainment and travelling expenses	882	576
Other expenses	6,348	2,565
Total cost of sales, selling expenses and general and administrative expenses	148,449	74,240

NOTES TO THE FINANCIAL STATEMENTS

6 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	For the six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Salaries, bonus and other short-term employee benefits	7,310	6,599
Pension costs — defined contribution plans	231	213
	7,541	6,812

7 FINANCE EXPENSES

	For the six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest expenses on bank borrowing	29	42

8 INCOME TAX EXPENSE

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

	For the six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current income tax		
— Hong Kong	4,006	3,397
— Mainland China	2	—
Total	4,008	3,397

NOTES TO THE FINANCIAL STATEMENTS

8 INCOME TAX EXPENSE *(Continued)*

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for each of the periods shown above. Mainland China income tax has been provided at the rate of 10% on the estimated assessable profit for each of the periods shown above. The Group is not subject to taxation in the Cayman Islands or the British Virgin Islands.

9 DIVIDENDS

The Board does not recommend any payment of dividend for the six months ended 30 September 2017 and 2016.

10 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the respective periods.

	For the six months ended 30 September	
	2017 (unaudited)	2016 (unaudited)
Profit attributable to owners of the Company (HK\$'000)	16,923	16,074
Weighted average number of ordinary Shares in issue ('000)	1,000,000	1,000,000
Basic earnings per Share (HK cents per Share)	1.69	1.61

(b) Diluted

For the six months ended 30 September 2017 and 2016, diluted earnings per Share were equal to the basic earnings per Share as there were no potential dilutive ordinary Shares outstanding during the respective periods.

NOTES TO THE FINANCIAL STATEMENTS

11 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2017, the Group purchased property, plant and equipment of approximately HK\$45,000 (six months ended 30 September 2016: HK\$495,000).

12 TRADE AND BILLS RECEIVABLES, PREPAYMENTS AND DEPOSITS

	As at 30 September 2017 HK\$'000 (unaudited)	As at 31 March 2017 HK\$'000 (audited)
Trade and bills receivables	70,208	38,262
Payment in advance to suppliers	6,731	7,674
Prepaid incentive fee (<i>Note (a)</i>)	3,454	3,954
Advance payment of sales commission (<i>Note (a)</i>)	2,055	2,565
Rental deposits	1,884	1,884
Prepayments	843	436
Other receivables	252	799
	85,427	55,574
Less: Non-current portion		
Long-term portion of prepaid incentive fee	(2,454)	(2,954)
Long-term portion of rental deposits	–	(1,759)
	82,973	50,861

Note:

- (a) On 14 March 2016, the Group entered into a consultancy agreement with Asian Succeed Limited (“Asian Succeed”), an independent third party, to appoint Asian Succeed as the consultant to provide consultancy services in relation to the sales of the Group’s products and services to the Group for a period of five years. On the commencement date, 15 March 2016, the Group shall pay a sign up and incentive fee to Asian Succeed of HK\$5,000,000. As at 30 September 2017, the Group recognised approximately HK\$3,454,000 (31 March 2017: HK\$3,954,000) as prepaid incentive fee to Asian Succeed. The prepaid incentive fee is subject to amortisation of five years and an incentive fee of HK\$500,000 has been charged to the unaudited consolidated statement of comprehensive income for the six months ended 30 September 2017. Besides, the Group shall also pay a sum of HK\$3,000,000 as advance payment of sales commission to Asian Succeed. As at 30 September 2017, the Group recognised approximately HK\$2,055,000 (31 March 2017: HK\$2,565,000) as advance payment of sales commission to Asian Succeed and sales commission of approximately HK\$510,000 has been charged to the unaudited consolidated statement of comprehensive income for the six months ended 30 September 2017.

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

	As at 30 September 2017 HK\$'000 (unaudited)	As at 31 March 2017 HK\$'000 (audited)
Current	41,244	16,364
1 to 30 days	17,621	10,970
31 to 60 days	10,170	10,457
61 to 90 days	916	431
Over 90 days	257	40
Past due but not impaired	28,964	21,898
Total trade and bills receivables	70,208	38,262

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

As at 30 September and 31 March 2017, no trade receivables were impaired.

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

	HK\$'000
As at 1 April 2016 and 2017 and 30 September 2016 and 2017 (unaudited)	–

NOTES TO THE FINANCIAL STATEMENTS

13 SHARE CAPITAL

Authorised share capital

	Number of ordinary shares	Nominal value of ordinary shares HK\$ (unaudited)
As at 31 March 2017 and 30 September 2017	10,000,000,000	100,000,000

Issued and fully paid

	Number of ordinary shares	Nominal value of ordinary shares HK\$ (unaudited)
As at 31 March 2017 and 30 September 2017	1,000,000,000	10,000,000

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

	As at 30 September 2017 HK\$'000 (unaudited)	As at 31 March 2017 HK\$'000 (audited)
Trade and bills payable	20,412	15,106
Receipts in advance from customers	412	7,595
Provision for reinstatement cost	250	250
Accrued employee benefits expenses	1,100	670
Other accruals and payables	2,313	2,776
	24,487	26,397
Less: Non-current portion		
Provision for reinstatement cost	–	(250)
	24,487	26,147

NOTES TO THE FINANCIAL STATEMENTS

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

(Continued)

Trade and bills payable

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

	As at 30 September 2017 HK\$'000 (unaudited)	As at 31 March 2017 HK\$'000 (audited)
Current	15,688	9,872
1 to 30 days	3,363	3,168
31 to 60 days	906	1,069
61 to 90 days	–	456
Over 90 days	455	541
	20,412	15,106

15 BANK BORROWING

As at 30 September 2017, the bank borrowing, which was denominated in Hong Kong dollars, was repayable on demand and carried at amortised cost (31 March 2017: HK\$1,488,000). Interest was charged at one-month Hong Kong Interbank Offered Rate +1.3% per annum.

As at 30 September 2017, the Group had aggregate banking facilities of HK\$67,309,000 (31 March 2017: HK\$70,166,000) for overdrafts, import facilities, loans, trust receipts, business card and factoring. These facilities were secured/ guaranteed by (i) an unlimited guarantee from the Company and (ii) an unlimited guarantee from Trinity Ally Limited, being a subsidiary of the Company.

NOTES TO THE FINANCIAL STATEMENTS

16 COMMITMENTS

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

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

	As at 30 September 2017 HK\$'000 (unaudited)	As at 31 March 2017 HK\$'000 (audited)
No later than 1 year	2,419	4,119
Later than 1 year and no later than 5 years	–	361
	2,419	4,480

The Group did not have any material capital commitments as at 30 September and 31 March 2017.

17 RELATED PARTY TRANSACTIONS

(a) Transaction with related party

Save as disclosed elsewhere in the Interim Financial Information, no related party transaction was noted for the six months ended 30 September 2016 and 2017.

(b) Key management compensation

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

	For the six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Salaries, bonus and other short-term employee benefits	3,284	3,059
Pension costs — defined contribution plans	51	51
	3,335	3,110

NOTES TO THE FINANCIAL STATEMENTS

17 RELATED PARTY TRANSACTIONS *(Continued)*

(c) Other arrangement with related party

No other arrangement with related party was noted for the six months ended 30 September 2016 and 2017.

18 CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 September and 31 March 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group sells apparel products and provides supply chain management total solutions to customers. The Group recorded an increase in revenue and profit and total comprehensive income attributable to owners of the Company of approximately 80.6% and 5.0%, respectively for the six months ended 30 September 2017 as compared with that for the six months ended 30 September 2016. Despite the continued challenges in the global business environment, the Group was able to record growth in revenue by offering competitive pricing to secure new customers with an aim to expand its market share. The Group performed well in both the American and European market for the six months ended 30 September 2017. In addition, the Group continued to focus on providing high quality designs and innovative total supply chain solutions to customers for relatively high gross profit margin. For the six months ended 30 September 2017, the Group recorded a drop in gross profit margin in return for the expansion of market share. The increase in profit and total comprehensive income attributable to owners of the Company for the six months ended 30 September 2017 reflects the Company's objective to maintain balance between business expansion, profitability and shareholders' return.

On 7 October 2015, the Shares were successfully listed on GEM by way of placing (the "Placing"). After deducting all the relevant commission and expenses borne by the Company, there are approximately HK\$5.1 million of net proceeds from the Placing. During the period from the Listing Date to 30 September 2017, approximately HK\$3.6 million was utilised in accordance with the business strategies as set out in the Company's prospectus dated 29 September 2015 in relation to the Placing (the "Prospectus"). Further details are set out in the section headed "Use of Proceeds" in this report.

On 27 September 2017, the Shares were successfully listed on the main board of the Stock Exchange by way of transfer of listing from GEM to main board of the Stock Exchange (the "Transfer of Listing"). The Transfer of Listing did not involve the issue of any new Shares of the Company. The Board believes that the Transfer of Listing will improve the liquidity of the Shares and enhance the profile of the Group. The Board considers that the Transfer of Listing will be beneficial to the future growth and business development of the Group as well as its financing flexibility.

FINANCIAL REVIEW

Revenue

The Group's revenue increased to approximately HK\$169.4 million for the six months ended 30 September 2017 from approximately HK\$93.8 million for the six months ended 30 September 2016, representing an increase of approximately 80.6%. The Group performed well in both the American and European market for the six months ended 30 September 2017. The Group's sales to its top five customers accounted for approximately 57.2% of the total revenue for the six months ended 30 September 2017, with the Group's sales to its largest customer accounting for approximately 15.3% of the total revenue for six months ended 30 September 2017. The Group's strategy is to diversify its customer base by continuing to grow its business with new customers and capturing greater market share. In addition, there was a significant increase in sales from European customers which included amongst others, sales to one of the world's largest fashion retailers headquartered in Spain, (the "New Customer"). The New Customer owns eight brands, including some of the most internationally popular and successful high street brands and has a total number of more than 7,000 retail stores throughout the world. The Group continued to solidify its reputation for high quality products and demonstrated its strong abilities to solicit new customers such as international top fashion chain.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of sales

The Group's cost of sales primarily consists of cost of goods sold, employee benefit expenses and other direct costs. The cost of sales increased to approximately HK\$132.8 million for the six months ended 30 September 2017 from approximately HK\$63.2 million for the six months ended 30 September 2016, representing an increase of approximately 110.1%. The Group's cost of sales increased along with the growth in revenue for the six months ended 30 September 2017.

Gross profit and gross profit margin

The Group's gross profit increased to approximately HK\$36.6 million for the six months ended 30 September 2017 from approximately HK\$30.6 million for the six months ended 30 September 2016, representing an increase of approximately 19.6%. The Group's gross profit margin decreased to approximately 21.6% for the six months ended 30 September 2017 from approximately 32.6% for the six months ended 30 September 2016. In order to further expand the Group's market share, the Group offered competitive pricing for a higher portion of its sales to valuable customers as compared with that for the six months ended 30 September 2016, which diluted the impact of increasing sales with high gross profit margin.

Selling expenses

Selling expenses mainly consist of sales commission paid to the external sales representatives and staff costs of in-house staff whose role are mainly focused on sourcing new customers. Selling expenses increased to approximately HK\$3.5 million for the six months ended 30 September 2017 from approximately HK\$2.6 million for the six months ended 30 September 2016, representing an increase of approximately 34.6%. The increase in selling expenses was mainly attributable to the increase in the sales commission, salary of selling staff and freight charges.

General and administrative expenses

General and administrative expenses primarily consist of employee benefit expenses, operating lease rentals mainly for office, entertainment and travelling expenses, depreciation of property, plant and equipment, legal and professional fees and other miscellaneous general and administrative expenses. General and administrative expenses increased to approximately HK\$12.1 million for the six months ended 30 September 2017 from approximately HK\$8.4 million for the six months ended 30 September 2016, representing an increase of approximately 44.0%. The general and administrative expenses for the six months ended 30 September 2017 include costs in relation to the Transfer of Listing of approximately HK\$2.1 million (2016: nil). Such an increase was mainly due to increases in entertainment and travelling expenses and other expenses including consultancy fee, courier charges, reporting related expenses and transfer of listing expenses.

Profit and total comprehensive income attributable to owners of the Company

Profit and total comprehensive income attributable to owners of the Company increased to approximately HK\$16.9 million for the six months ended 30 September 2017 from approximately HK\$16.1 million for the six months ended 30 September 2016, representing an increase of approximately 5.0%. The increase in profit and total comprehensive income attributable to owners of the Company for the six months ended 30 September 2017 reflects the Company's objective to maintain balance between business expansion, profitability and shareholders' return.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

During the six months ended 30 September 2017, the Group mainly financed its operations with its own working capital and net proceeds from the Placing. As at 30 September and 31 March 2017, the Group had net current assets of approximately HK\$74.7 million and HK\$55.6 million respectively, including cash and bank balances of approximately HK\$24.2 million and HK\$34.0 million respectively. The Group's current ratio increased from approximately 2.9 as at 31 March 2017 to approximately 3.3 as at 30 September 2017. Such an increase was mainly attributable to the increase in current assets as at 30 September 2017.

Gearing ratio is calculated by dividing total debts by total equity as at the end of the period. The Group's gearing ratio increased from approximately 0.02 as at 31 March 2017 to approximately 0.03 as at 30 September 2017 which was mainly attributable to an increase in bank borrowings as at 30 September 2017.

TREASURY POLICIES

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

COMMITMENTS

The Group's contractual commitments primarily related to the leases of its office premises and staff quarter. The Group's operating lease commitments amounted to approximately HK\$2.4 million and HK\$4.5 million as at 30 September and 31 March 2017 respectively. As at 30 September 2017, the Group did not have any significant capital commitments (31 March 2017: nil).

CAPITAL STRUCTURE

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

SIGNIFICANT INVESTMENTS

As at 30 September 2017, the Group did not hold any significant investments.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the six months ended 30 September 2017, the Group did not have any acquisitions or disposals of subsidiaries and affiliated companies.

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

FOREIGN EXCHANGE EXPOSURE

The Group's exposure to currency risk primarily related to Hong Kong dollars ("HK\$") and Euro dollars ("EUR"). As at 30 September and 31 March 2017, foreign exchange risk on financial assets and liabilities denominated in EUR was insignificant to the Group. Although the Group's revenue and major expenses are mainly in US\$, which is the functional currency of the Group, as HK\$ is pegged to US\$, the Group does not expect any significant movement in the US\$/HK\$ exchange rate. The Group does not undertake any foreign currency hedging currently.

PLEDGE OF ASSETS

As at 30 September 2017, the Group did not pledge any of its assets (31 March 2017: nil) as securities for any facilities granted to the Group.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2017 and 2016, the Group employed a total of 34 and 33 full-time employees respectively. The Group's employee benefit expenses mainly included salaries, wages, other staff benefits and contributions to retirement schemes. For the six months ended 30 September 2017 and 2016, the Group's total employee benefit expenses (including Directors' emoluments) amounted to approximately HK\$7.5 million and HK\$6.8 million respectively. Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. In addition to a basic salary, year-end bonuses would be discretionary offered to those employees with outstanding performance.

USE OF PROCEEDS

The Shares have been successfully listed on GEM on 7 October 2015. The actual net proceeds from the Placing, after deducting commission and expenses borne by the Company in connection with the Placing, were approximately HK\$5.1 million (the "Actual Net Proceeds"), which were less than the estimated one stated in the Prospectus. Thus, the Company plans to apply the Actual Net Proceeds on the same business strategic plans as stated in the Prospectus for the period from 1 October 2015 to 30 June 2018 (the "Period") but with monetary adjustments to each business strategic plan on a pro rata basis. As the Placing completed after 30 September 2015, the estimated use of proceeds for the period ended 30 September 2015 as stated in the Prospectus would be foregone. Table below sets out an adjusted allocation and the actual use of the Actual Net Proceeds for the period from the Listing Date to 30 September 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

Business strategies as set out in the Prospectus	Adjusted allocation of the Actual Net Proceeds	Actual use of the Actual Net Proceeds
	For the period from Listing Date to 30 September 2017	
	HK\$'000	HK\$'000
Expand the geographical coverage of the Group's customers <i>(Note 1)</i>	1,269	1,269
Expand the geographical base of the Group's third-party manufacturers	583	476
Further develop the Group's design and development capabilities	897	856
Expand the Group's product types to further cater to customers' needs	700	700
General working capital	<i>(Note 2)</i>	330
Total	3,449	3,631

Notes:

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

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PROSPECTS

The Group's comprehensive range of supply chain management total solutions which include market trend analysis, design and product development, sourcing, production management, quality control and logistics services, remain to be the core of the Group's business. The Group's future plan and strategy is to continue to provide excellent supply chain management total solutions to its customers. The Group targets to grow its market share by working with top international fashion brands and developing strong relationships with them through high quality designs and innovative solutions.

With the recent sales contract with the New Customer, the Group has demonstrated its extensive network and immense experience in the apparel industry worldwide, as well as its strong ability to solicit new customers and expand into new market. We hope that it will open the door to many other opportunities with this multinational customer with over 7,000 stores throughout the world.

Given the challenges in the global economic outlook, the Group will continue to diversify its business into different geographic regions across America, Europe and Middle East and mitigate the risks of any shortcoming in any single region. The Group will continue to target to grow its business in countries where an improving economic outlook can be seen. More recent developments seem to indicate that the European economy is slowly recovering. The Group expects pressure to the Group's revenue and gross profit margin to remain strong amid the challenging business environment. Nevertheless, the Directors are confident that the Group has the ability to handle these challenges and to grow organically to become a leading total supply chain management company in Hong Kong with full vertical value propositions to its customers from the factory to the consumer whilst maximising return for the Shareholders.

OTHER INFORMATION

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

As at 30 September 2017, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong)) (the "SFO") which would have to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which would be required, pursuant to section 352 of the SFO, to be entered in the register as referred to therein, or pursuant to the Model Code for Securities Transaction by Directors of Listed Companies as set out in the Appendix 10 of the Listing Rules (the "Model Code") relating to securities transactions by the Directors to be notified to the Company and the Stock Exchange, are as follows:

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

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

Save as disclosed above, as at 30 September 2017, none of the Directors and chief executive of the Company had any interests and short positions in the Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to the Model Code relating to securities transactions by the Directors to be notified to the Company and the Stock Exchange.

OTHER INFORMATION

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

As at 30 September 2017, so far as it is known to the Directors, the following persons, not being a Director or chief executive of the Company, had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name	Capacity/nature of interest	Number of Shares	Percentage of interest in the Company
Alpha Direct	Beneficial owner	554,500,000	55.45%
Ms. Ngan Shui Ling Crystal	Interest of spouse (<i>Note 1</i>)	554,500,000	55.45%
Wise Manner	Beneficial owner	68,000,000	6.8%
Ms. Mang Ngai ("Ms. Mang")	Interest in controlled corporation (<i>Note 2</i>)	68,000,000	6.8%

Notes:

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

Save as disclosed above, as at 30 September 2017, the Directors are not aware of any interests and short positions owned by any parties (other than a Director or chief executive of the Company) in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

The Company's corporate governance practices are based on principles and code provisions as set out in the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules ("CG Code"). The Board and the management of the Company are committed to maintaining and achieving a high standard of corporate governance practices with an emphasis on a quality Board, an effective accountability system and a healthy corporate culture in order to safeguard the interests of the Shareholders and enhance the business growth of the Group.

During the six months ended 30 September 2017, the Company has complied with all the code provisions as set out in the CG Code except the deviation stated in the following paragraph.

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

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in the Model Code. Having been made specific enquiry by the Company, all Directors confirmed that they have complied with the required standard of dealings and the code of conduct concerning securities transactions by the Directors during the six months ended 30 September 2017.

SHARE OPTION SCHEME

A share option scheme was adopted and approved by the then shareholders of the Company on 22 September 2015 (the "Share Option Scheme"). No share options have been granted pursuant to the Share Option Scheme during the six months ended 30 September 2017 and no option is outstanding as at 30 September 2017.

OTHER INFORMATION

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

During the six months ended 30 September 2017, the Company did not redeem any of its Shares listed on the Stock Exchange nor did the Company or any of its subsidiaries purchase or sell any such Shares.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No Director had a material interest in any contract of significance to the business of the Group, to which the Company or any of its subsidiaries was a party during the six months ended 30 September 2017.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the six months ended 30 September 2017 and up to the date of this report, none of the Directors or any of their respective close associates, engaged in any business that competes or might compete with the business of the Group, or had any other conflict of interest with the Group.

NON-COMPETITION UNDERTAKING

The Company confirms that the non-competition undertaking of Ms. Mang and Wise Manner, details of which were set out in the Prospectus has been fully complied and enforced during the six months ended 30 September 2017. The Board also confirms that there are no other matters in relation to the aforesaid undertaking which should be brought to the attention of the Shareholders and the potential investors.

OTHER INFORMATION

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") was established with its terms of reference in compliance with Rules 3.21 to 3.23 of the Listing Rules the CG Code. The primary duties of the Audit Committee are mainly to make recommendations to the Board on the appointment and removal of external auditor, review the financial statements and material advice in respect of financial reporting, and oversee risk management and internal control systems of the Group.

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

By order of the Board

Season Pacific Holdings Limited
Cheung Lui

Chairman, Chief Executive Officer & Executive Director

Hong Kong, 27 November 2017

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