Season Pacific Holdings Limited
雲裳衣控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1709)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

The board (the "Board") of Directors (the "Directors") of Season Pacific Holdings Limited (the "Company") is pleased to announce the unaudited results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 September 2018 together with the comparative unaudited figures for the six months ended 30 September 2017 as follows:

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2018

		For the six months ended 30 September	
	Notes	**2018** *HK$'000* **(unaudited)**	2017 *HK$'000* (unaudited)
Revenue	*4*	**132,203**	169,409
Cost of sales	*5*	**(109,600)**	(132,831)
Gross profit		**22,603**	36,578
Selling expenses	*5*	**(3,382)**	(3,495)
General and administrative expenses	*5*	**(20,552)**	(12,123)
Operating (loss)/profit		**(1,331)**	20,960
Finance income	*8*	**3**	–
Finance costs	*8*	**(69)**	(29)
Finance costs, net		**(66)**	(29)
(Loss)/profit before income tax		**(1,397)**	20,931
Income tax expense	*9*	**(1,874)**	(4,008)
(Loss)/profit and total comprehensive (loss)/income for the period attributable to owners of the Company		**(3,271)**	16,923
Basic and diluted (loss)/earnings per share attributable to owners of the Company (expressed in HK cents per share)	*11*	**(0.30)**	1.69

* *For identification purpose only*

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2018

	Notes	As at 30 September 2018 HK$'000 (unaudited)	As at 31 March 2018 HK$'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	*12*	**678**	808
Deferred income tax asset		**256**	256
Prepayments and deposits	*13*	**3,409**	3,777
		4,343	4,841
Current assets			
Trade and bills receivables, prepayments and deposits	*13*	**80,356**	68,479
Cash and cash equivalents		**102,020**	42,375
		182,376	110,854
Total assets		**186,719**	115,695
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	*14*	**11,238**	10,000
Other reserves		**83,662**	15,163
Retained earnings		**53,969**	57,240
Total equity		**148,869**	82,403
Non-current liability			
Provision for reinstatement cost	*15*	**250**	250
Current liabilities			
Trade, bills and other payables	*15*	**27,057**	22,872
Bank borrowings	*16*	**8,500**	8,336
Current income tax liabilities		**2,043**	1,834
		37,600	33,042
Total liabilities		**37,850**	33,292
Total equity and liabilities		**186,719**	115,695

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018

	Attributable to owners of the Company					
	Share capital *HK$'000*	**Share premium** *HK$'000*	**Share options reserve** *HK$'000*	**Capital reserve** *HK$'000*	**Retained earnings** *HK$'000*	**Total equity** *HK$'000*
Balance at 1 April 2018 (audited)	**10,000**	**9,810**	**5,343**	**10**	**57,240**	**82,403**
Total comprehensive loss						
Loss for the period ended 30 September 2018 (unaudited)	**–**	**–**	**–**	**–**	**(3,271)**	**(3,271)**
Transactions with owners in their capacity as owners						
Shares issued upon placing	**1,238**	**58,805**	**–**	**–**	**–**	**60,043**
Share-based payments	**–**	**–**	**9,694**	**–**	**–**	**9,694**
Balance at 30 September 2018 (unaudited)	**11,238**	**68,615**	**15,037**	**10**	**53,969**	**148,869**
Balance at 1 April 2017 (audited)	10,000	9,810	–	10	41,552	61,372
Total comprehensive income						
Profit for the period ended 30 September 2017 (unaudited)	–	–	–	–	16,923	16,923
Balance at 30 September 2017 (unaudited)	10,000	9,810	–	10	58,475	78,295

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 2018 (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 2018.

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 2018.

3 ACCOUNTING POLICIES

Except for the adoption of the following new and revised HKFRSs issued by the HKICPA, which are effective for the Company's financial year beginning on 1 April 2018, 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 2018, as described in the Company's annual report for the year ended 31 March 2018. 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.

HKFRS 9, 'Financial Instruments'

HKFRS 9 "Financial instruments" replaces the whole of HKAS 39. HKFRS 9 has three financial asset classification categories for investments in debt instruments: amortised cost, fair value through other comprehensive income ("**OCI**") and fair value through profit or loss. Classification is driven by the entity's business model for managing the debt instruments and their contractual cash flow characteristics.

Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognised in OCI, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss. There is no subsequent recycling of the amounts in OCI to profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss.

All of the Group's financial assets and financial liabilities were carried at amortised cost, which continue to be measured on the same basis under initial application of HKFRS 9. As a result, the adoption of HKFRS 9 does not have a significant impact on the classification and measurement of the Group's financial assets and financial liabilities. Management has performed an evaluation of the expected credit loss position as at 1 April 2018, and concluded that the impact of the new standard on that date to be insignificant, and therefore no restatement of the balance as at that date was required.

HKFRS 9 also introduces a new model for the recognition of impairment losses — the expected credit losses (ECL) model, which constitutes a change from the incurred loss model in HKAS 39. HKFRS 9 contains a 'three stage' approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. Where there is a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL.

Based on the historical experience of the Group, the default rates of the outstanding balances with customers are low. Hence, the application of HKFRS 9 does not result in a significant impact on the Group's impairment provisions and financial position and results of operations.

HKFRS 15, 'Revenue from contracts with customers'

HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach:

(1) Identify the contract(s) with customer; (2) Identify separate performance obligations in a contract; (3) Determine the transaction price; (4) Allocate transaction price to performance obligations; and (5) Recognise revenue when performance obligation is satisfied. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an "earnings processes" to an "asset liability" approach based on transfer of control. HKFRS 15 provides specific guidance on capitalisation of contract cost, license arrangements and principal versus agent considerations. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The major revenue stream for the Group is sales of goods, the performance obligations of this revenue is recognised at a point in time when control of goods transfers to customers, which generally consist with the time when the goods are delivered to customers and title has been passed.

The application of HKFRS 15 does not result in any significant impact on the Group's financial position and results of operations.

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	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Revenue		
Sales of goods	**132,203**	169,409

Revenue from external customers is analysed by region as follows:

	For the six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
America	**70,906**	79,159
Europe	**46,361**	47,820
Asia Pacific	**12,483**	8,777
Middle East	**2,453**	33,653
	132,203	169,409

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	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Customer A	**29,497**	15,113
Customer B	**27,808**	–
Customer C	**25,269**	25,921

5 EXPENSES BY NATURE

	For the six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Cost of goods sold	**106,495**	129,130
Sales commission	**1,253**	1,136
Incentive fee	**500**	500
Depreciation of property, plant and equipment	**147**	182
Operating lease rentals in respect of		
— office	**1,681**	1,681
— staff quarter	**380**	377
— car park	**128**	122
Auditors' remuneration	**575**	550
Employee benefit expenses *(Note 6)*	**10,491**	7,541
Entertainment and travelling expenses	**336**	882
Share options granted to external consultants and supplier	**6,545**	–
Other expenses	**5,003**	6,348
Total cost of sales, selling expenses and general and administrative expenses	**133,534**	148,449

6 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	For the six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Salaries, bonus and other short-term employee benefits	**7,138**	7,310
Share options granted to directors	**3,149**	–
Pension costs — defined contribution plans	**204**	231
	10,491	7,541

7 SHARE-BASED PAYMENTS

On 27 April 2018, a total of 60,000,000 share options were granted under the Share Option Scheme of the Company (the "Share Option Scheme") with no vesting period. The exercise price of the share options granted is HK$0.425 per share.

Name	Position held/relationship with the Company	Number of share options granted
Mr. Chak Ka Wai ("Mr. Chak")	Executive Director	10,000,000
Ms. Luk Huen Ling Claire ("Ms. Luk")	Independent non-executive director	10,000,000
External consultants and supplier	Not applicable	40,000,000

The exercise price of share options of HK$0.425 per share, which is higher of (i) the closing price of HK$0.425 per share as quoted in the Stock Exchange's daily quotation sheet on the grant date; and (ii) the average closing price of HK$0.414 per share as quoted in Stock Exchange's daily quotation sheets for the five business days immediately preceding the grant date.

During the six months ended 30 September 2018, there was no exercise, lapse or cancellation of share options (six months ended 30 September 2017: Nil).

As at 30 September 2018, the share options outstanding having an exercise price of HK$0.482 will expire on 27 October 2027 and the share options outstanding having an exercise price of HK$0.425 will expire on 27 April 2028.

During the six months ended 30 September 2018, share-based payment expense in relation to share options granted to employees and the external consultants and supplier were HK$3,149,000 and HK$6,545,000 (six months ended 30 September 2017: Nil) respectively and charged to the consolidated statement of comprehensive income.

Fair value of share options and assumptions

The fair value of the share options granted during the six months ended 30 September 2018 were derived from Binomial option pricing model by applying the following bases and assumptions:

	Share options granted to	
	Mr. Chak and Ms. Luk	External consultants and supplier
Grant date	27/4/2018	27/4/2018
Number of options granted	20,000,000	40,000,000
Option life *(Note (i))*	10 years	10 years
Risk-free rate *(Note (ii))*	2.147%	2.019%
Volatility *(Note (iii))*	38.62%	38.62%
Dividend yield	0%	0%
Fair value per share option at grant date	HK$0.1574	HK$0.1636
Total fair value for each batch	HK$3,149,000	HK$6,545,000

Notes:

(i) The option life was determined with reference to the expiry date of the Share Options Scheme and the estimation on expected retirement date of the respective individuals and probability of contract renewal with the external consultant by management.

(ii) The risk-free rate was determined with reference to the yield of Hong Kong Government Exchange Fund Notes with a maturity life equal to the time to maturity of the share options at the grant date.

(iii) The volatility of the share options was calculated based on the daily stock prices of the comparables companies. The length of period approximately equals to the time to maturity of the share options at the grant date.

The fair value of the share options granted during the six months ended 30 September 2018 has been arrived on the basis of a valuation carried out at the grant date by an independent valuation service provider. The fair value of the share options are subject to the limitations of the Binomial option pricing model and a number of assumptions which are subjective and difficult to ascertain. Changes in the subjective input assumptions could materially affect the fair value estimate. The weight average fair value of share options granted during the six months ended 30 September 2018 determined using the Binomial option pricing model was HK$0.162 per share option (six months ended 30 September 2017: Nil).

The outstanding share options as at 30 September 2018 had a weighted average remaining contractual life of 9.38 years (31 March 2018: 9.58).

At 30 September 2018, the Company had 100,000,000 (31 March 2018: 40,000,000) share options outstanding under the Share Options Scheme, which represented approximately 8.9% (31 March 2018: 4.0%) of the Company's shares in issue at that date. Share options do not confer rights on the holders to dividends or to vote at shareholder's meetings.

8 FINANCE COST, NET

	For the six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest expenses on bank borrowings	**(69)**	(29)
Bank interest income	**3**	–
	(66)	(29)

9 INCOME TAX EXPENSE

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

	For the six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current income tax		
— Hong Kong	**1,874**	4,006
— The People's Republic of China ("PRC")	**–**	2
Total	**1,874**	4,008

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. Corporate income tax of the PRC has been provided at the preferential 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.

10 DIVIDENDS

The Board did not recommend any payment of an interim dividend for the six months ended 30 September 2018 and 2017.

11 (LOSS)/EARNINGS PER SHARE

(a) Basic

Basic (loss)/earnings per share is calculated by dividing the (loss)/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	
	2018	2017
	(unaudited)	(unaudited)
(Loss)/profit attributable to owners of the Company (HK$'000)	**(3,271)**	16,923
Weighted average number of ordinary Shares in issue ('000)	**1,082,533**	1,000,000
Basic (loss)/earnings per Share (HK cents per Share)	**(0.30)**	1.69

(b) Diluted

For the six months ended 30 September 2018 and 2017, diluted (loss)/earnings per Share were equal to the basic (loss)/earnings per Share as there were no potential dilutive ordinary Shares outstanding during the respective periods.

12 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2018, the Group purchased property, plant and equipment of approximately HK$17,000 (six months ended 30 September 2017: HK$45,000).

13 TRADE AND BILLS RECEIVABLES, PREPAYMENTS AND DEPOSITS

	As at 30 September 2018	As at 31 March 2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade and bills receivables	**65,318**	42,397
Prepaid incentive fee *(Note (a))*	**2,454**	2,954
Advance payment of sales commission	**815**	1,356
Payment in advance to suppliers	**12,518**	22,728
Rental deposits	**1,955**	1,948
Prepayments	**434**	382
Other receivables	**271**	491
Total trade and bills receivables, prepayments and deposits	**83,765**	72,256
Less: Non-current portion		
Long-term portion of prepaid incentive fee	**(1,454)**	(1,954)
Long-term portion of rental deposits	**(1,955)**	(1,823)
	80,356	68,479

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 for a period of five years. The Group paid a sign up and incentive fee to Asian Succeed of HK$5,000,000. The prepaid incentive fee is subject to amortisation of five years.

As at 30 September 2018, the Group recognised HK$2,454,000 (31 March 2017: HK$2,954,000) as prepaid incentive fee to Asian Succeed in the consolidated statement of financial position and an incentive fee of HK$500,000 (six months ended 30 September 2017: HK$500,000) has been charged to the consolidated statement of comprehensive income during the six months ended 30 September 2018.

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

The Group's sales are with credit terms of up to 150 days (31 March 2018: 90 days). The ageing analysis of trade and bills receivables, based on due date, is as follows:

	As at 30 September 2018 *HK$'000* **(unaudited)**	As at 31 March 2018 *HK$'000* (audited)
Current	**55,468**	23,389
1 to 30 days	**9,057**	5,842
31 to 60 days	**541**	2,651
61 to 90 days	**14**	987
Over 90 days	**238**	9,528
Past due but not impaired	**9,850**	19,008
Total trade and bills receivables	**65,318**	42,397

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

As at 30 September 2018 and 31 March 2018, no trade and bills receivables were impaired.

14 SHARE CAPITAL

	Number of ordinary shares	Nominal value of ordinary shares *HK$* (unaudited)
Authorised share capital		
As at 31 March 2018 and 30 September 2018	10,000,000,000	100,000,000
Issued and fully paid		
As at 31 March 2018	1,000,000,000	10,000,000
Shares issued upon placing (a)	123,800,000	1,238,000
As at 30 September 2018	1,123,800,000	11,238,000

Note:

(a) In June 2018, the placing was completed and a total of 123,800,000 Shares were issued under the general mandate of the Company. For further details, please refer to the Company's announcements dated 16 May 2018, 23 May 2018 and 1 June 2018.

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

	As at 30 September 2018 ***HK$'000*** **(unaudited)**	As at 31 March 2018 *HK$'000* (audited)
Trade and bills payables	**23,805**	16,026
Receipts in advance from customers	**967**	4,244
Provision for reinstatement cost	**250**	250
Accrued employee benefits expenses	**965**	612
Other accruals and payables	**1,320**	1,990
	27,307	23,122
Less: Non-current portion		
Provision for reinstatement cost	**(250)**	(250)
	27,057	22,872

Trade and bills payables

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

	As at 30 September 2018 *HK$'000* **(unaudited)**	As at 31 March 2018 *HK$'000* (audited)
Current	**10,732**	10,119
1 to 30 days	**12,241**	632
31 to 60 days	**396**	4,125
61 to 90 days	**16**	731
Over 90 days	**420**	419
Total trade and bills payables	**23,805**	16,026

16 BANK BORROWINGS

At 30 September 2018, the bank borrowings were repayable within 1 year with the average interest rate per annum ranging from 3.52% to 3.97% (31 March 2018: 2.29% to 2.74%). The exposure of the bank borrowings to interest rate changes and the contractual repricing dates at the end of the year were 6 months or less.

The carrying amounts of the bank borrowings were unsecured, denominated in HK$ and approximated their fair values.

17 CONTINGENT LIABILITIES

The Group did not have material contingent liabilities as at 30 September and 31 March 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group sells apparel products and provides supply chain management total solutions to customers.

The Group recorded a loss and total comprehensive loss attributable to owners of the Company of approximately HK$3.3 million for the six months ended 30 September 2018 as compared to a profit and total comprehensive income attributable to owners of the Company of approximately HK$16.9 million for the six months ended 30 September 2017. Such turnaround was mainly attributable to (1) the recognition of one-off non-cash expenses for share based payment of approximately HK$9.7 million; (2) non-recurring placing commission and other fees in relation to the placing (the "Placing") of new shares of the Company completed in June 2018 of approximately HK$1.4 million and (3) a decline of approximately 22.0% of the revenue of the Group for the six months ended 30 September 2018 as compared to same period last year due to lower sales as a result of difficult trading environments in certain markets. On the business side, both sales and margin are under pressure due to continued challenges in the global business environment which has resulted in the Group facing sales pressures particularly in tough markets such as the Americas with escalating trade wars and increased import duties resulting in sales down of approximately 10.4% and the Middle East with sales down of approximately 92.7%. As the Group's customers in such markets had a difficult trading environment resulting in the Group taking pro-active steps in managing receivable risk. The Group sustained its performance in the European market for the six months ended 30 September 2018 with sales drops of approximately 3.1% only. Despite the Group provided high quality designs and innovative total supply chain solutions to its customers, due to the tough market environment, retail sales for some of the Group's key customers decreased. As a result, the Group's gross profit margin decreased.

For the six months ended 30 September 2018, the Group recorded a drop in gross profit margin with a loss in market share in America and the Middle East. The decrease in revenue and gross profit margin for the six months ended 30 September 2018 reflects the Group's difficult trading environment where customers decreased their orders and/or significantly reduced the scale of their operations.

On 1 June 2018, a total of 123,800,000 new Shares were successfully placed to investors with net proceeds from the Placing, after deducting the placing commission, and related professional, publication fees payable by the Company, of approximately HK$58.6 million. For further details, please refer to the paragraph headed "Issue of securities" in this announcement.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased to approximately HK$132.2 million for the six months ended 30 September 2018 from approximately HK$169.4 million for the six months ended 30 September 2017, representing a decrease of approximately 22.0%. This decrease in revenue was mainly attributable to a decrease in market share in America and the Middle East due to difficult market conditions resulting in some existing customers decreasing their orders compared to the same period last year.

Cost of sales

The Group's cost of sales primarily consists of cost of goods sold, employee benefit expenses and other direct costs. The cost of sales decreased to approximately HK$109.6 million for the six months ended 30 September 2018 from approximately HK$132.8 million for the six months ended 30 September 2017, representing a decrease of approximately 17.5%. The Group's cost of sales decreased along with the decrease in revenue for six months ended 30 September 2018.

Gross profit and gross profit margin

The Group's gross profit decreased to approximately HK$22.6 million for the six months ended 30 September 2018 from approximately HK$36.6 million for the six months ended 30 September 2017, representing a decrease of approximately 38.3%. In order to maintain the Group's market share amid the difficult market environment, the Group offered competitive pricing for greater portion of its sales, which diluted the effect of sales with higher gross profit margin by providing both high quality designs and innovative total supply chain solutions during the six months ended 30 September 2018. In addition, with the loss of high margin sales to Middle East customers, the Group's gross profit margins suffered further downward pressure.

Selling expenses

Selling expenses mainly consist of sales commission paid to external sales representatives and staff costs of in-house staff whose roles are mainly focused on sourcing new customers. Selling expenses decreased to approximately HK$3.4 million for the six months ended 30 September 2018 from approximately HK$3.5 million for the six months ended 30 September 2017, representing a decrease of approximately 2.9%. The decrease in the Group's selling expenses was mainly attributable to decrease in 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$20.6 million for the six months ended 30 September 2018 from approximately HK$12.1 million for six months ended 30 September 2017, representing an increase of approximately 70.2%. Such increase was mainly due to non-recurring expenses relating to the Placing commission and other fees of HK$1.4 million and the recognition of one-off non-cash expenses for share based payment of approximately HK$9.7 million for the six months ended 30 September 2018 compared to HK$2.1 million non-recurring listing expenses incurred for the six months ended 30 September 2017.

Loss and total comprehensive loss attributable to owners of the Company

Loss and total comprehensive loss attributable to owners of the Company of approximately HK$3.3 million for the six months ended 30 September 2018 was recorded as compared to a profit and total comprehensive income attributable to owners of the Company of approximately HK$16.9 million for the six months ended 30 September 2017. Such turnaround reflects the tough economic and trading environment and loss in sales from customers in America and the Middle East. In addition, there were one-off effects totalling approximately HK$11.1 million incurred for the recognition of share based payment and placing commission and other fees during the six months ended 30 September 2018 while there were approximately HK$2.1 million non-recurring listing expenses incurred for the six months ended 30 September 2017.

The underlying performance of the Group is better reflected by adjusting the profit and total comprehensive income attributable to owners of the Company for the abovementioned non-recurring expenses of approximately HK$11.1 million and approximately HK$2.1 million for the six months ended 30 September 2018 and 2017 respectively. This results in an adjusted profit and total comprehensive income attributable to owners of the Company of approximately HK$7.8 million for the six months ended 30 September 2018 representing a decrease of approximately 58.9% compared to the adjusted profit and total comprehensive income attributable to owners of the Company for the six months ended 30 September 2017.

LIQUIDITY AND FINANCIAL RESOURCES

During the six months ended 30 September 2018, the Group mainly financed its operations with its own working capital and net proceeds from the Listing and Placing. As at 30 September 2018 and 31 March 2018, the Group had net current assets of approximately HK$144.8 million and HK$77.8 million respectively, including cash and bank balances of approximately HK$102.0 million and HK$42.4 million respectively. The Group's current ratio increased from approximately 3.4 as at 31 March 2018 to approximately 4.9 as at 30 September 2018. Such increase was mainly attributable to the increase in current assets during the six months ended 30 September 2018.

Gearing ratio is calculated by dividing total debts by total equity as at the end of the period. The Group's gearing ratio decreased from approximately 0.40 times as at 31 March 2018 to approximately 0.25 times as at 30 September 2018 which was mainly attributable to an increase in total equity during the six months ended 30 September 2018.

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$9.7 million and HK$10.5 million as at 30 September 2018 and 31 March 2018 respectively. As at 30 September 2018, the Group did not have any significant capital commitments (31 March 2018: nil).

CAPITAL STRUCTURE

Details of changes in the Company's share capital are set out in note 14 to the Interim Financial Information of the Group.

SIGNIFICANT INVESTMENTS

As at 30 September 2018, the Group did not hold any significant investments (31 March 2018: nil).

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the six months ended 30 September 2018, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as those disclosed in the prospectus of the Company dated 29 September 2015 (the "Prospectus"), the Group currently has no other plan for material investments and capital assets.

CONTINGENT LIABILITIES

The Group did not have material contingent liabilities as at 30 September 2018 and 31 March 2018.

FOREIGN EXCHANGE EXPOSURE

The Group's exposure to currency risk primarily related to Hong Kong Dollars ("HK$"), Renminbi ("RMB") and Euro dollars ("EUR"). As at 30 September and 31 March 2018, foreign exchange risk on financial assets and liabilities denominated in EUR and RMB was insignificant to the Group. Although the Group's revenue and major expenses are mainly in United States Dollars ("US$"), 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 2018, the Group did not pledge any of its assets (31 March 2018: nil) as securities for any facilities granted to the Group.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2018 and 2017, the Group employed a total of 28 and 34 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 2018 and 2017, the Group's total employee benefit expenses (including Directors' emoluments) amounted to approximately HK$10.5 million and HK$7.5 million respectively. Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. In addition to basic salary, year-end and/or share options would be discretionarily offered to employees in accordance with their performance.

USE OF PROCEEDS AND COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The Shares have been listed on GEM on 7 October 2015 by way of placing) (the "Listing"). The actual net proceeds from the Listing, after deducting commission and expenses borne by the Company in connection with the Listing, were approximately HK$5.1 million (the "Actual Net Proceeds"), which were less than the estimated one stated in the Prospectus and the allotment results announcement of the Company dated 6 October 2015 (the "Allotment Results Announcement"). The difference between the Actual Net Proceeds and the estimated proceeds stated in the Allotment Results Announcement was due to listing fees which were recognised in the combined statement of comprehensive income for the year ended 31 March 2015 and unexpected higher amount of professional fees relating to the GEM listing (such as auditors, lawyers and financial printer fees). Despite the difference in the Actual Net Proceeds compared to the estimated net proceeds, the Company has not altered its initial expansion or development plans but instead plans to apply the Actual Net Proceeds on the same business strategic plans as stated in the Prospectus for the period (the "Period") from 1 October 2015 to 30 June 2018 but with monetary adjustments to each business strategic plan on a pro rata basis. As the Listing 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. The table below sets out an adjusted allocation and the actual use of the Actual Net Proceeds for the period up to 30 September 2018.

Business strategies and business objectives as set out in the Prospectus	**Adjusted allocation of the Actual Net Proceeds**	**Actual use of the Actual Net Proceeds**
	For the period up to 30 September 2018	
	HK$'000	*HK$'000*
Expand the geographical coverage of the Group's customers *(Note)*	1,746	1,746
Expand the geographical base of the Group's third-party manufacturers	802	802
Further develop the Group's design and development capabilities	1,233	1,233
Expand the Group's product types to further cater to customers' needs	964	964
General working capital	330	330
Total	5,075	5,075

Note: The Actual Net Proceeds would only be utilised for, among others, salary of the team head for the new merchandising team subsequent to the Listing.

SUBSEQUENT EVENTS

As at the date of this interim results announcement, the Group has no significant events after the reporting period.

FUTURE PROSPECTS

The Group's comprehensive and excellent range of supply chain management total solutions which include market trend analysis, design and product development, sourcing, production management, quality control and logistics services faces an increasingly uncertain future. The macro economic uncertainties arising from headwinds in global trade from increases in US trade tariffs, as well as an increasing interest rate environment and downward pressures on the global stock markets creates a very difficult trading environment.

Despite the Group's extensive network and immense experience in the apparel industry worldwide resulting in growth in market share especially with the new multinational customer with 7,000 stores worldwide, the general prospects for the industry remains very challenging. The retail industry in the Americas and Middle East have proven to be increasingly difficult with several well known and established retailers as well as other independent retailers closing down operations in the US this year.

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. In addition, subsequent to the Placing, the Group intends to source and develop the Group's own brand or acquisition of brand(s) for garment and related products as well as to enhance the supply chain management efficiency and capacity and expansion of sales network to create greater business diversification in order to better handle the tough economic climate.

The Group will continue to target to grow its business in countries where an improving economic outlook can be seen. The previous strategy of developing Europe was well received with the Group's European business proving to be more resilient, however the future prospect may prove to be more difficult given the great uncertainty with international trade.

The Group expects great pressure to the Group's revenue, gross profit and net income margin amid the challenging business environment. Nevertheless, the Directors and the Group will handle these challenges as best as possible by utilising the Group's leading total supply chain management solutions and partnering and providing its customers with the best solutions in this challenging environment.

CORPORATE GOVERNANCE PRACTICES

The Company's corporate governance practices are based on principles and code provisions as set out in the Corporate Governance Code 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 of the Company and enhance the business growth of the Group.

During the six months ended 30 September 2018, the Company has complied with all the code provisions as set out in the CG Code except the deviation stated in the following paragraph.

Provision 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. During the six months ended 30 September 2018, Mr. Cheung Lui ("Mr. Cheung") performed his duties as both the chairman and chief executive officer of the Company.

However, the Board is of the view that 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 conductive 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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors by the Company, all Directors confirmed that they have complied with the required standard of dealings and the Company's code of conduct concerning securities transactions by the Directors for the six months ended 30 September 2018.

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"). The purpose of the Share Option Scheme is to enable the Company to grant options to eligible participants as incentive or reward for their contribution to the Group to subscribe for the Shares thereby linking their interest with that of the Group.

During the six months ended 30 September 2018, the Company granted 60,000,000 share options under the Share Option Scheme. As at 30 September 2018, the Company had 100,000,000 share options (31 March 2018: 40,000,000) outstanding under the Share Option Scheme.

Details of movements in the share options under the Share Option Scheme during the six months ended 30 September 2018 are as follows:

Category and name of grantee	Date of grant	Outstanding as at 1 April 2018	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as at 30 September 2018	Exercise price per share	Share price prior to the grant of share options	Exercise period
Directors										
Mr. Cheung *(Note 1)*	27 October 2017	10,000,000	–	–	–	–	10,000,000	HK$0.482	HK$0.47	27 October 2017 to 27 October 2027
Mr. Chak Ka Wai *(Note 1)*	27 April 2018	–	10,000,000	–	–	–	10,000,000	HK$0.425	HK$0.42	27 April 2018 to 27 April 2028
Ms. Luk Huen Ling Claire *(Note 2)*	27 April 2018	–	10,000,000	–	–	–	10,000,000	HK$0.425	HK$0.42	27 April 2018 to 27 April 2028
Sub-total		10,000,000	20,000,000	–	–	–	30,000,000			
Employee(s) of the Group	27 October 2017	10,000,000	–	–	–	–	10,000,000	HK$0.482	HK$0.47	27 October 2017 to 27 October 2027
Other participant(s)	27 October 2017	20,000,000	–	–	–	–	20,000,000	HK$0.482	HK$0.47	27 October 2017 to 27 October 2027
	27 April 2018	–	40,000,000	–	–	–	40,000,000	HK$0.425	HK$0.42	27 April 2018 to 27 April 2028
Total		40,000,000	60,000,000	–	–	–	100,000,000			

Notes:

1. Mr. Cheung and Mr. Chak Ka Wai are executive Directors.

2. Ms. Luk Huen Ling Claire is an independent non-executive Director.

There are no vesting period for the share options granted under the Share Option Scheme.

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

During the six months ended 30 September 2018, 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.

ISSUE OF SECURITIES

For the six months ended 30 September 2018, the Company had issued certain securities, details of which are set out below:

Reference is made to the announcements of the Company dated 16 May 2018, 23 May 2018 and 1 June 2018. The Company and Fulbright Securities Limited (the "Placing Agent") entered into a placing agreement on 16 May 2018 (as amended by a supplemental agreement dated 23 May 2018 and entered into by the same parties) in respect of the placement of up to 123,800,000 ordinary shares of HK$0.01 each ("Placing Shares") at a placing price of HK$0.485 per Placing Share to not less than six placees. The placing price of HK$0.485 represented a discount of approximately 19.17% to the closing price of HK$0.60 per Share as quoted on the Stock Exchange on 23 May 2018, being the date of the supplemental agreement.

On 1 June 2018, the placing was completed and a total of 123,800,000 Placing Shares were issued under the general mandate of the Company. Accordingly, the aggregate nominal value of the Placing Shares was HK$1,238,000.

The Placing Shares were placed by the Placing Agent to not less than six places (being individual(s), professional, institutional and/or corporate investors).

The net proceeds from the Placing were approximately HK$58.6 million. Accordingly, the net price of each Placing Share was approximately HK$0.47 per Placing Share. Set out below the intended use of net proceeds of the Placing and their respective status as at 30 September 2018:

Intended use	**Amount of proceeds allocated** *(HK$' million)*	**Actual amount of proceeds used as at 30 September 2018** *(HK$' million)*
Sourcing and developing the Group's own brand or acquisition of brand(s) for garment and related products *(note 1)*	25.0	–
Enhancement of supply chain management efficiency and capacity, and expansion of sales network *(note 2)*	25.0	–
General working capital purpose	8.6	8.6
TOTAL:	58.6	8.6

Notes:

1. The Company currently expects that the net proceeds allocated will be used by 1 June 2019.

2. The Company currently expects that the net proceeds allocated will be used by 1 June 2020.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No Director or any entity connected with any Director had a material interest whether directly or indirectly, in any transactions, arrangement and contract of significance to the business of the Group, to which the Company or any of its subsidiaries or its parent companies was a party subsisted during or at the end of the six months ended 30 September 2018.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

For the six months ended 30 September 2018 and up to the date of this interim 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 dated 25 September 2015 and executed by Wise Manner Limited and Ms. Mang Ngai, details of which were set out in the Prospectus, has been fully complied and enforced for the six months ended 30 September 2018. The Company further confirms that the deed of non-competition dated 25 September 2015 and given by Mr. Cheung and Alpha Direct, details of which were set out in the Prospectus, has been fully complied and enforced for the six months ended 30 September 2018. The Board also confirms that there are no other matters in relation to the aforesaid non-competition undertaking and deed of non-competition which should be brought to the attention of the Shareholders and the potential investors.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") was established on 22 September 2015. The terms of reference of the Audit Committee are available at the websites of the Stock Exchange and the Company.

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.

For the six months ended 30 September 2018, the Audit Committee consisted of three members, namely Mr. Lam Yau Lun (chairman of the Audit Committee) (appointed with effect from 26 May 2017; resigned with effect from 25 May 2018), Mr. Chang Eric Jackson (chairman of the Audit Committee) (appointed with effect from 25 May 2018), 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 Financial Information, including this results announcement.

By order of the Board
Season Pacific Holdings Limited
Cheung Lui
Chairman, Chief Executive Officer & Executive Director

Hong Kong, 15 November 2018

As at the date of this announcement, the executive Directors are Mr. Chak Ka Wai, Mr. Cheung Lui and Mr. Yu Xiu Yang, the non-executive Director is Ms. Chin Ying Ying; and the independent non-executive Directors are Mr. Chang Eric Jackson, Mr. Choi Sheung Jeffrey and Ms. Luk Huen Ling Claire.