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Mansion International Holdings Limited
民 信 國 際 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8456)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

The board of directors of Mansion International Holdings Limited (the “**Company**” and the “**Directors**”, respectively) announces the unaudited condensed consolidated financial results of the Company and its subsidiaries for the six months ended 30 September 2018. This announcement complies with the relevant requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) in relation to the information to accompany the preliminary announcement of interim results. The printed version of the Company’s 2018/19 interim report will be delivered to the shareholders of the Company and available for viewing on the websites of the Stock Exchange at www.hkexnews.hk and of the Company at www.mansionintl.com in due course in the manner as required by the GEM Listing Rules.

By order of the Board

Mansion International Holdings Limited

Cheung Desmond Lap Wai

Executive Director and Chief Operating Officer

Hong Kong, 6 November 2018

As at the date of this announcement, the executive Directors are Mr. Cheung Desmond Lap Wai (chief operating officer) and Ms. Ho Lai Ying; the non-executive Directors are Mr. Char Yat Shan Jonathan and Ms. Luk Sau Kuen; and the independent non-executive Directors are Mr. Choi Wing San Wilson, Mr. Cheung Ping Kwan Timothy and Mr. Leung Wai Yin.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from the date of its publication. This announcement will also be published on the Company’s website at www.mansionintl.com.

INTERIM REPORT 2018/19

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

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

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

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

*This report, for which the directors of Mansion International Holdings Limited (the “**Company**” and the “**Directors**”, respectively), collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*



CONTENTS

Corporate Information	2
Financial Highlights	3
Unaudited Condensed Consolidated Statement of Comprehensive Income	4
Unaudited Condensed Consolidated Statement of Financial Position	5
Unaudited Condensed Consolidated Statement of Changes in Equity	7
Unaudited Condensed Consolidated Statement of Cash Flows	8
Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)	9
Management Discussion and Analysis	30
Corporate Governance and Other Information	33

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ms. Fung Sau Ying (*Deceased on 4 November 2018*)

(*Chairlady and Chief Executive Officer*)

Mr. Cheung Desmond Lap Wai

(*Chief Operating Officer*)

Ms. Ho Lai Ying

Non-executive Directors

Mr. Char Yat Shan Jonathan

(*Appointed with effect from 5 September 2018*)

Ms. Luk Sau Kuen

Independent Non-executive Directors

Mr. Cheung Ping Kwan Timothy

Mr. Choi Wing San Wilson

Mr. Leung Wai Yin

BOARD COMMITTEES

Audit Committee

Mr. Leung Wai Yin (*Chairman*)

Ms. Luk Sau Kuen

Mr. Cheung Ping Kwan Timothy

Remuneration Committee

Mr. Choi Wing San Wilson (*Chairman*)

Ms. Luk Sau Kuen

Mr. Leung Wai Yin

Nomination Committee

Ms. Fung Sau Ying (*Chairlady*)

(*Deceased on 4 November 2018*)

Mr. Cheung Desmond Lap Wai

Mr. Cheung Ping Kwan Timothy

Mr. Choi Wing San Wilson

Mr. Leung Wai Yin

Compliance Officer

Mr. Cheung Desmond Lap Wai

COMPANY SECRETARY

Mr. Kwok Siu Man

AUTHORISED REPRESENTATIVES

Mr. Cheung Desmond Lap Wai

Mr. Kwok Siu Man

INDEPENDENT AUDITOR

BDO Limited

COMPLIANCE ADVISER

Alliance Capital Partners Limited

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited

Level 22, Hopewell Centre,

183 Queen's Road East,

Hong Kong

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

7/F., 822 Lai Chi Kok Road,

Lai Chi Kok,

Kowloon,

Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited

Cricket Square, Hutchins Drive,

PO Box 2681, Grand Cayman,

KY1-1111, Cayman Islands

REGISTERED OFFICE

Cricket Square, Hutchins Drive,

PO Box 2681, Grand Cayman,

KY1-1111, Cayman Islands

PRINCIPAL BANKER

DBS Bank (Hong Kong) Ltd.

COMPANY WEBSITE

www.mansionintl.com

STOCK CODE

8456

FINANCIAL HIGHLIGHTS

- Based on the unaudited condensed consolidated results of the Group for the Period, the Group's revenue for the Period was approximately HK\$108.8 million, representing a decrease of approximately 22.8% as compared to approximately HK\$141.0 million for the corresponding period in 2017.
- During the Period, the Group's gross profit was approximately HK\$45.3 million, representing a decrease of approximately 23.4% as compared to approximately HK\$59.2 million for the corresponding period in 2017. The gross profit margin of our Group remained stable at approximately 41.6% for the Period, as compared to approximately 42% for the corresponding period in 2017.
- During the Period, the Group's net loss was approximately HK\$9.5 million, representing an increase of approximately 76.6% as compared to net loss of approximately HK\$5.4 million for the corresponding period in 2017.

The board of Directors (the “**Board**”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 September 2018 (the “**Period**”), together with the relevant comparative figures, as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2018

		For the six months ended	
	Notes	30 September 2018 HK\$'000 (Unaudited)	30 September 2017 HK\$'000 (Unaudited)
Revenue	3	108,847	140,971
Cost of sales		(63,538)	(81,818)
Gross profit		45,309	59,153
Other income	4	1,321	295
Selling and distribution costs		(17,122)	(18,816)
Administrative and other expenses		(37,538)	(35,269)
Listing expenses		—	(7,923)
Finance costs	5	(1,689)	(1,278)
Loss before tax	6	(9,719)	(3,838)
Income tax credit/(expenses)	7	173	(1,567)
Loss for the period		(9,546)	(5,405)
Other comprehensive income for the period that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		3,019	(1,213)
Other comprehensive income for the period		3,019	(1,213)
Total comprehensive income attributable to owners of the Company		(6,527)	(6,618)
Loss per share:			
Basic and diluted (HK cents)	9	(2.39)	(1.80)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

		As at	
		30 September 2018	31 March 2018
	Notes	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	10	14,340	15,219
Land use rights		861	963
Deposits	13	6,605	5,694
Club debentures		820	820
Available-for-sale financial assets	11	—	28,505
Financial assets at fair value through other comprehensive income	11	29,167	—
Deferred tax assets		929	929
		52,722	52,130
Current assets			
Inventories		78,397	65,887
Trade receivables	12	25,585	33,643
Deposits, prepayments and other receivables	13	9,872	5,041
Tax refundable		542	—
Cash and bank balances		12,956	21,847
		127,352	126,418
Current liabilities			
Trade and bills payables	14	37,760	28,820
Accruals and other payables	15	8,099	12,083
Bank borrowings	16	59,902	50,159
Finance lease liabilities		92	89
Tax payables		—	439
		105,853	91,590
Net current assets		21,499	34,828
Total assets less current liabilities		74,221	86,958

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

	<i>Notes</i>	As at	
		30 September 2018	31 March 2018
		HK\$'000 (Unaudited)	HK\$'000 (Audited)
Non-current liabilities			
Provision for long service payments		686	812
Finance lease liabilities		24	70
		<u>710</u>	<u>882</u>
Net assets		<u>73,511</u>	<u>86,076</u>
Equity			
Equity attributable to owners of the Company			
Share capital	17	4,000	4,000
Reserves		<u>69,511</u>	<u>82,076</u>
Total equity		<u>73,511</u>	<u>86,076</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018

	Share capital	Share premium	Capital reserve	Statutory reserve	Other reserve	Exchange reserve	Available- for-sale revaluation reserve	Fair value through other comprehensive income reserve	Retained profits	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Note 17)									
Balance at 31 March 2017 (Audited)	8	—	5,987	288	—	1,013	—	—	37,000	44,296
Arising on reorganisation	(8)	—	—	—	8	—	—	—	—	—
Transactions with owners	—	—	5,987	288	8	1,013	—	—	37,000	44,296
Loss for the period	—	—	—	—	—	—	—	—	(5,405)	(5,405)
Other comprehensive income	—	—	—	—	—	—	—	—	—	—
Exchange differences on translation of financial statements of foreign operations	—	—	—	—	—	1,213	—	—	—	1,213
Total comprehensive income for the period	—	—	—	—	—	1,213	—	—	(5,405)	(4,192)
Balance at 30 September 2017 (Unaudited)	—	—	5,987	288	8	2,226	—	—	31,595	40,104
Balance at 31 March 2018 (Audited)	4,000	57,015	5,987	288	8	3,854	(1,812)	—	16,736	86,076
Initial application of HKFRS 9	—	—	—	—	—	—	1,812	(1,812)	—	—
As restated	4,000	57,015	5,987	288	8	3,854	—	(1,812)	16,736	86,076
Loss for the period	—	—	—	—	—	—	—	—	(9,546)	(9,546)
Other comprehensive income	—	—	—	—	—	—	—	—	—	—
Exchange differences on translation of financial statements of foreign operations	—	—	—	—	—	(3,019)	—	—	—	(3,019)
Total comprehensive income for the period	—	—	—	—	—	(3,019)	—	—	(9,546)	(12,565)
Balance at 30 September 2018 (Unaudited)	4,000	57,015	5,987	288	8	835	—	(1,812)	7,190	73,511

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2018

	For the six months ended	
	30 September 2018	30 September 2017
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Net cash flows used in operating activities	(13,011)	(21,684)
Cash flows from investing activities		
Interest received	4	3
Purchases of property, plant and equipment	(1,906)	(2,634)
Decrease in amounts due from related companies	—	6,772
Net cash (used in) / generated from investing activities	(1,902)	4,141
Cash flows from financing activities		
Repayment to a director	—	(6,530)
Decrease in amount due to a related company	—	(1,548)
Interest paid	(1,689)	(1,278)
Repayment of bank borrowings	(32,015)	(38,255)
Proceeds from bank borrowings	41,735	56,475
Repayments of obligations under finance leases	(44)	(173)
Net cash generated from financing activities	7,987	8,691
Net decrease in cash and cash equivalents	(6,926)	(8,852)
Cash and cash equivalents at the beginning of the period	21,847	26,714
Effect of exchange rate changes on cash and cash equivalents	(1,965)	942
Cash and cash equivalents at the end of the period	12,956	18,804

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

1. CORPORATE INFORMATION

Mansion International Holdings Limited (the **"Company"**) was incorporated as an exempted company with limited liability in the Cayman Islands on 17 May 2017. Its issued shares were listed on GEM of the Stock Exchange on 26 January 2018 (the **"Listing Date"**). The address of the Company's registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands, and its principal place of business in Hong Kong is located at 7/F., 822 Lai Chi Kok Road, Kowloon, Hong Kong.

The Company is an investment holding company and its subsidiaries are principally engaged in the sale of baby and children garments.

In the opinion of the Directors, the immediate and ultimate holding company of the Company is Joyful Cat Limited (**"Joyful Cat"**), a company incorporated in the British Virgin Islands.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 September 2018 (the **"Unaudited Condensed Consolidated Interim Financial Statements"**) have been prepared in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (**"HKICPA"**), Hong Kong Accounting Standards (the **"HKASs"**) and Interpretations (hereinafter collectively referred to as the **"HKFRSs"**) and the provisions of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) which govern the preparation of financial statements. In addition, the Unaudited Condensed Consolidated Interim Financial Statements include applicable disclosures required by the GEM Listing Rules.

The Unaudited Condensed Consolidated Interim Financial Statements have been prepared under the historical cost convention. They are presented in Hong Kong Dollars (**"HK\$"**), which is the same as the functional currency of the Company, and all values are rounded to the nearest thousands, except when otherwise indicated.

The Unaudited Condensed Consolidated Interim Financial Statements have not been audited by the Company's independent auditor but have been reviewed by the audit committee of the Board (the **"Audit Committee"**) and were approved for issue by the Board on 6 November 2018.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

The HKICPA has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC) - Int 22	Foreign Currency Transactions and Advance Consideration
Annual Improvements to HKFRSs 2014 - 2016 Cycle	Amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards
Annual Improvements to HKFRSs 2014 - 2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures

HKFRS 9 – Financial Instruments (“HKFRS 9”)

(i) Classification and measurement of financial instruments

HKFRS 9 replaces HKAS 39 Financial Instruments: *Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment; and (3) hedge accounting. The adoption of HKFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the Unaudited Condensed Consolidated Interim Financial Statements.

HKFRS 9 basically retains the existing requirements in HKAS 39 for the classification and measurements of financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. A financial asset is classified as: (i) financial assets at amortised cost; (ii) financial assets at fair value through other comprehensive income; or (iii) financial assets at fair value through profit or loss. The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed; and (ii) its contractual cash flow characteristics (the “solely payments of principal and interest” criterion, also known as the “**SPPI criterion**”). Under HKFRS 9, embedded derivatives are no longer required to be separated from a host of financial assets. Instead, the hybrid financial instrument is assessed as a whole for the classification.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

A financial asset is measured at amortised cost if it meets both of the following conditions and it has not been designated as at fair value through profit or loss:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at fair value through other comprehensive income if it meets both of the following conditions and it has not been designated as at fair value through profit or loss:

- It is held within a business model whose objective is to be achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified as at amortised cost or fair value through other comprehensive income as described above are classified as at fair value through profit or loss. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or fair value through other comprehensive income or fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies would be applied to the Group's financial assets:

Financial assets at fair value through profit or loss	Financial assets at fair value through profit or loss are subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.
Financial assets at amortised cost	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.
Financial assets at fair value through other comprehensive income	Investments at fair value through other comprehensive income are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Exchange gain or loss, interest income and insurance charge are recognised in profit or loss. Fair value gain or loss is recognised in other comprehensive income.

As at 1 April 2018, the investment in life insurance policy which was classified under unlisted equity investment was reclassified from available-for-sale financial assets at fair value to financial assets at fair value through other comprehensive income. These unlisted equity investments have no quoted price in an active market. The Group intends to hold these unlisted equity investments for long term strategic purposes. In addition, the Group has designated these unlisted equity investments at the date of initial application as measured at fair value through other comprehensive income. As at 1 April 2018, the fair value loss of approximately HK\$1,812,000 had been included in the opening fair value through other comprehensive income reserve.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

The following table summarizes the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 April 2018:

Financial assets	Original classification under HKAS 39	New classification under HKFRS 9	Carrying amount as at 1 April 2018 under HKAS 39 HK\$'000	Carrying amount as at 1 April 2018 under HKFRS 9 HK\$'000
Unlisted equity investment	Available-for-sale (at fair value)	Fair value through other comprehensive income	28,505	28,505
Trade receivables	Loans and receivables	Amortised cost	33,643	33,643
Other receivables	Loans and receivables	Amortised cost	491	491
Cash and cash equivalents	Loans and receivables	Amortised cost	21,847	21,847

(ii) *Impairment of financial assets*

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("ECLs") model". HKFRS 9 requires the Group to recognise ECLs for trade and other receivables and financial assets at amortised cost earlier than HKAS 39. Cash and cash equivalents are subject to ECLs model but the impairment is immaterial for the current period.

Under HKFRS 9, the loss allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; or (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade and other receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other financial assets, the ECLs are based on the 12-month ECLs. The 12-month ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 365 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impact of the ECL model

(a) Impairment of trade receivables

As mentioned above, the Group applies the HKFRS 9 simplified approach to measure ECLs, which adopts a lifetime ECLs for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the number of days past due. No additional impairment for trade receivables and contract assets as at 1 April 2018 is recognised as the amount of additional impairment measured under the ECLs model is immaterial.

(b) Impairment of other receivables

Other financial assets at amortised cost of the Group include other receivables. Applying the ECLs model, no additional impairment for other receivables as at 1 April 2018 is recognised as the amount of additional impairment measured under the ECLs model is immaterial.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

(iii) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the statement of financial position as at 31 March 2018, but are recognised in the statement of financial position on 1 April 2018. This means that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 April 2018. Accordingly, the information presented for 31 March 2018 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9 (the "DIA"):

- The determination of the business model within which a financial asset is held;
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at fair value through profit or loss; and
- The designation of certain investments in equity investments not held for trading as at fair value through other comprehensive income.

If an investment in a debt investment had low credit risk at the DIA, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

Available-for-sale financial assets are now classified as financial assets at fair value through other comprehensive income.

The Group has taken advantage of the exemption in paragraph 7.2.15 of HKFRS 9 from restating prior periods in respect of HKFRS 9's classification and measurement (including impairment) requirements. Therefore, comparative information has not been restated. The changes in the consolidated amounts reported in the financial statements as at 1 April 2018 are as follows:

	1 April 2018
	HK\$'000 (Unaudited)
Decrease in available-for-sale financial assets	(28,505)
Increase in financial assets at fair value through other comprehensive income	28,505

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

HKFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised goods or services in the contract. HKFRS 15 identifies 3 situations in which control of the promised goods or services is regarded as being transferred over time:

- (a) when the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;
- (b) when the entity's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or
- (c) when the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15, the entity recognises revenue for the sale of those goods or services at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

Nature of the goods, satisfaction of performance obligations and payments

For the original equipment manufacturing, the Group sells baby and children garments. Sales are recognised when control of the products has been transferred, being when the products are delivered to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied. There is generally only one performance obligation in the contract.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. Invoices are usually payable within 90 days.

For the original brand manufacturing, the Group sells baby and children garments. Sales are recognised when control of the products has been transferred, being either the customer has accepted the products in accordance with the sales invoice, the period of product returns have lapsed or the Group has objective evidence that all criteria for acceptance have been satisfied. There is generally only one performance obligation in the contract.

Right of return

Some of the Group's contracts with customers provide customers a right of return (another product in exchange within 14 days after the arrival of the goods at the destination).

Nature of change in accounting policy and impact on 1 April 2018

Right of return

Under HKAS 18, revenue for these contracts was recognised when a reasonable estimate of the returns could be made, provided that all other revenue recognition criteria are met. If a reasonable estimate could not be made, such revenue would be deferred until the return period lapsed or a reasonable estimate could be made.

Under HKFRS 15, right of return gives rise to variable consideration. The variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved. The application of the constraint on variable consideration increases the amount of revenue that will be deferred. In addition, a refund liability and a right to recover returned goods assets are recognised.

The Group concluded that the impact of refund liability from the right of return was insignificant as at 1 April 2018.

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 April 2018, which resulted in changes in accounting policies. In accordance with the transitional provisions in HKFRS 15, comparative figures have not been restated.

The Group has assessed the impacts of adopting HKFRS 15 on its financial statements. Based on the assessment, the adoption of HKFRS 15 has no significant impact on the Group's revenue recognition.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

The application of these amendments in the current interim period has no material effect on the amounts reported in these Unaudited Condensed Consolidated Interim Financial Statements and/or disclosures set out in these Unaudited Condensed Consolidated Interim Financial Statements.

The following new/revised HKFRSs, potentially relevant to the Unaudited Condensed Consolidated Interim Financial Statements, have been issued, but are not yet effective and have not been early adopted by the Group.

HKFRS 16	Leases ¹
HK(IFRIC) – Interpretation 23	Uncertainty over Income Tax Treatments ¹
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 23, Borrowing Costs ¹
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ¹
Amendments to HKAS 19	Employee Benefits ¹

¹ Effective for annual periods beginning on or after 1 January 2019

As at 30 September 2018, the Group's total future minimum lease payments under non-cancellable operating lease were HK\$26,384,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence, the Group will recognise a right-of-use asset and a corresponding lease liability in respect of all the leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirement may result in changes in measurement, presentation and disclosure as indicated above.

The Group has already commenced an assessment of the impact of adopting the above standards and amendments to existing standards to the Group. Except as HKFRS 16 described above, the Directors anticipate that the application of other new and amendments to HKFRSs and an interpretation will have no material impact on the Group's financial performance and positions and/or the disclosures to these Unaudited Condensed Consolidated Interim Financial Statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

3. REVENUE AND SEGMENT INFORMATION

Business segments

The Group determines its operating segments based on the internal reports reviewed by the executive Directors, who are the chief operating decision maker, that are used to allocate resources and assess performance, which are analysed based on the business.

Segment results represents the loss before taxation incurred by each segment excluding unallocated expenses. Unallocated expenses mainly included staff cost, repair and maintenance, telephone expenses, travelling expenses, advertising and promotion, motor vehicles expenses, office utilities, listing expenses and finance costs. This is the measure reported to the executive Directors for the purpose of resource allocation and assessment of segment performance.

The following is an analysis of the Group's turnover and results by business.

Six months ended 30 September 2018 (unaudited)	Original Brand Manufacturing ("OBM") HK\$'000	Original Equipment Manufacturing ("OEM") HK\$'000	Total HK\$'000
REVENUE			
External sales	28,512	80,335	108,847
RESULTS			
Segment results	(642)	8,963	8,321
Unallocated expenses			(18,040)
Loss before tax			(9,719)

Six months ended 30 September 2017 (unaudited)	OBM HK\$'000	OEM HK\$'000	Total HK\$'000
REVENUE			
External sales	32,853	108,118	140,971
RESULTS			
Segment results	2,196	14,728	16,924
Unallocated expenses			(20,762)
Loss before tax			(3,838)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

4. OTHER INCOME, NET

	For the six months ended	
	30 September 2018	30 September 2017
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Bank interest income	4	3
Interest income of financial assets at fair value recognised in profit or loss	590	—
Sundry income	61	292
Exchange gain	617	—
Bargain purchase (<i>Note</i>)	49	—
	1,321	295

Note: On 13 September 2018, the Group acquired 100% of the issued share capital of Nanjing Youyue Trading Limited.

5. FINANCE COSTS

	For the six months ended	
	30 September 2018	30 September 2017
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Interest on bank borrowings	1,688	1,075
Interest on a shareholder's loan	—	200
Interest on finance lease	1	3
	1,689	1,278

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	For the six months ended	
	30 September 2018	30 September 2017
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Directors' remuneration	4,042	3,566
Employee benefits expenses (excluding the Directors' remuneration):		
Salaries, allowances and other benefits	23,403	22,014
Pension scheme contributions	865	941
Total staff costs	28,310	26,521
Auditor's remuneration	166	381
Depreciation of property, plant and equipment	1,726	1,572
Write-off of property, plant and equipment	41	—
Amortisation of land use rights	16	5
Cost of inventories sold	63,538	81,818
Listing expenses	—	7,923
Minimum lease payments under operating leases recognised as an expense	13,509	13,590

7. INCOME TAX CREDIT/(EXPENSES)

	For the six months ended	
	30 September 2018	30 September 2017
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Current		
– tax for the period	(225)	(1,262)
– over/(under) provision in respect of prior years	398	(305)
Income tax credit/(expenses)	173	(1,567)

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the six-month periods ended 30 September 2018 and 2017. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof during the six-month periods ended 30 September 2018 and 2017.

In accordance with the China enterprise income tax law, enterprise income tax rates for domestic and foreign enterprises are unified at 25%.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

8. DIVIDENDS

The Board has resolved not to declare the payment of any dividend for the six months ended 30 September 2018 (2017: Nil).

9. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the ordinary equity holders of the Company is based on the following data:

	For the six months ended	
	30 September 2018	30 September 2017
	(Unaudited)	(Unaudited)
<u>Loss</u>		
Loss for the purposes of diluted loss per share (HK\$'000)	<u>(9,546)</u>	<u>(5,405)</u>
<u>Number of shares</u>		
Weighted average number of ordinary shares for the purposes of diluted loss per share ('000)	<u>400,000</u>	<u>300,000</u>

For the six months ended 30 September 2018, the calculation of basic loss per share is based on the loss attributable to the owners of the Company of HK\$9,546,000 and on the basis of 400,000,000 ordinary shares in issue upon the listing of the Company's shares on GEM of the Stock Exchange on the Listing Date (the "**Listing**").

For the six months ended 30 September 2017, the calculation of the basic loss per share is based on the loss for the period attributable to owners of the Company of HK\$5,405,000 and on the basis of 300,000,000 shares of the Company in issue, which represents the number of shares of the Company immediately after the reorganisation (the "**Reorganisation**") and the capitalisation issue in preparation for the Listing as if these shares issued under the reorganisation had been issued on 1 April 2016 but excluding any shares issued pursuant to the share offer.

Diluted loss per share is the same as the basic loss per share as there were no dilutive potential ordinary shares in existence during the six months ended 30 September 2018 and 2017.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2018, the Group acquired items of property, plant and equipment amounting to approximately HK\$1,906,000 (30 September 2017: HK\$2,634,000).

During the six months ended 30 September 2018, the Group wrote off items of property, plant and equipment amounting to approximately HK\$41,000 (30 September 2017: Nil).

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS/FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As at 1 April 2018, the investment in life insurance policy which was classified under unlisted equity investment was reclassified from available-for-sale financial assets at fair value to financial assets at fair value through other comprehensive income. In 2018, the Group entered into a life insurance policy with an insurance company to insure a Director. Under this policy, the beneficiary and policy holder are a subsidiary of the Company. The subsidiary has paid the total insurance premium with an aggregate amount of US\$4,140,000 (equivalent to approximately HK\$32,168,000) at the inception of the insurance. The subsidiary can terminate the policy at any time and receive back the money based on the surrender value of the contract at the date of withdrawal, which is determined by the insurance premium of the insurance policy plus the accumulated interest earned and minus the insurance costs (the "**Surrender Value**"). In addition, if the withdrawal is made between the first and fourteenth policy years, there is a special amount of surrender charge by the insurance company. The insurance company will declare a guaranteed fixed interest of 3.9% per annum plus a premium determined by the insurance company on the outstanding Surrender Value of the contract of the first five years. Commencing on the sixth year, the guaranteed interest will be reduced to 2.25% per annum.

As at 30 September 2018 and 31 March 2018, the insurance policy was pledged to a bank to secure bank borrowing facility granted to the Group (2017: Nil).

During the six months ended 30 September 2018, no loss from changes in fair value of any financial assets at fair value through other comprehensive income was recognised in the consolidated statement of profit or loss and other comprehensive income (31 March 2018: HK\$1,812,000).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

12. TRADE RECEIVABLES

The Group generally allows a credit policy ranging from 30 to 90 days to its trade receivables.

The following is an aged analysis of trade receivables based on the invoice dates at the end of the reporting period, which approximate the respective revenue recognition dates:

	30 September 2018	31 March 2018
	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Within 30 days	13,574	14,431
31 days to 1 year	12,007	19,208
More than 1 year	4	4
	25,585	33,643

Management closely monitors the credit quality of trade receivables and considers trade receivables that are neither past due nor impaired of good credit quality.

The following is an aged analysis of trade receivables which are past due but not impaired:

	30 September 2018	31 March 2018
	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Not past due	16,893	31,159
Within 30 days	5,333	1,903
31 days to 1 year	3,355	577
More than 1 year	4	4
	25,585	33,643

The trade receivables were past due but the Group has not provided for impairment loss. These relate to a number of customers and based on historical information, default risk of these trade receivables is insignificant. Accordingly, no impairment provision is necessary in respect of these receivables.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

13. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	30 September 2018	31 March 2018
	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Non-current		
Deposits	6,605	5,694
Current		
Deposits	1,009	2,356
Prepayments	5,125	2,194
Other receivables	3,738	491
	9,872	5,041

14. TRADE AND BILLS PAYABLES

	30 September 2018	31 March 2018
	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Trade payables	19,808	11,052
Bills payables	17,952	17,768
	37,760	28,820

The following is an aged analysis of trade payables based on the invoice date 60 days at the end of the reporting period:

	30 September 2018	31 March 2018
	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Within 30 days	17,270	8,067
31 days to 1 year	2,538	2,955
More than 1 year	—	30
	19,808	11,052

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

15. ACCRUALS AND OTHER PAYABLES

	30 September 2018	31 March 2018
	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Other payables	3,867	631
Accrued expenses	4,232	11,452
	<u>8,099</u>	<u>12,083</u>

16. BANK BORROWINGS

	30 September 2018	31 March 2018
	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Revolving loans	53,001	45,479
Bills of exchange	6,901	3,766
Tax loans	—	914
	<u>59,902</u>	<u>50,159</u>

	30 September 2018	31 March 2018
	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Secured bank loans repayable within a period of: Less than 1 year	<u>59,902</u>	<u>50,159</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

17. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each		
Upon incorporation (<i>Note (a)</i>)	38,000,000	380
Increase of authorised share capital (<i>Note (b)</i>)	1,962,000,000	19,620
At 30 September 2018 and 31 March 2018	2,000,000,000	20,000
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
Upon incorporation (<i>Note (a)</i>)	1	—
Allotment of shares (<i>Note(c)</i>)	100	—
Capitalisation issue of shares (<i>Note (d)</i>)	299,999,899	3,000
Issue of shares under share offer (<i>Note (e)</i>)	100,000,000	1,000
At 30 September 2018 and 31 March 2018	400,000,000	4,000

Notes:

- The Company was incorporated in the Cayman Islands on 17 May 2017 with an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares with a par value of HK\$0.01 each. On the same day, one subscriber share with a par value of HK\$0.01 was allotted and issued as fully paid to the initial subscriber. On the same day, the said one share was transferred to Joyful Cat at par value of HK\$0.01.
- On 28 December 2017, the authorised share capital of the Company was increased from HK\$380,000 dividend into 38,000,000 shares to HK\$20,000,000 divided in 2,000,000,000 shares of par value of HK\$0.01 each by the creation of an additional of 1,962,000,000 shares.
- On 23 June 2017, the late Ms. Fung Sau Ying ("**Ms. Fung**"), the former chairlady of the Board (the "**Chairlady**") and chief executive officer of the Company (the "**Chief Executive Officer**") and a former executive Director, as vendor and the Company as purchaser entered into an agreement for sale and purchase, pursuant to which the Company acquired 1,000 shares in, representing the entire issued share capital of, Mansion Success Holdings Limited from Ms. Fung at the consideration of HK\$1. Ms Fung and the Company agreed to settle the consideration for the acquisition by the Company allotting and issuing 100 new shares, credited as fully paid, to Joyful Cat.
- Pursuant to written resolutions passed 28 December 2017, the Directors were authorised to capitalise the amount of HK\$2,999,998.99 from the share premium account of the Company by applying such sum towards the paying up in full at par a total of 299,999,899 shares for the allotment and share to Joyful Cat.
- Under a share offer which took place during the year ended 31 March 2018, 100,000,000 new ordinary shares of HK\$0.01 each were issued at a price of HK\$0.70 per share for a total consideration (before share issuance expenses) of HK\$70,000,000.
- Before the completion of the Reorganisation, the share capital balance in the consolidated statement of financial position as at 31 March 2017 represented the combined share capital of the entities now comprising the Group.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

18. RELATED PARTY TRANSACTIONS

There was no related party transaction during the six months ended 30 September 2018.

During the six months ended 30 September 2017, the Group entered into the following transactions with related parties:

(i) *Related party transactions*

	Six months ended	
	30 September 2018	30 September 2017
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Interest of a shareholder loan	—	200
Rent paid to a related company (Note)	—	960

Note: The above transactions with a related company, Wiseley (Hong Kong) Limited ("**Wiseley**") were carried out in the ordinary course of business and conducted at prices mutually agreed between the relevant parties. Wiseley is held as to 50% by Ms. Fung and Ms. Luk Sau Kuen respectively.

(ii) *Compensation of key management personnel*

The emoluments of executive Directors who are also identified as members of key management of the Group during the period are set out in note 6 above.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

19. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of financial assets at fair value through other comprehensive income, cash and bank balances, trade and other receivables, deposits, trade and bills payables, accruals and other payables, bank borrowings and finance lease liabilities approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of financial assets at fair value through other comprehensive income have been estimated using a discounted cash flow valuation model based on assumptions that are supported by observable market prices or rates. The valuation requires the Directors to make estimates about the expected future cash flows from future proceeds when the investments mature. The Directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the period.

(a) *Reconciliation of assets measured at fair value based on level 2:*

	Financial assets at fair value through other comprehensive income
	HK\$'000 (Unaudited)
At 1 April 2018	—
Initial application of HKFRS 9	28,505
Interest income and insurance charges recognised in profit or loss	662
At 30 September 2018	29,167
	Available-for-sale financial assets
	HK\$'000 (Audited)
At 1 April 2017	—
Acquisition of available-for-sale financial assets	32,085
Interest income and insurance charges recognised in profit or loss	157
Premium charges recognised in profit or loss	(1,925)
Fair value loss recognised in other comprehensive income	(1,812)
At 31 March 2018	28,505

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

(b) *Assets measured at fair value*

At 30 September 2018 (Unaudited)

	Fair value measurement using			Total
	Quoted price in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Recurring fair value measurement for: Financial assets at fair value through other comprehensive income	—	29,167	—	29,167

At 31 March 2018 (Audited)

	Fair value measurement using			Total
	Quoted price in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Recurring fair value measurement for: Available-for-sale financial assets	—	28,505	—	28,505

During the six months ended 30 September 2018, there was no transfer between fair value measurement between level 1 and level 2 and no transfer into or out of level 3.

20. EVENTS AFTER THE REPORTING PERIOD

Mr. Cheung Desmond Lap Wai ("**Mr. Cheung**"), the chief operating officer of the Company (the "**Chief Operating Officer**") and an executive Director, has assumed temporarily the daily operation tasks previously handled by the late Ms. Fung, the former Chairlady and Chief Executive Officer and a former executive Director.

Ms. Fung passed away on 4 November 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The performance of the Group for the Period was continually affected by the sudden turning of the global economic environment caused by the trade war instigated by the United States (the "US"). Under the mounting tension between the US and the People's Republic of China (the "PRC") economically and politically, our OEM customers in the US have become more conservative and delayed placing their orders. Therefore, the OEM revenue and operating results decreased significantly during the Period.

As disclosed in the first quarterly report 2018/19 dated 6 August 2018, the management has taken steps to strengthen the diversification of our customer base and enhance our sales and marketing efforts. These efforts are expected to be proven effective in the latter half of our 2018/19 financial year based on current secured orders from OEM customers. During the Period, our production facilities have been upgraded with the application of radio-frequency identification ("RFID") technology. The production capability has thus been enhanced.

For our OBM business, there was a decrease in revenue primarily due to the competition with other market players. The management will cautiously monitor the expansion of our retail stores and enhance marketing effort in promoting our brand and strengthening our customer relationship.

During the Period, one of our subsidiaries had entered into a strategic cooperation agreement with Kidswant Children Products Company Limited* (孩子王兒童用品股份有限公司) ("Kidswant"). The retail sales channel has been expanding in the PRC during the Period. The Board believes that the build-up of long term and stable strategic relationship between the Group and Kidswant represents a rapid exploitation of the retail sales channel and also the broadening of the Group's brand recognition in the PRC market.

FINANCIAL REVIEW

Cost of Sales, Gross Profit and Gross Profit Margin

The cost of sales of the Group amounted to approximately HK\$63.5 million for the six months ended 30 September 2018 (2017: approximately HK\$81.8 million), representing a decrease of HK\$18.3 million or 22.3% compared to the corresponding period in 2017. The decrease was due to the decrease of production costs attributable to a decrease in the quantity of products sold. Our gross profit for the same period amounted to approximately HK\$45.3 million (2017: approximately HK\$59.2 million), representing a decrease of approximately HK\$13.8 million or 23.4%, resulting from the decrease in our revenue as compared to the corresponding period in 2017.

The gross profit margin of the Group remained stable at approximately 41.6% for the six months ended 30 September 2018, as compared to approximately 42.0% for the six months ended 30 September 2017.

Expenses

The selling and distribution costs of the Group amounted to approximately HK\$17.1 million (2017: approximately HK\$18.8 million), representing a decrease of approximately 9.0% or HK\$1.7 million compared to the corresponding period in 2017. The administrative and other expenses of our Group amounted to approximately HK\$37.5 million (2017: approximately HK\$35.2 million), representing an increase of approximately 6.4% or HK\$2.3 million compared to the corresponding period in 2017.

(Loss)/profit before tax

Excluding the Listing expenses of approximately HK\$7.9 million for the six months ended 30 September 2017 (2018: Nil), the Group made a profit before income tax expenses of approximately HK\$4.1 million for the six months ended 30 September 2017. As a result of the foregoing, the Group turned to loss before income tax expenses of approximately HK\$9.7 million for the six months ended 30 September 2018.

* For identification purpose only.

Liquidity, Financial Resources and Capital Structure

During the Period, the Group's main source of funds was cash generated from operations. As at 30 September 2018, the Group had bank balances and cash of approximately HK\$13 million (31 March 2018: approximately HK\$21.8 million). As at 30 September 2018, the Group's interest-bearing borrowings which were mainly bank borrowings amounted to approximately HK\$60 million (31 March 2018: approximately HK\$50.2 million).

During the Period, the Group did not use any financial instruments for hedging purposes (2017: Nil).

Gearing Ratio

The Group's gearing ratio, which is calculated based on the total debt (the bank borrowings and finance lease liabilities) divided by the total equity was approximately 81.6% as at 30 September 2018 (compared with approximately 58.4% as at 31 March 2018).

Foreign Exchange Exposure Risk

The Group mainly operates in Hong Kong and the PRC and most of its business transactions, assets and liabilities are principally denominated in Hong Kong Dollars ("**HKD**"), US Dollars ("**USD**") and Renminbi ("**RMB**"). Most of its sales proceeds are received in USD and HKD, and most of the purchases are conducted in HKD, USD and RMB. Most of its production costs are incurred in RMB. HKD is pegged with USD and thus, foreign exchange exposure of USD is considered as minimal.

We currently do not have a group foreign currency hedging policy. However, our management monitors foreign exchange exposure closely and will consider hedging significant foreign currency exposure should the need arise.

CAPITAL COMMITMENTS

During the Period, the Group did not have any significant capital commitments (2017: Nil).

CONTINGENT LIABILITIES

During the Period, the Group had no material contingent liabilities (2017: Nil).

ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

During the Period, the Company set up a wholly-owned subsidiary in Jiangsu Province, Nanjing City, the PRC for retails distribution of the baby clothing and related products under the Group's brandnames.

Apart from the above, the Company did not have any significant investment, material acquisition or disposal of subsidiaries, associates and joint ventures during the Period.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

Save for the further plans as disclosed in the prospectus of the Company dated 12 January 2018 (the "**Prospectus**"), there was no other plan for material investments or capital assets as at 30 September 2018.

DIVIDEND

The Board has resolved not to declare the payment of any dividend for the Period (2017: Nil).

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

Mr. Cheung, the Chief Operating Officer and an executive Director, has assumed temporarily the daily operation tasks previously handled by the late Ms. Fung, the Chairlady and the Chief Executive Officer, who passed away on 4 November 2018. Please refer to the announcements of the Company dated 2 and 4 November 2018, respectively for details.

MANAGEMENT DISCUSSION AND ANALYSIS

Save as disclosed above, the Board is not aware of any material event that has taken place subsequent to 30 September 2018 and up to the date of this report.

USE OF PROCEEDS FROM THE SHARE OFFER

The net proceeds from the Listing by way of share offer (the "Share Offer") were approximately HK\$44.0 million. During the Period, the Group had utilised approximately HK\$3.6 million of the net proceeds from the Share Offer.

As at 30 September 2018, the Group had applied the net proceeds as follows:

	Per Prospectus Use of proceeds HK\$ million	Actual utilized up to 30 September 2018 HK\$ million
Upgrading our production facilities and enhancing the production capability through extensive application of RFID technology	5.7	1.1
Enhancing our sales and marketing effort	5.1	0.9
Strengthening our research and development capabilities for the PRC market	1.6	1.6
Total	12.4	3.6

The Board will regularly evaluate the Group's business objectives and may modify its plans in view of the changing market condition to attain sustainable business growth of the Group. As at the date of this report, the Directors are not aware of any material change to the planned use of proceeds.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2018, the Group had about 928 (31 March 2018: 1,022) employees working in Hong Kong and the PRC. As the guiding principles, the Group uses its best endeavour offering the most competitive compensation to our employees, and treats all of our staff equally and fairly. Our employees are entitled to the mandatory provident fund (the "MPF"), a medical insurance and statutory holidays. The Group rewards employees with competitive remuneration including salaries, allowance and performance bonus. Furthermore, the Company has adopted a share option scheme (the "Share Option Scheme") to reward the eligible participants for their contribution to the Group. The Group also provides internal training to our staff to enhance their technical and product knowledge.

The Group participates in the MPF scheme under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for all qualifying employees employed. The Group offered various social insurance benefits and provident fund to the PRC staff during the Period and created a harmonious working environment.

SHARE OPTION SCHEME

The Company has adopted the Share Option Scheme on 28 December 2017. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules. As no share option has been granted since the adoption of the Share Option Scheme, there was no share option outstanding as at 30 September 2018 and no share option was exercised, cancelled or lapsed during the Period.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 September 2018, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

LONG POSITION IN THE SHARES OF THE COMPANY

Name of Director/ chief executive	Capacity/ Nature of interest	Number of Shares held	Percentage of the Company's issued Shares*
Ms. Fung	Interest of a controlled corporation	300,000,000 <i>(Note)</i>	75.00%
Mr. Char Yat Shan Jonathan	Beneficial owner	4,900,000	1.23%

Note: These Shares are held by Joyful Cat. The entire issued share capital of Joyful Cat was legally and beneficially owned by the late Ms. Fung, the former Chairlady and Chief Executive Officer and a former executive Director. Accordingly, Ms. Fung was deemed to be interested in all the Shares in which Joyful Cat is interested under Part XV of the SFO.

* The percentage represents the total number of the Shares held divided by the number of issued Shares as at 30 September 2018 (i.e. 400,000,000 Shares).

LONG POSITION IN THE SHARE OF ASSOCIATED CORPORATION

Name of Director	Name of associated Corporation	Capacity/ Nature of interest	Number of share held	Percentage of shareholding
Ms. Fung	Joyful Cat <i>(Note)</i>	Beneficial owner	1	100%

Note: Joyful Cat is a direct shareholder of the Company (the "Shareholder") and is an associated corporation within the meaning of Part XV of the SFO.

Save as disclosed above, as at 30 September 2018, none of the Directors nor the chief executive of the Company had any interests and short positions in the shares or underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

CORPORATE GOVERNANCE AND OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2018, so far as is known to the Directors, the following entity other than the Directors and the chief executive of the Company, had interests or short positions in the Shares and underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO:

LONG POSITION IN THE SHARES OF THE COMPANY

Name of Shareholder	Capacity/ Nature of interest	Number of Shares held	Percentage of the Company's issued Shares*
Joyful Cat ^{(Notes (1) and (2))}	Beneficial owner	300,000,000	75%

Notes:

(1) Joyful Cat is a direct Shareholder.

(2) Joyful Cat was legally and beneficially owned as to 100% by the late Ms. Fung.

* The percentage represents the number of Shares held divided by the number of issued Shares as at 30 September 2018 (i.e. 400,000,000 Shares).

Save as disclosed above, as at 30 September 2018, so far as is known by or otherwise notified to the Directors, no other entity or person (other than a Director or the chief executive of the Company) had interests and short positions in the Shares and the underlying Shares as required to be recorded in the register to be kept by the Company pursuant to Section 336 of the SFO.

CHANGES IN DIRECTORS' INFORMATION

Subsequent to the date of the annual report 2017/18 of the Company, the changes in the Directors' information as required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules are set out below:

Mr. Char Yat Shan Jonathan was appointed as a non-executive Director with effect from 5 September 2018.

Ms. Fung passed away on 4 November 2018.

NON-COMPETITION UNDERTAKINGS

As disclosed in the Prospectus, the Company entered into a deed of non-competition with Joyful Cat and Ms. Fung (the “**Controlling Shareholders**”) on 11 January 2018 regarding the non-competition undertakings given by each of the Controlling Shareholders in favour of the Company (for itself or as trustee for its subsidiaries) (the “**Non-Competition Undertakings**”). A summary of the principal terms of the Non-Competition Undertakings is set out in the section headed “Relationship with Controlling Shareholders” of the Prospectus.

DIRECTORS’ AND CONTROLLING SHAREHOLDERS’ INTEREST IN COMPETING BUSINESS

During the Period, none of the Directors or the controlling shareholders of the Company, or their respective close associates had any business or interest which directly or indirectly competed or might compete with the business of the Group.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the Period, the Company did not redeem any of its listed securities, nor did the Company or any of its subsidiaries purchase or sell any of such securities.

INTERESTS OF THE COMPLIANCE ADVISER

As confirmed by the Company’s compliance adviser Alliance Capital Partners Limited (the “**Compliance Adviser**”), as at the date of this report, save for the compliance adviser agreement dated 12 July 2017 and entered into between the Company and the Compliance Adviser, neither the Compliance Adviser nor any of its directors, employees or close associates had any interests in the securities of the Company or any member of the Group (including options or rights to subscribe for such securities), which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining high standards of corporate governance in order to uphold the transparency of the Group and safeguard the interests of the Shareholders. The Company’s corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code contained in Appendix 15 to the GEM Listing Rules (the “**CG Code**”). The Company has adopted and, save for the deviation from code provision A.2.1 of the CG Code as disclosed below, has complied with all applicable code provisions as set out in the CG Code during the Period.

In accordance with code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The late Ms. Fung was the Chairlady and the Chief Executive Officer. In view of the Board comprising approximately 63% of the non-executive Directors and independent non-executive Directors (the “**INEDs**”) and having appropriate checks and balances of power, the in-depth knowledge and experience of the Chairlady (who was also the Chief Executive Officer) of the operations of the Group and the baby clothing industry in general as well as her extensive business network and connections, and the scope of operations of the Group, the Board believed that it was in the best interest of the Group for Ms. Fung to assume the roles of both the Chairlady and the Chief Executive Officer.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for dealing in securities of the Company by the Directors (the “**Required Standard of Dealings**”). Following a specific enquiry made by the Company on all the Directors, each of them has confirmed that he/she had complied with the Required Standard of Dealings throughout the Period or from the date of appointment as a Director until the end of the Period (as the case may be). No incident of non-compliance was noted by the Company during the Period.

CORPORATE GOVERNANCE AND OTHER INFORMATION

AUDIT COMMITTEE

The Board has established an Audit Committee with written terms of reference in accordance with Rule 5.28 of the GEM Listing Rules and code provision C.3.3 of 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 auditors, review the financial statements and material advice in respect of financial reporting, and oversee internal control and risk management procedures of the Group.

The Audit Committee has reviewed this report, including the Unaudited Condensed Consolidated Interim Financial Statements, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure has been made. As at the date of this report, the Audit Committee comprises two INEDs, namely Mr. Leung Wai Yin and Mr. Cheung Ping Kwan Timothy and Ms. Luk Sau Kuen, a non-executive Director. Mr. Leung Wai Yin is the chairman of the Audit Committee.

By order of the Board
Mansion International Holdings Limited
Cheung Desmond Lap Wai
Chief Operating Officer and Executive Director

Hong Kong, 6 November 2018

As at the date of this report, the executive Directors are Mr. Cheung Desmond Lap Wai (chief operating officer) and Ms. Ho Lai Ying; the non-executive Directors are Ms. Luk Sau Kuen and Mr. Char Yat Shan Jonathan; and the independent non-executive Directors are Mr. Choi Wing San Wilson, Mr. Cheung Ping Kwan Timothy and Mr. Leung Wai Yin.

This report will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least 7 days from the date of its publication. This report will also be published on the Company's website at www.mansionintl.com.