



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

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

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

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



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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors:

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

### Independent Non-Executive Directors:

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

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

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

## COMPANY SECRETARY

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

## COMPLIANCE OFFICER

Mr. Cheng Ka Wing

## AUTHORISED REPRESENTATIVES FOR THE PURPOSE OF THE GEM LISTING RULES

Mr. Cheng Ka Wing  
Ms. Ngai Kit Fong

## REGISTERED OFFICE

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

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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

## BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

## COMPLIANCE ADVISER

Giraffe Capital Limited

## LEGAL ADVISER TO THE COMPANY AS TO HONG KONG LAW

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

## PRINCIPAL BANKERS

The Hongkong and Shanghai  
Banking Corporation Limited

Standard Chartered Bank  
(Hong Kong) Limited

## AUDITOR

Deloitte Touche Tohmatsu  
*Certified Public Accountants*

## STOCK CODE

8107

## COMPANY'S WEBSITE

[www.vision-holdings.com.hk](http://www.vision-holdings.com.hk)

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

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

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000
Revenue	3	<b>52,683</b>	21,256	<b>86,524</b>	48,297
Cost of sales		<b>(37,820)</b>	(13,628)	<b>(63,868)</b>	(31,175)
Gross profit		<b>14,863</b>	7,628	<b>22,656</b>	17,122
Other income	4	<b>205</b>	7,956	<b>1,377</b>	20,885
Other gains and losses	5	<b>(73)</b>	(247)	<b>81</b>	(1,032)
Selling and distribution expenses		<b>(2,378)</b>	(1,458)	<b>(5,637)</b>	(4,388)
Administrative expenses		<b>(1,872)</b>	(1,448)	<b>(5,408)</b>	(3,062)
Listing expenses		–	(7,465)	<b>(7,023)</b>	(10,553)
Finance costs		–	(142)	<b>(97)</b>	(291)
Profit before taxation		<b>10,745</b>	4,824	<b>5,949</b>	18,681
Income tax expense	6	<b>(1,688)</b>	(721)	<b>(1,980)</b>	(1,576)
Profit for the period	7	<b>9,057</b>	4,103	<b>3,969</b>	17,105

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

	Note	Three months ended 30 September		Nine months ended 30 September	
		2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000
<b>Other comprehensive income</b>					
<i>Item that will not be reclassified subsequently to profit or loss</i>					
Exchange differences arising on the translation of functional currency to presentation currency		-	-	-	878
<b>Total comprehensive income for the period</b>		<b>9,057</b>	4,103	<b>3,969</b>	17,983
Earnings per Share — basic and diluted (HK cents)	9	<b>0.91</b>	0.41	<b>0.40</b>	1.71

# Unaudited Condensed Consolidated Statement of Changes in Equity

For the nine months ended 30 September 2018

	Share capital HK\$'000	Other reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
As at 1 January 2017 (audited)	- *	(99,345)	(8,130)	130,245	22,770
Profit for the period				17,105	17,105
Exchange differences arising on the translation of functional currency to presentation currency			878		878
Total comprehensive income for the period			878	17,105	17,983
Dividends				(4,300)	(4,300)
Deemed distribution arising from issue of financial guarantee to related companies		(3,916)			(3,916)
Group reorganisation	1	(1)			-
At 30 September 2017 (unaudited)	1	(103,262)	(7,252)	143,050	32,537
As at 1 January 2018 (audited)	<b>1</b>	<b>(103,262)</b>	<b>(7,252)</b>	<b>148,410</b>	<b>37,897</b>
Listing					
Issue Capital	10,000				10,000
Share Premium	41,649				41,649
Group reorganisation	(1)	1			-
	<b>51,648</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>51,649</b>
Profit and total comprehensive income for the period				3,969	3,969
Dividends				(6,500)	(6,500)
At 30 September 2018 (unaudited)	<b>51,649</b>	<b>(103,261)</b>	<b>(7,252)</b>	<b>145,879</b>	<b>87,015</b>

\* Amount less than HK\$ 1,000

# Notes to the Unaudited Condensed Consolidated Financial Statements

Nine months ended 30 September 2018

## 1. GENERAL

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

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

## 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

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

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

The accounting policies and basis of preparation adopted in the preparation of these unaudited condensed consolidated financial statements for the nine months ended 30 September 2018 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and disclosed in Appendix I of the prospectus of the Company dated 23 April 2018 (the "Prospectus"), except for the adoption of the following new and amendments to HKFRSs effective from 1 January 2018, as noted below.

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



# Notes to the Unaudited Condensed Consolidated Financial Statements

Nine months ended 30 September 2018

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

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no significant financial effect on these unaudited condensed consolidated financial statements for the nine months ended 30 September 2018.

### **HKFRS 9 “Financial Instruments”**

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

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

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

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

### **HKFRS 15 “Revenue from Contracts with Customers”**

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

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

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

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

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

# Notes to the Unaudited Condensed Consolidated Financial Statements

Nine months ended 30 September 2018

## 3. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising from sales of apparel products with the provision of SCM services for the nine months ended 30 September 2018.

### Geographical information

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

The Group's revenue from external customers is mainly derived from customers in Germany, France and Korea. Sales from Germany, France and Korea accounted for approximately 59.1%, 17.1% and 14.3% of the total revenue for the nine months ended 30 September 2018, respectively (nine months ended 30 September 2017: 89.2%, 8.3% and 0%) of the total revenue, respectively.

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

	Three months ended 30 September		Nine months ended 30 September	
	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000
Germany	26,383	17,183	51,123	43,079
Korea	12,397	–	12,397	–
France	7,955	2,845	14,815	3,990
Others	5,948	1,228	8,189	1,228
	<b>52,683</b>	21,256	<b>86,524</b>	48,297

### Information about major customers

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

	Three months ended 30 September		Nine months ended 30 September	
	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000
Customer A	14,848	5,467	18,118	13,351
Customer B	*	7,302	22,897	19,515
Customer C	12,397	#	12,397	#
Customer D	7,068	2,336	*	*

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

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

# Notes to the Unaudited Condensed Consolidated Financial Statements

Nine months ended 30 September 2018

## 3. REVENUE AND SEGMENT INFORMATION (Continued)

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

	<b>As at 30 September 2018 (unaudited) HK\$'000</b>	As at 31 December 2017 (audited) HK\$'000
Hong Kong	416	506
Germany	8,833	9,583
	<b>9,249</b>	10,089

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

	<b>Three months ended 30 September</b>		<b>Nine months ended 30 September</b>	
	<b>2018 (unaudited) HK\$'000</b>	2017 (unaudited) HK\$'000	<b>2018 (unaudited) HK\$'000</b>	2017 (unaudited) HK\$'000
Knitwear	50,525	21,121	81,181	45,967
T-shirts	328	135	2,977	1,513
Woven	1,830	-	2,366	817
	<b>52,683</b>	21,256	<b>86,524</b>	48,297

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

	<b>Three months ended 30 September</b>		<b>Nine months ended 30 September</b>	
	<b>2018 (unaudited) HK\$'000</b>	2017 (unaudited) HK\$'000	<b>2018 (unaudited) HK\$'000</b>	2017 (unaudited) HK\$'000
Apparel sourcing agent	33,976	12,768	59,118	32,866
Boutique shop	13,484	5,783	21,583	9,453
Department store	5,223	2,705	5,823	5,978
	<b>52,683</b>	21,256	<b>86,524</b>	48,297

# Notes to the Unaudited Condensed Consolidated Financial Statements

Nine months ended 30 September 2018

## 4. OTHER INCOME

	Three months ended 30 September		Nine months ended 30 September	
	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000
Financial guarantee income	–	7,920	816	20,569
Sample sales income	199	36	554	316
Others	6	–	7	–
<b>Total</b>	<b>205</b>	<b>7,956</b>	<b>1,377</b>	<b>20,885</b>

## 5. OTHER GAINS AND LOSSES

	Three months ended 30 September		Nine months ended 30 September	
	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000
Net gain (loss) on structured foreign currency forward contracts	47	(11)	93	17
Net foreign exchange loss	(120)	(236)	(12)	(1,049)
	<b>(73)</b>	<b>(247)</b>	<b>81</b>	<b>(1,032)</b>

## 6. INCOME TAX EXPENSE

	Three months ended 30 September		Nine months ended 30 September	
	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000
Hong Kong Profits Tax:				
Current tax	1,652	704	1,871	1,492
Deferred taxation	36	17	109	84
	<b>1,688</b>	<b>721</b>	<b>1,980</b>	<b>1,576</b>

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

# Notes to the Unaudited Condensed Consolidated Financial Statements

Nine months ended 30 September 2018

## 7. PROFIT FOR THE PERIOD

	Three months ended 30 September		Nine months ended 30 September	
	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000
Profit for the period has been arrived at after charging:				
Directors' remuneration	579	477	1,952	628
Other staff costs:				
— Salaries and other benefits	641	674	1,929	2,269
— Retirement benefit scheme contributions	25	29	76	95
Total employee benefits expenses	1,245	1,180	3,957	2,992
Auditor's remuneration	225	210	675	450
Depreciation of plant and equipment	30	26	89	59
Amortisation of intangible assets	250	167	750	167
Cost of inventories recognised as cost of sales	37,820	13,628	63,868	31,175
Minimum lease payment under operating leases in respect of land and building	69	69	209	209

## 8. DIVIDENDS

The Board has declared interim dividends with an aggregate amount of HK\$6,500,000 (2017: HK\$4,300,000) to its then sole shareholder in April 2018 which had been fully settled. Save as aforesaid, the Board recommends the payment of a third quarter dividend of HK\$0.01 per Share, amounting to a total of HK\$10,000,000 for the nine months ended 30 September 2018 (corresponding period in 2017: Nil).

## 9. EARNINGS PER SHARE

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

The calculation of basic earnings per Share for the period is based on the unaudited condensed consolidated earnings for the nine months ended 30 September 2018 of HK\$3,969,000 (profit for the nine months ended 30 September 2017: HK\$17,105,000), and on the assumption that 1,000,000,000 (nine months ended 30 September 2017: (restated) 1,000,000,000) ordinary shares have been in issue throughout the period, being the total number of Shares in issue of the Company immediately upon the Listing.

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

# Management Discussion and Analysis

## **BUSINESS REVIEW**

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

## **FINANCIAL REVIEW**

### **Revenue**

The Group's revenue increased by 79.1% from HK\$48.3 million for the nine months ended 30 September 2017 to HK\$86.5 million for the nine months ended 30 September 2018. The increase was mainly driven by the increased revenue from existing customers in Germany and France and new customers in Korea, Austria and Switzerland.

### **Cost of sales**

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

The cost of sales increased by 104.9% from HK\$31.2 million for the nine months ended 30 September 2017 to HK\$63.9 million for the nine months ended 30 September 2018, which was in line with the increase in sales for the nine months ended 30 September 2018.

### **Gross profit and gross profit margin**

The gross profit was HK\$17.1 million and HK\$22.7 million for the nine months ended 30 September 2017 and 2018, respectively. The gross profit margin decreased from 35.5% for the nine months ended 30 September 2017 to 26.2% for the nine months ended 30 September 2018, which was mainly due to the change in customer mix of the Group. In addition, the gross profit margins of new customers in Germany and France were lower than the overall average gross profit margin which enabled the Group to develop the German and French apparel market.

# Management Discussion and Analysis

## **Other income**

The other income amounted to HK\$20.9 million and HK\$1.4 million for the nine months ended 30 September 2017 and 2018, respectively, mainly representing the financial guarantee income. As the Group provided cross financial guarantee in favour of banks for bank loans of certain related companies, such arrangement resulted in a financial guarantee liability recognised at fair value at initial recognition. Such financial guarantee liability had been amortised over the term of the financial guarantee contract and be recognised as financial guarantee income. The financial guarantee income decreased significantly as a result of the reducing financial guarantee liability after the Listing. All financial guarantee liability was released upon Listing and no financial guarantee income has been incurred thereafter.

## **Other gains and losses**

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

## **Selling and distribution expenses**

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

The selling and distribution expenses amounted to HK\$4.4 million and HK\$5.6 million for the nine months ended 30 September 2017 and 2018 respectively. Such increase was primarily due to the increase in staff cost, travelling expenses and design fee as a result of increased sales during such period.

## **Administrative expenses**

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

The administrative expenses amounted to HK\$3.1 million and HK\$5.4 million for the nine months ended 30 September 2017 and 2018 respectively. Such increase was mainly due to an increase in staff costs, professional fees as a result of being a listed company and the amortisation of intangible assets resulting from the acquisition of two trademarks in July 2017. Amortisation of intangible assets is recognised on a straight-line basis over its estimated useful lives of 10 years.

# Management Discussion and Analysis

## **Finance costs**

The Group's finance costs amounted to approximately HK\$0.3 million and less than HK\$0.1 million for the nine months ended 30 September 2017 and 2018 respectively. The decrease was mainly due to the repayment of bank borrowing during the period.

## **Income tax expense**

The income tax expense mainly represents Hong Kong profits tax of 16.5% on the assessable profits arising in Hong Kong which amounted to HK\$1.6 million and HK\$2.0 million for the nine months ended 30 September 2017 and 2018 respectively.

## **Profit for the nine months ended 30 September 2017 and 2018**

The profit attributable to owners of the Group for the nine months ended 30 September 2018 was HK\$4.0 million, while the Group recorded a profit attributable to owners of the Group of HK\$17.1 million for the nine months ended 30 September 2017. Such decrease was mainly due to a drop in the financial guarantee incomes of HK\$19.8 million.

Excluding the listing expenses and financial guarantee income, the adjusted profit for the nine months ended 30 September 2018 increased by HK\$3.1 million, from HK\$7.1 million for the nine months ended 30 September 2017 to HK\$10.2 million for the nine months ended 30 September 2018. The increase in the adjusted profit was mainly due to the increase in revenue.

## **Pledge of the Group's assets**

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

As at 31 December 2017, the Group pledged bank deposits of approximately HK\$18,037,000 to a bank for securing cross financial guarantee in favour of banks for bank loans of certain related companies. Such financial guarantee provided by the Group to related companies has been released upon Listing.

## **Share capital**

The Shares were successfully listed on the GEM of the Stock Exchange on 4 May 2018 and there has been no change in the capital structure of the Group since then. The share capital of the Group only comprises ordinary shares.

As at 30 September 2018, the Company's issued share capital was HK\$10,000,000 and the number of its issued ordinary Shares was 1,000,000,000 of HK\$0.01 each.



# Management Discussion and Analysis

## **Related Party Transactions**

For the nine months ended 30 September 2018, the Company purchased certain goods from Meridian Industries Garment (Cambodia) Limited (“MIGCL”). The cumulative purchase from MIGCL for the nine months ended 30 September 2018 was less than HK\$3.0 million. The payment amount was determined based on market price and the Directors (including the independent non-executive Directors) considered that the connected transaction as described above had been entered into in the ordinary and usual course of business of the Group and had been based on arm’s length negotiations and on normal commercial terms.

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

## **Major and Connected Transaction**

On 10 September 2018, Vision Garments Limited, an indirect wholly-owned subsidiary of the Company incorporated in Hong Kong, being the purchaser (the “Purchaser”) and Wisewing International Limited being the vendor (the “Vendor”) entered into the formal sales and purchase agreement to acquire a property comprising workshops 1–3 and 5–7 on 3rd Floor of China United Plaza, No. 1008 Tai Nan West Street, Kowloon, Hong Kong as showroom at the consideration of HK\$27.5 million. The Vendor is beneficially wholly owned by Mr. Ko Sek Yan (“Mr. Murray Ko”), the elder brother of Mr. Ko Sin Yun (“Mr. Ko”). As at the Latest Practicable Date, Mr. Ko is a controlling Shareholder holding 75% of the issued share capital of the Company, the chairman of the Board and an executive Director of the Company. Accordingly, the Vendor is an associate (as defined in the GEM Listing Rules) of Mr. Ko and hence a connected person of the Company under Chapter 20 of the GEM Listing Rules. As at 30 September 2018, the initial deposit in the sum of HK\$1,375,000 and the further deposit in the sum of HK\$1,375,000 have been settled by the Purchaser. For details of the transaction, please refer to the circular of the Company dated 21 September 2018 and the relevant poll results announcement dated on 15 October 2018.

# Management Discussion and Analysis

## **Significant investment held**

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

## **Financial guarantee liability and contingent liabilities**

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

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

## **Foreign exchange exposure**

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

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

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

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

# Management Discussion and Analysis

## **PROSPECTS**

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

Nonetheless, the Directors are confident that the Group can succeed and enhance the shareholders' value, based on the years of experience of the senior management of the Company in apparel SCM market. For the nine months ended 30 September 2018, the Company has started business with a Korean customer and recorded sales of HK\$12,397,000, which helps the Company to diversify customer base. Going forward, the Group's objective is to become a key market player in the Hong Kong apparel SCM industry, with an aim to optimise the returns to the Group's shareholders. The Group will continue to strengthen its key market player position in the apparel SCM industry in Hong Kong and enhance the overall competitiveness and market share.

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

## **USE OF PROCEEDS**

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

As at 30 September 2018, the Group has utilised approximately HK\$5.2 million to repay its bank borrowings, HK\$5.1 million to set up a new showroom, HK\$0.4 million to fund the general working capital need, HK\$0.4 million to solidify relationship with existing customers and explore new customers, and HK\$0.1 million to enhance quality control process.

# Management Discussion and Analysis

## **CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 September 2018, the total equity of the Group was HK\$87.0 million. The Group's cash and cash equivalent was HK\$30.6 million. Based on the above analysis, coupled with sufficient cash and bank balances, the Group has adequate liquidity and financial resources to meet the working capital requirements.

## **DIVIDENDS**

The Board has declared interim dividends with an aggregate amount of HK\$6,500,000 (2017: HK\$4,300,000) to its then sole shareholder in April 2018 which had been fully settled. Save as aforesaid, the Board recommends the payment of a third quarter dividend of HK\$0.01 per Share, amounting to a total of HK\$10,000,000 for the nine months ended 30 September 2018 (corresponding period in 2017: Nil). The third quarter dividend is expected to be paid on or about 18 December 2018 to all shareholders whose names appear on the register of members of the Company on 3 December 2018.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Thursday, 29 November 2018 to Monday, 3 December 2018, both days inclusive, during which period no share transfers can be registered. In order to be qualified for the third quarter dividend, unregistered holders of shares of the Company should ensure all transfer documents accompanied by the relevant share certificates are lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong before 4:30 p.m. on Wednesday, 28 November 2018.

## **SEGMENT INFORMATION**

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

## **MATERIAL ACQUISITIONS AND DISPOSALS**

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

## **FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS**

Save as the purchase of the showroom as disclosed in the above section "Major and Connected Transaction", the Group did not have any plan for material investments or capital assets as at 30 September 2018.

# Other Information

## DISCLOSURE OF INTERESTS

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

As at 30 September 2018, the interests and short positions of the Directors or chief executive of the Company in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) or which will be required pursuant to section 352 of the SFO to be entered in the register referred to therein, or which will be required to notify to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, will be as follows:

#### (a) Long Position in the Shares

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

#### Notes:

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

## Other Information

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

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

Save as disclosed above, as at 30 September 2018, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required pursuant to Section 352 of the SFO, to be entered in the register of members of the Company or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

## Other Information

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

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

#### *Long Position in the Company's Shares*

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

#### *Notes:*

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

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

## Other Information

### **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES**

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

### **DIRECTORS' AND CONTROLLING SHAREHOLDERS' COMPETING INTERESTS**

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

### **INTERESTS OF THE COMPLIANCE ADVISER**

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

### **CORPORATE GOVERNANCE PRACTICES AND COMPLIANCE**

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules (the "CG Code"). The Board and the management of the Company are committed to maintaining and achieving a high standard of corporate governance practices with an emphasis on a quality Board, an effective accountability system and a healthy corporate culture in order to safeguard the interests of the shareholders of the Company and enhance the business growth of the Group. Where applicable, the Company has complied with the code provisions as set out in the CG Code since the Listing Date up to the date of this report.



## Other Information

### **CHANGE IN DIRECTORS' BIOGRAPHICAL DETAILS**

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, change(s) in Directors' biographical details since the 2018 interim report of the Company, which are required to be disclosed, are set out below:

<b>Name of Director</b>	<b>Details of change</b>
Mr. To King Yan, Adam	Mr. To King Yan, Adam has resigned as an independent non-executive Director of Shen You Holdings Limited (listed on the GEM of the Stock Exchange (stock code: 8377)) on 14 September 2018.

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

### **DIRECTORS' SECURITIES TRANSACTIONS**

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

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

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

## Other Information

### **SHARE OPTION SCHEME**

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

### **AUDIT COMMITTEE AND REVIEW OF ACCOUNTS**

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

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

The Audit Committee has reviewed the unaudited quarterly financial results of the Group for the nine months ended 30 September 2018.

## Other Information

### **FORWARD LOOKING STATEMENTS**

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

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

Hong Kong, 14 November 2018