



SATU HOLDINGS LIMITED

舍圖控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立之有限公司)

Stock Code 股份代號：8392



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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 of the Stock Exchange 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 Satu Holdings Limited (the “**Company**”) 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	3
MANAGEMENT DISCUSSION AND ANALYSIS	5
CORPORATE GOVERNANCE	14
OTHER INFORMATION	15
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS	19
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	20
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	21
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	22
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	23
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION	25

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. She Leung Choi
(*Chairman and
Chief Executive Officer*) (“**Mr. She**”)
Ms. Chan Lai Yin (“**Ms. Chan**”)
Mr. She Leung Ngai Alex

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ho Kim Ching
Mr. Chan Ching Sum Sam
Ms. Fan Pui Shan

COMPANY SECRETARY

Ms. Tsang Wing Kiu (*CPA*)

AUTHORIZED REPRESENTATIVES

Mr. She Leung Choi
Ms. Tsang Wing Kiu

AUDIT COMMITTEE

Mr. Ho Kim Ching (*Chairman*)
Mr. Chan Ching Sum Sam
Ms. Fan Pui Shan

REMUNERATION COMMITTEE

Mr. Chan Ching Sum Sam (*Chairman*)
Mr. She Leung Choi
Mr. Ho Kim Ching

NOMINATION COMMITTEE

Mr. Chan Ching Sum Sam (*Chairman*)
Mr. She Leung Choi
Mr. Ho Kim Ching

RISK MANAGEMENT COMMITTEE

Ms. Chan Lai Yin (*Chairman*)
Mr. She Leung Ngai Alex
Ms. Fan Pui Shan

COMPLIANCE OFFICER

Mr. She Leung Choi

COMPLIANCE ADVISOR

Sunfund Capital Limited

REGISTERED OFFICE

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman
KY1-1111
Cayman Islands

HEADQUARTERS, HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2504, 25th Floor
Nanyang Plaza
57 Hung To Road
Kwun Tong, Kowloon
Hong Kong

PLACE OF BUSINESS IN THE PRC

Units 01 to 11, 23/F
Oriental Plaza
Luohu, Shenzhen
The People’s Republic of China

CORPORATE INFORMATION

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company
(Cayman) Limited
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
HSBC Main Building
1 Queen's Road Central
Hong Kong

Bank of China (Hong Kong) Limited
1 Garden Road
Hong Kong

COMPANY WEBSITE

www.bnc.cc

STOCK CODE

8392

MANAGEMENT DISCUSSION AND ANALYSIS

The board of Directors (the “**Board**”) of the Company is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 September 2018 (the “**Period**”), together with the comparative figures for the corresponding period in 2017 (the “**Previous Period**”).

BUSINESS REVIEW AND OUTLOOK

The shares of the Company (the “**Shares**”) were successfully listed (the “**Listing**”) on GEM operated by the Stock Exchange on 16 October 2017 (the “**Listing Date**”) by way of share offer.

The Group is a provider of homeware products with headquarters in Hong Kong. We are principally engaged in the design, development and production management of a wide variety of homeware products with operations in the People’s Republic of China (the “**PRC**” or “**China**”) and Hong Kong. We have built a diverse global customer portfolio comprising international brand owners and licensee, chain supermarkets and renowned department stores and our homeware products were principally exported to overseas, with Europe being our major shipment destination. Our Group also sells our own branded products through third party e-commerce platform.

During the Period, we actively participated in overseas trade show and exhibitions, namely ASD in Las Vegas and Maison and Objet in Paris, in order to broaden the customer base and enhance our brand recognition. In addition, our showroom in the PRC was fully renovated and a grand reopening gala was successfully held in September 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Recently, China and the United States (the “**U.S.**”) are locked in an ongoing trade dispute. They have introduced tariffs on goods imported by each other, which has triggered the Sino-U.S. trade war. The recent Sino-U.S. trade war did not have direct material adverse impact on our business because U.S.’s tariff against China did not target at our homeware products from China. However, our Group has a business plan to expand into the U.S. market at the beginning of this year and we have established a new America marketing team and participated in trade show in Las Vegas in September 2018. Due to the Sino-U.S. trade war, the schedule of our business development plan was affected and our management is considering to take appropriate measures to mitigate the exposure, if necessary. If the Sino-U.S. trade war persists and the global economic environment deteriorates, the uncertainties in the macroeconomy and operating environment may aggravate the confidence of consumers and the demand for our homeware products could be affected, which may in turn adversely impact our business, financial performance and results of operations.

Other than the impact of the Sino-U.S. trade war, we expect that in the coming years, it will continue to be challenging for the keen competition in our homeware sector in the European market, in view of the intense price competition for our products. To cope with the keen competition, the Group seizes the opportunity to work closer with our major customers by enhancing our quality and design services, and diversifying our product range. In addition, our e-commerce team is widening our product category, such as consumer products in order to enlarge the market share in the fast-growing online distribution channel in the European and American markets. Other than our existing businesses, our management is exploring new business opportunities in other segments. Details of the business strategies have been disclosed in the prospectus of the Company date 29 September 2017 (the “**Prospectus**”).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group's revenue for the Period was approximately HK\$27.5 million, representing a decrease of approximately 23.2% as compared that of approximately HK\$35.8 million for the Previous Period. Such decrease in revenue was primarily due to decline in sales orders from two major customers during the Period.

Cost of Sales

The Group's cost of sales decreased by approximately 18.7% from approximately HK\$23.5 million for the Previous Period to approximately HK\$19.1 million for the Period, which was in line with the decrease in revenue for the Period.

Gross Profit

Gross profit dropped by approximately 31.7% to approximately HK\$8.4 million for the Period as compared to approximately HK\$12.3 million for the Previous Period. The gross profit margin dropped from approximately 34.3% for the Previous Period to approximately 30.5% for the Period because the Group offered relatively lower price to certain major customers for their large procurement volume under the keen competition during the Period.

Selling and Distribution Expenses

During the Period, selling and distribution expenses increased to approximately HK\$4.9 million, representing an increase of approximately 63.3%, from approximately HK\$3.0 million for the Previous Period. Such increase was mainly attributable to increase in headcount for marketing teams due to the establishment of a new America marketing team and expansion of e-commerce marketing team, as well as the salary increment of our marketing staff.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative and Other Operating Expenses

The Group's administrative and other operating expenses decreased by approximately 60.0% from approximately HK\$14.0 million for the Previous Period to approximately HK\$5.6 million for the Period. Such decrease was mainly due to non-recurring listing expenses of approximately HK\$10.4 million incurred in the Previous Period, and partially offset by the increase in salaries, allowances and other benefits as a result of the Group's expansion on management team, and the increase in recurring corporate expenses after the Listing.

Income Tax Expense

The Group's income tax expenses was approximately HK\$57,000, significantly decreased by approximately 94.0% as compared to approximately HK\$1.0 million for the Previous Period, which was mainly due to the decrease in revenue and the increase in costs and expenses causing the loss before tax.

Loss for the Period

The Group recorded loss of approximately HK\$1.4 million for the Period, while loss of approximately HK\$5.3 million. Taking no account of the impact of the listing expenses, the Group recorded profit of approximately HK\$5.1 million for the Previous Period. The turnaround from profit to loss was mainly attributable to decrease in gross profit and the increase in our Group's expenses, in particular the staff costs and recurring corporate expenses after Listing.

LIQUIDITY, FINANCIAL RESOURCES AND INDEBTEDNESS

The Group's treasury policy is to regularly monitor its current and expected liquidity requirements and its relationship with its bankers to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 September 2018, the Group had pledged bank deposits and bank and cash balances in aggregate of approximately HK\$34.7 million (31 March 2018: HK\$41.6 million). As at 30 September 2018 and 31 March 2018, the Group's indebtedness comprised finance lease payables of approximately HK\$0.6 million and HK\$0.7 million respectively.

Gearing ratio is calculated as total debts divided by total equity as at the respective period. As at 30 September 2018, the gearing ratio was approximately 1.0%, which remained stable as compared to that of approximately 1.1% as at 31 March 2018.

As at 30 September 2018, the Group's total assets amounted to approximately HK\$62.5 million (31 March 2018: HK\$61.5 million) and net assets amounted to approximately HK\$56.4 million (31 March 2018: HK\$57.9 million).

As at 30 September 2018, current ratio and quick ratio of the Group decreased to 9.8 and 9.6 respectively, as compared to that of 19.0 and 18.7 as at 31 March 2018 respectively. This was mainly attributable to the decrease in bank and cash balances as a result of utilisation of net proceeds of approximately HK\$7.1 million during the Period.

SEGMENTAL INFORMATION

Segmental information is presented for the Group in note 4 of the unaudited condensed consolidated interim financial information.

USE OF NET PROCEEDS FROM LISTING

The Company listed its Shares on the GEM of the Stock Exchange on 16 October 2017 and issued a total of 250,000,000 Shares by way of share offer. The net proceeds from the Listing, after deducting the listing expenses of approximately HK\$23.7 million, amounted to approximately HK\$31.3 million, which is slightly lower than the estimated net proceeds of approximately HK\$32.0 million. The difference of approximately HK\$0.7 million has been adjusted in the same manner and in the same proportion to the use of proceeds as disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

MANAGEMENT DISCUSSION AND ANALYSIS

From the Listing Date to 30 September 2018, the net proceeds from the Listing were utilised for the intended purposes as set out in the Prospectus under the section headed “Future Plans and Use of Proceeds”.

An analysis of the amount utilised of net proceeds up to 30 September 2018 is set out below:

	Estimated use of proceeds HK\$ million	Adjusted use of proceeds HK\$ million	Utilised up to 31 March 2018 HK\$ million	Utilised during the Period HK\$ million	Unutilised as at 30 September 2018 HK\$ million
Broaden the existing customer base, increase market share in the existing target markets and expand into new markets	13.5	13.2	1.0	4.4	7.8
Enhance design and development capabilities	4.8	4.7	— ⁽ⁱ⁾	0.2	4.5
Enhance our quality assurance capabilities	4.8	4.7	— ⁽ⁱ⁾	0.6	4.1
Enhance brand recognition and awareness and promote corporate reputation	6.4	6.3	1.3	1.3	3.7
General working capital	2.5	2.4	0.7	0.6	1.1
Total	32.0	31.3	3.0	7.1	21.2

(i) represented less than HK\$100,000

MANAGEMENT DISCUSSION AND ANALYSIS

During the Period, the Group had completed the renovation of our showroom in the PRC, participated in two exhibitions namely ASD Trade Show in Las Vegas and Maison and Objet in Paris, and commenced to build up our laboratory. The Group is targeting suitable trainings course for designers and quality control staff to enhance their understanding of the latest fashion trend and industry know-how and product quality requirement and regulations respectively. Affected by the Sino-U.S. trade war and the uncertainties in the global macroeconomy, our business plan for the establishment of one liaison office in each of Europe and U.S. was deferred. Our management will closely monitor the impact to our plan arising from the Sino-U.S. trade war and may consider taking appropriate changes, if necessary. As at the date of this report, the Directors do not anticipate any change to the plan as to the use of proceeds and the balance of the fund would be utilised accordingly.

The remaining unused net proceeds as at 30 September 2018 were placed as bank balances with licensed bank in Hong Kong and will be applied in the manner consistent with the proposed allocations set out in the Prospectus.

HUMAN RESOURCES

As at 30 September 2018, the Group had a total of 36 full-time employees, and the total employee benefit expenses for the Period amounted to approximately HK\$4.8 million (Previous Period: HK\$2.7 million). The Group determines the remuneration of its employees based on, among other factors, each employee's qualifications, experience and past performance.

The Group recognises the importance of having good relationship with our employees, and believes our working environment and employee development opportunities have contributed to good employee relations and employee retention. The Group recruits our employees based on a number of factors such as their work experience, educational background and our needs. The Company established a remuneration committee on 22 September 2017, which regularly review and make recommendations to the Board on the overall remuneration policy, compensation package and structure for our Directors and senior management.

MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN CURRENCY EXPOSURE

The Group is exposed to currency risk as most of its business transactions, assets and liabilities are principally denominated in Hong Kong Dollars (“**HKD**”), Renminbi, British Pound (“**GBP**”) and United States Dollars (“**USD**”). The Group’s sales and purchases are primarily denominated and settled in USD. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities but would monitor the foreign exchange exposure closely and will consider hedging significant foreign currency exposure should the need arise.

SHARE OPTION SCHEME

The Company’s share option scheme (the “**Share Option Scheme**”) was adopted pursuant to a resolution of the then shareholders of the Company on 22 September 2017 to enable the Company to grant options to eligible participants as incentives and rewards for their contribution to the Group. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules. As at 30 September 2018 and up to the date of this report, no option had been granted or agreed to be granted under the Share Option Scheme.

PLEDGE OF ASSETS

The finance lease payables as at 30 September 2018 was secured against a motor vehicle with a carrying amount of approximately HK\$0.5 million.

OPERATING LEASE COMMITMENTS

As at 30 September 2018, the Group had commitments for future minimum lease payments of approximately HK\$3.6 million (31 March 2018: HK\$4.1 million) under the non-cancellable leases.

CAPITAL COMMITMENTS

As at 30 September 2018, the Group had capital commitments of approximately HK\$1.8 million (31 March 2018: Nil) in relating to purchase of equipments.

CONTINGENT LIABILITIES

As at 30 September 2018, the Group did not have any material contingent liabilities (31 March 2018: Nil).

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures during the Period.

DIVIDENDS

During the Previous Period, a subsidiary of the Company had declared a dividend of HK\$7.0 million to its then shareholders in proportion to their respective shareholdings. The dividend of HK\$7.0 million was paid in October 2017 prior to Listing.

The Board takes into account, among other factors, the Group's overall results of operation, financial position and capital requirements in considering the declaration of dividends. The Board does not recommend a payment of an interim dividend for the six months ended 30 September 2018.

CORPORATE GOVERNANCE

Pursuant to code provision A.2.1 of the Corporate Governance Code (“**CG Code**”) and Corporate Governance Report in Appendix 15 to the GEM Listing Rules, the role of chairman and the chief executive should be separate and should not be performed by the same individual. However, we do not have a separate chairman and chief executive and Mr. She currently performs these two roles. Our Board believes that vesting the roles of both chairman and chief executive in Mr. She has the benefit of ensuring consistent leadership within our Group and enables more effective and efficient overall strategic planning for our Group. Our Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure enables our Company to make and implement decisions promptly and effectively. Our Board will continue to review and consider splitting the roles of chairman of our Board and chief executive of our Company when it is appropriate and suitable, taking into account the circumstances of our Group as a whole.

Save for the deviation from the code provision of A.2.1 of the CG Code, the Company has adopted and complied with the code provisions of the CG Code as set out in Appendix 15 of the GEM Listing Rules during the Period.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding directors’ securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company has made specific enquiry with all Directors and all Directors have confirmed, that they have complied with the required standard of dealings and the code of conduct regarding directors’ securities transactions adopted by the Company during the Period.

OTHER INFORMATION

INTEREST AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

As at 30 September 2018, so far as our Directors are aware, the persons (other than the Directors and chief executive of the Company) who will have or be deemed or taken to have interests and/or short positions in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) (“SFO”) will be as follows:

Name of Shareholder	Capacity	Number of Shares held (Note 1)	Approximate percentage of shareholding
Hearthfire Limited (“Hearthfire”)	Beneficial owner	611,250,000 (L) (Note 2)	61.125%
Top Clay Limited (“Top Clay”)	Beneficial owner	52,500,000 (L) (Note 3)	5.25%
Ms. Sze Sau Taap (“Ms. Sze”)	Interest of controlled corporation	52,500,000 (L) (Note 3)	5.25%
Present Moment Limited (“Present Moment”)	Beneficial owner	86,250,000 (L) (Note 4)	8.625%

Notes:

1. The letter “L” denotes a long position in the shareholder’s interest in the Shares.
2. Hearthfire is wholly-owned by Mr. She, an executive Director, and by virtue of the SFO, Mr. She is deemed to be interested in all the Shares held by Hearthfire.
3. Top Clay is wholly-owned by Ms. Sze and by virtue of the SFO, Ms. Sze is deemed to be interested in all the Shares held by Top Clay.
4. Present Moment is wholly-owned by Ms. Chan, an executive Director, and by virtue of the SFO, Ms. Chan is deemed to be interested in all the Shares held by Present Moment.

OTHER INFORMATION

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

As at 30 September 2018, the interests or short positions of the Directors or chief executive of the Company 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 will be 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 or short positions which they are taken or deemed to have under such provisions of the SFO), or (b) to be entered into the register required to be kept by the Company pursuant to section 352 of the SFO, or (c) as otherwise to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules will be as follows:

(i) Interest in the Company

Name of Director	Capacity	Number of Shares held (Note 1)	Approximate percentage of shareholding
Mr. She	Interest of controlled corporation	611,250,000 (L) (Note 2)	61.125%
Ms. Chan	Interest of controlled corporation	86,250,000 (L) (Note 3)	8.625%

Notes:

1. The letter "L" denotes a long position in the Director's interest in the Shares.
2. 611,250,000 Shares are held by Hearthfire, which is wholly-owned by Mr. She, an executive Director, and by virtue of the SFO, Mr. She is deemed to be interested in all the Shares held by Hearthfire.
3. 86,250,000 Shares are held by Present Moment, which is wholly-owned by Ms. Chan, an executive Director, and by virtue of the SFO, Ms. Chan is deemed to be interested in all the Shares held by Present Moment.

OTHER INFORMATION

(ii) Interest in associated corporations

Name of Director	Name of associated corporation	Capacity	Number of shares in associated corporation held (L)	Approximate percentage of shareholding
Mr. She	Hearthfire	Beneficial owner	1 share of US\$1.00 each	100%

Note: The letter “L” denotes a long position in the Director’s interest in the shares of the associated corporation.

COMPETING INTERESTS

The Directors are not aware of any business or interest of the Directors or the controlling shareholders (as defined in the GEM Listing Rules) of the Company nor any of their respective associates (as defined in the GEM Listing Rules) that competed or might compete, either directly or indirectly, with the business of the Group and any other conflicts of interest which any such person had or might have with the Group during the Period.

INTERESTS OF COMPLIANCE ADVISER

As at 30 September 2018 and up to the date of this report, as notified by the Company’s compliance adviser, Sunfund Capital Limited (the “**Compliance Adviser**”), except for the compliance adviser agreement dated 12 June 2017 entered into between the Company and the Compliance Adviser, neither the Compliance Adviser nor its directors, employees or close associates (as defined under the GEM Listing Rules) had any interests in relation to the Company, which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities during the Period.

AUDIT COMMITTEE

The Company established an audit committee (the “**Audit Committee**”) on 22 September 2017 with its written terms of reference in compliance with the GEM Listing Rules. The Audit Committee comprising three independent non-executive Directors, namely Mr. Ho Kim Ching, Mr. Chan Ching Sum Sam and Ms. Fan Pui Shan, has reviewed the accounting standards and policies adopted by the Group and the interim report including the unaudited condensed consolidated interim financial information of the Group for the Period.

By order of the Board
Satu Holdings Limited
She Leung Choi
Chairman

Hong Kong, 9 November 2018

As at the date of this report, the executive Directors are Mr. She Leung Choi, Ms. Chan Lai Yin, Mr. She Leung Ngai Alex; and the independent non-executive Directors are Mr. Ho Kim Ching, Mr. Chan Ching Sum Sam and Ms. Fan Pui Shan.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2018

		Six months ended 30 September	
		2018	2017
Notes		HK\$'000 (unaudited)	HK\$'000 (unaudited)
Revenue	4	27,488	35,848
Cost of sales		(19,109)	(23,546)
Gross profit		8,379	12,302
Other income and net gains	4	771	427
Selling and distribution expenses		(4,895)	(3,037)
Administrative and other operating expenses		(5,621)	(13,978)
Loss from operations		(1,366)	(4,286)
Finance costs	5	(14)	(48)
Loss before tax		(1,380)	(4,334)
Income tax expense	6	(57)	(953)
Loss for the period attributable to owners of the Company	7	(1,437)	(5,287)
Loss per share			
Basic and diluted	8	HK(0.14) cents	(HK0.53) cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2018

	Six months ended 30 September	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Loss for the period	(1,437)	(5,287)
Other comprehensive income: <i>Items that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	(25)	11
Other comprehensive income for the period, net of tax	(25)	11
Total comprehensive income for the period attributable to owner of the Company	(1,462)	(5,276)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

	Notes	As at 30 September 2018 HK\$'000 (unaudited)	As at 31 March 2018 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	10	5,956	1,074
Deferred tax assets		101	101
Deposits paid for property, plant and equipment	13	591	959
		6,648	2,134
Current assets			
Inventories	11	1,201	807
Trade receivables	12	14,129	12,559
Prepayments, deposits and other receivables	13	4,875	3,971
Current tax assets		966	422
Pledged bank deposits		125	–
Bank and cash balances		34,586	41,626
		55,882	59,385
Current liabilities			
Trade payables	14	3,103	1,496
Other payables and accruals	14	1,967	1,320
Deposits receipt in advance	14	452	152
Finance lease payables	15	163	159
Current tax liabilities		–	3
		5,685	3,130
Net current assets		50,197	56,255
Total assets less current liabilities		56,845	58,389
Non-current liabilities			
Finance lease payables	15	409	491
NET ASSETS		56,436	57,898
Capital and reserves			
Share capital	16	10,000	10,000
Reserves		46,436	47,898
TOTAL EQUITY		56,436	57,898

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018

	Attributable to owners of the Company						Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Other reserve HK\$'000	Foreign currency translation reserve HK\$'000	Retained earnings HK\$'000	
At 1 April 2017	20	–	–	8	(38)	23,401	23,391
Loss and total comprehensive income for the period	–	–	–	–	11	(5,287)	(5,276)
Shares issued under Reorganisation	360	–	–	(360)	–	–	–
Dividends	–	–	–	–	–	(7,000)	(7,000)
At 30 September 2017 (unaudited)	380	–	–	(352)	(27)	11,114	11,115
At 1 April 2018	10,000	36,793	(360)	8	(10)	11,467	57,898
Loss and total comprehensive income for the period	–	–	–	–	(25)	(1,437)	(1,462)
At 30 September 2018 (unaudited)	10,000	36,793	(360)	8	(35)	10,030	56,436

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2018

	Six months ended 30 September	
	2018 <i>HK\$'000</i> (unaudited)	2017 <i>HK\$'000</i> (unaudited)
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before tax	(1,380)	(4,334)
Adjustments for:		
Depreciation	287	227
Interest income	(194)	(1)
Finance costs	14	48
Gain on disposal of property, plant and equipment	–	(47)
Operating loss before working capital changes	(1,273)	(4,107)
(Increase)/decrease in trade receivables	(1,570)	820
Increase in inventories	(394)	(270)
(Increase)/decrease in prepayments, deposits and other receivables	(536)	835
Increase in trade payables	1,607	2,960
Increase in other payables and accruals	647	319
Increase in deposits receipt in advance	300	46
Cash (used in)/generated from operations	(1,219)	603
Hong Kong Profits Tax paid	(604)	(485)
Finance costs paid	(14)	(48)
Net cash (used in)/generated from operating activities	(1,837)	70

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2018

	Six months ended 30 September	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(5,169)	(13)
Proceed from disposal of property, plant and equipment	–	47
Increase in pledged bank deposits	(125)	–
Interest received	194	1
Decrease in amount due from a related company	–	1,730
Net cash (used in)/generated from investing activities	(5,100)	1,765
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of bank borrowing	–	(427)
Repayment of finance lease payables	(78)	(99)
Decrease in amounts due to shareholders	–	(1,143)
Net cash used in financing activities	(78)	(1,669)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(25)	10
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(7,040)	176
CASH AND CASH EQUIVALENTS AT 1 APRIL	41,626	9,170
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	34,586	9,346
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	34,586	9,346

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2018

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands with limited liability and is domiciled in Hong Kong. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company's principal place of business in Hong Kong is Unit 2504, 25/F, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Hong Kong. The Company's shares are listed on the GEM of the Stock Exchange on 16 October 2017.

The Company is an investment holding company. The principal activities of its principal subsidiaries are the design, development and production management of a wide variety of homeware and consumer products.

In the opinion of the Directors, as at 30 September 2018, Hearthfire, a company incorporated in the British Virgin Islands (the "BVI") is the immediate and ultimate parent, and Mr. She who is the director of the Company, is the ultimate controlling party.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information for the six months ended 30 September 2018 has been prepared in accordance with the applicable disclosure requirement of the GEM Listing Rules, and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Pursuant to the group reorganisation as set out in the section headed "History, Development and Reorganisation" in the Prospectus, which was completed on 21 September 2017 (the "**Reorganisation**"), the Company became the holding company of its subsidiaries now comprising the Group. The unaudited condensed consolidated interim financial information of the Group for the six months ended 30 September 2017 has been prepared as if the Group had always been in existence throughout the period presented, or since the respective dates of incorporation or establishment of the group companies, rather than from the date when the Company became the holding company pursuant to the Reorganisation.

The unaudited condensed consolidated interim financial information have been prepared in accordance with the same accounting policies adopted in the audited financial statements for the year ended 31 March 2018, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements. Details of any changes in accounting policies are set out in note 3. The preparation of the unaudited condensed consolidated interim financial information in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2018

2. BASIS OF PREPARATION (CONTINUED)

The unaudited condensed consolidated interim financial information contain selected explanatory notes which include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the consolidated financial statements for the year ended 31 March 2018. The unaudited condensed consolidated interim financial information and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

The unaudited condensed consolidated interim financial information have been prepared under the historical cost convention. The unaudited condensed consolidated interim financial information are unaudited but has been reviewed by the Company’s audit committee.

This unaudited condensed consolidated interim financial information are presented in Hong Kong dollars (“**HK\$**”), which is also the functional currency of the Company and all values are rounded to the nearest thousand (“**HK\$’000**”) unless otherwise indicated.

3. PRINCIPAL ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2018, as described in those annual financial statements. In the current interim period, the Group has applied, for the first time, the following amendments issued by the HKICPA:

HKFRS 9 Financial Instruments

HKFRS 15 Revenue from Contracts with Customers

HK(IFRIC) 22 Foreign Currency Transactions and Advance Consideration

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in major changes in accounting policies, amounts reported and/or disclosures as described below.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2018

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

HKFRS 9 Financial Instruments

The Group has applied HKFRS 9 Financial Instruments in the current interim period. HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement with the major changes in three aspects of the accounting for financial instruments: (i) classification and measurement; (ii) impairment and (iii) hedge accounting.

When adopting HKFRS 9, the Group has applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of HKFRS 9 would be recognised as an adjustment to the opening balance of retained earnings at 1 April 2018 (the “**date of initial application**”).

HKFRS 9 basically retains the existing requirements in HKAS 39 for the classification and measurements of financial liabilities. However, it eliminates the categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets under HKAS 39. The adoption of HKFRS 9 has no material impact on the Group’s accounting policies of classification and measurement of financial assets as the Group’s financial assets, which are debt instruments previously classified as loans and receivables and measured at amortised cost under HKAS 39, meet the conditions for classification at amortised cost under HKFRS 9.

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”. Under the ECLs model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure ECLs as either 12-month ECLs or lifetime ECLs, depending on the asset and the facts and circumstances. The impact of adopting ECLs model under HKFRS 9 was not significant and, therefore, the Group made no adjustment to the opening balance of retained earnings at the date of initial application.

Hedge accounting under HKFRS 9 has no impact on the Group as the Group does not engage any hedging activities.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 replaced the existing revenue standards, HKAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specifies the accounting for revenue from construction contracts.

HKFRS 15 has been applied retrospectively without restatement, with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained earnings at the date of initial application.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2018

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

HKFRS 15 Revenue from Contracts with Customers (Continued)

The Group has identified the following areas which were affected.

(a) *Timing of revenue recognition*

Previously, revenue arising from the sales of homeware products, packaging income, sample and design income is generally recognised when the risks and rewards of ownership have passed to the customers.

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

- (i) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;
- (ii) 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;
- (iii) 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 that good or service 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.

For contracts with customers in which the sales of homeware products, packaging income, sample and design income is generally expected to be the only performance obligation, the adoption of HKFRS 15 did not have any impact on the Group's revenue or profit or loss. The Group determined the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2018

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

HKFRS 15 Revenue from Contracts with Customers (Continued)

(b) Sales with a right of return

When the customers are allowed to return the Group's products, the Group estimates the level of expected returns and makes an adjustment against revenue and cost of sales.

The adoption of HKFRS 15 do not have materially affect how the Group recognises revenue and cost of sales when the customers have a right of return. However, the new requirement to recognise separately a return asset for the products expected to be returned will impact the presentation in the consolidated statement of financial position as the Group previously adjusted the carrying amounts of inventory for the expected returns, instead of recognising a separate asset.

Except as described above, the adoption of the above new standards and amendments have no material impact on the unaudited condensed consolidated interim financial information.

The Group has not early adopted any new or revised HKFRSs that have been issued but are not yet effective in the unaudited condensed consolidated interim financial information.

4. REVENUE AND SEGMENT INFORMATION

Revenue and other income and net gains recognised are as follows:

	Six months ended 30 September	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Revenue		
Sales of homeware products	27,488	35,848
Other income and net gains		
Exchange gain, net	325	–
Gain on disposal of property, plant and equipment	–	47
Interest income	172	1
Packaging income	35	288
Sampling income	81	47
Others	158	44
	771	427

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2018

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment information

The executive directors of the Company, being the chief operating decision maker, regularly review revenue analysis by customers and by locations. The executive directors of the Company considered the operating activities of designing and trading of homeware products as a single operating segment. The operating segment has been identified with reference to the internal management reports and is regularly reviewed by the executive directors of the Company. The executive directors of the Company review the overall results, assets and liabilities of the Group as a whole to make decisions about resources allocation. Accordingly, no analysis of this single operating segment is presented.

Geographical information

Revenue from external customers, based on location of delivery to customers is as follows:

	Six months ended 30 September	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Revenue		
United Kingdom	10,486	11,821
Denmark	7,653	9,616
Australia	1,386	340
France	1,288	4,029
United States	1,204	1,434
Belgium	891	610
Italy	610	754
Poland	503	1,334
Others	3,467	5,910
	27,488	35,848

An analysis of the Group's non-current assets by their geographical location is as follows:

	As at 30 September 2018 HK\$'000 (unaudited)		As at 31 March 2018 HK\$'000 (audited)
	Hong Kong	735	950
PRC	5,221	124	
	5,956	1,074	

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2018

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group is as follows:

	Six months ended 30 September	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Customer A	7,026	8,005
Customer B	5,307	7,348
Customer C	3,404	8,182
Customer D	3,308	N/A

5. FINANCE COSTS

	Six months ended 30 September	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Finance lease charges	14	23
Interest on bank borrowings	–	25
	14	48

6. INCOME TAX EXPENSE

	Six months ended 30 September	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Current tax — Hong Kong Profits Tax	57	953

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2018

6. INCOME TAX EXPENSE (CONTINUED)

The Company was incorporated in the Cayman Islands and B & C Industries (BVI) Limited (“**B&C Industries BVI**”) was incorporated in the BVI that are tax exempted as no business carried in the Cayman Islands and the BVI under the tax laws of the Cayman Islands and the BVI respectively.

Hong Kong Profits Tax has been calculated at a rate of 16.5% on the estimated assessable profits for the six months ended 30 September 2018 and 2017.

Tax charge on profits assessable elsewhere has been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

No PRC enterprise income tax has been made since the Group did not generate any assessable profits arising in the PRC for the six months ended 30 September 2018 and 2017.

7. LOSS FOR THE PERIOD

The Group’s loss for the period is stated after charging/(crediting) the following:

	Six months ended 30 September	
	2018 HK\$’000 (unaudited)	2017 HK\$’000 (unaudited)
Auditor’s remuneration	341	500
Cost of homeware products	17,884	20,936
Depreciation	287	227
Foreign exchange (gain)/loss, net	(325)	1
Listing expenses	–	10,361
Operating lease charges in respect of:		
— Office premises	1,243	893
Staff costs including directors’ emoluments		
— Salaries, allowances and bonus	4,575	2,555
— Retirement benefit scheme contributions	182	168

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2018

8. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the Company for the Period of HK\$1,437,000 (Previous Period: HK\$5,287,000) and the weighted average of 1,000,000,000 ordinary shares (Previous Period: 1,000,000,000 ordinary shares) in issue during the Period.

The number of ordinary shares for the purpose of calculating basic loss per share for Previous Period has been determined on the assumption that the Reorganisation and the capitalisation issue as set out in the section headed “History, Development and Reorganisation” to the Prospectus had been effective on 1 April 2017.

Diluted loss per share

There were no potential dilutive ordinary shares outstanding during the Period and the Previous Period, and hence the diluted loss per share is the same as basic loss per share.

9. DIVIDENDS

The Directors do not recommend a payment of an interim dividend of the Company for the Period.

During the Previous Period, a subsidiary of the Company declared a dividend of HK\$7.0 million to its then Shareholders, and which was paid in October 2017 prior to the Listing.

10. PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group acquired property, plant and equipment at a total cost of HK\$5,169,000 (Previous Period: HK\$841,000).

11. INVENTORIES

	As at 30 September 2018 HK\$'000 (unaudited)	As at 31 March 2018 HK\$'000 (audited)
Finished goods	1,201	807

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2018

12. TRADE RECEIVABLES

	As at 30 September 2018 HK\$'000 (unaudited)	As at 31 March 2018 HK\$'000 (audited)
Trade receivables	14,129	12,559

The Group's credit terms generally range from 30 to 120 days. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the Directors.

The aging analysis of trade receivables, based on the delivery date, is as follows:

	As at 30 September 2018 HK\$'000 (unaudited)	As at 31 March 2018 HK\$'000 (audited)
0 to 30 days	9,158	3,083
31 to 60 days	1,794	409
61 to 120 days	2,862	8,772
Over 120 days	315	295
	14,129	12,559

As at 30 September 2018 and 31 March 2018, trade receivables of approximately HK\$668,000 and HK\$1,658,000 respectively were past due but not impaired. These relate to trade receivables from a number of independent customers of whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	As at 30 September 2018 HK\$'000 (unaudited)	As at 31 March 2018 HK\$'000 (audited)
0 to 30 days	364	1,623
Over 30 days	304	35
	668	1,658

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2018

12. TRADE RECEIVABLES (CONTINUED)

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	As at 30 September 2018 HK\$'000 (unaudited)	As at 31 March 2018 HK\$'000 (audited)
GBP	–	2
USD	14,129	12,548
Others	–	9
	14,129	12,559

13. PREPAYMENT, DEPOSITS AND OTHER RECEIVABLES

	As at 30 September 2018 HK\$'000 (unaudited)	As at 31 March 2018 HK\$'000 (audited)
Prepayments		
Goods purchased	864	14
Administrative and operating expenses	948	974
	1,812	988
Deposits		
Rental deposits	247	178
Utility deposits	8	8
Deposits paid for property, plant and equipment	591	959
	846	1,145
Other receivables		
Rebates from suppliers	2,547	2,547
Design service fee receivables	244	244
Others	17	6
	2,808	2,797
	5,466	4,930
Non-current portion	591	959
Current portion	4,875	3,971
	5,466	4,930

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2018

14. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS AND DEPOSITS RECEIPT IN ADVANCE

	As at 30 September 2018 <i>HK\$'000</i> (unaudited)	As at 31 March 2018 <i>HK\$'000</i> (audited)
Trade payables	3,103	1,496
Other payables and accruals		
Accrued staff costs	557	470
Accrued administrative and operating expenses	350	850
Payables for capitalised assets	1,060	–
	1,967	1,320
Deposits received in advance	452	152
	5,522	2,968

The aging analysis of trade payables, based on the date of receipt of goods, is as follows:

	As at 30 September 2018 <i>HK\$'000</i> (unaudited)	As at 31 March 2018 <i>HK\$'000</i> (audited)
0 to 90 days	3,103	1,496

The credit period ranges from 0 to 30 days.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2018

15. FINANCE LEASE PAYABLES

	Minimum lease payments		Present value of minimum lease payments	
	As at 30 September 2018 HK\$'000 (unaudited)	As at 31 March 2018 HK\$'000 (audited)	As at 30 September 2018 HK\$'000 (unaudited)	As at 31 March 2018 HK\$'000 (audited)
Within one year	184	184	163	159
In the second to fifth years, inclusive	430	521	409	491
	614	705	572	650
Less: Future finance charges	(42)	(55)	N/A	N/A
Present value of lease obligations	572	650	572	650
Less: Amount due for settlement within 12 months (shown under current liabilities)			(163)	(159)
Amount due for settlement after 12 months			409	491

It is the Group's policy to lease certain of its motor vehicles under finance leases. The average lease term is 5 years. As at 30 September 2018, the average effective borrowing rate was 5.44% per annum (31 March 2018: 5.44%). Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. At the end of each lease term, the Group has the option to purchase the motor vehicle at nominal price.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2018

16. SHARE CAPITAL

	Notes	Number of shares	HK\$'000
Ordinary shares of HK\$0.01 each			
<i>Authorised:</i>			
As at 1 April 2017		38,000,000	380
Increase in authorised share capital	(2)	9,962,000,000	99,620
		<hr/>	
As at 31 March 2018 (audited) and 30 September 2018 (unaudited)		10,000,000,000	100,000
		<hr/>	
<i>Issued and fully paid:</i>			
As at 1 April 2017		3	–
Shares issued under Reorganisation	(1)	37,999,997	380
Shares issued pursuant to the capitalised issue	(3)	712,000,000	7,120
Shares issued under Share Offer	(4)	250,000,000	2,500
		<hr/>	
As at 31 March 2018 (audited) and 30 September 2018 (unaudited)		1,000,000,000	10,000
		<hr/>	

Notes:

(1) Reorganisation

On 21 September 2017, Mr. She, Ms. Sze, Ms. Chan, Hearthfire, Top Clay, Present Moment, the Company and B&C Industries BVI entered into a share swap agreement pursuant to which, Mr. She, Ms. Sze and Ms. Chan have agreed to sell, and B&C Industries BVI has agreed to purchase, the 7,500, 1,000 and 1,500 shares held by Mr. She, Ms. Sze and Ms. Chan in B&C Industries HK respectively, representing its entire issued share capital, in consideration of (i) the crediting as fully paid at par the three nil paid Shares registered in the name of each of Hearthfire, Top Clay and Present Moment; and (ii) the allotment and issue of 19,949,999, 2,659,999 and 3,989,999 Shares by the Company, all of which were credited as fully paid and rank pari passu in all respects with the prior issued Shares, to Hearthfire, Top Clay and Present Moment respectively.

On 21 September 2017, Mr. She, Ms. Chan, Hearthfire, Present Moment, the Company and B&C Industries BVI entered into a share swap agreement pursuant to which, Mr. She and Ms. Chan have agreed to sell, and B&C Industries BVI has agreed to purchase, the 9,500 and 500 shares held by Mr. She and Ms. Chan in Satu Brown International Limited respectively, representing its entire issued share capital, in consideration of the allotment and issue of 7,220,000 and 380,000 Shares by the Company, all of which were credited as fully paid and rank pari passu in all respects with the prior issued Shares, to Hearthfire and Present Moment respectively.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2018

16. SHARE CAPITAL (CONTINUED)

Notes: (Continued)

(1) Reorganisation (Continued)

On 21 September 2017, Mr. She, Hearthfire, the Company and B&C Industries BVI entered into a share swap agreement pursuant to which, Mr. She has agreed to sell, and B&C Industries BVI has agreed to purchase, the 100 shares held by Mr. She in South Technology (International) Limited, representing its entire issued share capital, in consideration of the allotment and issue of 3,800,000 Shares by the Company, all of which were credited as fully paid and rank pari passu in all respects with the prior issued Shares, to Hearthfire.

(2) On 22 September 2017, written resolutions of all the then Shareholders were passed to approve, among other things, the increase of the authorised share capital of the Company from HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each to HK\$100,000,000 divided into 10,000,000,000 Shares of HK\$0.01 each by the creation of an additional 9,962,000,000 Shares.

(3) Pursuant to the written resolutions passed by the Shareholders on 22 September 2017, conditional on share premium account of the Company being credited as a result of the Share Offer, the directors were authorised to capitalise an amount of HK\$7,120,000 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 712,000,000 Shares for allotment and issue to the then existing Shareholders in proportion to their respective shareholdings.

(4) On the Listing Date, the Company issued 250,000,000 new Shares in relation to the Share Offer. These new Shares rank pari passu with the existing Shares in all respects.

17. LEASE COMMITMENTS

As at 30 September 2018 and 31 March 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 30 September 2018 HK\$'000 (unaudited)	As at 31 March 2018 HK\$'000 (audited)
Within one year	2,279	2,131
In the second to fifth years inclusive	1,285	1,979
	3,564	4,110

Operating lease payments mainly represent rentals payable by the Group for its office premises and showroom. Leases are negotiated for an average term of 3 years and rentals are fixed over the lease terms and do not include contingent rentals.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2018

18. CAPITAL COMMITMENTS

Capital commitments contracted for as at 30 September 2018 and 31 March 2018 but not yet incurred are as follows:

	As at 30 September 2018 HK\$'000 (unaudited)	As at 31 March 2018 HK\$'000 (audited)
Property, plant and equipment	1,763	–

19. RELATED PARTY TRANSACTIONS

(a) In addition to those related party transactions and balances disclosed elsewhere in this report, the Group had the following transactions with its related parties:

	Six months ended 30 September	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Rental expense to Pansino Homeware (Shenzhen) Co., Ltd.*	836	390

* For identification purpose only

(b) The remuneration of directors and other members of key management was as follows:

	Six months ended 30 September	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Short-term benefits	1,366	551



SATU HOLDINGS LIMITED
舍圖控股有限公司