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KELFRED HOLDINGS LIMITED

恒發光學控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1134)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

The board of directors (the “**Board**”) of Kelfred Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2020. This announcement, containing the full text of the interim report of the Company for the six months ended 30 June 2020 (the “**Interim Report**”), complies with the relevant requirements of the Rules Governing the Listing of Securities of the Stock Exchange in relation to information to accompany preliminary announcement of unaudited interim results. Printed version of the Interim Report will be delivered to the shareholders of the Company and available for viewing on the websites at www.hkexnews.hk and of the Company at www.kelfred.com.hk in due course.

By order of the Board
Kelfred Holdings Limited
Kwok Kwan Fai
Chairman and executive Director

Hong Kong, 28 August 2020

As at the date of this announcement, the executive Directors are Mr. Kwok Kwan Fai and Mr. Kwok Kwan Yu, the non-executive Directors are Mr. Kwok Mau Kwan and Ms. Chan Yin Wah, and the independent non-executive Directors are Mr. Lee Wai Ming, Mr. Chu Kin Ming and Mr. Chan Hon Wah.

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CORPORATE INFORMATION

Executive Directors

Mr. Kwok Kwan Fai
Mr. Kwok Kwan Yu

Non-Executive Directors

Mr. Kwok Mau Kwan
Ms. Chan Yin Wah

Independent Non-Executive Directors

Mr. Lee Wai Ming
Mr. Chu Kin Ming
Mr. Chan Hon Wah

Company Secretary

Ms. Tsang Wing Kiu *HKICPA, ICAEW*

Authorised Representatives

Mr. Kwok Kwan Fai
Mr. Kwok Kwan Yu

Audit Committee

Mr. Chu Kin Ming (*Chairman*)
Mr. Lee Wai Ming
Mr. Chan Hon Wah

Remuneration Committee

Mr. Chan Hon Wah (*Chairman*)
Mr. Chu Kin Ming
Mr. Lee Wai Ming
Mr. Kwok Kwan Fai

Nomination Committee

Mr. Kwok Kwan Fai (*Chairman*)
Mr. Chan Hon Wah
Mr. Chu Kin Ming
Mr. Lee Wai Ming

Risk Management Committee

Mr. Lee Wai Ming (*Chairman*)
Mr. Chu Kin Ming
Mr. Chan Hon Wah

Registered Office

PO Box 1350
Clifton House
75 Fort Street
Grand Cayman
KY1-1108
Cayman Islands

Headquarters and Principal Place of Business in Hong Kong

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Hong Kong

Cayman Islands Principal Share Registrar and Transfer Office

Estera Trust (Cayman) Limited
PO Box 1350
Clifton House
75 Fort Street
Grand Cayman
KY1-1108
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

Compliance Adviser

Cinda International Capital Limited
45/F, COSCO Tower
183 Queen's Road Central
Hong Kong

Legal Advisers

As to Hong Kong law:

P.C. Woo & Co.
Solicitors, Hong Kong
12th Floor, Prince's Building
10 Chater Road
Central
Hong Kong

Principal Banks

DBS Bank (Hong Kong) Limited
Standard Chartered Bank (Hong Kong)
Limited
Bank of Communications Co., Ltd.

Company Website

www.kelfred.com.hk

Stock Code

1134

MANAGEMENT DISCUSSION AND ANALYSIS

The board of Directors (the “**Board**”) of Kelfred Holdings Limited (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 June 2020, together with the comparative figures for the corresponding period in 2019 (the “**Periods Under Review**”).

Business Review and Outlook

Our Group is an established eyewear manufacturer in the People’s Republic of China (the “**PRC**”) and Hong Kong that produce and sell a wide range of spectacle frames and sunglasses mainly through ODM and OEM business models. Our integrated and customised services offering include product design and development, raw materials procurement, production, quality control, packaging and delivery. In addition to the traditional OEM and ODM business models, we also offer our OBM products under the brand “Miga” to diversify our revenue streams, enlarge our customer base and solidify our competitive position.

Leveraging on our over 30 years of experience in the eyewear industry, we pride ourselves on our broad network of renowned and trusted customers worldwide (who are primarily international eyewear retailers, trading companies and licensed brand owners). We have produced quality eyewear products under our customers’ designated brand names and sold the same to over 35 countries in the fast few years.

We established our first major production base in Shenzhen, the PRC in 2013, and set up our second and self-owned production base in Jiangxi, the PRC in 2016, which made us capable of manufacturing eyewear products of various dimensions and specifications as required by our customers.

Our competitive strengths include (i) stable and established customer base that span across multiple countries, (ii) strong eyewear product design and development capabilities, (iii) strong commitment on craftsmanship and quality of our eyewear products, and (iv) competent management team with experience and knowledge in the eyewear industry.

Our Group plans to continue to capitalise on opportunities to leverage our competitive strengths to focus on the business strategies. We intend to strengthen our market position and increase our market share by pursuing the following strategies: (i) increase the level of automation in our production process and further enhance our production efficiency and capacity; (ii) expand our customer base in the United States and Asia markets and promote our brand; (iii) strengthen our design and development capability; and (iv) continue to enhance our quality control capability.

2020 is a challenging year for our Group. Since late January 2020, the outbreak of novel coronavirus (“**COVID-19**”) epidemic in Mainland China delayed production of numerous enterprises after the Spring Festival Holiday, and also caused temporary production halt in our Group’s plants in Mainland China in February 2020. Our management adopted various measures to safeguard the health of employees and after compliance with all local government’s related regulations, all of our Mainland China plants resumed production in order to satisfy the demand for goods from customers since early March 2020. Later, on 11 March 2020, the World Health Organization (WHO) declared COVID-19 a global pandemic. Affected by the pandemic, some business operations in the European and US markets were temporarily closed. All these have posed challenges to the overall economic development in the first half of the year.

For the six months ended 30 June 2020, the Group recorded a revenue of approximately HK\$134.1 million, representing a significant decrease of 31.8% compared with the corresponding period last year, which was because our Group’s primary market is in Europe where the sales volume declined as a result of the pandemic, leading to a substantial decrease in orders from overseas customers. Gross profit margin decreased by 5.7% primarily due to the reduction in our Group’s production efficiency caused by the temporary closure of work and production after the Spring Festival Holiday as a result of the pandemic, delayed work resumption of employees and material supply, and imbalanced production.

In the first quarter of 2020, our Group has an intention to develop the new business in camellia oil and skin care products, however lockdown and travel restrictions around the world have made it very difficult to continue. Therefore, there was no material progress up to the date of this report.

Looking ahead, although the pandemic may be less severe than the first half of the year, it is expected the continuous COVID-19 epidemic lead to slower overall growth in eyewear value and volume sales in 2020 is likely to, and would bring adverse impacts on our Group’s annual financial performance. Part of the order amount from our Group’s customers has gradually recovered since May 2020, and the cash flow is sufficient to support the recovery and development of the Group’s business. The Group will strive for a recovery of the overall business in the second half of the year as compared with the first half.

Financial Review

Revenue

For the six months ended 30 June 2020, our revenue decreased to approximately HK\$134.1 million by approximately HK\$62.4 million or 31.8% compared to approximately HK\$196.5 million for the six months ended 30 June 2019. For the Periods Under Review, the decline was mainly attributable to the decrease in the sales volume during the six months ended 30 June 2020, as the demand for eyewear products has substantially declined as a result of the outbreak of COVID-19 pandemic globally.

Cost of sales

Our cost of sales decreased by approximately HK\$40.1 million or 26.7%, from approximately HK\$150.4 million for the six months ended 30 June 2019 to approximately HK\$110.3 million for the six months ended 30 June 2020. Such decrease was in line with the decrease in revenue by 31.8% during the Periods Under Review.

Gross profit and gross profit margin

Our gross profit decreased to approximately HK\$23.8 million for the six months ended 30 June 2020, by approximately HK\$22.3 million, or 48.4%, from approximately HK\$46.1 million for the six months ended 30 June 2019. It was mainly attributable to the decrease in the volume of spectacle frame and sunglasses.

Our overall gross profit margin has decreased from approximately 23.5% for the six months ended 30 June 2019 to 17.8% for the six months ended 30 June 2020, mainly due to the reduction in our Group's production efficiency caused by the temporary closure of work and production after the Spring Festival Holiday as a result of the pandemic, delayed work resumption of employees and material supply, and imbalanced production.

Other income

Our other income increased by approximately HK\$0.5 million from approximately HK\$1.7 million for the six months ended 30 June 2019 to approximately HK\$2.2 million for the six months ended 30 June 2020. Such increase was mainly attributable to the increase in government grant of approximately HK\$0.3 million, and the increase in product services fee income of approximately HK\$0.2 million for the six months ended 30 June 2020, whereby such services were performed on an on-demand basis and charged by the number of frames handled.

Other gains and losses

Our other net losses were recorded at approximately HK\$0.2 million for the six months ended 30 June 2020, while other net gains were recorded at approximately HK\$2.0 million for the six months ended 30 June 2019, mainly due to the exchange difference resulting from the United States Dollars (“USD”) appreciated against Renminbi (“RMB”) continuously during the Periods Under Review.

Selling and distribution expenses

Our selling and distribution expenses decreased from approximately HK\$9.0 million for the six months ended 30 June 2019 to approximately HK\$6.1 million for the six months ended 30 June 2020, by approximately HK\$2.9 million or 32.2%. Such decreases was primarily attributable to the decrease in sampling expenses resulted from shrinking of the demand of prototypes and samples from our customers after the outbreak of COVID-19 in early 2020.

Administrative and other operating expenses

Our administrative and other operating expenses decreased by approximately HK\$3.1 million or 10.2% from approximately HK\$30.5 million for the six months ended 30 June 2019 to approximately HK\$27.4 million for the six months ended 30 June 2020, which was mainly due to:

- (i) our Group incurred non-recurring listing expenses of approximately HK\$8.4 million for the six months ended 30 June 2019, but no such expenses were incurred for the six months ended 30 June 2020; but
- (ii) our staff costs recorded an increase of approximately HK\$4.8 million mainly owing to the director remuneration.

Finance costs, net

Our net of finance costs decreased sharply by approximately HK\$0.9 million or 75.0%, to approximately HK\$0.3 million for the six months ended 30 June 2020 as compared to approximately HK\$1.2 million for the six months ended 30 June 2019. The decrease was mainly due to decrease in bank loan interests by repayment of bank loans with no material borrowing inception, so that the average borrowing reduced significantly during the Periods Under Review.

Income tax expenses

Our income tax expenses decreased significantly from approximately HK\$3.0 million for the six months ended 30 June 2019 to approximately HK\$0.4 million for the six months ended 30 June 2020, which was in line with the decline of the Group’s financial performance for the Periods Under Review.

(Loss)/Profit for the period

As a result of the foregoing, we incurred a loss of approximately HK\$8.4 million for the six months ended 30 June 2020, while our profit for the period was recorded at approximately HK\$6.2 million for the six months ended 30 June 2019, mainly due to the decrease in revenue resulting from the drop of demand for eyewear products which is affected by the outbreak of COVID-19 pandemic globally.

Financial Position

As at 30 June 2020, our Group's total assets amounted to approximately HK\$269.8 million (2019: HK\$310.3 million) with net assets amounting to approximately HK\$181.1 million (2019: HK\$208.3 million). As at 30 June 2020, gearing ratio (total debts divided by the total equity) of our Group was 11.8%, an increase of 14.6 percentage points as compared to that of 10.3% as at the end of 2019. Net debt to equity ratio (net debt, being our total debts net of bank and cash balances and pledged bank deposits, by total equity) of our Group was not applicable as at 30 June 2020 and 31 December 2019. As at 30 June 2020, current ratio was maintained at 2.7 times, same as the end of 2019. As at 30 June 2020, quick ratio of our Group was 1.8 times, a decrease of 10.0 percentage points as compared to that of 2.0 as at the end of 2019.

During the six months ended 30 June 2020, the total assets, net assets and all of the above financial ratio remained at the similar level as the end of 2019.

Liquidity and Financial Resources

Our Group adopts a balanced approach to cash and financial management to ensure proper risk control and lower the costs of funds, and seek to maintain optimal level of liquidity that can meet our working capital needs while supporting a healthy level of business and our various growth strategies. Our Group finances our operations and growth primarily through cash generated from operations, bank loans and finance lease arrangement, as well as the net proceeds from the Share Offer.

As at 30 June 2020, our Group had pledged bank deposits and bank and cash balances of totaling approximately HK\$69.3 million, a decrease of approximately HK\$19.4 million as compared to approximately HK\$88.7 million as at 31 December 2019. The decrease in the balances was mainly due to the dividend of HK\$11.0 million paid out and cash consideration of HK\$6.1 million paid for acquisition of 50% equity interests of a non-wholly owned subsidiary during the six months ended 30 June 2020. Our pledged bank deposits are denominated in Hong Kong Dollars ("**HKD**"), while most of bank and cash balances are denominated in HKD, USD and RMB.

Treasury Policies

The primary objective of our Group's capital management is to maintain its ability to continue as a going concern so that our Group can constantly provide returns for shareholders of our Company (the "**Shareholders**") and benefits for other stakeholders by securing access to financing at reasonable costs. Our Group actively and regularly reviews and manages its capital structure and makes adjustment by taking into consideration the changes in economic conditions, its future capital requirements, prevailing and projected profitability and operating cash flows, projected capital expenditures and projected strategic investment opportunities.

Indebtedness

As at 30 June 2020, the Group's indebtedness mainly comprised bank borrowings and lease liabilities of approximately HK\$15.3 million and HK\$6.0 million, respectively. Our bank borrowings are denominated in HKD, while our lease liabilities are denominated in HKD and RMB. All bank borrowings are arranged at floating rates, thus exposing our Group to cash flow interest rate risk. Interest rates for all leases are fixed on the contract dates and thus expose our Group to fair value interest rate risk.

The maturity of bank borrowings and lease liabilities as at 30 June 2020 is as follows:

| | Bank borrowings | Lease liabilities |
|---|----------------------------|------------------------------|
| | HK\$'000 | HK\$'000 |
| Within one year | 15,319 | 2,620 |
| More than one year, but not exceeding two years | – | 3,348 |
| | 15,319 | 5,968 |

Our bank borrowings are secured by corporate guarantee executed by the Company and the Group's bank fixed deposit of HK\$5.0 million.

Foreign Currency Risks

Our Group has a certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are denominated in currencies other than the functional currency of respective Group entities such as HKD, USD and RMB. Our Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. Our Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Pledge of Assets

As at 30 June 2020, the carrying amount of motor vehicles held as right-of-use assets by the Group under lease arrangements amounted to approximately HK\$0.7 million (2019: HK\$0.5 million). As at 30 June 2020, the carrying amounts of bank deposits pledged as securities for the Group's bank facilities amounted to approximately HK\$5.0 million (2019: HK\$5.0 million).

Capital Structure

There has been no change in the capital structure of the Company during the six months ended 30 June 2020.

Capital Commitment

As at 30 June 2020, our Group had capital commitments of approximately HK\$34,000 relating to property, plant and equipment, which are contracted but not provided for.

Contingent Liabilities

As at 30 June 2020, our Group did not have any significant contingent liabilities.

Employee and Remuneration Policy

We value our employees and recognise the importance of a good relationship with our employees. We recruit our employees based on their work experience, education background and qualifications. To maintain and ensure the quality of our employees, we provide our personnel formal and on-the-job training to enhance their technical skills as well as knowledge of industry quality standards and work place safety standards. As at 30 June 2020, our Group had a total of 910 employees of which 892 were in the PRC and 18 were in Hong Kong. The remuneration to our employees includes salaries and allowances. Employees are remunerated according to their qualifications, experiences, job nature, performance and with reference to market conditions.

Our Group's total employee benefit expenses (including directors' emoluments) for the six months ended 30 June 2020 and 2019 were approximately HK\$41.6 million and HK\$52.2 million, respectively.

Significant Investment Held

Our Group had not held any significant investments during the six months ended 30 June 2020.

Material Acquisitions or Disposals of Subsidiaries, Associates and Joint Ventures

On 11 May 2020, the Group completed the acquisition to purchase 50% of the total number of issued shares of a non-wholly owned subsidiary of the Company from a connected person at the cash consideration of HK\$6.1 million. For details, please refer to the Company's announcements dated 9 April 2020, 15 April 2020 and 11 May 2020.

Save as disclosed above, there was no material acquisition or disposal of subsidiaries, associates and joint ventures by our Group during the six months ended 30 June 2020.

Events after the Reporting Period

Since the COVID-19 outbreak in early 2020, a series of precautionary and control measures have been and continued to be implemented across the countries. If the spread of COVID-19 cannot be fully controlled or persists, operating results of the Group may be materially and adversely affected. The Group will continuously pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. Given the dynamic nature of the COVID-19 outbreak, it is not practicable to provide a reasonable estimate of its impacts on the Group's financial position, cash flows and operating results at the date on which these condensed consolidated financial statements are authorised for issue.

Save as disclosed above, there were no significant events that took place subsequent to 30 June 2020 and up to the date of this report.

Future Plans for Material Investments or Capital Assets

Save as disclosed in the Company's prospectus dated 29 June 2019 (the "**Prospectus**") and in this report, the Group did not have other plan for material investments or acquisition of material capital assets as at 30 June 2020.

Use of Proceeds from the Share Offer

With the Shares listed on the Stock Exchange on 16 July 2019, the net proceeds from the Share Offer, after deducting the listing expenses of approximately HK\$45.0 million, was approximately HK\$80.0 million.

An analysis of the amount utilised up to 30 June 2020 is set out below:

| | Net proceeds (HK\$' million) | | |
|---|------------------------------|----------|-------------|
| | Available | Utilised | Un-utilised |
| Strengthen our production capacity | 43.2 | 3.7 | 39.5 |
| Repay our bank borrowings | 12.4 | 12.4 | – |
| Promote corporate image and brand building | 8.8 | 2.4 | 6.4 |
| Enhance design and development capabilities | 7.2 | 1.9 | 5.3 |
| Enhance quality assurance capabilities | 3.6 | 1.2 | 2.4 |
| General working capital | 4.8 | 2.4 | 2.4 |
| | 80.0 | 24.0 | 56.0 |

With reference to the Company's 2019 annual report and the supplementary announcement dated 5 August 2020, the actual application of the net proceeds from the Share Offer were used according to the intentions previously disclosed in the Prospectus, however, save for the use of proceeds for the repayment of bank borrowings and as general working capital which were in line with the timeline as disclosed in the Prospectus, there was a general delay in the timeline in the use of proceeds. The expected timeline for using the unutilised net proceeds from the Share Offer (the "**Remaining Proceeds**") was extended at the time of late 2019, based on the best estimation of the present and future business market situations made by the Board.

During the six months ended 30 June 2020, the Group found a suitable location and premise to set up a laboratory and showroom, and the establishment of the design laboratory and showroom in Hong Kong was completed. Unfortunately, there was a further delay in the timeline in the use of proceeds due to the following reasons:

- (i) the Group's participation in all the exhibition or trade fair was postponed due to the lockdown policies imposed by European countries and the United States of America as control measures and restriction on social and commercial activities to reduce the spread of COVID-19;
- (ii) the timeline of the construction of the new building in the Jiangxi Production Base is prolonged due to a delay in the progress of the preliminary feasibility construction plan of the Jiangxi Production Base, which was caused by the challenging environment for the global market in 2020; and
- (iii) given the outbreak of COVID-19 may have considerable impact on the Group's operating results for the year ending 31 December 2020, it is financially prudent to prolong the timeline for the Group's business plans (including the expansion of the Group's production capacity), which would enhance the cash position and liquidity of the Group to respond to the challenging economic environment ahead.

The Board will continue to assess the impact of the outbreak of COVID-19 on the Group's operation and financial performance and the plans for the Remaining Proceeds and may revise or amend such plans where necessary, to cope with the changing market conditions and strive for better business performance for the Group, and the Company will make further announcement as and when appropriate.

CORPORATE GOVERNANCE

Compliance with the Corporate Governance Code

The Company is committed to maintaining a high standard of corporate governance to safeguard the interests of the Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. The Board is of the view that the Company has complied with the CG Code during the six months ended 30 June 2020.

Compliance with the Model Code for Securities Transactions By Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by Directors. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the Model Code during the six months ended 30 June 2020.

OTHER INFORMATION

Interests and Short Positions of Directors and Chief Executive in the Shares, Underlying Shares or Debentures of the Company and Its Associated Corporations

As at 30 June 2020, 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 Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) (“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 the Model Code contained in Appendix 10 to the Listing Rules, are set out as follows:

(a) Long position in Shares

| Name of Director | Capacity/nature of interest | Number of Shares (Note 4) | Approximate percentage of shareholding interests of the Company |
|---------------------------------------|--|------------------------------|---|
| Mr. Kwok Kwan Fai (“Mr. Joe Kwok”) | Interest in a controlled corporation (Note 1) | 375,000,000 (L) | 75% |
| Mr. Kwok Kwan Yu (“Mr. Ken Kwok”) | Interest in a controlled corporation (Note 1) | 375,000,000 (L) | 75% |
| Ms. Chan Yin Wah (“Mrs. Kwok”) | Interest in a controlled corporation; interest held jointly with another person (Note 2) | 375,000,000 (L) | 75% |
| Mr. Kwok Mau Kwan (“Mr. Kwok”) | Interest of Spouse (Note 3) | 375,000,000 (L) | 75% |

Notes:

1. Conquer Holding Limited ("**Conquer**"), being the registered and beneficial owner of these shares, is owned as to 2% by Mrs. Kwok, 49% by Mr. Joe Kwok and 49% by Mr. Ken Kwok. As each of Mr. Joe Kwok and Mr. Ken Kwok holds 49% shareholding interest in Conquer, each of Mr. Joe Kwok and Mr. Ken Kwok is deemed to be interested in the Shares held by Conquer under the SFO. Each of Mr. Joe Kwok and Mr. Ken Kwok is a director of Conquer.
2. On 3 January 2019, Mr. Kwok, Mrs. Kwok, Mr. Joe Kwok and Mr. Ken Kwok entered into the confirmatory deed to acknowledge and confirm, among other things, that they are parties acting in concert in respect of each of the members of our Group since their respective dates of incorporation and shall continue to do so after the date of the confirmatory deed. Details of the confirmatory deed are set out in the paragraph headed "History, Reorganisation and Group Structure – Parties acting in concert" in the Prospectus. Accordingly, Mrs. Kwok, Mr. Joe Kwok, Mr. Ken Kwok and Conquer are considered as a group of Controlling Shareholders and Mrs. Kwok is deemed to be interested in the Shares held by Conquer under the SFO.
3. Mr. Kwok is the spouse of Mrs. Kwok and is deemed to be interested in all the Shares interested by Mrs. Kwok for the purposes of the SFO.
4. The Letter "L" denotes the entity/person's long interest in our Shares.

(b) Long position in Conquer, an associated corporation of the Company

| Name of Director | Capacity/nature of interest | Percentage of the issued share capital of Conquer |
|-------------------------|------------------------------------|--|
| Mr. Joe Kwok | Beneficial owner | 49% |
| Mr. Ken Kwok | Beneficial owner | 49% |
| Mrs. Kwok | Beneficial owner | 2% |

Save as disclosed above, as at 30 June 2020, none of the Directors or chief executive of the Company had interests or short positions in the shares, underlying shares or 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 and short positions in which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be maintained pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2020, 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 SFO, or who were recorded in the register of the Company required to be kept pursuant to Section 336 of the SFO, or who were directly or indirectly interested in 5% or more of the Company's issued share capital are as follows:

| Name of Substantial Shareholders | Capacity/Nature of Interest | Number of Shares <i>(Note 1)</i> | Approximate percentage of shareholding interests of the Company |
|---|-----------------------------|-------------------------------------|---|
| Conquer <i>(Note 2)</i> | Beneficial owner | 375,000,000 (L) | 75% |
| Ms. Lee Man Yee Joanna ("Ms. Lee") <i>(Notes 2 and 3)</i> | Interest of spouse | 375,000,000 (L) | 75% |
| Ms. Siu Fong Ting Tammy ("Ms. Siu") <i>(Notes 2 and 4)</i> | Interest of spouse | 375,000,000 (L) | 75% |

Notes:

- The Letter "L" denotes the entity/person's long interest in our Shares.
- Conquer, being the registered and beneficial owner of these shares, is owned as to 2% by Mrs. Kwok, 49% by Mr. Joe Kwok and 49% by Mr. Ken Kwok. As each of Mr. Joe Kwok and Mr. Ken Kwok hold 49% shareholding interest in Conquer, each of Mr. Joe Kwok and Mr. Ken Kwok is deemed to be interested in the Shares held by Conquer under the SFO. Each of Mr. Joe Kwok and Mr. Ken Kwok is a director of Conquer.
- Ms. Lee is the spouse of Mr. Joe Kwok and is deemed to be interested in all the Shares interested by Mr. Joe Kwok (via his 49% shareholding interest in Conquer) for the purposes of the SFO.
- Ms. Siu is the spouse of Mr. Ken Kwok and is deemed to be interested in all the Shares interested by Mr. Ken Kwok (via his 49% shareholding interest in Conquer) for the purposes of the SFO.

Save as disclosed herein, the Directors are not aware of any person (other than the Directors and the chief executive of the Company) who has, as at the date of this report (without taking into account any options which may be granted under the share option scheme), an interest or short position in the Shares or underlying Shares, which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 5% of the issued voting shares of any other member of the Group.

Share Option Scheme

The Company has conditionally adopted a share option scheme on 22 June 2019 and became effective on 16 July 2019 (“**Listing Date**”) (the “**Scheme**”). The terms of the Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules and other rules and regulations. Under the Scheme, the eligible participants of the scheme, including Directors, full-time employees of and advisers and consultants to our Company or our subsidiaries may be granted options which entitle them to subscribe for the Shares, when aggregated with options granted under any other scheme, representing initially not more than 10% of the Shares in issue on the Listing Date.

No share option was granted, exercised, expired, cancelled or lapsed since the adoption of the Scheme and during the six months ended 30 June 2020, and there is no outstanding share option under the Scheme as at the date of this report.

Purchases, Sale and Redemption of Listed Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the six months ended 30 June 2020.

Interim Dividend

The Board does not recommend any payment of interim dividend for the six months ended 30 June 2020.

Competing Interests

The Directors are not aware of any business or interest of the Directors or the controlling shareholders (as defined in the Listing Rules) of the Company nor any of their respective associates (as defined in the 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 six months ended 30 June 2020.

Audit Committee

The Company established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with the Rule 3.21 of the Listing Rules and the CG Code. The Audit Committee comprises three independent non-executive Directors of the Company, namely Mr. Lee Wai Ming, Mr. Chu Kin Ming and Mr. Chan Hon Wah.

The interim results for the six months ended 30 June 2020 is unaudited, but the Audit Committee has reviewed the Company’s unaudited condensed consolidated interim results for the six months ended 30 June 2020, and confirms that the applicable accounting principles, standards and requirements have been complied with, and that adequate disclosures have been made.

Change in Directors’ Biographical Details under Rule 13.51B(1) of the Listing Rules

There has been no further change in the Directors’ biographical details, which are required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

| | Note | Six months ended 30 June | |
|---|------|---------------------------------|---------------------------------|
| | | 2020 HK\$'000 (unaudited) | 2019 HK\$'000 (unaudited) |
| Revenue | 4 | 134,091 | 196,500 |
| Cost of sales | | (110,257) | (150,357) |
| Gross profit | | 23,834 | 46,143 |
| Other income | | 2,205 | 1,662 |
| Other gains and losses | | (220) | 2,038 |
| Selling and distribution expenses | | (6,123) | (8,972) |
| Administrative and other operating expenses | | (27,421) | (30,520) |
| (Loss)/profit from operations | | (7,725) | 10,351 |
| Finance costs, net | 5 | (273) | (1,180) |
| (Loss)/profit before tax | | (7,998) | 9,171 |
| Income tax expenses | 6 | (378) | (3,010) |
| (Loss)/profit for the period | 7 | (8,376) | 6,161 |
| Attributable to: | | | |
| Owners of the Company | | (8,257) | 5,794 |
| Non-controlling interests ("NCI") | | (119) | 367 |
| | | (8,376) | 6,161 |
| (Loss)/earnings per share | | | |
| – Basic and diluted | 9 | HK(1.65) cents | HK1.16 cents |

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | Six months ended 30 June | |
|---|---------------------------------|---------------------------------|
| | 2020 HK\$'000 (unaudited) | 2019 HK\$'000 (unaudited) |
| (Loss)/profit for the period | (8,376) | 6,161 |
| Other comprehensive income: | | |
| <i>Items that may be reclassified to profit or loss:</i> | | |
| Exchange differences on translating foreign operations | (1,764) | 39 |
| Other comprehensive income for the period, net of tax | (1,764) | 39 |
| Total comprehensive income for the period | (10,140) | 6,200 |
| Attributable to: | | |
| Owners of the Company | (10,021) | 5,833 |
| NCI | (119) | 367 |
| | (10,140) | 6,200 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Note | As at 30 June 2020 HK\$'000 (unaudited) | As at 31 December 2019 HK\$'000 (audited) |
|---|------|--|---|
| Non-current assets | | | |
| Property, plant and equipment | 10 | 31,913 | 36,053 |
| Right-of-use assets | 11 | 7,978 | 8,197 |
| Deposits paid for property, plant and equipment | | 888 | 529 |
| | | 40,779 | 44,779 |
| Current assets | | | |
| Inventories | 12 | 78,138 | 74,059 |
| Trade receivables | 13 | 66,486 | 90,266 |
| Prepayments, deposits and other receivables | | 12,080 | 12,473 |
| Current tax assets | | 3,021 | – |
| Pledged bank deposits | | 5,000 | 5,000 |
| Bank and cash balances | | 64,341 | 83,713 |
| | | 229,066 | 265,511 |
| Current liabilities | | | |
| Trade payables | 14 | 51,380 | 55,409 |
| Other payables and accruals | | 14,154 | 17,174 |
| Contract liabilities | | 1,757 | 3,744 |
| Lease liabilities | | 2,620 | 1,958 |
| Bank borrowings | | 15,319 | 15,822 |
| Current tax liabilities | | – | 3,965 |
| | | 85,230 | 98,072 |
| Net current assets | | 143,836 | 167,439 |
| Total assets less current liabilities | | 184,615 | 212,218 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

| | Note | As at 30 June 2020 HK\$'000 (unaudited) | As at 31 December 2019 HK\$'000 (audited) |
|--------------------------------|------|---|---|
| Non-current liabilities | | | |
| Lease liabilities | | 3,348 | 3,711 |
| Deferred tax liabilities | | 198 | 198 |
| | | 3,546 | 3,909 |
| NET ASSETS | | | |
| | | 181,069 | 208,309 |
| Capital and reserves | | | |
| Share capital | 15 | 5,000 | 5,000 |
| Reserves | | 176,069 | 202,008 |
| | | 181,069 | 207,008 |
| NCI | | – | 1,301 |
| TOTAL EQUITY | | | |
| | | 181,069 | 208,309 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Share capital | Statutory surplus reserve | Foreign currency translation reserve | Other reserve | Share premium | Retained earnings | Total | NCI | Total equity |
|---|------------------|---------------------------------|---|------------------|------------------|----------------------|----------------|--------------|-----------------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| At 1 January 2019 | 1 | 2,033 | (2,923) | 70,657 | - | 27,021 | 96,789 | 575 | 97,364 |
| Profit and total comprehensive income for the year | - | - | 39 | - | - | 5,794 | 5,833 | 367 | 6,200 |
| Arising from reorganisation | (1) | - | - | 1 | - | - | - | - | - |
| At 30 June 2019 (unaudited) | ⁽ⁱ⁾ | 2,033 | (2,884) | 70,658 | - | 32,815 | 102,622 | 942 | 103,564 |
| At 1 January 2020 | 5,000 | 2,711 | (4,592) | 70,658 | 98,511 | 34,720 | 207,008 | 1,301 | 208,309 |
| Profit and total comprehensive income for the year | - | - | (1,764) | - | - | (8,257) | (10,021) | (119) | (10,140) |
| Transactions with NCI (Note 16) | - | - | - | (5,918) | - | - | (5,918) | (182) | (6,100) |
| Dividend paid | - | - | - | - | - | (10,000) | (10,000) | (1,000) | (11,000) |
| At 30 June 2020 (unaudited) | 5,000 | 2,711 | (6,356) | 64,740 | 98,511 | 16,463 | 181,069 | - | 181,069 |

(i) Represents amount less than HK\$1,000

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| | | Six months ended 30 June | |
|--|----|-----------------------------|-------------|
| | | 2020 | 2019 |
| | | HK\$'000 | HK\$'000 |
| Note | | (unaudited) | (unaudited) |
| NET CASH GENERATED FROM OPERATING ACTIVITIES | | 2,084 | 14,677 |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Deposits paid | | (863) | (560) |
| Purchases of property, plant and equipment | | (916) | (3,787) |
| Proceeds from disposals of property, plant and equipment | | 83 | 224 |
| Transactions with NCI | 16 | (6,100) | – |
| Interest received | | 240 | 35 |
| Decrease in pledged bank deposits | | – | 2,760 |
| NET CASH USED IN INVESTING ACTIVITIES | | (7,556) | (1,328) |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| Finance expenses paid | | (513) | (1,215) |
| Principal elements of lease payments | | (1,144) | (1,121) |
| Bank borrowings raised | | 8,000 | – |
| Repayment of bank borrowings | | (8,503) | (13,695) |
| Dividends paid | | (11,000) | (1,846) |
| NET CASH USED IN FINANCING ACTIVITIES | | (13,160) | (17,877) |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

| | Note | Six months ended 30 June | |
|---|------|---------------------------------|---------------------------------|
| | | 2020 HK\$'000 (unaudited) | 2019 HK\$'000 (unaudited) |
| EFFECT OF FOREIGN EXCHANGE RATE CHANGES | | (740) | 8 |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | | (19,372) | (4,520) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD | | 83,713 | 17,872 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | | 64,341 | 13,352 |
| ANALYSIS OF CASH AND CASH EQUIVALENTS | | | |
| Bank and cash balances | | 64,341 | 13,352 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. General Information

The Company was incorporated in the Cayman Islands on 20 April 2018 as an exempted company with limited liability. The address of its registered office is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands. The address of its principal place of business is Room 1605-1606, 16/F., Block B, New Trade Plaza, 6 On Ping Street, Sha Tin, New Territories, Hong Kong. The Company's shares were listed on the Main Board of the Stock Exchange on 16 July 2019.

The Company is an investment holding company. The Group principally engaged in manufacturing and sales in eyewear products.

In the opinion of the directors of the Company, as at the date of this report, Conquer Holding Limited ("**Conquer**"), a company incorporated in the British Virgin Islands ("**BVI**"), is the immediate and ultimate parent, and Mr. Joe Kwok, Mr. Ken Kwok and Mrs. Kwok are the ultimate controlling parties of the Company.

2. Basis of Preparation

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2020 have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("**HKAS 34**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

2. Basis of Preparation (Continued)

The unaudited condensed consolidated interim financial information have been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 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.

The unaudited condensed consolidated interim financial information contains 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 December 2019. 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 is 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. Adoption of New and Revised HKFRSs

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2020. HKFRSs comprise Hong Kong Financial Reporting Standards (“**HKFRS**”); Hong Kong Accounting Standards (“**HKAS**”); and Interpretations. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The accounting policies applied in these financial statements are the same as those applied in the Group’s consolidated financial statements as at and for the year ended 31 December 2019. A number of new or amended standards are effective from 1 January 2020 but they do not have a material effect on the Group’s condensed consolidated interim financial information.

4. Revenue and Segment Information

Revenue represents the amounts received and receivable from sales of eyewear products recognised at a point in time during the period.

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, manufacturing and sales of eyewear products as a single operating segment. The operating segment has been identified on the basis of internal management reports prepared 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.

4. Revenue and Segment Information (Continued)

Geographical information

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

| | Six months ended 30 June | |
|----------------|--|---------------------------------|
| | 2020 HK\$'000 (unaudited) | 2019 HK\$'000 (unaudited) |
| Revenue | | |
| Italy | 34,767 | 68,935 |
| Netherlands | 31,880 | 22,574 |
| United Kingdom | 15,365 | 22,418 |
| Hong Kong | 17,731 | 19,776 |
| Spain | 10,083 | 12,743 |
| United States | 6,585 | 10,560 |
| France | 1,775 | 9,346 |
| Hungary | 1,335 | 9,136 |
| Others | 14,570 | 21,012 |
| | 134,091 | 196,500 |

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

| | As at 30 June 2020 HK\$'000 (unaudited) | As at 31 December 2019 HK\$'000 (audited) |
|-----|--|---|
| | Hong Kong | 3,151 |
| PRC | 36,740 | 41,926 |
| | 39,891 | 44,250 |

4. Revenue and Segment Information (Continued)

Information about major customers

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

| | Six months ended 30 June | |
|------------|---------------------------------|---------------------------------|
| | 2020 HK\$'000 (unaudited) | 2019 HK\$'000 (unaudited) |
| Customer a | 21,789 | 35,469 |
| Customer b | 23,423 | 49,502 |
| Customer c | 31,878 | 24,892 |
| Customer d | 16,041 | 21,161 |

5. Finance Costs, Net

| | Six months ended 30 June | |
|--|---------------------------------|---------------------------------|
| | 2020 HK\$'000 (unaudited) | 2019 HK\$'000 (unaudited) |
| Bank interest income | 240 | 35 |
| Finance expenses: | | |
| Interest on bank borrowings | (216) | (685) |
| Interest on factoring of trade receivables | (138) | (411) |
| Interest expense on lease liabilities | (159) | (119) |
| | (513) | (1,215) |
| Finance costs, net | (273) | (1,180) |

6. Income Tax Expenses

| | Six months ended 30 June | |
|-------------|-------------------------------------|-------------|
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Current tax | 378 | 3,010 |

The Company was incorporated in the Cayman Islands and Fame Investment Limited ("Fame Investment"), the subsidiary, was incorporated in the BVI that are tax exempted as no business was carried in the Cayman Islands and the BVI under the tax laws of the Cayman Islands and the BVI.

Under the two-tiered profits tax regime, profits tax rate for the first HK\$2 million of assessable profits of qualifying corporations established in Hong Kong will be lowered to 8.25%, and profits above that amount will be subject to the tax rate of 16.5%.

Pursuant to the PRC Enterprises Income Tax Law and the respective regulations, the subsidiaries which operate in the Mainland China are subject to corporate income tax at a rate of 25% on the taxable income. Preferential tax treatment is available to a PRC subsidiary of the Group, since it was qualified as a Small and Low-profit Enterprise for the six months ended 30 June 2019 and 2020 and was subject to income tax at a preferential tax rate of 20%. Besides, pursuant to Caishui [2017] No. 43, the PRC subsidiary was entitled to a further deduction of 50% of the tax income for the six months ended 30 June 2019 and 2020. The Group's another PRC subsidiary was also qualified as an Advanced Technology Service Enterprise and was subject to income tax at a preferential tax rate of 15% for the six months ended 30 June 2020.

Tax charge on profits assessable elsewhere have 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.

7. (Loss)/Profit for the Period

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

| | Six months ended | |
|---|-------------------------|-------------|
| | 30 June | |
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Auditor's remuneration | 307 | 541 |
| Cost of inventories sold (*) | 110,257 | 150,357 |
| Depreciation | | |
| – Property, plant and equipment | 5,228 | 4,797 |
| – Right-of-use assets | 1,164 | 1,120 |
| Exchange loss/(gain), net | 176 | (2,049) |
| Listing expenses | – | 8,361 |
| Lease payments | | |
| – Office premises | – | 210 |
| Net losses on disposal of property, plant and equipment | 44 | 11 |
| Staff costs including directors' emoluments | | |
| – Salaries, bonus and allowances | 38,519 | 45,252 |
| – Retirement benefit scheme contributions | 3,042 | 6,915 |

(*) Cost of inventories sold includes approximately HK\$38,843,000 and HK\$24,852,000 of staff costs, depreciation and lease payments which are also included in the respective total amounts disclosed above for each of these types of expenses for the six months ended 30 June 2019 and 2020 respectively.

8. Dividends

| | Six months ended | |
|---|-------------------------|-------------|
| | 30 June | |
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Final dividend for the year ended 31 December 2019 approved and paid – HK2 cents per ordinary share | 10,000 | – |

There was no dividend declared or paid during the six months ended 30 June 2019.

9. (Loss)/earnings Per Share

Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the (loss)/profit attributable to owners of the Company for the period of loss of HK\$8,257,000 (2019: profit of HK\$5,794,000) and the weighted average of 500,000,000 ordinary shares (2019: 500,000,000 ordinary shares) in issue during the period.

Diluted (loss)/earnings per share

There were no potential dilutive ordinary shares outstanding during the current and prior periods, and hence the diluted (loss)/earnings per share is the same as basic (loss)/earnings per share.

10. Property, Plant and Equipment

During the period, the Group acquired plant and equipment at a total cost of HK\$1,411,000 (2019: HK\$4,424,000).

11. Right-of-Use Assets

| | As at 30 June 2020 HK\$'000 (unaudited) | As at 31 December 2019 HK\$'000 (audited) |
|---|--|---|
| Motor vehicles | 678 | 461 |
| Office premise, factory facilities and staff quarters | 7,300 | 7,736 |
| | 7,978 | 8,197 |

12. Inventories

| | As at 30 June 2020 HK\$'000 (unaudited) | As at 31 December 2019 HK\$'000 (audited) |
|------------------|--|---|
| Raw materials | 15,687 | 17,201 |
| Work in progress | 33,303 | 39,286 |
| Finished goods | 19,392 | 13,468 |
| Goods-in-transit | 9,756 | 4,104 |
| | 78,138 | 74,059 |

13. Trade Receivables

| | As at 30 June 2020 HK\$'000 (unaudited) | As at 31 December 2019 HK\$'000 (audited) |
|-------------------|--|---|
| Trade receivables | 66,486 | 90,266 |

The Group's credit terms generally range from 30 to 120 days. Each customer has a maximum credit limit. For new customers, payment in advance or cash on delivery is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

The Group has entered into receivable purchase agreements with banks for the factoring of trade receivables with certain designated customers. As at 30 June 2020 and 31 December 2019, trade receivables factored to the banks aggregated to approximately HK\$18,340,000 and HK\$16,487,000 respectively, and all of which were derecognised from the consolidated statements of financial position because, in the opinion of the directors, the Group has transferred substantially all the risks and rewards of ownership in respect of the relevant factored receivables to the banks.

13. Trade Receivables (Continued)

The aging analysis of trade receivables, based on the delivery date, and net of allowance for doubtful debts, is as follows:

| | As at 30 June 2020 HK\$'000 (unaudited) | As at 31 December 2019 HK\$'000 (audited) |
|-----------------|--|---|
| Up to 60 days | 39,199 | 64,788 |
| 61 to 120 days | 10,029 | 12,057 |
| 121 to 180 days | 12,551 | 8,981 |
| Over 180 days | 4,707 | 4,440 |
| | 66,486 | 90,266 |

As at 30 June 2020 and 31 December 2019, trade receivables of approximately HK\$25,761,000 and HK\$18,839,000 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 the past due but not impaired trade receivables, based on past due dates, is as follows:

| | As at 30 June 2020 HK\$'000 (unaudited) | As at 31 December 2019 HK\$'000 (audited) |
|-----------------|--|---|
| Up to 60 days | 9,220 | 9,771 |
| 61 to 120 days | 13,008 | 8,250 |
| 121 to 180 days | 2,190 | 206 |
| Over 180 days | 1,343 | 612 |
| | 25,761 | 18,839 |

14. Trade Payables

| | As at 30 June 2020 HK\$'000 (unaudited) | As at 31 December 2019 HK\$'000 (audited) |
|----------------|--|---|
| Trade payables | 51,380 | 55,409 |

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

| | As at 30 June 2020 HK\$'000 (unaudited) | As at 31 December 2019 HK\$'000 (audited) |
|----------------|--|---|
| Up to 60 days | 27,726 | 43,841 |
| 61 to 90 days | 8,829 | 8,464 |
| 91 to 180 days | 12,319 | 1,484 |
| Over 180 days | 2,506 | 1,620 |
| | 51,380 | 55,409 |

The credit period ranges from 30 to 90 days.

15. Share Capital

The Company's share capital as at 30 June 2020 was as follows:

| | No of shares | HK\$'000 |
|--|----------------------|----------|
| Ordinary shares of HK\$0.01 each | | |
| <i>Authorised:</i> | | |
| As at 31 December 2019, 1 January 2020 and 30 June 2020 (unaudited) | 2,000,000,000 | 20,000 |
| <i>Issued and fully paid:</i> | | |
| As at 31 December 2019, 1 January 2020 and 30 June 2020 (unaudited) | 500,000,000 | 5,000 |

16. TRANSACTIONS WITH NCI

On 11 May 2020, the Group acquired an additional 50% of the issued shares of Central Designs (Hong Kong) Limited ("**Central Designs**"), a non-wholly owned subsidiary of the Group. Immediately prior to the purchase, the carrying amount of the existing 50% non-controlling interests in Central Designs was HK\$182,000. The Group recognised a decrease in non-controlling interests and equity attributable to owners of Company of HK\$5,918,000. The effect on the equity attributable to the owners of the Company during the six months ended 30 June 2020 is summarised as follows:

| | Six months ended 30 June 2020 |
|--|--|
| | HK\$'000 (unaudited) |
| Carrying amount of non-controlling interests acquired | 182 |
| Consideration paid to non-controlling interests | (6,100) |
| Excess of consideration paid recognised in the transactions with non-controlling interests reserves within equity | (5,918) |

17. Capital Commitments

As at 30 June 2020 and 31 December 2019, capital commitments contracted for but not yet incurred are as follows:

| | As at 30 June 2020 HK\$'000 (unaudited) | As at 31 December 2019 HK\$'000 (audited) |
|-------------------------------|--|---|
| Property, plant and equipment | 34 | 586 |

18. Related Party Transactions

- (a) In addition to the related party transactions information disclosed elsewhere in this report, the Group entered into the following material related party transactions.

| | | Six months ended 30 June 2020 HK\$'000 (unaudited) | 2019 HK\$'000 (unaudited) |
|--|------|---|---------------------------------|
| | Note | | |
| Consultancy fee to Mr. Russell Dobney | (i) | 144 | 167 |
| Office's rental paid for lease liabilities to Ms. Lee | (ii) | 232 | 210 |

Notes:

- (i) Mr. Russell Dobney is the NCI of Central Designs, the Company's subsidiary and the consultancy fee was paid at terms mutually agreed with the relevant parties involved.
- (ii) Ms. Lee is wife of Mr. Joe Kwok, the executive director of the Company.

18. Related Party Transactions (Continued)

(a) (Continued)

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

| | Six months ended 30 June | |
|---------------------|-------------------------------------|-------------|
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Short-term benefits | 8,979 | 2,936 |

(b) Transactions with NCI

On 9 April 2020, Fame Investment, the subsidiary of the Company entered into a sale and purchase agreement to acquire the remaining 50% equity interest of Central Designs from the NCI, Mr. Russell Dobney for a cash consideration of HK\$6,100,000. Upon completion of the acquisition on 11 May 2020, Central Designs has become an indirect wholly-owned subsidiary of the Company.

19. Event after the Reporting Period

Since the COVID-19 outbreak in early 2020, a series of precautionary and control measures have been and continued to be implemented across the countries. If the spread of COVID-19 cannot be fully controlled or persists, operating results of the Group may be materially and adversely affected. The Group will continuously pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. Given the dynamic nature of the COVID-19 outbreak, it is not practicable to provide a reasonable estimate of its impacts on the Group's financial position, cash flows and operating results at the date on which these condensed consolidated financial statements are authorised for issue.