

INTERIM REPORT 2019



KELFRED HOLDINGS LIMITED

恒發光學控股有限公司

(incorporated in the Cayman Islands with limited liability)
Stock Code: 1134

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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

Workshops 1605-1606, 16/F., Block B
New Trade Plaza
6 On Ping Street
Sha Tin, New Territories
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 2019, together with the comparative figures for the corresponding period in 2018 (the **“periods under review”**). The information should be read in conjunction with the prospectus of the Company dated 29 June 2019 (the **“Prospectus”**).

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 ODM and OEM business models, we also commenced offering our OBM products under the brand **“Miga”** in 2016 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, (the **“Shenzhen Production Base”**), and set up our second and self-owned production base (the **“Jiangxi 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.

2019 is also an exceptional year for our Group as it has achieved new breakthrough. On 16 July 2019 (the **“Listing Date”**), the shares of the Company (the **“Shares”**) were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the **“Stock Exchange”**), marking its debut in the capital market (the **“Listing”**). On the same day, the Company also issued a total of 125,000,000 Shares by way of share offer at a price of HK\$1.00 each upon Listing (the **“Share Offer”**).

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 (i) increasing the level of automation in our production process and further enhance our production efficiency and capacity; (ii) expanding customer base in the United States and Asia markets and promotion of our brand; (iii) strengthening our design and development capability; and (iv) continue to enhance our quality control capability.

Looking forward, we continue to focus on developing our eyewear manufacturing and exporting business. In the second half of 2019, the Sino-US trade negotiation and the withdrawal of the United Kingdom from the European Union (“**Brexit**”) will remain as the market focus and hopefully the countries will reach consensus soon. However, amid the uncertain economic prospects, our Group believes that companies with strengths and competitiveness will have obvious advantages. Our Group remains cautiously optimistic about the eyewear industry globally in the coming year.

Financial Review

Revenue

For the six months ended 30 June 2019, our revenue increased to approximately HK\$196.5 million by approximately HK\$4.9 million or 2.6% compared to approximately HK\$191.6 million for the six months ended 30 June 2018. For the periods under review, the increase was mainly attributable to the increase in sales volume of spectacle frames and sunglasses.

Cost of sales

Our cost of sales increased by approximately HK\$3.2 million or 2.2%, from approximately HK\$147.2 million for the six months ended 30 June 2018 to approximately HK\$150.4 million for the six months ended 30 June 2019. Such increase was in line with the increase in revenue by 2.6% during the same period.

Gross profit and gross profit margin

Our gross profit increased to approximately HK\$46.1 million for the six months ended 30 June 2019, by approximately HK\$1.7 million, or 3.8%, from approximately HK\$44.4 million for the six months ended 30 June 2018. Such increase was in line with the revenue increased by 2.6% mainly attributable to the increase in sales volume of the spectacle frame and sunglasses.

Our overall gross profit margin has slightly increased from approximately 23.2% for the six months ended 30 June 2018 to 23.5% for the six months ended 30 June 2019, mainly due to moderate growth of average selling price of sunglasses.

Other income

Our other income increased by approximately HK\$0.7 million from approximately HK\$1.0 million for the six months ended 30 June 2018 to approximately HK\$1.7 million for the six months ended 30 June 2019. Such increase was mainly due to the increase in product services fee income of approximately HK\$0.6 million for the period, whereby such services was performed on an on-demand basis and charged by the number of frames handled.

Other gains and losses

Our other net gains increased by approximately HK\$1.3 million, from approximately HK\$0.8 million for the six months ended 30 June 2018 to approximately HK\$2.1 million for the six months ended 30 June 2019, mainly due to (i) the increase in net exchange gain of approximately HK\$0.5 million resulting from the United States Dollars (“**USD**”) appreciated against Reminbi (“**RMB**”) continuously during the periods under review, and (ii) less written off of our property, plant and equipment by approximately HK\$0.7 million.

Selling and distribution expenses

Our selling and distribution expenses increased from approximately HK\$7.2 million for the six months ended 30 June 2018 to approximately HK\$9.0 million for the six months ended 30 June 2019, by approximately HK\$1.8 million or 25.0%. Such increase was primarily attributable to the increase in sampling expenses resulted from the expansion of our product design capability and the creation of more prototypes and samples.

Administrative and other operating expenses

Our administrative and other operating expenses increased by approximately HK\$6.8 million from approximately HK\$23.7 million for the six months ended 30 June 2018 to approximately HK\$30.5 million for the six months ended 30 June 2019, 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, and approximately HK\$2.5 million for the same period of 2018; and
- (ii) our staff costs recorded an increase of approximately HK\$1.5 million mainly in relation to remuneration payable to the directors.

Finance costs, net

Our net finance costs increased by approximately HK\$0.3 million or 33.3%, to approximately HK\$1.2 million for the six months ended 30 June 2019 as compared to approximately HK\$0.9 million for the six months ended 30 June 2018. The increase was mainly due to the increase in interests incurred for factoring of trade receivables, and newly adopted interest expense on the lease liabilities.

Income tax expenses

Our income tax expenses increased from approximately HK\$2.8 million for the six months ended 30 June 2018 to approximately HK\$3.0 million for the six months ended 30 June 2019, which was in line with the increase in the profit without taking into account the non-deductible listing expenses.

Profit for the period

As a result of the foregoing, our profit for the period decreased by approximately HK\$5.4 million or 46.6% from approximately HK\$11.6 million for the six months ended 30 June 2018 to approximately HK\$6.2 million for the six months ended 30 June 2019, mainly due to the increase in the non-recurring listing expenses of approximately HK\$5.9 million.

Financial Position

As at 30 June 2019, our Group's total assets amounted to approximately HK\$220.6 million (31 December 2018: HK\$215.3 million) with net assets amounting to approximately HK\$103.6 million (31 December 2018: HK\$97.4 million). As at 30 June 2019, the gearing ratio (total debts divided by the total equity) of our Group was 35.9%, a decrease of 10.4 percentage points as compared to that of 46.3% as at the end of 2018. Net debt to equity ratio (net debt, being our total debts net of bank and cash balances and pledged bank deposits, divided by total equity) of our Group was 23.0%, representing a decrease of 2.1 percentage points as compared to that of 25.1% as at the end of 2018. The current ratio and quick ratio of our Group was 1.5 times and 1.0 times, respectively, as at 30 June 2019 and 31 December 2018.

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 borrowings, trade receivable factoring and lease arrangement, as well as the net proceeds from the Share Offer.

As at 30 June 2019, our Group had bank and cash balances and pledged bank deposits in aggregate of approximately HK\$13.4 million, a decrease of approximately HK\$7.2 million as compared to approximately HK\$20.6 million as at 31 December 2018.

Treasury Policies

The primary objectives of our Group's capital management is to safeguard our Group's ability to continue as a going concern and to maximise the return to the shareholders of the Company (the "**Shareholders**") through the optimisation of the debt and equity balance. Our Group sets the amount of capital in proportion to risk. Our Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, our Group may adjust the payment of dividends, issue new shares, buy back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

Indebtedness

As at 30 June 2019, the Group's indebtedness mainly comprised of bank borrowings and lease liabilities (2018: finance lease payables) of approximately HK\$30.9 million and HK\$6.3 million, respectively. Our bank borrowings are denominated in Hong Kong Dollars ("**HKD**"), while our leases liabilities (2018: finance lease payables) are denominated in HKD and RMB. All bank loans 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 (2018: finance lease payables) as at 30 June 2019 is as follows:

	Bank borrowings	Lease liabilities
	Hk\$'000	Hk\$'000
Within one year	18,190	1,935
More than one year, but not exceeding two years	8,381	1,613
More than two years, but not more than five years	3,239	2,778
More than five years	1,056	–
	<hr/>	
	30,866	6,326
	<hr/>	

Our bank borrowings are secured by one or more of the followings:

- i. legal charges over the properties of a related company and an executive director;
- ii. joint and several personal guarantees executed by executive directors and non-executive directors;
- iii. corporate guarantee executed by The Hong Kong Mortgage Corporation Limited; and
- iv. guarantee by the Government of the Hong Kong Special Administrative Region under Small and Medium Enterprise Loan Guarantee Scheme.

All the security of properties and personal guarantees above are released upon Listing and replaced by corporate guarantees of the Company. The corporate guarantee executed by The Hong Kong Mortgage Corporation Limited was released prior to Listing.

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 2019, the carrying amount of motor vehicles held as right-of-use assets by the Group under lease arrangement amounted to approximately HK\$0.9 million (31 December 2018: HK\$1.5 million). As at 31 December 2018, the carrying amount of bank deposits pledged as securities for the Group's bank loans amounted to approximately HK\$2.8 million, which was released as at 30 June 2019.

Capital Commitment

As at 30 June 2019, our Group had capital commitments of approximately HK\$0.5 million relating to property, plant and equipment, which are contracted but not provided for.

Contingent Liabilities

As at 30 June 2019, 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 with 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 2019, our Group had a total of 1,055 employees of which 1,042 were in the PRC and 13 were in Hong Kong. The remuneration paid 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 2019 and 2018 were approximately HK\$52.2 million and HK\$45.6 million, respectively.

Significant Investment Held

Our Group had not held any significant investments during the six months ended 30 June 2019.

Material Acquisitions or Disposals of Subsidiaries

The Company was incorporated in the Cayman Islands on 20 April 2018 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The Group completed the group reorganisation on 20 June 2019 (the “**Reorganisation**”) in preparation for the Listing pursuant to which the Company became the holding company of the Group. For further information in relation to the Reorganisation, please refer to the section headed “History, Reorganisation and Group Structure - Reorganisation” in the Prospectus.

Subsequent to the completion of the Reorganisation and up to 30 June 2019, there was no material acquisition or disposal of subsidiaries by our Group.

Events after the Reporting Period

Saved as disclosed below, our Group did not have significant event taken place subsequent to 30 June 2019 and up to the date of this report.

- (a) Pursuant to the written resolutions passed by the Shareholders on 22 June 2019, 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\$3,749,999 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 374,999,899 Shares for allotment and issue to the then existing Shareholders in proportion to their respective shareholdings (the “**Capitalisation**”);
- (b) the Listing; and
- (c) The Company issued 125,000,000 new shares by way of public offer and placing at HK\$1.00 each in relation to the Share Offer on the Listing Date. These new shares rank pari passu with the existing shares in all respects.

CORPORATE GOVERNANCE

Compliance with the Corporate Governance Code

As the Shares were not listed on the Stock Exchange as at 30 June 2019, the Corporate Governance Code (the “**CG Code**”) and Corporate Governance Report contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) was not applicable to the Company during the six months ended 30 June 2019.

After the Listing, the Company has complied with the applicable code provisions of the Code as set forth in the CG Code. The Board will continue to review and monitor the practices of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance practices of the Company.

Model Code for Securities Transactions by Directors

As the Shares were not yet listed on the Stock Exchange during the six months ended 30 June 2019, the provisions under the Listing Rules in relation to the compliance with the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) by the Directors were not applicable to the Company during the six months ended 30 June 2019.

After the Listing, the Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors’ securities transactions. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the Model Code since the Listing Date up to the date of this interim report.

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

The Shares were listed on the Main Board of the Stock Exchange on 16 July 2019 and the Company was not required to keep any register under Part XV of the Securities and Future Ordinance (the “SFO”) as at 30 June 2019.

As at the date of this interim report, the interests and short positions of the Directors or the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code were 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:

- Conquer Holding Limited (“Conquer”) 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.

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 the date of this interim report, none of the Directors nor the chief executive of the Company had any interests or short positions in any of the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code.

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

The Shares were listed on the Main Board of the Stock Exchange on 16 July 2019 and the Company was not required to disclose any interests or short positions of the substantial shareholders of the Company in the Shares or underlying Shares under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept pursuant to Section 336 of the SFO as at 30 June 2019.

So far as the Directors are aware, each of the following person is, as at the date of this interim report, directly or indirectly, interested in 5% or more of the issued voting shares of the Company:

Name of Substantial Shareholders	Capacity/Nature of Interest	Number of Shares (Note 1)	Approximate percentage of shareholding interests of the Company
Conquer ^(Note 2)	Beneficial owner	375,000,000 (L)	75%
Mr. Joe Kwok ^(Note 2)	Interest in controlled corporation	375,000,000 (L)	75%
Ms. Lee Man Yee Joanna ("Ms. Lee") ^(Note 3)	Interest of spouse	375,000,000 (L)	75%
Mr. Ken Kwok ^(Note 2)	Interest in controlled corporation	375,000,000 (L)	75%
Ms. Siu Fong Ting Tammy ("Ms. Siu") ^(Note 4)	Interest of spouse	375,000,000 (L)	75%
Mrs. Kwok ^(Note 5)	Interest in controlled corporation; interest held jointly with another person	375,000,000 (L)	75%
Mr. Kwok ^(Note 6)	Interest of spouse	375,000,000 (L)	75%

Notes:

1. The Letter "L" denotes the entity/person's long interest in our Shares.
2. Conquer 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.
3. Ms. Lee is the spouse of Mr. Joe Kwok and is deemed to be interested in all the Shares interested by Mr. Joe Kwok for the purposes of the SFO.
4. Ms. Siu is the spouse of Mr. Ken Kwok and is deemed to be interested in all the Shares interested by Mr. Ken Kwok for the purposes of the SFO.

5. 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.
6. 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.

Save as disclosed herein, the Directors are not aware of any person who has, as at the date of this interim 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 (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.

Further details of the Scheme are set forth in the section headed “Statutory and General Information – E. Share Option Scheme” in Appendix V to the Prospectus.

No share option was granted, exercised, expired or lapsed since the adoption of the Scheme and there is no outstanding share option under the Scheme as at the date of this interim report.

Purchases, Sale and Redemption of Listed Securities

As the Shares were not yet listed on the Stock Exchange for the six months ended 30 June 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the period.

Interim Dividend

The Board does not recommend any payment of interim dividend for the six months ended 30 June 2019.

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 2019.

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 2019 is unaudited, but the Audit Committee has reviewed the Company’s unaudited condensed consolidated interim results for the six months ended 30 June 2019, 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 in comparing to those disclosed in the section headed “Directors and Senior Management” to the Prospectus, which are required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules.

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, which was lower than the estimated net proceeds of HK\$93.2 million. The difference of approximately HK\$13.2 million has been adjusted in the same manner and in the same proportion to the use of proceeds as set out in the section headed “Future Plans and Use of Proceeds” to the Prospectus.

Save as disclosed above, the Company has no specific future plans for material investments or capital assets during the six months ended 30 June 2019 and up to the date of this report. From the Listing Date up to the date of this interim report, the net proceeds raised from the Share Offer have not been utilised.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	Six months ended 30 June	
		2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Revenue	4	196,500	191,628
Cost of sales		(150,357)	(147,193)
Gross profit		46,143	44,435
Other income		1,662	1,016
Other gains and losses		2,038	796
Selling and distribution expenses		(8,972)	(7,200)
Administrative and other operating expenses		(30,520)	(23,702)
Profit from operations		10,351	15,345
Finance costs, net	5	(1,180)	(901)
Profit before tax		9,171	14,444
Income tax expenses	6	(3,010)	(2,841)
Profit for the period	7	6,161	11,603
Attributable to:			
Owners of the Company		5,794	11,431
Non-controlling interests ("NCI")		367	172
		6,161	11,603
Earnings per share for profit attributable to owners of the Company			
– Basic and diluted	9	HK1.16 cents	HK2.29 cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Six months ended 30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Profit for the period	6,161	11,603
Other comprehensive income:		
<i>Items that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	39	(1,362)
Other comprehensive income for the period, net of tax	39	(1,362)
Total comprehensive income for the period	6,200	10,241
Attributable to:		
Owners of the Company	5,833	10,069
NCI	367	172
	6,200	10,241

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 June 2019 HK\$'000 (unaudited)	As at 31 December 2018 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	10	39,661	41,378
Deposits paid for property, plant and equipment		429	507
Right-of-use assets	11	6,893	–
		46,983	41,885
Current assets			
Inventories	12	58,100	52,205
Trade receivables	13	93,993	91,038
Prepayments, deposits and other receivables		8,155	9,522
Pledged bank deposits		–	2,760
Bank and cash balances		13,352	17,872
		173,600	173,397
Current liabilities			
Trade payables	14	58,105	51,210
Other payables and accruals		12,897	15,862
Contract liabilities		5,595	3,009
Dividend payables		–	1,846
Finance lease payables		–	454
Lease liabilities		1,935	–
Bank borrowings	15	30,866	44,561
Current tax liabilities		3,032	682
		112,430	117,624
Net current assets		61,170	55,773
Total assets less current liabilities		108,153	97,658

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Note	As at 30 June 2019 HK\$'000 (unaudited)	As at 31 December 2018 HK\$'000 (audited)
Non-current liabilities			
Finance lease payables		–	96
Lease liabilities		4,391	–
Deferred tax liabilities		198	198
		4,589	294
NET ASSETS			
		103,564	97,364
Capital and reserves			
Share capital	16	– ⁽ⁱ⁾	1
Reserves		102,622	96,788
		102,622	96,789
NCI		942	575
TOTAL EQUITY			
		103,564	97,364

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Statutory surplus reserve	Foreign currency translation reserve	Other reserve	Retained earnings	Total	NCI	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2018	58,657	1,894	1,464	-	85,360	147,375	970	148,345
Issue of shares	12,001	-	-	-	-	12,001	-	12,001
Profit and total comprehensive income for the year	-	-	(1,362)	-	11,431	10,069	172	10,241
Arising from reorganisation	(3,140)	-	-	3,140	-	-	-	-
Dividends paid	-	-	-	-	(83,120)	(83,120)	(500)	(83,620)
At 30 June 2018 (unaudited)	67,518	1,894	102	3,140	13,671	86,325	642	86,967
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

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended	
	30 June	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	14,677	(15,639)
CASH FLOW FROM INVESTING ACTIVITIES		
Deposits paid	(560)	(104)
Purchases of property, plant and equipment	(3,787)	(2,502)
Proceeds from disposals of property, plant and equipment	224	–
Interest received	35	25
Decrease/(increase) in pledged bank deposits	2,760	(2,740)
NET CASH USED IN INVESTING ACTIVITIES	(1,328)	(5,321)
CASH FLOW FROM FINANCING ACTIVITIES		
Finance expenses paid	(1,215)	(926)
Principal elements of lease payments	(1,121)	–
Repayment of finance lease payables	–	(667)
Proceeds from issue of shares	–	12,001
Bank borrowings raised	–	37,345
Repayment of bank borrowings	(13,695)	(7,649)
Dividends paid	(1,846)	(29,780)
Decrease in amount due to a director	–	(147)
Decrease in amount due to a NCI shareholder	–	(106)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	(17,877)	10,071
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	8	(59)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	Six months ended 30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,520)	(10,948)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	17,872	20,183
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	13,352	9,235
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	13,352	15,091
Bank overdrafts	-	(5,856)
	13,352	9,235

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 Presentation

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2019 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 Presentation (Continued)

Pursuant to the group reorganisation as set out in the section headed “History, Reorganisation and Group Structure” in the Prospectus, which was completed on 20 June 2019 (the “**Reorganisation**”), the Company became the holding company of its subsidiaries now comprising the Group. The shares of the Company were listed on the Main Board of the Stock Exchange on 16 July 2019. The unaudited condensed consolidated interim financial information of the Group has been prepared as if the Group had always been in existence throughout both periods 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 December 2018 as set out in the Appendix I of the Prospectus, 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.

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 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 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 HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2019. 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 Group has initially adopted HKFRS 16 Leases from 1 January 2019. A number of other new standards are effective from 1 January 2019 but they do not have a material effect on the Group’s condensed consolidated interim financial information.

HKFRS 16 Leases

HKFRS 16 supersedes HKAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. HKFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

The Group has applied HKFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under HKAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

(a) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining Whether an Arrangement contains a Lease*. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

3. Adoption of New and Revised HKFRSs (Continued)

(a) Definition of a lease (Continued)

On transition to HKFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied HKFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under HKAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Group has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(b) As a lessee

The Group leases many assets, including properties and motor vehicles.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under HKFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases.

However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets (e.g. IT equipment). The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The recognised right-of-use assets relate to the following types of assets:

	Balance as at	
	30 June 2019	1 January 2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Motor vehicles	943	1,116
Office premise, factory facilities and staff quarters	5,950	6,897
	6,893	8,013

3. Adoption of New and Revised HKFRSs (Continued)

(b) As a lessee (Continued)

Significant accounting policies

The Group recognises a right-of-use assets and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

Transition

Previously, the Group classified property leases as operating leases under HKAS 17. These include office premise, factory facilities and staff quarters. The leases typically run for a period of 2-5 years.

3. Adoption of New and Revised HKFRSs (Continued)

(b) As a lessee (Continued)

Transition (Continued)

At transition, for leases classified as operating leases under HKAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at either:

- their carrying amount as if HKFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application – the Group applied this approach to its largest property lease; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Group applied this approach to all other leases.

The Group used the following practical expedients when applying HKFRS 16 to leases previously classified as operating leases under HKAS 17.

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

The Group leases a number of items of motor vehicles. These leases were classified as finance leases under HKAS 17. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 were determined at the carrying amount of the lease asset and lease liability under HKAS 17 immediately before that date.

3. Adoption of New and Revised HKFRSs (Continued)

(c) Impacts of financial statements

Impact on transition

On transition to HKFRS 16, the Group recognised additional right-of-use assets and additional lease liabilities, recognising the difference in retained earnings. The change in accounting policy affected the following items on the condensed consolidated statement of financial position (increase/(decrease)) as at 1 January 2019 is summarised below.

	1 January 2019 HK\$'000 (unaudited)
Assets	
Property, plant and equipment	(1,116)
Right-of-use assets	8,013
Total assets	6,897
Liabilities	
Finance lease payables	(550)
Lease liabilities	7,447
Total liabilities	6,897
Equity	
Retained earnings	–
Total equity	–

3. Adoption of New and Revised HKFRSs (Continued)

(c) Impacts of financial statements (Continued)

Impact on transition (Continued)

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 3.5%.

	1 January 2019 HK\$'000 (unaudited)
Operating lease commitment at 31 December 2018 as disclosed in the Group's consolidated financial statements	7,386
Add: Finance lease liabilities recognised as at 31 December 2018	550
Less: Recognition exemption for leases with less than 12 months of leases term at transition	(35)
Less: Total future interest expenses	(454)
Lease liability recognised as at 1 January 2019	7,447
Of which are:	
Current lease liabilities	2,174
Non-current lease liabilities	5,273
	7,447

3. Adoption of New and Revised HKFRSs (Continued)

(c) Impacts of financial statements (Continued)

Impacts for the period

As a result of initially applying HKFRS 16, in relation to the leases that were previously classified as operating leases and finance leases, the Group recognised HK\$6,893,000 of right-of-use assets and HK\$6,326,000 of lease liabilities as at 30 June 2019.

Also in relation to those leases under HKFRS 16, the Group has recognised depreciation and finance costs, instead of operating lease expense and finance lease charges. During the six months ended 30 June 2019, the Group recognised HK\$1,120,000 of depreciation charges and HK\$119,000 of finance costs from these leases.

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	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Revenue		
Italy	68,935	42,987
Netherlands	22,574	50,721
United Kingdom	22,418	26,907
Hong Kong	19,776	13,380
Spain	12,743	10,887
United States	10,560	8,502
France	9,346	10,235
Hungary	9,136	7,823
Others	21,012	20,186
	196,500	191,628

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

	As at	
	30 June	31 December
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Hong Kong	1,802	2,151
PRC	38,802	39,227
	40,604	41,378

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	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Customer a	35,469	39,975
Customer b	49,502	25,701
Customer c	24,892	53,160
Customer d	21,161	19,858

5. Finance Costs, Net

	Six months ended 30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Bank interest income	35	9
Interest income from a related company	–	16
	35	25
Finance expenses:		
Interest on bank borrowings	(685)	(685)
Finance leases charges	–	(23)
Interest on factoring of trade receivables	(411)	(218)
Interest expense on lease liabilities	119	–
	(1,215)	(926)
Finance costs, net	(1,180)	(901)

6. Income Tax Expenses

	Six months ended 30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Current tax	3,010	2,841

The Company was incorporated in the Cayman Islands and Fame Investment Limited ("**Fame Investment**") 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.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazette on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The two-tiered profits tax rates regime has applied to subsidiaries in Hong Kong for its annual reporting periods ending on or after 1 January 2018.

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 2018 and 2019 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 2018 and 2019.

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. Profit for the Period

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

	Six months ended	
	30 June	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Auditor's remuneration	541	120
Cost of inventories sold (*)	150,357	147,193
Allowance for inventories (included in cost of inventories sold), net	–	1,999
Depreciation		
– Property, plant and equipment	4,797	5,101
– Right-of-use assets	1,120	–
Exchange gain, net	(2,049)	(1,520)
Listing expenses	8,361	2,507
Lease payments		
– Factories and staff quarters	–	1,028
– Office premises	210	210
– Directors' quarter	–	30
Net losses on disposal of property, plant and equipment	11	724
Staff costs including directors' emoluments		
– Salaries, bonus and allowances	45,252	39,684
– Retirement benefit scheme contributions	6,915	5,884

- (*) Cost of inventories sold includes approximately HK\$35,218,000 and HK\$38,843,000 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 2018 and 2019 respectively.

8. Dividends

No dividend has been paid or declared by the Company or by any of the companies now comprising the Group for the six months ended 30 June 2019 (2018: HK\$83,620,000).

9. Earnings Per Share

Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company for the period of HK\$5,794,000 (2018: HK\$11,431,000) and the weighted average of 500,000,000 ordinary shares (2018: 500,000,000 ordinary shares) in issue during the period.

The number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the Reorganisation and the capitalisation issue as set out in the section headed "History, Reorganisation and Group Structure" to the Prospectus had been effective on 1 January 2018.

Diluted earnings per share

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

10. Property, Plant and Equipment

During the period, the Group acquired plant and equipment at a total cost of HK\$4,424,000 (2018: HK\$2,943,000).

Property, plant and equipment decreased by HK\$1,116,000 on 1 January 2019 following the adoption of HKFRS 16, details are set out in note 3.

11. Right-of-Use Assets

	As at 30 June 2019 HK\$'000 (unaudited)
Motor vehicles	943
Office premise, factory facilities and staff quarters	5,950
	6,893

12. Inventories

	As at 30 June 2019 HK\$'000 (unaudited)	As at 31 December 2018 HK\$'000 (audited)
Raw materials	16,375	11,011
Work in progress	31,216	27,788
Finished goods	7,233	9,292
Goods-in-transit	3,276	4,114
	58,100	52,205

13. Trade Receivables

	As at 30 June 2019 HK\$'000 (unaudited)	As at 31 December 2018 HK\$'000 (audited)
Trade receivables	93,993	91,038

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 a bank for the factoring of trade receivables with certain designated customers. At 30 June 2019 and 31 December 2018, trade receivables factored to the bank aggregated to approximately HK\$19,290,000 and HK\$16,577,000 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 bank.

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 2019 HK\$'000 (unaudited)	As at 31 December 2018 HK\$'000 (audited)
Up to 60 days	71,033	65,000
61 to 120 days	17,829	16,655
121 to 180 days	2,269	6,526
Over 180 days	2,862	2,857
	93,993	91,038

As at 30 June 2019 and 31 December 2018, trade receivables of approximately HK\$14,392,000 and HK\$18,590,000 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 2019 HK\$'000 (unaudited)	As at 31 December 2018 HK\$'000 (audited)
Up to 60 days	10,350	10,701
61 to 120 days	2,369	5,146
121 to 180 days	697	2,397
Over 180 days	976	346
	14,392	18,590

14. Trade Payables

	As at 30 June 2019 HK\$'000 (unaudited)	As at 31 December 2018 HK\$'000 (audited)
Trade payables	58,105	51,210

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

	As at 30 June 2019 HK\$'000 (unaudited)	As at 31 December 2018 HK\$'000 (audited)
Up to 60 days	41,693	42,194
61 to 90 days	14,123	7,162
91 to 180 days	1,854	1,416
Over 180 days	435	438
	58,105	51,210

The credit period ranges from 30 to 90 days.

15. Bank Borrowings

	Note	As at 30 June 2019 HK\$'000 (unaudited)	As at 31 December 2018 HK\$'000 (audited)
Analysis by nature as:			
Term loans		30,866	44,561
Group A	(ii)	7,995	9,876
Group B	(iii)	3,418	3,707
Group C	(iv)	294	1,164
Group D	(v)	4,034	5,704
Group E	(vi)	15,125	20,000
Group F	(vii)	-	4,110
		30,866	44,561
The bank borrowings are repayable as follows*:			
Within one year		18,190	22,860
More than one year, but not exceeding two years		8,381	16,730
More than two years, but not exceeding five years		3,239	3,371
More than five years		1,056	1,600
		30,866	44,561
Less: Amount due for settlement within 12 months (shown under current liabilities)		(18,190)	(22,860)
Portion of bank loan that are due for repayment after one year but contain a repayment on demand clause (shown under current liabilities)		12,676	21,701

* The amounts due are based on scheduled repayment date set out in the loan agreements.

15. Bank Borrowings (Continued)

Notes:

- (i) The carrying amounts of the Group's bank borrowings are denominated in HKD.
- (ii) Group A was secured by the following:
 - (a) Legal charges over the properties of a related company, Southern China International Limited ("**Southern China**");
 - (b) Joint and several personal guarantee executed by Mr. Joe Kwok, Mr. Ken Kwok, Mr. Kwok and Mrs. Kwok; and
 - (c) Legal charge over the property of Mr. Ken Kwok.
- (iii) Group B was secured by the following:
 - (a) Legal charges over the properties of Southern China; and
 - (b) Joint and several personal guarantee executed by Mr. Joe Kwok, Mr. Ken Kwok, Mr. Kwok and Mrs. Kwok.
- (iv) Group C was secured by the following:
 - (a) Corporate guarantee executed by The Hong Kong Mortgage Corporation Limited;
 - (b) Joint and several personal guarantee executed by Mr. Joe Kwok, Mr. Ken Kwok, Mr. Kwok and Mrs. Kwok; and

The balance was fully settled prior to Listing, and the above corporate guarantee has been released accordingly.
- (v) Group D was secured by the following:
 - (a) Guarantee by the Government of the Hong Kong Special Administrative Region under Small and Medium Enterprise Loan Guarantee Scheme; and
 - (b) Joint and several personal guarantee executed by Mr. Joe Kwok, Mr. Ken Kwok, Mr. Kwok and Mrs. Kwok.
- (vi) Group E was secured by joint and several personal guarantee executed by Mr. Joe Kwok, Mr. Ken Kwok, Mr. Kwok and Mrs. Kwok.

15. Bank Borrowings (Continued)

Notes: (Continued)

(vii) Group F was secured by the following:

- (a) Security deed over deposit of not less than 1/3 of drawdown amount or 110% in other foreign currency; and
- (b) Joint and several personal guarantee executed by Mr. Joe Kwok, Mr. Ken Kwok, Mr. Kwok and Mrs. Kwok.

The balance as at 31 December 2018 have been fully settled prior to 30 June 2019.

(viii) The properties security and personal guarantees above have been released upon Listing and replaced by the corporate guarantee by the Company.

(ix) The ranges of effective interest rates per annum on the Group's bank borrowings were as follows:

	As at 30 June 2019 (unaudited)	As at 31 December 2018 (audited)
Term loans	2.16%-4.14%	2.21%-5.50%

16. Share Capital

The issued share capital as at 31 December 2018 represented the share capital of the Company and Fame Investment. The share balance as at 30 June 2019 represented the issued share capital of the Company.

The Company's share capital as at 30 June 2019 was as follows:

	Note	No of shares	HK\$'000
Ordinary shares of HK\$0.01 each			
<i>Authorised:</i>			
At the date of incorporation	1	39,000,000	390
Increase in authorised share capital	3	1,961,000,000	19,610
As at 30 June 2019 (unaudited)		2,000,000,000	20,000
<i>Issued and fully paid:</i>			
At the date of incorporation	1	1	— ⁽ⁱ⁾
Shares issued under Reorganisation	2	100	— ⁽ⁱ⁾
As at 30 June 2019 (unaudited)		101	— ⁽ⁱ⁾

(i) Represent amounts less than HK\$1,000

16. Share Capital (Continued)

Notes:

- (1) The Company was incorporated in the Cayman Islands on 20 April 2018 with an authorised share capital of HK\$390,000 divided into 39,000,000 Shares. On the same date, one Share was allotted and issued fully paid to the initial subscriber at par, which was transferred to Conquer for cash at par.
- (2) Reorganisation
- On 20 June 2019, the Company entered into a sale and purchase agreement with Mrs. Kwok, Mr. Joe Kwok and Mr. Ken Kwok, pursuant to which the Company acquired from Mrs. Kwok, Mr. Joe Kwok and Mr. Ken Kwok 2, 49 and 49 shares of Fame Investment respectively in consideration of the Company (at the direction and request of Mrs. Kwok, Mr. Joe Kwok and Mr. Ken Kwok) allotting and issuing 100 new shares of the Company to Conquer, all credited as fully paid in the capital of the Company. The said transfers were legally completed on 20 June 2019. As a result, Fame Investment became a wholly-owned subsidiary of the Company.
- (3) On 22 June 2019, written resolutions of the sole shareholder were passed to approve, among other things, the increase of the authorised share capital of the Company from HK\$390,000 divided into 39,000,000 Shares of HK\$0.01 each to HK\$20,000,000 divided into 2,000,000,000 Shares of HK\$0.01 each by the creation of an additional 1,961,000,000 Shares.

17. Capital Commitments

As at 30 June 2019 and 31 December 2018, capital commitments contracted for but not yet incurred are as follows:

	30 June 2019 HK\$'000 (unaudited)	31 December 2018 HK\$'000 (audited)
Property, plant and equipment	500	604

18. Related Party Transactions

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

		Six months ended 30 June	
Note		2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
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Consultancy fee to Mr. Russell Dobney	(i)	167	179
Office's rental expense to Ms. Lee	(ii)	210	210
Interest income from Southern China		–	16
Directors' quarter expense to Southern China		–	30
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Notes:

- (i) Mr. Russell Dobney is the NCI of Central Designs (Hong Kong) Limited, 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	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Short-term benefits	2,936	1,869

- (b) Personal guarantees were provided by Mr. Joe Kwok, Mr. Ken Kwok, Mr. Kwok and Mrs. Kwok against the banking facilities granted to the Group as mentioned in note 15 at nil consideration.
- (c) Legal charges over the properties owned by Southern China and Mr. Ken Kwok Kwan Yu against banking facilities granted to the Group as mentioned in note 15 at nil consideration.
- (d) Corporate guarantees were provided by Southern China against banking facilities granted to the Group as disclosed in note 15 at nil consideration.

19. Event after the Reporting Period

The Company listed its shares on the Main Board of the Stock Exchange on 16 July 2019, issued 374,999,899 Shares by the Capitalisation, and issued a total of 125,000,000 shares by way of public offer and placing at a price of HK\$1.0 each on Listing.