



GROWN UP GROUP

GROWN UP GROUP
INVESTMENT HOLDINGS LIMITED
植華集團投資控股有限公司

(Incorporated in the Cayman Islands with limited liability)
stock code: 1842

2019 INTERIM REPORT

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Corporate Information

EXECUTIVE DIRECTORS

Mr. Thomas Berg (*Chairman*)
Mr. Morten Rosholm Henriksen
Mr. Cheng Wai Man

NON-EXECUTIVE DIRECTORS

Mr. Fung Bing Ngon Johnny
Mr. Xiong Jianrui

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tang Tin Lok Stephen
Mr. Lau Ning Wa Ricky
Ms. Zhou Jing

AUDIT COMMITTEE

Mr. Tang Tin Lok Stephen (*Chairman*)
Mr. Lau Ning Wa Ricky
Ms. Zhou Jing

NOMINATION COMMITTEE

Mr. Thomas Berg (*Chairman*)
Mr. Tang Tin Lok Stephen
Mr. Lau Ning Wa Ricky
Ms. Zhou Jing

REMUNERATION COMMITTEE

Mr. Lau Ning Wa Ricky (*Chairman*)
Mr. Tang Tin Lok Stephen
Ms. Zhou Jing
Mr. Thomas Berg

COMPANY SECRETARY

Ms. Shut Ya Lai

AUTHORISED REPRESENTATIVES

Mr. Thomas Berg
Ms. Shut Ya Lai

AUDITOR

PricewaterhouseCoopers

COMPLIANCE ADVISOR

Dakin Capital Limited

REGISTERED OFFICE

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

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Flat D, 7/F, Block 2
Tai Ping Industrial Centre
55 Ting Kok Road, Tai Po
New Territories
Hong Kong

COMPANY'S WEBSITE

www.grown-up.com

PRINCIPAL SHARE REGISTRAR

Conyers Trust Company (Cayman) Limited

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited

PRINCIPAL BANKER

The Hongkong and
Shanghai Banking Corporation

STOCK CODE

1842

Financial Highlights

	Six months ended 30 June	
	2019	2018
	(Unaudited)	
Financial Results	HK\$'000	HK\$'000
Revenue	168,400	305,771
Loss for the period	(9,325)	(2,752)
Basic loss per share (HK\$ cent)	(1.12)	(0.33)
Diluted loss per share (HK\$ cent)	(1.12)	(0.33)
	As at	As at
	30 June 2019	31 December 2018
	(Unaudited)	
Statement of Financial Position	HK\$'000	HK\$'000
Non-current assets	85,072	89,704
Current assets	357,284	338,273
Total assets	442,356	427,977
Current liabilities	281,489	324,016
Non-current liabilities	18,323	23,896
Total liabilities	299,812	347,912
Net assets	142,544	80,065
Ratio Analysis		
Current ratio	1.3	1.0
Gearing ratio	47.7%	117.5%

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2019

UNAUDITED INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of Grown Up Group Investment Holdings Limited (the "Company") is pleased to present the unaudited interim condensed consolidated financial information of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2019 (the "Reporting Period"), together with the comparative figures for the corresponding period in 2018.

	Note	Six months ended 30 June	
		2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Revenue	3	168,400	305,771
Cost of sales		(122,076)	(245,033)
Gross profit		46,324	60,738
Other income	4	347	570
Other gains, net	5	80	153
Selling and distribution expenses		(15,349)	(22,404)
Administrative expenses		(36,896)	(39,606)
Loss from operations		(5,494)	(549)
Finance income	7	729	791
Finance costs	7	(4,111)	(3,242)
Finance costs, net	7	(3,382)	(2,451)
Loss before income tax	6	(8,876)	(3,000)
Income tax (expense)/credit	8	(449)	248
Loss for the period		(9,325)	(2,752)
Other comprehensive loss:			
<i>Items that may be reclassified to profit or loss:</i>			
Currency translation differences		(127)	(1,465)
Total comprehensive loss for the period		(9,452)	(4,217)
Loss per share attributable to owners of the Company for the period			
Basic and diluted (HK\$ cent)	9	(1.12)	(0.33)

Condensed Consolidated Statement of Financial Position

As at 30 June 2019

	<i>Note</i>	As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	11	28,601	30,681
Right of use asset		2,818	–
Financial assets at fair value through profit or loss	14	7,135	7,002
Investment property		1,400	1,300
Intangible assets	12	44,296	48,297
Prepaid land lease payments		–	1,313
Deferred income tax assets		822	1,111
		85,072	89,704
Current assets			
Inventories		34,069	30,038
Trade receivables	13	119,688	188,262
Prepayments, deposits and other receivables		34,334	30,722
Amounts due from directors		–	7,739
Amounts due from ultimate holding companies		5,136	5,798
Amounts due from related companies		33,242	31,295
Tax recoverable		2,538	777
Pledged deposits		28,065	26,011
Cash at bank and on hand		100,212	17,631
		357,284	338,273
Total assets		442,356	427,977
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	17	10,000	–
Other reserves		24,218	(37,586)
Retained earnings		108,326	117,651
Total equity		142,544	80,065

Condensed Consolidated Statement of Financial Position

As at 30 June 2019

	<i>Note</i>	As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
Non-current liabilities			
License fees payable		13,936	20,229
Lease liabilities		3,827	–
Obligations under finance leases		–	3,107
Deferred income tax liabilities		560	560
		18,323	23,896
Current liabilities			
Trade and bills payables	15	140,596	178,005
Other payables and accruals		19,886	21,034
Contract liabilities		2,050	1,995
License fees payable		12,051	11,761
Amount due to a director		27,573	–
Amount due to the immediate holding company		10,409	10,520
Lease liabilities		1,812	–
Obligations under finance leases		–	1,870
Bank overdrafts	16	22,127	17,023
Bank and other borrowings	16	40,243	72,048
Tax payable		4,742	9,760
		281,489	324,016
Total liabilities		299,812	347,912
Total equity and liabilities		442,356	427,977

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

	Share capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Capital reserve (Unaudited) HK\$'000	Exchange reserve (Unaudited) HK\$'000	Retained earnings (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 January 2019	-	-	(34,809)	(2,777)	117,651	80,065
Loss for the period	-	-	-	-	(9,325)	(9,325)
Other comprehensive loss:						
<i>Items that may be reclassified to profit or loss</i>						
– Currency translation differences	-	-	-	(127)	-	(127)
Total comprehensive loss for the period	-	-	-	(127)	(9,325)	(9,452)
Issue of new shares pursuant to a capitalisation issue in connection with the share offer	8,300	(8,300)	-	-	-	-
Issue of new shares pursuant to the share offer	1,700	83,300	-	-	-	85,000
Share issuance costs	-	(13,069)	-	-	-	(13,069)
At 30 June 2019	10,000	61,931	(34,809)	(2,904)	108,326	142,544

For the six months ended 30 June 2018

	Share capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Capital reserve (Unaudited) HK\$'000	Exchange reserve (Unaudited) HK\$'000	Retained earnings (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 January 2018	-	-	(34,809)	(1,309)	110,532	74,414
Loss for the period	-	-	-	-	(2,752)	(2,752)
Other comprehensive loss:						
<i>Items that may be reclassified to profit or loss</i>						
– Currency translation differences	-	-	-	(1,465)	-	(1,465)
Total comprehensive loss for the period	-	-	-	(1,465)	(2,752)	(4,217)
At 30 June 2018	-	-	(34,809)	(2,774)	107,780	70,197

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Cash flows from operating activities		
Cash generated from operations	20,725	58,944
Income tax paid	(6,939)	(8,132)
Net cash generated from operating activities	13,786	50,812
Cash flows from investing activities		
Interest received	729	791
Purchase of property, plant and equipment	(538)	(1,245)
Proceeds from disposals of property, plant and equipment	317	3
Amounts due from ultimate holding companies	662	–
Amount due from the immediate holding company	(111)	(169)
Amounts due from related companies	(1,947)	(4,864)
Amounts due from/to directors	35,312	1,722
Changes in pledged deposits	(2,000)	(6,000)
Net cash generated from/(used in) investing activities	32,424	(9,762)

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Cash flows from financing activities		
Proceeds from issue of shares	85,000	–
Share issuance costs	(13,069)	–
Proceeds from bank borrowings	71,163	79,212
Repayment of bank borrowings	(102,968)	(93,384)
Interest paid	(3,766)	(2,926)
Lease liabilities	(4,273)	(435)
Net cash generated from/(used in) financing activities	32,087	(17,533)
Net increase in cash and cash equivalents	78,297	23,517
Cash and cash equivalents at beginning of the period	608	5,749
Exchange differences	(820)	(920)
Cash and cash equivalents at end of the period	78,085	28,346

Notes to the Condensed Consolidated Financial Information

1 GENERAL INFORMATION

Grown Up Group Investment Holdings Limited (the “Company”) is a limited liability company incorporated in the Cayman Islands. The address of registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The principal activity of the Company is investment holding. The principal activities of the Group are designing, developing, manufacturing and selling bag and luggage products.

The Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing”) on 28 June 2019. On the same day, the Company issued additional 829,990,000 shares, credited as fully paid, to the Controlling Shareholders of the Company, by way of capitalisation of HK\$8,299,900 standing to the credit of the Company’s share premium account upon the Listing. In connection with the Listing completed on 28 June 2019, the Company issued a total of 170,000,000 shares at a price of HK\$0.50 per share for a gross proceeds (before related fees and expenses) of HK\$85,000,000.

The interim condensed consolidated financial information is presented in thousands of Hong Kong dollars (“HK\$’000”), unless otherwise stated.

This interim condensed consolidated financial information was approved for issue by the Board on 30 August 2019.

This interim condensed consolidated financial information has not been audited.

2.1 BASIS OF PREPARATION

The unaudited interim condensed consolidated financial information of the Group for the six months ended 30 June 2019 has been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”).

The unaudited interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s financial statements for the year ended 31 December 2018, as included in Appendix I to the prospectus of the Company dated 13 June 2019 (the “Prospectus”).

The accounting policies and basis of preparation adopted in the preparation of this unaudited interim condensed consolidated financial information are consistent with those adopted in the Group’s financial statements for the year ended 31 December 2018, as included in Appendix I to the Prospectus, which have been prepared in accordance with Hong Kong Financial Reporting Standard (“HKFRSs”) (which includes all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretation) issued by the Hong Kong Institute of Certified Public Accountants, except for the adoption of the new and revised HKFRSs as disclosed in Note 2.2 below.

Notes to the Condensed Consolidated Financial Information

2.2 NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

The significant accounting policies that have been used in the preparation of the Group's unaudited interim condensed consolidated financial information for the six months ended 30 June 2019 are consistent with those set out in Appendix I to the Prospectus, except as described below.

The Group has adopted and applied, for the first time, the following new standards and interpretations that have been issued and effective for the accounting periods beginning on 1 January 2019:

HKAS 19 (Amendments)	Plan amendment, curtailment or settlement
HKAS 28 (Amendments)	Long-term interests in associates and joint ventures
HKFRS 9 (Amendments)	Prepayment features with negative compensation
HKFRS 16	Leases
HK(IFRIC)-Int23	Uncertainty over income tax treatments
Amendments to HKFRS Conceptual Framework for Financial Reporting 2018	Plan amendment, curtailment or settlement

The Group adopted HKFRS 16 Leases retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period as permitted under the specific transition provisions in the standard.

There are no other standards that are not yet effective and that are expected to have a material impact on the Group in the current or future reporting periods and on any foreseeable future transactions.

HKFRS 16 Leases

The Group adopted HKFRS 16 Leases retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period as permitted under the specific transition provisions in the standard.

Upon adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 Leases. The Group reviewed all of its leasing arrangements over the last year in light of the new lease accounting rules in HKFRS 16. The standard will affect primarily the accounting for the operating leases of the Group.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of approximately HK\$5,480,000. Of these commitments, there are no short-term leases and low value leases which will both be recognised on a straight-line basis as expense in profit or loss.

For the lease commitments the Group expects to recognise right-of-use assets of approximately HK\$5,054,000 on 1 January 2019, and lease liabilities of approximately HK\$5,054,000 (after adjusting for prepayments and accrued lease payments recognised as at 31 December 2018). Upon adoption of HKFRS 16, net current assets will be approximately HK\$3,574,000 lower due to the presentation of a portion of the liability as a current liability.

The Group expects that profit for the year will increase by approximately HK\$71,000 for the year ending 31 December 2019 as a result of adopting the new rules.

Operating cash flows increased and financing cash flows decreased by approximately HK\$3,517,000 as repayment of the principal portion of the lease liabilities have been classified as cash flows from financing activities.

There are no other standards that are not yet effective and that are expected to have a material impact on the Group in the current or future reporting periods and on any foreseeable future transactions.

Notes to the Condensed Consolidated Financial Information

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT

The preparation of this unaudited interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this unaudited interim condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to Appendix I of the Prospectus.

4 SEGMENT INFORMATION

Management of the Group, consist of the chief executive officer and the chief operating officer, examines the Group's performance from product perspective and has identified two reportable segments of its business comprising, the Private Label Products segment and the Branded Label Products segment. The Private Label Products segment – Private label products are produced and sold under both OEM and ODM businesses to the brand owners or their licensees. The Branded Label Products segment – Branded label products include products branded under the Group's proprietary Ellehammer brand as well as the licensed brands, distributed through the Group's sales network comprising third party distributors and self-operated distribution channel.

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Sales of goods	168,400	305,771
Timing of revenue recognition		
– At a point in time	168,400	305,771

Notes to the Condensed Consolidated Financial Information

4 SEGMENT INFORMATION (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Private label products (Unaudited) HK\$'000	Branded label products (Unaudited) HK\$'000	Intersegment elimination (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Revenue from external customers	97,282	71,118	-	168,400
Inter-segment revenue	37,348	-	(37,348)	-
Total segment revenue	134,630	71,118	(37,348)	168,400
Segment results	1,097	9,014	(3,052)	7,059
Other income				346
Other gains, net				80
Corporate expenses				(12,979)
Loss from operations				(5,494)
Finance income				729
Finance costs				(4,111)
Loss before income tax				(8,876)

Notes to the Condensed Consolidated Financial Information

4 SEGMENT INFORMATION (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Private label products (Unaudited) HK\$'000	Branded label products (Unaudited) HK\$'000	Intersegment elimination (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Revenue from external customers	245,071	60,700	–	305,771
Inter-segment revenue	36,871	–	(36,871)	–
Total segment revenue	281,942	60,700	(36,871)	305,771
Segment results	1,837	6,216	(3,311)	4,742
Other income				541
Other gains, net				153
Corporate expenses				(5,985)
Loss from operations				(549)
Finance income				791
Finance costs				(3,242)
Loss before income tax				(3,000)

Notes to the Condensed Consolidated Financial Information

4 SEGMENT INFORMATION (Continued)

AS AT 30 JUNE 2019

	Private label products (Unaudited) HK\$'000	Branded label products (Unaudited) HK\$'000	Corporate assets (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Non-current assets	41,963	33,020	10,089	85,072
Current assets	136,165	70,299	150,820	357,284
Total assets	178,128	103,319	160,909	442,356
Segment liabilities	112,294	56,874	–	169,168
Other liabilities	–	–	130,644	130,644
Net assets	65,834	46,445	30,265	142,544

AS AT 31 DECEMBER 2018

	Private label products (Audited) HK\$'000	Branded label products (Audited) HK\$'000	Corporate assets/ (liabilities) (Audited) HK\$'000	Total (Audited) HK\$'000
Non-current assets	43,656	37,689	8,359	89,704
Current assets	212,270	49,151	76,852	338,273
Total assets	255,926	86,840	85,211	427,977
Segment liabilities	196,630	50,466	–	247,096
Other liabilities	–	–	100,816	100,816
Net assets/(liabilities)	59,296	36,374	(15,605)	80,065

Notes to the Condensed Consolidated Financial Information

5 OTHER INCOME

	Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Rental income	347	541
Others	-	29
	347	570

6 OTHER GAINS, NET

	Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
(Loss)/gain on disposal of property, plant and equipment	(20)	3
Fair value gain on an investment property	100	150
	80	153

Notes to the Condensed Consolidated Financial Information

7 EXPENSES BY NATURE

	Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Cost of inventories sold	88,638	197,418
Employee benefit expenses	44,868	61,669
Transportation and freight charges	7,098	11,911
Directors' emoluments	2,624	2,999
Listing expenses	12,739	5,751
Depreciation of property, plant and equipment	2,357	2,602
Depreciation of right of use asset	3,560	–
Amortisation of intangible assets	4,196	4,849
Amortisation of prepaid land lease payments	–	19
Legal and professional fees	494	427
Others	7,747	19,398
	174,321	307,043

8 FINANCE COSTS, NET

	Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Finance income		
– Interest income from bank deposits	315	458
– Interest income from related companies	414	333
	729	791
Finance costs		
– Interest expenses on bank borrowings and bank overdrafts	(3,766)	(2,927)
– Interest expenses on finance lease	(105)	(115)
– Notional interest on license fee payable	(240)	(200)
	(4,111)	(3,242)
Finance costs, net	(3,382)	(2,451)

Notes to the Condensed Consolidated Financial Information

9 INCOME TAX EXPENSE

Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profit for the six months ended 30 June 2019. The Group's subsidiaries in the PRC are subject to the China Corporate Income Tax ("CIT") at a rate of 25% for the six months ended 30 June 2019. The Group's subsidiaries in Denmark are subject to the income tax at the rate of 22% for the six months ended 30 June 2019.

The amount of taxation charged/(credited) to profit or loss represents:

	Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Current income tax		
– Hong Kong profits tax	(868)	1,904
– China corporate income tax ("CIT")	53	(939)
– Denmark income tax	975	(1,035)
Deferred income tax charged/(credited)	289	(178)
	449	(248)

10 LOSS PER SHARE

The basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2019 and 2018. The weighted average number of ordinary shares used for such purpose has been retrospectively adjusted for the effects of issuance of shares of the Capitalisation Issue (as defined in Note 17).

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Loss for the year (HK\$'000)	(9,325)	(2,752)
Weighted average number of shares in issue (thousand)	831,889	830,000
Basic loss per share (HK\$ cent)	(1.12)	(0.33)
Diluted loss per share (HK\$ cent)	(1.12)	(0.33)

There were no potentially dilutive ordinary shares outstanding as at 30 June 2019.

Notes to the Condensed Consolidated Financial Information

11 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group had approximately HK\$538,000 (six months ended 30 June 2018: HK\$1,245,000) addition to property, plant and equipment and disposed of property, plant and equipment with a total net carrying amount of approximately HK\$337,000 (six months ended 30 June 2018: Nil).

12 INTANGIBLE ASSETS

During the six months ended 30 June 2019, the Group did not acquire or dispose any intangible assets (six months ended 30 June 2018: Nil). No impairment was recognised during the six months ended 30 June 2019 and 2018.

13 TRADE RECEIVABLES

Majority of payment terms with customers are within 60 to 90 days. As at 30 June 2019 and 31 December 2018, the aging analysis of trade and bills receivables and net of allowances based on invoice date are as follows:

	As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
0-30 days	42,295	119,364
31-60 days	16,592	31,845
61-90 days	3,722	32,212
Over 90 days	57,079	4,841
	119,688	188,262

Notes to the Condensed Consolidated Financial Information

14 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
Unlisted investment:		
– Key management insurance contract	7,135	7,002

15 TRADE AND BILLS PAYABLES

	As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
Trade payables	45,359	105,742
Bills payables	95,237	72,263
	140,596	178,005

Majority of payment terms with suppliers are within 60 to 90 days. The carrying amounts of trade and other payables approximate their fair values. As at 30 June 2019 and 31 December 2018, the aging analysis of the trade and bills payable of the Group by invoice date is as follows:

	As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
0-30 days	43,136	45,557
31-60 days	31,329	60,459
61-90 days	16,325	43,285
Over 90 days	49,806	28,704
	140,596	178,005

Notes to the Condensed Consolidated Financial Information

16 BANK AND OTHER BORROWINGS

	As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
Bank overdrafts	22,127	17,023
Term loans	24,917	27,198
Factoring loans	15,326	44,850
	62,370	89,071

For the year ended 31 December 2018 and the six months ended 30 June 2019, the interest rates of the bank loans ranged from 3.5% to 5.3% and 3.4% to 5.6% per annum, respectively. Term loans subject to a repayment on demand clause for the banks are classified as current liabilities in the condensed consolidated statement of financial position.

17 SHARE CAPITAL

	Number of ordinary shares	Share capital HK\$'000
Authorised:		
At 31 December 2018, 1 January 2019 and 30 June 2019	10,000,000,000	100,000
Issued and fully paid:		
At 31 December 2018 and 1 January 2019	10,000	—*
Shares issued pursuant to the Capitalisation Issue	829,990,000	8,300
Shares issued pursuant to the share offer upon Listing	170,000,000	1,700
At 30 June 2019	1,000,000,000	10,000

Pursuant to the shareholders' resolutions passed on 30 May 2019, the directors of the Company are authorised to allot and issue a total of 829,990,000 ordinary shares credited as fully paid at par by way of capitalisation of the sum of HK\$8,299,900 standing to the credit of the share premium account upon the Listing (the "Capitalisation Issue").

On 28 June 2019, the shares of the Company were listed on the Main Board of the Stock Exchange. In connection with the Listing completed on 28 June 2019, the Company issued a total of 170,000,000 shares at a price of HK\$0.50 per share for a total proceeds (before related fees and expenses) of HK\$85,000,000.

* Below HK\$1,000.

Notes to the Condensed Consolidated Financial Information

18 INTERIM DIVIDEND

The Board of the Company does not recommend the payment of an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

19 CAPITAL COMMITMENTS

The Group did not have any significant capital commitments as at 30 June 2019 and 31 December 2018.

20 RELATED PARTY TRANSACTIONS

The Directors regard GP Group Investment Holding Limited ("GPG"), a company incorporated in Hong Kong, as the immediate holding company. The Directors regard Berg Group Holding Limited ("Berg Group"), a company incorporated in Hong Kong, as the ultimate holding company.

The Group had the following related party transactions during the period:

	Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Received from related parties:		
Service fee income from		
– Elements Manufactory Limited	162	108
Interest income from		
– Elements Group Denmark ApS	76	–
– Elements Denmark ApS	34	35
– Køkkensnedkeren A/S	304	298
	576	441

21 CONTINGENT LIABILITIES

As at 31 December 2018, performance bonds amounting to approximately HK\$2,990,000 have been issued by a bank on behalf of the Group in favour of the Group's suppliers. The Group did not have any material contingent liabilities as at 30 June 2019.

22 EVENTS AFTER THE REPORTING PERIOD

On 23 August 2019, amounts due from/(to) the ultimate holding company, related companies and a director have been fully settled.

Management Discussion and Analysis

BUSINESS AND FINANCIAL REVIEW

We are one of the established backpack and luggage manufacturers and exporters principally operating in the design, development, manufacture and sales of a diverse product portfolio under our business model. Our backpack and luggage products under such product portfolio are categorised into: (i) private label products; and (ii) branded products covering licensed brand products and proprietary Ellehammer brand products. These products catered to kid, teen, sports, leisure, business, travel and technical segments.

With nearly three decades of operations, our business model has evolved from a traditional original equipment manufacturing (“OEM”) to one that is a combination of OEM, original design manufacturing (“ODM”) and original brand manufacturing (“OBM”) with a diverse customer portfolio comprising private label customers, distributors, wholesalers and retailers. We believe that our business model differentiates us from traditional OEM backpack and luggage manufacturers. Our Directors believe that we distinguish ourselves by our ability in providing full supply chain capabilities covering product design and development, manufacturing production control, quality assurance, sales and marketing, logistics and distribution.

Total revenue for the six months ended 30 June 2019 was approximately HK\$168.4 million, representing a decrease of approximately HK\$137.4 million or 44.9% from approximately HK\$305.8 million as recorded in the corresponding period in 2018. Such decrease was mainly attributable to the decrease in sales of private label products due to delay in certain new product development projects.

The breakdown of the revenue by product portfolio and product category are set out as below:

	Six months ended 30 June 2019		Six months ended 30 June 2018	
	Revenue HK\$'000	%	Revenue HK\$'000	%
Private label products				
Backpack and others	79,759	48	159,737	52
Luggage	17,523	10	85,334	28
Subtotal	97,282	58	245,071	80
Branded products				
Backpack and others	57,685	34	49,354	16
Luggage	13,433	8	11,346	4
Subtotal	71,118	42	60,700	20
Total	168,400	100	305,771	100

Management Discussion and Analysis

Our cost of sales decreased by approximately HK\$122.9 million or approximately 50.2% from approximately HK\$245.0 million for the six months ended 30 June 2018 to approximately HK\$122.1 million for the six months ended 30 June 2019. Such decrease was primarily due to the decrease in cost of inventories sold which was in line with our decreased revenue. Nevertheless, our overall gross profit margin increased from approximately 19.9% for the six months ended 30 June 2018 to approximately 27.5% for the six months ended 30 June 2019. The improvement of gross profit margin was mainly driven up by higher sales proportion of branded label products at higher gross profit margin during the Reporting Period.

Our selling and distribution expenses decreased by approximately HK\$7.1 million from approximately HK\$22.4 million for the six months ended 30 June 2018 to HK\$15.3 million for the six months ended 30 June 2019. Such decrease was in line with the decrease in overall sales during the Reporting Period.

Our administrative expenses decreased by approximately HK\$1.2 million from approximately HK\$39.6 million for the six months ended 30 June 2018 to approximately HK\$38.4 million for the six months ended 30 June 2019. Such decrease was mainly due to the combined effect of (i) an increase in non-recurring listing expenses incurred by approximately HK\$7.0 million during the Reporting Period; (ii) the decrease in exchange losses incurred by approximately HK\$1.9 million upon depreciation of Renminbi against Hong Kong Dollars during the Reporting Period; and (iii) the decrease in general administrative expenses due to the continuous consolidation and streamlining of the supply chain, quality assurance and administrative functions in the various geographical locations of the Group.

Our finance costs increased by approximately HK\$0.9 million from approximately HK\$3.2 million for the six months ended 30 June 2018 to approximately HK\$4.1 million for the six months ended 30 June 2019. Such increase was mainly due to the increase in the overdraft/bills payables level and overall interest rate during the Reporting Period.

Our Group's income tax expense increased by approximately HK\$0.7 million to approximately HK\$0.5 million for the six months ended 30 June 2019 from income tax credit of approximately HK\$0.2 million for the six months ended 30 June 2018.

Loss attributable to shareholders of the Company increased by approximately HK\$6.5 million to approximately HK\$9.3 million for the six months ended 30 June 2019, compared with approximately HK\$2.8 million for the corresponding period in 2018.

Management Discussion and Analysis

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL EXPENDITURE

As at 30 June 2019, the Group had cash and cash equivalents of approximately HK\$78.1 million. The cash balance increased by approximately HK\$77.5 million as compared to 31 December 2018, mainly due to the issuance of 170,000,000 shares (“New Shares”) at a price of HK\$0.5 per share for a total gross proceeds of HK\$85.0 million in connection with the Listing of the Company’s shares on the Main Board of the Stock Exchange on 28 June 2019.

Our outstanding bank and other borrowings including bank overdraft as at 30 June 2019 were approximately HK\$62.3 million (31 December 2018: HK\$89.1 million). The Group’s borrowings were repayable on demand, which carried interest at rates ranging from 3.4% to 5.6% per annum during the Reporting Period.

The Group’s gearing ratio as at 30 June 2019 was 47.7% (31 December 2018: 117.5%), calculated by dividing total debt by total equity multiplied by 100%. The decrease in gearing ratio was primarily due to the increase in equity as a result of issuing New Shares upon the Listing.

During the six months ended 30 June 2019, the Group incurred capital expenditure of HK\$0.5 million, mainly attributable to the acquisition of property, plant and equipment.

LISTING EXPENSES

Listing expenses represented fees paid/payable to various professional parties in connection with the Listing. Listing expenses recognised in profit or loss for the six months ended 30 June 2019 were approximately HK\$12.7 million (six months ended 30 June 2018: approximately HK\$5.8 million).

CONTINGENT LIABILITIES

As at 31 December 2018, performance bonds amounting to approximately HK\$0.3 million have been issued by a bank on behalf of the Group in favour of the Group’s suppliers. The Group did not have any material contingent liabilities as at 30 June 2019.

Management Discussion and Analysis

EVENTS AFTER THE REPORTING PERIOD

On 23 August 2019, amounts due from/(to) the ultimate holding company, related companies and a director have been fully settled.

CAPITAL COMMITMENT

Details of capital commitment of the Group as at 30 June 2019 are set out in note 19 to the Group's unaudited interim condensed consolidated financial information for the six months ended 30 June 2019.

SEGMENTAL INFORMATION

Details of the operating segmental information of the Group are set out in note 4 to the Group's unaudited condensed interim consolidated financial information for the six months ended 30 June 2019.

EMPLOYEE INFORMATION

As at 30 June 2019, the Group had approximately 938 employees. Salaries and benefits of the Group's employees were kept at a market level and employees were rewarded on a performance-related basis. Remuneration is reviewed annually. Staff benefits include contribution to mandatory contribution fund, discretionary bonus and share options. As at the date of this report, no share option has been granted or agreed to be granted to employees of the Group.

SIGNIFICANT INVESTMENTS HELD

As at 30 June 2019, there were no material investments held by the Group (31 December 2018: Nil).

Management Discussion and Analysis

CHARGE ON ASSETS

As at 30 June 2019, the following assets were pledged to banks to secure general banking facilities granted to the Group:

- (i) Land and buildings with carrying values of approximately HK\$21.0 million (31 December 2018: approximately HK\$21.4 million);
- (ii) Prepaid land use rights with carrying value of approximately HK\$1.3 million (31 December 2018: approximately HK\$1.4 million);
- (iii) Pledged deposits of approximately HK\$28.1 million (31 December 2018: approximately HK\$26.0 million);
- (iv) Inventories and trade receivables of approximately HK\$37.9 million (31 December 2018: approximately HK\$24.9 million); and
- (v) A key management insurance contract of approximately HK\$7.1 million (31 December 2018: approximately HK\$7.0 million).

FOREIGN CURRENCY EXPOSURE

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States dollars ("US\$") and Renminbi ("RMB"). Any significant fluctuation in the exchange rates between RMB and US\$ may affect the profitability. The Group currently does not have a foreign currency hedging policy. The Group will continue to monitor its foreign currency exposure closely and consider hedging significant foreign currency exposure should the need arise.

Management Discussion and Analysis

OUTLOOK AND PROSPECTS

Our Directors are aware of the recent development of the trade dispute between the U.S. and the PRC, which may pose threats to Mainland-based manufacturers in general. However, as our products that are sold and delivered to the U.S. are mainly sold on a free-on-board basis, we are not deemed to be the importer of our products, and the burden is borne by our customers rather than the Group. Our Directors believe that the imposed tariffs on a large number of China-made consumer goods, is likely to generate price inflation pressure, due to capacity constraints elsewhere in Asia, forcing US consumers, retailers and their suppliers to absorb some of the cost burden. Furthermore some “rebalancing” of global trade is possible since drastic capacity reduction in Chinese factories is unlikely given fast domestic demand growth and a possible shift of sales to Europe. The Group has observed reactions from some manufacturers, motivated to move sourcing out of China, but the available capacity in alternative production centres is limited, and will not be able to support the US market request for “outside china” supply.

Looking forward, we believe that we can deploy a number of strategies to mitigate any potential impact of the U.S. tariffs, including (i) passing the tariff in part or in full onto the end users in collaboration with our customers and (ii) engaging manufacturers in other APAC countries to take up our production orders. Due to the high technical specifications of the products manufactured by us, our customers are confident that the increase in costs, over time, can be passed onto the end users. The continuous escalation of the trade dispute, makes for an unstable business-environment and the Group will stay tuned to the latest global political and economic developments, so as to be kept alert of the challenges ahead and adjust to market changes.

On the other hand, our Directors believe that a listing status on the Stock Exchange can strengthen the Group’s reputation, credibility and competitiveness to facilitate our business development. The increased level of information transparency after the Listing would also give our existing and prospective customers and suppliers the public access to the Group’s corporate and financial information, which could generate further confidence in the Group among them. The status of being a listed company in Hong Kong would also raise the Group’s reputation amongst our competitors which would help implement our business strategies and expand our customer base and our market share in the industry. Also, the Listing will provide us with additional avenues to raise capital in the long run and ultimately lay a solid foundation for our business.

Going forward, the Group will continue to strengthen our position and competitive edges in the backpack and luggage industry by staying focused on intensifying our design and development competence, expanding our sales and marketing network and reinforcing our manufacturing capabilities with cost efficiency management. By implementing these strategies, we shall keep on reinforcing the OEM-ODM-OBM transformation with premium to the Group’s product/service offerings, and ultimately enhance the long-term growth potential of the Company and its shareholders’ value.

Management Discussion and Analysis

USE OF PROCEEDS FROM LISTING

The proceeds were only available upon the Listing on 28 June 2019, which was not in use during the Reporting Period. Net proceeds from the Listing will be used in the manner consistent with that mentioned in the Prospectus.

CORPORATE GOVERNANCE

Immediately following the date of Listing, the Company has complied with all the code provisions set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

MODEL CODE OF CONDUCT OF DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors’ transactions in securities of the Company (the “Company’s Code”) on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the “Model Code”). After specific enquiry made by the Company, all of the Directors confirmed that they have complied with the required standard set out in the Model Code and the Company’s Code throughout the period commencing from 28 June 2019 to the date of this report.

INTERIM DIVIDEND

The Board does not recommend any interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as of the date of this report, the Company maintained the prescribed public float of no less than 25% as required under the Listing Rules.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the Reporting Period under review, there was no acquisition or disposal of subsidiaries and associated companies by the Company.

SHARE OPTION SCHEME

A share option scheme of the Company was adopted on 30 May 2019. There was no outstanding share option as at 1 January 2019 and 30 June 2019, respectively. No share options were granted, exercised, cancelled or lapsed during the Reporting Period.

Other Information

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY SPECIFIED UNDERTAKING OF THE COMPANY OR ANY OTHER ASSOCIATED CORPORATION

As at 30 June 2019, the Directors' and chief executives' interests and/or short positions in the shares, underlying shares and debentures of the Company or any specified undertaking of the Company or any other associated corporation as recorded in the register required to be kept under section 352 of Part XV of the Securities and Futures Ordinance (the "SFO") or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long position in shares of the Company

Director	Nature of interest	Number of shares	Percentage of issued share capital
Mr. Thomas Berg ("Mr. Berg") ^(Note 2)	Interest in controlled corporation	617,000,000(L) ^(Note 1)	61.7%

Notes:

- The letter (L) denotes the entity's long position in the shares of the company concerned.
- GPG is controlled by Berg Group and Berg Group is wholly-owned by Mr. Berg. By virtue of the SFO, Mr. Berg is deemed to have an interest in the shares held by Berg Group and each of Mr. Berg and Berg Group is deemed to have an interest in the shares held by GPG.

Long position in the ordinary shares of associated corporation:

Directors	Name of associated corporation	Nature of Interest	Number of shares	Percentage of issued share capital
Mr. Berg ^(Note 2)	GPG	Interest in controlled corporation	8,870(L) ^(Note 1)	88.7%
Mr. Morten Rosholm Henriksen ("Mr. Henriksen") ^(Note 3)	GPG	Interest in controlled corporation	1,130(L) ^(Note 1)	11.3%

Notes:

- The letter (L) denotes the entity's long position in the shares of the company concerned.
- The aggregate 8,870 shares of GPG which Mr. Berg is interested consist of (i) 5,515 shares of GPG held by Berg Group, a company wholly owned by Mr. Berg, in which Mr. Berg is deemed to be interested under the SFO; (ii) 2,338 shares of GPG held by Elect Lead Limited, a company wholly-owned by Mr. Berg, in which Mr. Berg is deemed to be interested under the SFO; and (iii) 1,017 shares of GPG held by Easy Achiever Holdings Limited, a company wholly owned by Mr. Berg, in which Mr. Berg is deemed to be interested under the SFO.
- 1,130 shares of GPG is held by Rosholm Holding ApS, a company wholly owned by Mr. Henriksen and Mr. Henriksen is deemed to be interested under the SFO.

Save as disclosed above, as at 30 June 2019, there is no interests or short positions of the Directors and chief executives 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 SFO).

Other Information

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

So far as known to the Directors or chief executive of the Company, immediately following completion of the Listing and as at 30 June 2019, the following persons have interests or short positions in our shares or underlying shares which would fall 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 who are directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group as follows:

Shareholder	Nature of interest	Number of shares	Percentage of issued share capital
Berg Group ^(Note 2)	Interest in controlled corporation	617,000,000(L) ^(Note 1)	61.7%
GPG ^(Note 2)	Beneficial owner	617,000,000(L) ^(Note 1)	61.7%
Mr. Choi Chung Yin ("Mr. Choi") ^(Note 3)	Interest in controlled corporation	133,000,000(L) ^(Note 1)	13.3%
Favourable Outcome Limited ^(Note 3)	Beneficial owner	133,000,000(L) ^(Note 1)	13.3%

Notes:

1. The letter (L) denotes the entity's long position in the shares of the company concerned.
2. GPG is controlled by Berg Group and Berg Group is wholly-owned by Mr. Berg. By virtue of the SFO, Mr. Berg is deemed to have an interest in the shares held by Berg Group and each of Mr. Berg and Berg Group is deemed to have an interest in the shares held by GPG.
3. Favourable Outcome Limited is owned as to 70% by Mr. Choi. By virtue of the SFO, Mr. Choi is deemed to have an interest in the shares held by Favourable Outcome Limited.

Save as disclosed above, and as at 30 June 2019, the Directors were not aware of any persons, other than the Directors or chief executive of the Company, who had any interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group.

Other Information

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Other than the Scheme and as disclosed under the section "Directors' and Chief Executive's Interests and/or Short Positions in the Shares, Underlying Shares and Debentures of the Company or any Specified Undertaking of the Company or any Associated Corporation" above, at no time since the Listing and up to the date of this report, was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executive of the Company or their respective associates (as defined in the Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) or to acquire benefits by means of acquisitions of shares in, or debentures of, the Company or any other body corporate.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

AUDIT COMMITTEE AND REVIEW OF UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

Pursuant to Rule 3.21 of the Listing Rules, the Company established an audit committee (the "Audit Committee") with written terms of reference aligned with the CG Code. The Audit Committee comprises three independent non-executive Directors, namely Mr. Tang Tin Lok Stephen, Mr. Lau Ning Wa Ricky and Ms. Zhou Jing. The Audit Committee is chaired by Mr. Tang Tin Lok Stephen and is responsible for assisting the Board in safeguarding the Group's assets by providing an independent review of the effectiveness of the financial reporting process and the internal controls and risk management systems of the Group. It also performs other duties and responsibilities as assigned by the Board.

The Audit Committee has discussed with the management of the Group and reviewed the unaudited interim condensed consolidated financial information of the Group for the six months ended 30 June 2019, including the accounting principles and practices adopted by the Group, and discussed financial related matters. The Audit Committee is of the view that such financial information has complied with the applicable accounting standards and adequate disclosures have been made.

By Order of the Board
Grown Up Group Investment Holdings Limited
Thomas Berg
Chairman and Executive Director

Hong Kong, 30 August 2019

As at the date of this report, the executive Directors of the Company are Mr. Thomas Berg, Mr. Morten Rosholm Henriksen and Mr. Cheng Wai Man; the non-executive Directors of the Company are Mr. Fung Bing Ngon Johnny and Mr. Xiong Jianrui; and the independent non-executive Directors of the Company are Mr. Tang Tin Lok Stephen, Mr. Lau Ning Wa Ricky and Ms. Zhou Jing.