

CEC-COILS® 759 阿信屋®

CEC國際控股有限公司
CEC INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
(於百慕達註冊成立之有限公司)

(Stock Code 股份代號: 759)

INTERIM REPORT 中期報告
2019/2020

Contents

1	Corporate Information
2	Condensed Consolidated Income Statement
3	Condensed Consolidated Statement of Comprehensive Income
4	Condensed Consolidated Statement of Financial Position
5	Condensed Consolidated Statement of Changes in Equity
6	Condensed Consolidated Statement of Cash Flows
7	Notes to the Condensed Consolidated Financial Statements
22	Management Discussion and Analysis
27	Other Information

Corporate Information

DIRECTORS

Executive Directors

Ms. Tang Fung Kwan
(Chairman and Managing Director)
Mr. Ho Man Lee
Mr. Lam Kwok Chung

Independent Non-executive Directors

Mr. Au Son Yiu
Mr. Goh Gen Cheung
Mr. Chan Chiu Ying

AUDIT COMMITTEE

Mr. Chan Chiu Ying (Chairman)
Mr. Au Son Yiu
Mr. Goh Gen Cheung

REMUNERATION COMMITTEE

Mr. Au Son Yiu (Chairman)
Mr. Goh Gen Cheung
Ms. Tang Fung Kwan
Mr. Chan Chiu Ying

NOMINATION COMMITTEE

Ms. Tang Fung Kwan (Chairman)
Mr. Au Son Yiu
Mr. Goh Gen Cheung
Mr. Chan Chiu Ying

COMPANY SECRETARY

Ms. Ho Wing Yi

PRINCIPAL BANKERS

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(Hong Kong) Limited
The Hongkong and Shanghai
Banking Corporation Limited

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Hamilton HM 10
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

2nd Floor, Hing Win Factory Building
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Kwun Tong, Kowloon
Hong Kong

HEADQUARTERS IN MAINLAND CHINA

Li Xin Jie, Yong An Lu
Dong Feng Zhen
Zhongshan
Guangdong
China

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

LEGAL ADVISERS

F. Zimmern & Co.
Appleby

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Listed on The Stock Exchange
of Hong Kong Limited
Stock Code: 759

2019/2020 Interim Results

The Board of Directors (the “Board”) of CEC International Holdings Limited (the “Company”) would like to present the unaudited condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 31 October 2019 and the unaudited condensed consolidated statement of financial position of the Group as at 31 October 2019.

Condensed Consolidated Income Statement

	Note	Six months ended 31 October	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Revenue	2	903,841	914,204
Cost of sales		(594,716)	(601,211)
Gross profit		309,125	312,993
Other gains/(losses), net	3	4,327	(1,204)
Selling and distribution expenses		(241,224)	(249,309)
General and administrative expenses		(50,916)	(51,097)
Operating profit	4	21,312	11,383
Finance income		130	12
Finance costs		(16,238)	(9,941)
Finance costs, net	5	(16,108)	(9,929)
Profit before income tax		5,204	1,454
Income tax expense	6	(134)	(23)
Profit attributable to equity holders of the Company for the period		5,070	1,431
Earnings per share, basic and diluted, attributable to equity holders of the Company	7	0.76 cents	0.21 cents

Condensed Consolidated Statement of Comprehensive Income

	Six months ended 31 October	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Profit for the period	5,070	1,431
Other comprehensive loss		
– items that may be reclassified to profit or loss		
Currency translation differences	(15,338)	(32,294)
– item that will not be reclassified to profit or loss		
Change in fair value of financial assets at fair value through other comprehensive income	(57)	(142)
Total comprehensive loss for the period	(10,325)	(31,005)

INTERIM REPORT 2019/2020

Condensed Consolidated Statement of Financial Position

	Note	As at 31 October 2019 HK\$'000 (Unaudited)	As at 30 April 2019 HK\$'000 (Audited)
ASSETS			
Non-current assets			
Land use rights		–	16,779
Property, plant and equipment		392,920	409,039
Right-of-use assets		259,273	–
Investment properties		28,094	28,735
Financial assets at fair value through other comprehensive income		242	299
Rental deposits		44,225	48,223
Deferred tax assets		19,281	17,639
		744,035	520,714
Current assets			
Inventories		363,786	367,133
Accounts and bills receivable	9	19,501	21,169
Deposits, prepayments and other receivables		42,558	42,244
Pledged bank deposits		25,253	19,629
Cash and cash equivalents		52,660	49,501
		503,758	499,676
Non-current asset held-for-sale		–	778
		503,758	500,454
Total assets		1,247,793	1,021,168
EQUITY			
Share capital	10	66,619	66,619
Reserves		342,368	359,044
Total equity		408,987	425,663
LIABILITIES			
Non-current liabilities			
Lease liabilities		108,529	–
Deferred tax liabilities		4,861	4,661
Provision for reinstatement cost		1,980	1,666
		115,370	6,327
Current liabilities			
Borrowings	11	382,141	388,452
Accounts payable	12	132,224	130,360
Lease liabilities		150,504	–
Accruals and other payables		58,536	70,317
Taxation payable		31	49
		723,436	589,178
Total liabilities		838,806	595,505
Total equity and liabilities		1,247,793	1,021,168

Condensed Consolidated Statement of Changes in Equity (Unaudited)

	Share Capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	Investment revaluation reserve HK\$'000	Property revaluation reserve HK\$'000	Statutory reserves HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
Balance at 1 May 2018	66,619	25,075	13,934	5,042	224	7,450	19,632	102,179	215,229	455,384
Profit for the period	-	-	-	-	-	-	-	-	1,431	1,431
Other comprehensive loss:										
Currency translation differences	-	-	-	-	-	-	-	(32,294)	-	(32,294)
Change in fair value of financial assets at fair value through other comprehensive income	-	-	-	-	(142)	-	-	-	-	(142)
Total comprehensive loss	-	-	-	-	(142)	-	-	(32,294)	1,431	(31,005)
Balance at 31 October 2018	66,619	25,075	13,934	5,042	82	7,450	19,632	69,885	216,660	424,379
Balance at 30 April 2019 (originally stated)	66,619	25,075	13,934	5,042	161	7,450	19,632	82,042	205,708	425,663
Change in accounting policies (Note 1 (I) (a))	-	-	-	-	-	-	-	-	(6,351)	(6,351)
Balance at 1 May 2019 (as restated)	66,619	25,075	13,934	5,042	161	7,450	19,632	82,042	199,357	419,312
Profit for the period	-	-	-	-	-	-	-	-	5,070	5,070
Other comprehensive loss:										
Currency translation differences	-	-	-	-	-	-	-	(15,338)	-	(15,338)
Change in fair value of financial assets at fair value through other comprehensive income	-	-	-	-	(57)	-	-	-	-	(57)
Total comprehensive loss	-	-	-	-	(57)	-	-	(15,338)	5,070	(10,325)
Balance at 31 October 2019	66,619	25,075	13,934	5,042	104	7,450	19,632	66,704	204,427	408,987

Condensed Consolidated Statement of Cash Flows

	Six months ended 31 October	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Cash flows from operating activities		
Cash generated from operations	135,180	55,549
Overseas tax paid	(146)	(118)
Net cash generated from operating activities	135,034	55,431
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,915)	(4,985)
Proceeds from disposal of investment properties	–	6,680
Proceeds from disposal of property, plant and equipment	5,900	476
Net cash generated from investing activities	1,985	2,171
Cash flows from financing activities		
Proceeds from borrowings	564,881	561,785
Repayments of borrowings	(569,528)	(552,893)
Increase in pledged bank deposits	(5,624)	(6,680)
Interest received	130	12
Interest paid	(9,217)	(9,941)
Payment of lease liabilities	(102,807)	–
Net cash used in financing activities	(122,165)	(7,717)
Increase in cash and cash equivalents	14,854	49,885
Exchange difference	(10,032)	(20,146)
Cash and cash equivalents at the beginning of the period	47,771	13,006
Cash and cash equivalents at the end of the period	52,593	42,745

Notes to the Condensed Consolidated Financial Statements

1. Basis of preparation and accounting policies

These unaudited condensed consolidated interim financial statements (the “Interim Financial Statements”) have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim financial reporting”, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The Interim Financial Statements should be read in conjunction with the annual financial statements for the year ended 30 April 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

The preparation of the Interim Financial Statements 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 these Interim Financial Statements, the significant judgements made by management in applying the group’s accounting policies and key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 30 April 2019.

The Group’s operations are financed by both bank borrowings and internal resources. As at 31 October 2019, the Group’s current liabilities exceeded its current assets by HK\$219,678,000 (30 April 2019: HK\$88,724,000). This liquidity shortfall was attributable to (i) certain of the Group’s non-current assets including property, plant and equipment and long term rental deposits are financed mainly by the Group’s internal funding and short term bank borrowings, (ii) the adoption of HKFRS16 “Leases” resulted in the recognition of lease liabilities of HK\$150,504,000 in current liabilities and HK\$108,529,000 in non-current liabilities, respectively, while the associated right-of-use assets amounting to HK\$259,273,000 were recognised in non-current assets and (iii) bank borrowings amounting to HK\$6,250,000 which are contractually due for repayment after one year and contain a repayable on demand clause have been classified as current liabilities in accordance with HK Interpretation 5, “Presentation of Financial Statements – Classification by the Borrower of a Term Loan that contains a Repayable on Demand Clause”. As at 31 October 2019, the Group’s total borrowings, including the above borrowing of HK\$6,250,000 with repayment on demand clause and original maturity beyond 31 October 2020, amounted to HK\$382,141,000 (30 April 2019: HK\$388,452,000) and are repayable within twelve months from 31 October 2019. The Group’s cash and cash equivalents (net of bank overdrafts) amounted to HK\$52,593,000 (30 April 2019: HK\$47,771,000) as at 31 October 2019.

Amid the challenging business environment, the Group had continued to make payment to suppliers of merchandise and renovation of stores according to predetermined schedule, and made scheduled repayment of bank borrowings and interest. The Group also recorded a net cash inflow from operations of HK\$135,034,000 and a cash outflow in relation to lease payments of HK\$102,807,000 during the period.

Notes to the Condensed Consolidated Financial Statements

1. Basis of preparation and accounting policies *(continued)*

The management closely monitors the Group's financial performance and liquidity position to assess the Group's ability to continue as a going concern. In view of these circumstances, the management has been continuously implementing measures to improve profitability, control operating costs and contain capital expenditures in order to improve the Group's operating performance and alleviate its liquidity risk. These measures include (i) continuously remapping its marketing strategies and pricing policies, (ii) continuing its measures to control capital and operating expenditures, and (iii) negotiating with the landlords for rental reduction upon renewal of relevant tenancy agreements. The management believes that these measures will further improve the Group's operating profitability and the resulting cash flows. With respect to the Group's bank financing, the Group maintains continuous communication with its banks and has successfully renewed the bank facilities with its principal bank during the six months ended 31 October 2019. As at 31 October 2019, the Group had unutilised bank facilities of HK\$131,909,000 in which unutilised trade financing facilities amounted to HK\$114,176,000 and unutilised term loan and overdraft facilities amounted to HK\$17,733,000. Based on the latest communications with the banks, the directors of the Company are not aware of any intention of the principal banks to withdraw their bank facilities or require early repayment of the borrowings, and the directors believe that the existing bank facilities will be renewed when their current terms expire given the good track records and relationships the Group has with the banks.

The Company's directors have reviewed the Group's cash flow projections prepared by the management. The cash flow projections cover a period of not less than twelve months from 31 October 2019. Based on these cash flow projections, the Group will have sufficient financial resources to meet its financial obligations as and when they fall due in the coming twelve months from 31 October 2019. Management's projections make key assumptions with regard to the anticipated cash flows from the Group's operations, capital expenditures and the continuous availability of bank facilities. The Group's ability to achieve the projected cash flows depends on management's ability to successfully implement the aforementioned improvement measures on profitability and liquidity, the continuous availability of bank facilities from its banks and the continuous compliance with all restrictive financial covenant requirements. The directors, after making due enquiries and considering the basis of management's projections described above and after taking into account the reasonably possible changes in the operational performance and the successful renewal and continuous availability of the bank facilities, believe that there will be sufficient financial resources to meet its financial obligations as and when they fall due in the coming twelve months from 31 October 2019. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 30 April 2019, as described in those annual financial statements.

Notes to the Condensed Consolidated Financial Statements

1. Basis of preparation and accounting policies *(continued)*

1) New and amended standards adopted by the Group

The following new standards and amendments are mandatory for the financial year beginning on 1 May 2019.

Amendments to Annual Improvement Project	Annual Improvements 2015-2017 Cycle
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments

Except for the adoption of HKFRS 16 as described below, the adoption of these amendments to standards and interpretation did not have any significant impact on the preparation of these condensed consolidated interim financial information.

Adoption of HKFRS 16 “Leases”

The Group has adopted HKFRS 16 retrospectively from 1 May 2019 without restating comparatives as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening condensed consolidated statement of financial position on 1 May 2019.

Notes to the Condensed Consolidated Financial Statements

1. Basis of preparation and accounting policies (continued)

1) New and amended standards adopted by the Group (continued)

Adoption of HKFRS 16 "Leases" (continued)

(a) Adjustments recognised on adoption of HKFRS 16

The following table shows the adjustment for change in accounting policy recognised for each individual line item. Line items that were not affected by the changes have not been included.

As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

Condensed consolidated statement of financial position (extract)	30/4/2019 (as originally presented) HK\$'000	Effect on adoption of HKFRS 16 HK\$'000	1/5/2019 (as restated) HK\$'000
Non-current assets			
Right-of-use assets	–	286,871	286,871
Land use rights	16,779	(16,779)	–
Property, plant and equipment	409,039	(1,073)	407,966
Deferred tax assets	17,639	1,447	19,086
Current assets			
Deposits, prepayments and other receivables	42,244	(3,070)	39,174
Equity			
Reserves	359,044	(6,351)	352,693
Non-current liabilities			
Lease liabilities	–	(124,459)	(124,459)
Current liabilities			
Lease liabilities	–	(159,608)	(159,608)
Accruals and other payables	(70,317)	10,320	(59,997)

On 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". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 May 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 May 2019 was about 4.8%.

Notes to the Condensed Consolidated Financial Statements

1. Basis of preparation and accounting policies (continued)

1) New and amended standards adopted by the Group (continued)

Adoption of HKFRS 16 "Leases" (continued)

(a) Adjustments recognised on adoption of HKFRS 16 (continued)

	HK\$'000
Operating lease commitments disclosed as at 30 April 2019	337,069
(Less): Leases committed but not yet commenced as at 1 May 2019	(24,524)
(Less): Effect of discounting at incremental borrowing rate as at 1 May 2019	(24,385)
(Less): short-term leases recognised on a straight-line basis as expense	(4,093)
Lease liabilities recognized as at 1 May 2019	284,067
Of which are:	
Current lease liabilities	159,608
Non-current lease liabilities	124,459
	284,067

The associated right-of-use assets were measured on a retrospective basis as if the new rules had always been applied, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 30 April 2019.

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

	31/10/2019	1/5/2019
	HK\$'000	HK\$'000
Properties leases	243,075	270,092
Land use rights	16,198	16,779
Total right-of-use assets	259,273	286,871

Notes to the Condensed Consolidated Financial Statements

1. Basis of preparation and accounting policies *(continued)*

1) New and amended standards adopted by the Group *(continued)*

Adoption of HKFRS 16 “Leases” (continued)

(a) **Adjustments recognised on adoption of HKFRS 16** *(continued)*

(i) *Practical expedients applied*

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the use of recognition exemption to lease with a remaining lease term of less than 12 months at 1 May 2019;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17.

(ii) *The Group’s leasing activities and how these are accounted for*

Rental contracts are typically made for fixed periods. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The Group also leases certain land use rights in Mainland China. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Before the adoption of the standard, leases of premises were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 May 2019, leases are recognised as right-of-use assets and corresponding liabilities at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the lease liabilities and finance costs. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset’s useful life and the lease term on a straight-line basis.

Notes to the Condensed Consolidated Financial Statements

1. Basis of preparation and accounting policies *(continued)*

1) New and amended standards adopted by the Group *(continued)*

Adoption of HKFRS 16 "Leases" (continued)

(a) **Adjustments recognised on adoption of HKFRS 16** *(continued)*

(ii) *The Group's leasing activities and how these are accounted for (continued)*

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received; and
- restoration costs

Payments associated with short-term leases is recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Some property leases contain variable payment terms that are linked to sales generated from a store. There is a wide range of sales percentages applied. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

Notes to the Condensed Consolidated Financial Statements

1. Basis of preparation and accounting policies *(continued)*

II) New and amended standards that have been issued but not yet effective

The following new standards and amendments have been issued but are not effective for the financial year beginning on or after 1 May 2019 and have not been early adopted by the Group.

Amendments to HKFRS 3 (Revised)	Definition of a Business
Amendments to HKAS 1 and HKAS 8 (Amendment)	Definition of Material
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting
HKFRS 17	Insurance Contracts
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Group is in the process of making an assessment on the impact of these new/revised standards and amendments to existing standard and is not yet in a position to state whether they would have a significant impact on its results of operation and financial position.

2. Segment information

The Executive Directors of the Group (“Management”) review the Group’s internal reports periodically in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Group has three reportable segments, namely (i) retail business, (ii) electronic components manufacturing, and (iii) investment property holdings. Segment information provided to Management for decision-making is measured in a manner consistent with that in the Interim Financial Statements.

Notes to the Condensed Consolidated Financial Statements

2. Segment information (continued)

	Retail business		Electronic components manufacturing		Investment property holdings		Eliminations		Total	
	Six months ended 31 October		Six months ended 31 October		Six months ended 31 October		Six months ended 31 October		Six months ended 31 October	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue										
External sales	863,841	852,769	39,381	61,157	619	278	-	-	903,841	914,204
Intersegment sales	-	-	-	-	792	792	(792)	(792)	-	-
	863,841	852,769	39,381	61,157	1,411	1,070	(792)	(792)	903,841	914,204
Segment results										
Operating profit/(loss)	20,885	2,341	4,946	15,757	(159)	(1,815)			25,672	16,283
Corporate expenses									(4,360)	(4,900)
Finance costs, net									(16,108)	(9,929)
Profit before income tax									5,204	1,454
Income tax									(134)	(23)
Profit for the period									5,070	1,431
Depreciation of right-of-use assets	95,083	-	248	-	-	-			95,331	-
Depreciation of property, plant and equipment and amortisation	10,910	12,230	2,537	3,121	-	-			13,447	15,351
Distribution expenses and administrative expenses	281,919	293,619	5,083	1,344	778	543			287,780	295,506

Notes to the Condensed Consolidated Financial Statements

2. Segment information (continued)

	Retail business		Electronic components manufacturing		Investment property holdings		Eliminations		Total	
	As at	As at	As at	As at	As at	As at	As at	As at	As at	
	31/10/2019	30/4/2019	31/10/2019	30/4/2019	31/10/2019	30/4/2019	31/10/2019	30/4/2019	31/10/2019	30/4/2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	982,831	755,676	221,033	223,017	28,971	29,922	(4,426)	(5,239)	1,228,409	1,003,376
Unallocated assets										
- Deferred income tax									19,281	17,639
- Corporate assets									103	153
Total assets									1,247,793	1,021,168
Segment liabilities	436,668	182,710	13,904	18,505	4,596	5,380	(4,426)	(5,239)	450,742	201,356
Borrowings									382,141	388,452
Unallocated liabilities										
- Deferred income tax									4,861	4,661
- Taxation payable									31	49
- Corporate liabilities									1,031	987
Total liabilities									838,806	595,505

Geographical information

	Revenue		Non-current assets	
	Six months ended		As at	
	31 October		As at	
	2019	2018	31/10/2019	30/4/2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The PRC (including the Hong Kong Special Administrative Region)	889,356	890,090	743,980	520,648
Other regions	14,485	24,114	55	66
	903,841	914,204	744,035	520,714

Revenue by geographical location is determined on the basis of the destination of shipment or place of sales to the customers.

Non-current assets by geographical location are determined based on the location of the relevant assets.

Notes to the Condensed Consolidated Financial Statements

3. Other gains/(losses), net

	Six months ended	
	31 October	
	2019	2018
	HK\$'000	HK\$'000
Net fair value loss on investment properties	–	(1,550)
Net gain on disposals of property, plant and equipment	4,327	346
	4,327	(1,204)

4. Operating profit

Operating profit is stated after charging the following:

	Six months ended	
	31 October	
	2019	2018
	HK\$'000	HK\$'000
Amortisation of land use rights	–	255
Cost of inventories recognised as expenses included in cost of sales	562,403	549,897
Depreciation of property, plant and equipment	13,447	15,096
Depreciation of right-of-use assets	95,331	–
Employee benefit expenses (including directors' emoluments)	128,556	138,564
Net impairment loss/(reversal of impairment loss) on financial assets	617	(824)

Notes to the Condensed Consolidated Financial Statements

5. Finance costs, net

	Six months ended	
	31 October	
	2019	2018
	HK\$'000	HK\$'000
Interest expense on bank borrowings	9,217	9,941
Interest expense on lease liabilities	7,021	–
Interest income from bank deposits	(130)	(12)
	16,108	9,929

6. Income tax expense

Income tax expense is recognised based on management's estimate of the annual income tax rate expected for the full financial year. The Company is incorporated in Bermuda and is exempted from taxation in Bermuda until 2035. Hong Kong profits tax has been provided at the estimated rate of 16.5% (2018: 16.5%) on the estimated assessable profit for the period. Subsidiaries of the Group in Mainland China are subject to Mainland China enterprise income tax rate at the estimated rate of 25% (2018: 25%) on their taxable income determined according to Mainland China tax laws. Other overseas taxation has been calculated on the estimated assessable profits for the period at the rates prevailing in the respective jurisdictions.

The amount of taxation charged to the condensed consolidated income statement represents:

	Six months ended	
	31 October	
	2019	2018
	HK\$'000	HK\$'000
Overseas taxation including Mainland China		
– current tax	129	60
Deferred taxation	5	(37)
	134	23

Notes to the Condensed Consolidated Financial Statements

7. Earnings per share

The calculation of basic earnings per share for the six months ended 31 October 2019 is based on the consolidated profit for the period of approximately HK\$5,070,000 (2018: HK\$1,431,000) and the weighted average number of 666,190,798 (2018: 666,190,798) shares in issue during the period.

For the six months ended 31 October 2019 and 31 October 2018, diluted earnings per share equals basic earnings per share as there was no dilutive potential share.

8. Dividend

The Board resolved not to declare any interim dividend in respect of the six months ended 31 October 2019 (2018: Nil).

9. Accounts and bills receivable

	As at 31 October 2019 HK\$'000	As at 30 April 2019 HK\$'000
Accounts receivables	24,719	26,437
Less: loss allowance	(5,885)	(5,268)
Accounts receivable – net	18,834	21,169
Bills receivable	667	–
Accounts and bills receivable – net	19,501	21,169

Notes to the Condensed Consolidated Financial Statements

9. Accounts and bills receivable (continued)

The ageing analysis of accounts receivable, based on invoice date, is as follows:

	As at 31 October 2019 HK\$'000	As at 30 April 2019 HK\$'000
0-30 days	9,358	10,368
31-60 days	5,293	5,853
61-90 days	1,555	1,631
91-120 days	2,369	2,370
Over 120 days	6,144	6,215
	24,719	26,437
Less: loss allowance	(5,885)	(5,268)
	18,834	21,169

The Group offers an average credit period ranging from 30 to 120 days to its non-retail business customers.

10. Share capital

	As at 31 October 2019 HK\$'000	As at 30 April 2019 HK\$'000
Authorised:		
1,000,000,000 (As at 30 April 2019: 1,000,000,000) shares of HK\$0.10 each	100,000	100,000
Issued and fully paid:		
666,190,798 (As at 30 April 2019: 666,190,798) shares of HK\$0.10 each	66,619	66,619

11. Borrowings

As at 31 October 2019, bank borrowings of approximately HK\$6,250,000 (at 30 April 2019: HK\$10,000,000) contractually due for repayment after one year but contain a repayment on demand clause have been classified as current liabilities in accordance with the HK Interpretation 5, "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause".

Notes to the Condensed Consolidated Financial Statements

12. Accounts payable

The ageing analysis of accounts payable, based on invoice date, is as follows:

	As at 31 October 2019 HK\$'000	As at 30 April 2019 HK\$'000
0-30 days	82,228	73,918
31-60 days	44,265	45,903
61-90 days	4,085	6,600
91-120 days	1,277	2,694
Over 120 days	369	1,245
	132,224	130,360

13. Related party transactions

	Six months ended 31 October 2019 HK\$'000	2018 HK\$'000
(a) Rental expenses paid to a related company which is owned by directors of the Company	331	189
Rental expenses paid to a director of the Company	147	88
(b) Key management compensation		
Salaries, allowances and other benefits in kind	2,125	1,613
Pension costs – defined contribution plans	144	107
	2,269	1,720

Management Discussion and Analysis

The year of 2019/20 was a year full of challenges. Numerous changes happened in the external environment for every single split second. How the US-China trade war went remained unpredictable. In the meantime, local economy was also affected by a series of disturbance in society. In the period under review, the Group held saving resources as its basic principle, adopting extremely prudent policies, taking restrictive cost control on retail business and electronic component manufacturing business, in order to stay well so as to survive in the economy storm. For the six months ended 31 October 2019, the Group recorded a consolidated income of HK\$903,841,000 (2018: HK\$914,204,000), representing a decrease of 1.1% as compared with that of the same period for last year. In the period under review, the Group benefitted from a revaluation gain of HK\$4,822,000 recognized in a sales transaction of a self-use property for the retail business so that the profit attributable to equity holders increased to HK\$5,070,000 (2018: HK\$1,431,000).

BUSINESS REVIEW

Retail Business

For the six months ended 31 October 2019, the Group's retail business recorded a segment revenue of HK\$863,841,000 (2018: HK\$852,769,000), representing an increase of 1.3% as compared with that of the same period for last year and approximately 96% (2018: 93%) of the total revenue. In term of gross profit, the segment gross profit of the retail business during the period was HK\$298,478,000 (2018: HK\$295,615,000) and the segment gross profit margin was 34.6% (2018: 34.7%), both being similar to those of the same period for last year. In the period, 759 STORE strengthened its portfolio of daily living products, including rice, noodles, food grocery items and frozen food items. Accordingly, the share of snack items and leisure food items in the portfolio decreased. For the product origins, over 85% of products were imported on its own from 61 countries and regions of the globe. As at 31 October 2019, the total inventories of the retail business was HK\$312,585,000 (30 April 2019: HK\$311,559,000), similar to that of the previous financial year end.

To control cost, the Group had decided to close certain stores of relatively high rents, on the other hand searched for potential shop sites that are less prominent and of relatively reasonable rents to open new stores. As at 31 October 2019, the Group was operating 182 stores (30 April 2019: 179). In the period, the Group closed 6 stores and opened 9 stores at new locations, resulting in an increase of 3 stores in total. As at the same day, the total gross floor area of stores in operation was 380,000 square feet (30 April 2019: 384,000 square feet), with an average floor area per store of 2,088 square feet (30 April 2019: 2,145 square feet). Store network of 759 STORE mainly spread in residential areas, including shopping malls and shop units in public and private housing estates. For frontline staff, 759 STORE had always offered wages that are market competitive, of which its staff worked efficiently so that the average staff number per store maintained persistently at low level of about 4 persons. In the period under review, 759 STORE tried its best to save resources. Selling and distribution expenses of the retail business during the period decreased by 3.2% to HK\$240,554,000 (2018: HK\$248,379,000). Segment administrative expenses amounted to HK\$41,365,000 (2018: HK\$45,240,000), representing a saving of approximately 8.6% as compared with that for the same period last year. Operating profit of the retail business segment for the same period was HK\$20,885,000 (2018: HK\$2,341,000).

Management Discussion and Analysis

BUSINESS REVIEW *(continued)*

Electronic Component Manufacturing Business

In the period under review, the electronic component manufacturing business experienced huge impact brought by the US-China trade war. Segment revenue further decreased to HK\$39,381,000 (2018: HK\$61,157,000), dropped greatly for 35.6% as compared with that of the same period in the previous year, and accounted for only 4% of the consolidated revenue of the Group. Segment gross profit margin during the period was 25.5% (2018: 28.0%). In the period, foreign exchange gain due to Renminbi depreciation in the manufacturing business was HK\$6,580,000 (2018: HK\$13,942,000), dropped significantly by HK\$7,362,000 so that the segment operating profit decreased to HK\$4,946,000 (2018: HK\$15,757,000). The segment depreciation and amortization of the manufacturing business for the period amounted to HK\$2,785,000 (2018: HK\$3,121,000).

FINANCIAL REVIEW

Fund Surplus and Liabilities

As at 31 October 2019, the Group's bank balances and cash (denominated mainly in Hong Kong dollar, United States dollar and Renminbi) was HK\$77,913,000 (30 April 2019: HK\$69,130,000) representing an increase of 13% as compared with that at the last financial year end. As at the same date, the Group's aggregate banking facilities amounted to HK\$514,050,000 (30 April 2019: HK\$517,700,000) which included overdrafts, loans, trade financing, etc. Unused facilities amounted to approximately HK\$131,909,000 (30 April 2019: HK\$129,248,000). As at 31 October 2019, utilised banking facilities amounted to HK\$382,141,000 (30 April 2019: HK\$388,452,000). The above banking facilities were secured by charges on some of the Group's land and buildings, investment properties, bank deposits and inventories held under trade financing. In addition, the Group is also required to comply with certain restrictive financial covenants with the major financing banks, and as at 31 October 2019, the Group had been complying with such financial covenants. As at 31 October 2019, the Group's gearing ratio* was 0.43 (30 April 2019: 0.43), same as that at the previous financial year end. As at the same date, the Group did not have any contingent liabilities (30 April 2019: Nil).

* *The ratio of (total borrowings less bank balances and cash) over (total borrowings less bank balances and cash plus total equity)*

Assets

As at 31 October 2019, the Group's inventories amounted to HK\$363,786,000 (30 April 2019: HK\$367,133,000), representing a decrease of 0.9% in inventories as compared with the last financial year end. The Group's total prepayments, deposits and other receivables (including rental deposits for retail stores) as at 31 October 2019 amounted to HK\$86,783,000 (30 April 2019: HK\$90,467,000).

Management Discussion and Analysis

FINANCIAL REVIEW (continued)

Interest Expenses

The Group's finance costs for the period was HK\$16,238,000 (2018: HK\$9,941,000). The increase in interest expenses was mainly attributable to the interest expenses of lease liabilities of approximately HK\$7,021,000 resulting from the adoption of HKFRS 16 "Leases" since 1 May 2019. The actual bank interest expense for the period was HK\$9,217,000 (2018: HK\$9,941,000), of which 7.3% was saved as compared with that of the same period in last year, which was mainly attributed to the lowered utilization of banking facilities and overdrafts in the period. The Group expected that the interest expense in future would continue to fall along with the utilization of bank borrowings.

Financial Resources and Capital Structure

The Group's net cash inflow was HK\$14,854,000 (2018: HK\$49,885,000) for the six months ended 31 October 2019. Net cash inflow from operating activities was HK\$135,034,000 (2018: HK\$55,431,000), greatly increased mainly since the HKFRS 16 was adopted in the year, in which an item of depreciation for right-of-use assets of approximately HK\$95,331,000 was newly recognized. On the other hand, net cash outflow from financing activities greatly increased because an item of the repayment of lease liabilities for approximately HK\$102,807,000 was newly recognized. Net cash inflow from investing activities was HK\$1,985,000 (2018: HK\$2,171,000), where the Group sold certain property in the period under review.

Cash Flow Summary

	For the six months ended 31 October	
	2019 HK\$'000	2018 HK\$'000
Net cash inflow from operating activities	135,034	55,431
Net cash inflow from investing activities	1,985	2,171
Net cash outflow from financing activities	(122,165)	(7,717)
Increase in cash and cash equivalents	14,854	49,885

As at 31 October 2019, the net current liabilities of the Group was HK\$219,678,000 (30 April 2019: HK\$88,724,000) and the current ratio was 0.70 (30 April 2019: 0.85). HKFRS 16 "Leases" changes the accounting treatment for the Group's operating leases, including all leasing shop sites, warehouses and offices, of which the lease period over a year. After the adoption of HKFRS 16, long term leases in the consolidated balance sheet as at 31 October 2019 was separately recognized as right-of-use assets of HK\$259,273,000, current lease liabilities of HK\$150,504,000 and long-term lease liabilities of HK\$108,529,000. Since current liabilities greatly increased by over HK\$150 million after the adoption of the new standard, significant changes were resulted in net current liabilities and current ratio. The actual current ratio of the Group should have been similar to that of last year if differences created by new accounting standard were excluded.

Management Discussion and Analysis

FINANCIAL REVIEW *(continued)*

Charges on Assets

As at 31 October 2019, certain assets of the Group with an aggregate carrying value of approximately HK\$620,201,000 (30 April 2019: HK\$615,802,000) were pledged to secure banking facilities of the Group.

Exchange Risks

The Group conducted its business mainly in Hong Kong, Mainland China and Southeast Asia. The currency for the income received were mainly Hong Kong dollar, Renminbi and US dollar; And the currency for the cost and expenditure spent were mainly Japanese Yen, US dollar, Euro, Hong Kong dollar and Renminbi. The Group would do its best to pay close attention on the price changes in exchange market, actively adjusting the combination of imported goods based on the place of origin, so as to in some extent offset the impact brought by the price changes of currencies. With regard to the current situation, the business model, that most of the products were directly brought in from overseas, would be much affected, in case US dollars greatly depreciated and Japanese Yen and EURO greatly appreciated. For this reason, the Group would pay close attention on the trends of price changes for US dollar, Japanese Yen and EURO.

EMPLOYEES

As at 31 October 2019, the Group employed approximately 1,700 staff (30 April 2019: 1,700). The remuneration of employees was set, most importantly according to market standard, with reference to individual performance, academic qualification and working experience, which were taken into account for promotion if required. Other employee benefits agreed included pension scheme, on-job training, education subsidy and others like social insurance and holidays with pay, required by local law.

Social Responsibilities

The Group actively carried out its responsibilities as corporate citizen. We encouraged our staff in various ways to give care to the society, promoting their physical and mental health and so as their balanced development. We also put strength to charitable social activities organized by charity organizations and education institutions.

Management Discussion and Analysis

FUTURE PLAN AND OUTLOOK

Local retail market is facing the influences of uncertainties that come both internally and externally. The management will carefully run the business in extremely prudent way in the second half of the year. The Group will review the cost structure of current retail store network, considering not to renew the tenancy agreements of some stores that their rents were too high, in the meantime searching for potential shop sites of suitable locations and relatively reasonable rents for replacement. For the products, 759 STORE will further strengthen its portfolio of food grocery items, introducing much more items for rice, noodles, spaghettis, canned food and etc. On top of that, frozen meat also was a core area for the development of 759 STORE. Currently about 80% of stores had frozen food showcase refrigerators. Procurement team is actively approaching the meat suppliers of Europe and North America, expecting to introduce much more meat items later, so as to provide more choice for our customers.

For the electronic component manufacturing business, affected by the trade war, the whole industry had lost more than 40% of orders. Despite of that, our factories still maintained their operations, under the mutual supports between the Group and the famous clients who had worked together with the Group for years. It was difficult for the management to predict when the trade war will end. In future, the management will continue to control the cost, saving all unnecessary expenses and staying proactively to catch changes in the market.

Other Information

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE IN SECURITIES

As at 31 October 2019, the interests of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) were as follows:

(a) Shares of the Company

Name of director	Number of shares of HK\$0.10 each held			Percentage of issued share capital
	Personal interests (Note 2)	Trusts interests	Total interests	
Ms. Tang Fung Kwan	4,194,611	–	4,194,611	0.63%
Mr. Ho Man Lee	30,000	–	30,000	0.0045%
Mr. Lam Kwok Chung	–	442,295,660 (Note 3)	442,295,660 (Note 3)	66.39%
Mr. Au Son Yiu	3,201,440	–	3,201,440	0.48%

Notes:

- All the above interests in the shares of the Company were long positions.
- Personal interests were interests held by the relevant directors as beneficial owners.
- The 442,295,660 shares were held by Ka Yan China Development (Holding) Company Limited, a wholly-owned subsidiary of Ka Yan China Investments Limited. The entire issued share capital of Ka Yan China Development (Holding) Company Limited was ultimately held by HSBC International Trustee Limited as trustee of a discretionary trust (the “Trust”) founded by the late Mr. Lam Wai Chun, the founding chairman of the Company and a former director of the Company. In the capacity as a discretionary beneficiary of the Trust, Mr. Lam Kwok Chung was deemed to be interested in all the shares held by Ka Yan China Development (Holding) Company Limited for the purpose of the SFO.

Other Information

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE IN SECURITIES *(continued)*

(b) Shares of associated corporation(s) of the Company

Coils Electronic Co., Limited

Name of director	Number of non-voting deferred shares of HK\$1.00 each held	Percentage of issued non-voting deferred shares
	Trusts interests	
Mr. Lam Kwok Chung <i>(Notes 4 and 5)</i>	6,000,000	42.86%

Notes:

- 6,000,000 non-voting deferred shares were held by Ka Yan China Development (Holding) Company Limited, representing approximately 42.86% of the 14,000,000 non-voting deferred shares in the share capital of Coils Electronic Co., Limited, in which Coils International Holdings Limited, a direct wholly-owned subsidiary of the Company, held the entire issued ordinary share capital. Mr. Lam Kwok Chung was deemed to be interested in all these shares under the SFO by virtue of the reason set out in Note 3 to sub-paragraph (a) above.
- All the above interests in the non-voting deferred shares of Coils Electronic Co., Limited held or deemed to be held by Mr. Lam Kwok Chung were long positions.

Save as disclosed above, as at 31 October 2019, none of the directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be entered into the register kept by the Company pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or the Model Code.

Save as disclosed above, as at 31 October 2019, neither the directors or chief executive of the Company nor their spouses or children under the age of 18 had been granted any rights to subscribe for any equity or debt securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), or had exercised such rights.

Other Information

INTERESTS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 October 2019, according to the register kept by the Company under section 336 of the SFO, the following persons, other than the directors or chief executive of the Company, had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Shares of the Company

Substantial shareholders (as defined in the Listing Rules)

Name	Number of shares of HK\$0.10 each held					Percentage of issued share capital
	Beneficial owner	Family interests	Corporate interests	Trusts interests	Total interests	
Ms. Law Ching Yee	-	29,955,188 (Note 2)	-	442,295,660 (Note 2)	472,250,848 (Note 2)	70.89%
Ka Yan China Development (Holding) Company Limited	442,295,660 (Notes 2 and 3)	-	-	-	442,295,660 (Notes 2 and 3)	66.39%
Ka Yan China Investments Limited	-	-	442,295,660 (Notes 2 and 3)	-	442,295,660 (Notes 2 and 3)	66.39%
HSBC International Trustee Limited	-	-	-	442,295,660 (Notes 2 and 3)	442,295,660 (Notes 2 and 3)	66.39%

Notes:

- All the above interests in the shares of the Company were long positions.
- The 442,295,660 shares were held by Ka Yan China Development (Holding) Company Limited, a wholly-owned subsidiary of Ka Yan China Investments Limited. The entire issued share capital of Ka Yan China Development (Holding) Company Limited was ultimately held by the Trust. In the capacity as a discretionary beneficiary of the Trust, Ms. Law Ching Yee was deemed to be interested in all the shares held by Ka Yan China Development (Holding) Company Limited for the purpose of the SFO. The 29,955,188 shares were held by the late Mr. Lam Wai Chun, the founding chairman of the Company and a former director of the Company, as beneficial owner. Ms. Law Ching Yee, being the spouse of the late Mr. Lam Wai Chun, was deemed to be interested in all the shares held by her spouse, for the purpose of the SFO.
- The interests in 442,295,660 shares held by Ka Yan China Investments Limited, the ultimate holding company of the Company, and HSBC International Trustee Limited refer to the same shares and duplicated with each other. Such shares formed the shares in which Ka Yan China Development (Holding) Company Limited was interested. As at 31 October 2019, the actual number of shares held by Ka Yan China Investments Limited, Ka Yan China Development (Holding) Company Limited and HSBC International Trustee Limited in the Company which duplicated with one another was 442,295,660 shares.

Other Information

INTERESTS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO *(continued)*

Shares of the Company *(continued)*

Save as disclosed above, the Company had not been notified of any other person (other than a director or a chief executive of the Company) who had an interest (whether direct or indirect) in 5% or more of the shares comprised in the relevant share capital or a short position which were required to be recorded in the register kept by the Company pursuant to section 336 of the SFO as at 31 October 2019.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

The Company had not redeemed any of its listed shares during the six months ended 31 October 2019. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed shares during the six months ended 31 October 2019.

CORPORATE GOVERNANCE CODE

The Company has adopted the principles and complied with the applicable code provisions of the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Listing Rules for the six months ended 31 October 2019, except for the following deviation:

1. Under code provision A.2.1 of the Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Since 29 September 2009, the roles of the Chairman of the Board and the chief executive officer of the Company (the "CEO") were performed by the late Mr. Lam Wai Chun, the founding Chairman of the Company. After the pass away of Mr. Lam Wai Chun, Ms. Tang Fung Kwan has been appointed as the Chairman of the Board and the Managing Director of the Company with effect from 19 August 2018 and has carried out the responsibilities of the Chairman and CEO since then. This constitutes a deviation from the code provision A.2.1 of the Code which stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Ms. Tang Fung Kwan has been the key management of the Group for over 25 years and has devoted herself and contributed greatly to the Group's development. She has been the executive director of the Company since its listing on the Stock Exchange in November 1999 and has engaged in directing the corporate strategies and operations of the Group. She possesses substantial and valuable experience in the industry and in the Group's operation. The Board believes that vesting the roles of the Chairman of the Board and the CEO in the same person will provide the Company with strong and consistent leadership and promote effective and efficient formulation and implementation of business decisions and strategies and considers that such structure is currently in the best interests of the Company and its shareholders at this stage.

AUDIT COMMITTEE

The audit committee of the Company currently comprises three independent non-executive directors, namely Mr. Chan Chiu Ying (chairman of the Audit Committee), Mr. Au Son Yiu and Mr. Goh Gen Cheung. Regular meetings have been held by the Audit Committee since its establishment and it meets at least twice each financial year.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group, the internal control and risk management of the Group and the Interim Report for the six months ended 31 October 2019.

Other Information

REMUNERATION COMMITTEE

The Company established the Remuneration Committee for the purpose of making recommendations to the Board on the Company's policy and structure for all directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy. The Remuneration Committee also has the delegated responsibility to make recommendations to the Board on (i) the remuneration packages of individual executive directors and senior management including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment and (ii) the remuneration of non-executive directors. The Remuneration Committee currently comprises four members including one executive director, namely Ms. Tang Fung Kwan, and three independent non-executive directors, namely Mr. Au Son Yiu (chairman of the Remuneration Committee), Mr. Goh Gen Cheung and Mr. Chan Chiu Ying.

NOMINATION COMMITTEE

The Company established the Nomination Committee to review the structure, size, composition and diversity (including the skills, knowledge and experience) of the Board, to make recommendations on any proposed changes to the Board to complement the Company's corporate strategy and to assess the independence of independent non-executive directors of the Company. The Nomination Committee currently comprises four members including one executive director, namely Ms. Tang Fung Kwan (chairman of the Nomination Committee), and three independent non-executive directors, namely Mr. Au Son Yiu, Mr. Goh Gen Cheung and Mr. Chan Chiu Ying.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions for the six months ended 31 October 2019. Following specific enquiry by the Company, all of the directors of the Company confirmed compliance with the required standard set out in the Model Code throughout the six months ended 31 October 2019. The Model Code also applies to the relevant employees of the Group.

By Order of the Board
Tang Fung Kwan
Chairman

Hong Kong, 24 December 2019

