

WKK

WONG'S KONG KING INTERNATIONAL (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0532)



INTERIM REPORT 2020

INTERIM REPORT

The Board of Directors of Wong's Kong King International (Holdings) Limited (the "Company") announces that the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2020 together with comparative figures for the corresponding period in 2019 are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Note	Six months ended 30 June	
		2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Revenue	7	2,037,728	2,513,867
Other gains, net		2,708	2,914
Raw materials and consumables used		(810,846)	(1,419,613)
Purchases of finished goods		(667,982)	(537,842)
Changes in inventories of finished goods and work in progress		(165,493)	(17,762)
Employee benefit expenses		(276,680)	(338,667)
Depreciation and amortisation		(34,730)	(34,036)
Net write-back of impairment loss on financial assets		210	3,593
Other expenses	8	(82,581)	(116,719)
Operating profit		2,334	55,735
Finance income	9	971	1,791
Finance costs	9	(6,377)	(14,979)
Finance costs, net	9	(5,406)	(13,188)
Share of profit of a joint venture		710	1,018
(Loss)/profit before income tax	6	(2,362)	43,565
Income tax expense	10	(7,402)	(16,036)
(Loss)/profit for the period		(9,764)	27,529
Attributable to:			
Owners of the Company		(16,445)	23,217
Non-controlling interests		6,681	4,312
		(9,764)	27,529
(Loss)/earnings per share for (loss)/profit attributable to the owners of the Company during the period (expressed in HK cents per share)	11		
– basic		(2.25)	3.18
– diluted		(2.25)	3.18

The above condensed consolidated income statement should be read in conjunction with the accompanying notes.

INTERIM REPORT

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
(Loss)/profit for the period	(9,764)	27,529
Other comprehensive loss:		
<i>Item that will not be reclassified subsequently to profit or loss</i>		
Fair value losses on equity investments at fair value through other comprehensive income, net of tax	(820)	(373)
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	(6,624)	(5,333)
Total comprehensive (loss)/income for the period	(17,208)	21,823
Attributable to:		
Owners of the Company	(24,111)	18,730
Non-controlling interests	6,903	3,093
	(17,208)	21,823

The above condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

INTERIM REPORT

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2020

		30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
	Note		
ASSETS			
Non-current assets			
Property, plant and equipment	12	457,981	474,527
Right-of-use assets		37,001	46,912
Deposits and prepayments		4,369	4,265
Intangible assets		420	469
Interests in joint ventures		5,578	4,868
Deferred tax assets		11,538	11,160
Financial assets at fair value through other comprehensive income	13	30,878	31,855
Financial assets at fair value through profit or loss		4,941	5,895
Club membership and debentures		14,942	14,942
Total non-current assets		567,648	594,893
Current assets			
Inventories		685,391	818,780
Trade, bills and other receivables	15	1,147,071	1,362,782
Contract assets		73,507	44,072
Deposits and prepayments		76,131	62,948
Tax recoverable		5,592	564
Derivative financial instruments		–	2
Short-term time deposits		50,781	43,026
Cash and cash equivalents		519,901	447,215
Total current assets		2,558,374	2,779,389
Total assets		3,126,022	3,374,282
LIABILITIES			
Non-current liabilities			
Lease liabilities		9,621	16,348
Provision for assets retirement obligations		1,710	1,710
Retirement benefit obligations		8,361	8,344
Total non-current liabilities		19,692	26,402

INTERIM REPORT

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

AT 30 JUNE 2020

	Note	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Current liabilities			
Trade, bills and other payables	16	767,628	923,742
Contract liabilities		104,374	60,720
Current income tax liabilities		13,991	21,709
Bank borrowings			
– due within one year	19	559,323	657,612
Lease liabilities		16,394	19,319
Derivative financial instruments		15	141
Total current liabilities		1,461,725	1,683,243
Total liabilities		1,481,417	1,709,645
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	17	72,945	72,945
Reserves		1,499,318	1,521,266
		1,572,263	1,594,211
Non-controlling interests		72,342	70,426
Total equity		1,644,605	1,664,637
Total equity and liabilities		3,126,022	3,374,282

The above condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

The condensed consolidated interim financial information on page 1 to 29 was approved by the Board of Directors on 18 August 2020 and were signed on its behalf.

Edward Ying-Chun Tsui
Director

Byron Shu-Chan Ho
Director

INTERIM REPORT

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2020

	(Unaudited)											Non- controlling interests	Total equity
	Attributable to owners of the Company												
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Special reserve HK\$'000	Financial assets at fair value through other comprehensive income revaluation reserve HK\$'000	Translation reserve HK\$'000	Share option reserve HK\$'000	Capital reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000		
Balance at 31 December 2019 and 1 January 2020	72,945	70,892	1,610	26,624	9,138	(6,326)	(18,157)	2,494	(270)	1,435,231	1,594,211	70,426	1,664,637
Comprehensive loss													
Loss for the period	-	-	-	-	-	-	-	-	-	(16,445)	(16,445)	6,681	(9,764)
Other comprehensive loss													
Fair value losses on equity investments at fair value through other comprehensive income, net of tax	-	-	-	-	-	(553)	-	-	-	-	(553)	(267)	(820)
Currency translation differences	-	-	-	-	-	-	(7,113)	-	-	-	(7,113)	489	(6,624)
Total comprehensive loss for the period ended 30 June 2020	-	-	-	-	-	(553)	(7,113)	-	-	(16,445)	(24,111)	6,903	(17,208)
Transactions with owners													
Dividends payable to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(4,987)	(4,987)
Transfer from retained earnings to special reserve	-	-	-	-	2,502	-	-	-	-	(2,502)	-	-	-
Employee share schemes - value of employee services	-	-	-	-	-	-	-	2,163	-	-	2,163	-	2,163
Balance at 30 June 2020	72,945	70,892	1,610	26,624	11,640	(6,879)	(25,270)	4,647	(270)	1,418,284	1,572,283	72,342	1,644,605

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

INTERIM REPORT

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED) FOR THE SIX MONTHS ENDED 30 JUNE 2020

	(Unaudited)											Non- controlling interests	Total equity
	Attributable to owners of the Company												
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Special reserve HK\$'000	Financial assets at fair value through other comprehensive income revaluation reserve HK\$'000	Translation reserve HK\$'000	Share option reserve HK\$'000	Capital reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000		
Balance at 31 December 2018 and 1 January 2019	72,945	70,892	1,610	26,624	7,038	19,434	(13,083)	-	(270)	1,417,047	1,602,277	69,888	1,672,165
Comprehensive income													
Profit for the period	-	-	-	-	-	-	-	-	-	23,217	23,217	4,312	27,529
Other comprehensive loss													
Fair value losses on equity investments at fair value through other comprehensive income, net of tax	-	-	-	-	-	(252)	-	-	-	-	(252)	(121)	(373)
Currency translation differences	-	-	-	-	-	-	(4,235)	-	-	-	(4,235)	(1,898)	(5,333)
Total comprehensive income for the period ended 30 June 2019	-	-	-	-	-	(252)	(4,235)	-	-	23,217	18,730	3,093	21,823
Transactions with owners													
Dividends payable to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(4,038)	(4,038)
2018 final dividend	-	-	-	-	-	-	-	-	-	(36,472)	(36,472)	-	(36,472)
Transfer from retained earnings to special reserve	-	-	-	-	2,100	-	-	-	-	(2,100)	-	-	-
Employee share schemes - value of employee services	-	-	-	-	-	-	-	214	-	-	214	-	214
Balance at 30 June 2019	72,945	70,892	1,610	26,624	9,138	19,182	(17,318)	214	(270)	1,401,692	1,594,749	68,943	1,653,692

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

INTERIM REPORT

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH FROM OPERATING ACTIVITIES	204,616	109,851
NET CASH (USED IN)/FROM INVESTING ACTIVITIES	(15,770)	6,069
NET CASH USED IN FINANCING ACTIVITIES	(113,792)	(92,672)
NET INCREASE IN CASH AND CASH EQUIVALENTS	75,054	23,248
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	447,215	248,923
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(2,368)	(1,266)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	519,901	270,905
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank balances and cash (excluding short-term time deposits)	519,901	270,905

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

INTERIM REPORT

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2020

1. GENERAL INFORMATION

Wong's Kong King International (Holdings) Limited (the "Company") and its subsidiaries (together, the "Group") are principally engaged in the trading and distribution of chemicals, materials and equipment used in the manufacture of printed circuit boards and electronic products and the manufacture of electrical and electronic products for original equipment manufacturer ("OEM") customers.

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11 Bermuda and its principal place of business is 17/F, Harbourside HQ, No.8 Lam Chak Street, Kowloon Bay, Hong Kong.

The unaudited condensed consolidated interim financial information is presented in Hong Kong dollars ("HK\$"), unless otherwise stated.

2A. SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT INTERIM PERIOD

The worldwide outbreak of the coronavirus pandemic and widespread closure of borders to control the spread of the coronavirus, as well as social distancing and other measures directly and indirectly affect the operations of the Group. Demand for products manufactured by the Group is reduced in the current interim period. As such, the financial position and performance of the Group was affected, including reduction in revenue and no longer remain profitable during the current interim period.

2B. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2020 has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") and with Hong Kong Accounting Standard 34 "*Interim Financial Reporting*" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2019.

INTERIM REPORT

3. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial information has been prepared in consistent with those principal accounting policies followed in the Annual Report 2019 except the adoption of the following new/revised Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (hereinafter collectively referred to as “new HKFRSs”) which are effective for accounting periods commencing on or after 1 January 2020.

New and amended standards adopted by the Group

The following new amendments to standards and interpretations are mandatory for accounting period beginning on or after 1 January 2020:

		Effective for annual periods beginning on or after
HKAS 1 and HKAS 8 (Amendment)	Definition of Material	1 January 2020
HKFRS 3 (Amendment)	Definition of a Business	1 January 2020
HKFRS 10 and HKAS 28 (Amendment)	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKFRS 17	Insurance Contracts	1 January 2021
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

There are no other amended standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on the Group.

The Group has not applied any new standards and interpretations that are not effective for current accounting period.

4. ESTIMATES

The preparation of condensed consolidated interim 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 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 the Group's annual financial statements as at 31 December 2019.

INTERIM REPORT

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value and cash flow interest risk), credit risk and liquidity risk.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2019.

There have been no changes in the risk management policies since 31 December 2019.

(b) Fair value estimation

The carrying amounts of the Group's current financial assets, including cash and cash equivalents, short-term time deposits, trade and other receivables, and the Group's current financial liabilities, including trade and other payables and borrowings, approximate their fair values due to their short maturities. The nominal value less estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

(b) Fair value estimation (Continued)

The financial instruments measured at fair value are disclosed by the following measurement hierarchy:

- (i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- (ii) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- (iii) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

At the end of the reporting period, listed investment classified as financial assets at fair value through profit or loss, derivative financial instruments and unlisted investment classified as financial assets at fair value through other comprehensive income that are measured at fair value are classified under level 1, level 2 and level 3 respectively.

There were no transfers between levels 1, 2 and 3 during the period.

INTERIM REPORT

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

(b) Fair value estimation (Continued)

(i) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

(ii) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

(b) Fair value estimation (Continued)

(ii) Financial instruments in level 2 (Continued)

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

All the resulting fair value estimates of the Group's forward foreign currency contracts are included in level 2 except for the unlisted investment which are included in level 3.

There were no other changes in valuation techniques during the period.

6. SEGMENT INFORMATION

The Chief Operation Decision-Maker ("CODM") has been identified as directors of the Company. CODM reviews the Group's internal reporting in order to assess performance and allocate resources. It has determined the operating segments based on these reports. The Group is currently organised into two operating segments – trading and manufacturing. These segments are the basis on which the Group reports its principal activities information.

INTERIM REPORT

6. SEGMENT INFORMATION (CONTINUED)

Trading – trading and distribution of chemicals, materials and equipment used in the manufacturing of printed circuit boards and electronic products

Manufacturing – manufacturing of electrical and electronic products

The segment information for the six months ended 30 June 2020 is as follows:

	Trading HK\$'000	Manufacturing HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Revenue					
External sales	952,104	1,067,143	18,481	-	2,037,728
Inter-segment sales	154,691	1,660	14,025	(170,376)	-
Total	1,106,795	1,068,803	32,506	(170,376)	2,037,728
Timing of revenue recognition					
At a point in time	1,083,822	1,068,803	30,239	(166,040)	2,016,824
Over time	22,973	-	2,267	(4,336)	20,904
	1,106,795	1,068,803	32,506	(170,376)	2,037,728
Results					
Segment results	27,539	(16,740)	(8,539)	74	2,334
Finance income	880	88	3	-	971
Finance costs	(1,962)	(4,173)	(242)	-	(6,377)
	26,457	(20,825)	(8,778)	74	(3,072)
Share of profit of a joint venture					710
Loss before income tax					(2,362)

INTERIM REPORT

6. SEGMENT INFORMATION (CONTINUED)

The segment information for the six months ended 30 June 2019 is as follows:

	Trading HK\$'000	Manufacturing HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Revenue					
External sales	929,148	1,571,665	13,054	-	2,513,867
Inter-segment sales	160,604	1,567	19,591	(181,762)	-
Total	1,089,752	1,573,232	32,645	(181,762)	2,513,867
Timing of revenue recognition					
At a point in time	1,065,252	1,573,232	32,160	(176,312)	2,494,332
Over time	24,500	-	485	(5,450)	19,535
	1,089,752	1,573,232	32,645	(181,762)	2,513,867
Results					
Segment results	18,158	45,245	(7,673)	5	55,735
Finance income	1,532	252	7	-	1,791
Finance costs	(2,778)	(11,829)	(372)	-	(14,979)
	16,912	33,668	(8,038)	5	42,547
Share of profit of a joint venture					1,018
Profit before income tax					43,565

INTERIM REPORT

6. SEGMENT INFORMATION (CONTINUED)

The segment assets and liabilities as at 30 June 2020 are as follows:

	Trading HK\$'000	Manufacturing HK\$'000	Others HK\$'000	Consolidated HK\$'000
Assets				
Segment assets	1,224,126	1,780,865	121,031	3,126,022
Liabilities				
Segment liabilities	514,557	922,316	44,544	1,481,417

The segment assets and liabilities as at 31 December 2019 are as follows:

	Trading HK\$'000	Manufacturing HK\$'000	Others HK\$'000	Consolidated HK\$'000
Assets				
Segment assets	1,216,513	2,030,107	127,662	3,374,282
Liabilities				
Segment liabilities	517,439	1,139,128	53,078	1,709,645

7. REVENUE

	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Sales of goods	2,011,642	2,486,884
Commission income	4,533	6,765
Service fee income	20,904	19,535
Ticketing and touring income	120	494
Others	529	189
	2,037,728	2,513,867

INTERIM REPORT

8. OTHER EXPENSES

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Auditors' remuneration	1,814	1,749
Expenses relating to short-term leases	861	2,723
Expenses relating to leases of low-value assets that are not shown above as short-term leases	7	7
Net foreign exchange losses	5,765	4,849
Loss on disposal of property, plant and equipment	281	522
Charitable donations	1,152	1,322
Freight and insurance	11,053	16,610
Electricity, water and other utility	11,627	14,475
Transportation and travelling expenses	8,188	13,262
Office and factories expenses	8,787	14,097
Consumables	6,249	15,326
Tax and surcharges	7,410	8,486
Repairs and maintenance	5,121	4,725
Bank charges	2,448	4,341
Marketing expenses	567	3,375
Postage, telephone and fax	2,246	2,641
Storage	690	1,812
Others (<i>Note</i>)	8,315	6,397
	82,581	116,719

Note: Others included professional service fees, research and development expenses, motor vehicle expenses, fuel costs, miscellaneous expenses etc.

INTERIM REPORT

9. FINANCE COSTS, NET

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Interest income	971	1,791
Interest expense	(6,377)	(14,979)
Finance costs, net	(5,406)	(13,188)

10. INCOME TAX EXPENSE

Hong Kong profits tax has not been provided for as the Group has no estimated assessable profit for the period (2019: Hong Kong profits tax has been provided for at 16.5% on the estimated assessable profit for the period). The subsidiaries established in the People's Republic of China (the "PRC") are subject to corporate income tax rate of 25% (2019: 25%). The subsidiaries in Taiwan are subject to corporate income tax rate of 20% (2019: 20%). Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Current income tax		
Hong Kong profits tax	–	6,049
Other jurisdictions including		
PRC corporate income tax	5,659	8,321
Withholding tax on dividends declared by subsidiaries	2,169	1,666
	7,828	16,036
Deferred income tax	(426)	–
	7,402	16,036

INTERIM REPORT

11. (LOSS)/EARNINGS PER SHARE

(a) Basic

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2020	2019
(Loss)/profit attributable to owners of the Company (Hong Kong thousands dollar)	(16,445)	23,217
Weighted average number of ordinary shares in issue (thousands)	729,448	729,448
Basic (loss)/earnings per share (Hong Kong cents per share)	(2.25)	3.18

(b) Diluted

Diluted (loss)/earnings per share were the same as the basic (loss)/earnings per share for the six months ended 30 June 2020 and 2019, as the share options of the Company have an anti-dilutive effect on the basic (loss)/earnings per share and are ignored in the calculation of diluted (loss)/earnings per share.

12. CAPITAL EXPENDITURE

During the period ended 30 June 2020, the Group acquired property, plants and equipment of HK\$10,483,000 (Period ended 30 June 2019: HK\$15,725,000).

INTERIM REPORT

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Financial assets at fair value through other comprehensive income include the following:

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Financial instruments level 3:		
Equity investments in unlisted entity securities	30,878	31,855

Movement of financial assets at fair value through other comprehensive income is analysed as follows:

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
At beginning of period	31,855	57,597
Purchase during the period/year	–	1,417
Fair value losses on financial assets at fair value through other comprehensive income	(1,025)	(27,262)
Exchange gains	48	103
At end of period	30,878	31,855

INTERIM REPORT

14. DIVIDENDS

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Interim dividend – HK\$ Nil (2019: HK\$0.01) per share	–	7,294

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

15. TRADE, BILLS AND OTHER RECEIVABLES

Included in trade, bills and other receivables are trade and bills receivables (including amounts due from related parties of trading in nature) of HK\$1,118,411,000 (At 31 December 2019: HK\$1,329,897,000). The Group allows a credit period ranging from 30 days to 180 days to its trade customers. In addition, for certain customers with long established relationship, a longer credit period may be granted.

The ageing analysis of trade and bills receivables based on invoices dates net of provision for impairment at the end of reporting period is as follows:

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
0 to 30 days	412,849	435,988
31 to 60 days	254,715	382,605
61 to 90 days	140,236	158,682
Over 90 days	310,611	352,622
	1,118,411	1,329,897

INTERIM REPORT

16. TRADE, BILLS AND OTHER PAYABLES

Included in trade, bills and other payables are trade and bills payables (including amounts due to related parties of trading in nature) of HK\$557,187,000 (At 31 December 2019: HK\$699,016,000).

The following is an ageing analysis of trade and bills payables based on goods received dates at the end of reporting period:

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
0 to 30 days	351,460	443,394
31 to 60 days	97,065	192,149
61 to 90 days	50,453	20,515
Over 90 days	58,209	42,958
	557,187	699,016

17. SHARE CAPITAL

	Number of ordinary shares of HK\$0.10 each	Share capital HK\$'000
Issued and fully paid:		
At 31 December 2019, 1 January 2020 and 30 June 2020	729,447,964	72,945

18. SHARE OPTION SCHEME

The Company's share option scheme was adopted pursuant to a resolution passed on 22 June 2016 for the primary purpose of providing incentives to directors and eligible employees and will expire on 21 June 2026 (the "Scheme"). Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

At 30 June 2020, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 70,150,000 shares. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the total number of shares in issue as at the date of adoption of the Scheme, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in the 12-month period up to and including the date of such new grant is not permitted to exceed 1% of the shares of the Company in issue as at the date of such new grant, without prior approval from the Company's shareholders. Any grant of options to a director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by the independent non-executive directors (excluding any independent non-executive director who is a grantee of the relevant options). Options granted to substantial shareholders or independent non-executive directors or any of their respective associates in excess of 0.1% of the Company's share capital and with a value in excess of HK\$5,000,000, in any 12-month period, must be approved by the Company's shareholders at a general meeting.

Options may be exercised after one year of its grant date, and options will vest (i) as to 25% (rounded down to the nearest whole underlying share) on the first anniversary of its date of grant, and (ii) as to the remainder on the second anniversary of its grant date. The exercise price is determined by the Board of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

INTERIM REPORT

18. SHARE OPTION SCHEME (CONTINUED)

Set out below are summaries of options granted under the plan:

	Exercise price HK\$	Number of Share options
As at 1 January 2019	–	–
Grant	0.906	71,650,000
Lapse		(1,500,000)
As at 31 December 2019, 1 January 2020 and 30 June 2020	0.906	70,150,000
Vested and exercisable as at 30 June 2020	0.906	17,537,500

The share options can be exercised up to a maximum of 25% of the grant during the period from 14 June 2020 to 13 June 2021 and the balance of the grant during the period from 14 June 2021 to 13 June 2029.

No options expired during the periods covered by the above table.

The closing price of the Company's shares on 14 June 2019, the date of grant, was HK\$0.88. The fair value of the options determined at the date of grant using the Black-Scholes option-pricing model was approximately HK\$7,379,000, of which approximately HK\$2,163,000 was charged to the profit or loss for the six months ended 30 June 2020 (2019: HK\$214,000).

The following assumptions were used to calculate the fair value of the share options granted:

Grant date fair value per share	HK\$0.10
Expected life	6 years
Expected volatility	31.93%
Dividend yield	7.39%
Risk-free interest rate	1.44%

INTERIM REPORT

19. BANK BORROWINGS

	HK\$'000
<hr/>	
Six months ended 30 June 2019:	
Opening amount at 1 January 2019	876,307
Proceeds from new bank borrowings	1,779,024
Repayment of bank borrowings	(1,857,289)
<hr/>	
Closing amount at 30 June 2019	798,042
<hr/>	
Six months ended 30 June 2020:	
Opening amount at 1 January 2020	657,612
Proceeds from new bank borrowings	1,086,556
Repayment of bank borrowings	(1,184,845)
<hr/>	
Closing amount at 30 June 2020	559,323
<hr/>	

20. CAPITAL COMMITMENTS

As at 30 June 2020 and 31 December 2019, there is no capital expenditure contracted for but not yet incurred.

INTERIM REPORT

21. RELATED PARTY TRANSACTIONS

Related parties refer to entities in which the Company has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or directors or officers of the Company and its subsidiaries.

The Group is ultimately controlled by Mr. Senta Wong, chairman of the board of directors.

- (a) During the period, the Group entered into the following transactions with its related parties:

	Six months ended		Amounts due from related parties	
	30 June	2019	30 June	31 December
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Ticketing and touring income (Notes i and iv)	-	398	-	41
Ticketing and touring income (Notes ii and iv)	-	270	-	113
Service fee income (Notes iii and iv)	59	59	-	-
Rental expense (Notes i and iv)	498	498	-	-

INTERIM REPORT

21. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) (Continued)

Notes:

- (i) Related party was a company of which Mr. Senta Wong is a director having control or significant influence over that company.
- (ii) Related parties were Mr. Edward Tsui, Mr. Vinci Wong and Mr. Victor Chang's close family members.
- (iii) Related party is Wesi Technology Limited, a joint venture of the Group.
- (iv) All of the transactions were carried out in the normal course of the Group's business and the terms as agreed between the transacting parties.

(b) Key management remuneration

The remuneration of key management during the period was as follows:

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Salaries, wages, commission and allowances	26,325	27,313
Share options granted to key management	1,505	146
Post-employment benefits	1,019	1,005
	28,849	28,464

MANAGEMENT DISCUSSION & ANALYSIS

INTERIM DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2020 (2019: HK\$0.01).

BUSINESS REVIEW

The Group's turnover for the first half of 2020 was HK\$2 billion representing a decrease of approximately 19% compared to the same period last year. The Group's loss attributable to shareholders for the first half of 2020 was HK\$16.4 million as compared to the profit attributable to shareholders for the same period last year of HK\$23.2 million, mainly as a result of the worldwide outbreak of the coronavirus pandemic. This is in line with the expectation, as indicated in the Prospects section of the Group's announcement of its final results on 26 March 2020, that the Group would not remain profitable in 2020.

The turnover of the Group's Industrial Products Trading Division for the first half of 2020 was HK\$1 billion, representing a slight increase of approximately 2% compared to the same period last year. This was mainly due to better than expected demand for the industrial products distributed by the Group as the Division's customers gradually resumed or increased production. The Division's operating profit was HK\$26.5 million, reflecting an increase of approximately 56% compared to the corresponding period last year, largely as a result of the excellent performance of a subsidiary in Taiwan which contributed a majority of the Division's operating profit. The Singapore operations also recorded an increase in operating profit compared to the same period last year, while the operations in the PRC registered a positive contribution to the Division's operating profit.

MANAGEMENT DISCUSSION & ANALYSIS

The turnover of the Group's OEM Manufacturing Division decreased by approximately 32% to HK\$1.1 billion for the first half of 2020 compared to the same period last year, mainly attributable to the widespread closure of borders to control the spread of the coronavirus resulting in all of the Division's customers outside the PRC being unable to visit the Group's facilities to develop orders for new projects. The Division's operating loss was HK\$20.8 million for the first half of 2020 as compared to an operating profit of HK\$33.7 million for the same period last year. The Division has implemented cost control measures in response to the difficult trading conditions.

FINANCE

The Group has committed bank and other financing facilities totaling HK\$2,465 million, of which HK\$691 million was drawn down as at 30 June 2020. As at 30 June 2020, the Group's consolidated net borrowings amounted to HK\$15 million and its total equity amounted to HK\$1,645 million, resulting in a net gearing ratio of 0.9%.

Most of the Group's sales were conducted in the same currencies as the corresponding purchase transactions. Foreign exchange contracts were used to hedge exposures where necessary.

HUMAN RESOURCES

As at 30 June 2020, the Group had a total of 4,460 employees, of which 239 were based in Hong Kong, 3,890 in the PRC and 331 overseas. The remuneration of the Group's employees is mainly based on their performance and experience, taking into account current industry practices. Provident fund scheme, medical allowances, and in-house and external training programs are available to employees. Share options and discretionary bonuses may be provided to employees according to the performance of the individual and the Group. The remuneration policy and package of the Group's employees are regularly reviewed.

MANAGEMENT DISCUSSION & ANALYSIS

PROSPECTS

In view of the prevailing worldwide coronavirus pandemic and the worsening direction of the global economy, it is anticipated that the Group's performance as a whole in the second half of 2020 will most likely fall short of that of the first half of this year. This is despite the Group's best efforts to maintain its revenue and control its costs. However, the outlook is unpredictable given the many factors at play.

On behalf of the Board, I wish to thank all employees for their loyalty, support and hard work throughout this difficult pandemic period.

By Order of the Board
Byron Shu-Chan Ho
Director

Hong Kong, 18 August 2020

As at the date of this report, the executive directors of the Company are Mr. Senta Wong, Mr. Edward Ying-Chun Tsui, Mr. Byron Shu-Chan Ho, Mr. Bengie Man-Hang Kwong, Mr. Vinci Wong and Mr. Victor Jui Shum Chang; the non-executive directors are Mr. Hamed Hassan El-Abd and Mr. Hsu Hung Chieh; and the independent non-executive directors are Mr. Philip Wan-Chung Tse, Dr. Leung Kam Fong, Dr. Yip Wai Chun, Mr. Arnold Hin Lin Tse and Mr. Andrew Yiu Wing Lam.

DISCLOSURE OF INTERESTS

INTERESTS OF DIRECTORS

As at 30 June 2020, the interests or short positions 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 under Section 352 of the SFO or as 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 Companies, were as follows:

(I) The Company

Name	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total Interests	Total Interests as % of the issued share capital %	Underlying shares (share options)	Total Interests (including underlying shares) as % of the share capital %
Senta Wong	4,750,000	1,572,000	122,012,723 (Note 1)	207,800,000 (Note 2)	336,134,723	46.08	5,000,000	46.77
Edward Ying-Chun Tsui	7,577,920	-	-	-	7,577,920	1.04	3,000,000	1.45
Byron Shu-Chan Ho	3,470,000	360,000	-	-	3,830,000	0.53	3,000,000	0.94
Bengie Man-Hang Kwong	5,400,000	-	-	-	5,400,000	0.74	3,000,000	1.15
Vinci Wong	-	-	24,172,028 (Note 3)	207,800,000 (Note 4)	231,972,028	31.80	3,000,000	32.21
Victor Jui Shum Chang	-	154,000	24,172,028 (Note 5)	207,800,000 (Note 6)	232,126,028	31.82	3,000,000	32.23
Hamed Hassan El-Abd	3,000,000	-	-	-	3,000,000	0.41	3,000,000	0.82
Hsu Hung Chieh	2,314,000	-	-	-	2,314,000	0.32	3,000,000	0.73
Phillip Wan-Chung Tse	-	-	-	-	-	-	3,000,000	0.41
Leung Kam Fong	-	-	-	180,000 (Note 7)	180,000	0.02	3,000,000	0.44
Yip Wai Chun	-	-	-	-	-	-	3,000,000	0.41
Arnold Hin Lin Tse	-	-	-	-	-	-	3,000,000	0.41
Andrew Yiu Wing Lam	-	-	-	-	-	-	3,000,000	0.41

DISCLOSURE OF INTERESTS

(II) The Company's associated corporation – Taiwan Kong King Co., Ltd.

Name	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total Interests	Total Interests as % of the issued share capital	Underlying shares (share options)	Total Interests (including underlying shares) as % of the share capital
						%		%
Hsu Hung-Chieh	178,615	4,716	-	-	183,331	0.51	-	0.51

Notes:

- 122,012,723 shares were registered in the name of Wonder Luck International Limited, which was wholly owned by Senta Wong (BVI) Limited. The entire issued share capital of which was 50.25% owned by Mr. Senta Wong and 49.75% owned by his wife, Mrs. Wong Wu Lai Ming Lily. The references to 122,012,723 shares deemed to be interested by Mr. Senta Wong (as disclosed herein) and Senta Wong (BVI) Limited (as disclosed in the section headed "Interests of substantial shareholders") relate to the same block of shares.
- 207,800,000 shares were registered in the name of Rewarding Limited, which was wholly owned by Greatfamily Inc. (which was in turn wholly owned by Greatguy (PTC) Inc.) for a discretionary trust, of which Mr. Senta Wong was regarded as the founder (by virtue of the SFO). The references to 207,800,000 shares deemed to be interested by Mr. Senta Wong (as disclosed herein), Mr. Vinci Wong and Mr. Victor Jui Shum Chang (as disclosed in Notes 4 and 6 below respectively), Greatfamily Inc. and Greatguy (PTC) Inc. (as disclosed in the section headed "Interests of substantial shareholders") relate to the same block of shares.
- 24,172,028 shares were held by Max Return Group Limited, of which Mr. Vinci Wong owns 33.33% shares. The references to these 24,172,028 shares deemed to be interested by Mr. Vinci Wong (as disclosed herein) and Mr. Victor Jui Shum Chang (as disclosed in Note 5 below) relate to the same block of shares.

DISCLOSURE OF INTERESTS

4. Mr. Vinci Wong was deemed (by virtue of the SFO) to be interested in 207,800,000 shares in the Company by virtue of him being a beneficiary of a discretionary trust.
5. Mr. Victor Jui Shum Chang was deemed (by virtue of the SFO) to be interested in 24,172,028 shares in the Company, which were held by Max Return Group Limited, of which his spouse owns 33.33% shares.
6. Mr. Victor Jui Shum Chang was deemed (by virtue of the SFO) to be interested in 207,800,000 shares in the Company by virtue of his spouse being a beneficiary of a discretionary trust.
7. These 180,000 shares were jointly held by Dr. Leung Kam Fong and his spouse.

Certain Directors held qualifying shares in certain subsidiaries of the Group on trust for the Company or other subsidiaries of the Group.

Save as disclosed herein, as at 30 June 2020, none of the Directors of the Company or his associates 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) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

DISCLOSURE OF INTERESTS

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

The Company has been notified that, as at 30 June 2020, the following persons (other than Directors or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Long positions in shares of the Company

Name of substantial shareholders	Capacity	Number of shares held	Percentage of total issued shares %
Greatfamily Inc.	Interest of controlled corporation (Note 1)	207,800,000	28.49%
Greatguy (PTC) Inc.	Trustee (Note 1)	207,800,000	28.49%
Senta Wong (BVI) Limited	Interest of controlled corporation (Note 2)	122,012,723	16.73%
HSBC International Trustee Limited	Trustee	45,689,735	6.26%
Wong Chung Yin	Beneficial owner and interest of child or spouse (Note 3)	42,715,701	5.86%

DISCLOSURE OF INTERESTS

Notes:

1. Please see Note 2 under the section headed “Interests of Directors”.
2. Please see Note 1 under the section headed “Interests of Directors”.
3. Mr. Wong Chung Yin was deemed (by virtue of the SFO) to be interested in 42,715,701 shares in the Company. These shares were held in the following capacity:
 - (a) 25,613,332 shares were held by Mr. Wong Chung Yin personally.
 - (b) 450 shares were held under the name of Ms. Woo Sin Ming, the wife of Mr. Wong Chung Yin.
 - (c) 17,101,919 shares were jointly held by Mr. Wong Chung Yin and his wife, Ms. Woo Sin Ming.

Save as disclosed, the Directors are not aware of any other persons who, as at 30 June 2020, had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

SHARE OPTION SCHEME

A share option scheme (the “Scheme”) has been adopted by the shareholders of the Company on 22 June 2016. During the six months ended 30 June 2020, no share options were granted under the Scheme.

DISCLOSURE OF INTERESTS

Particulars of the share options granted under the Scheme and their movements during the six months ended 30 June 2020 were as follows:

Grantee	Date of grant	Exercise price (HK\$)	Exercise period	Number of share options				
				Balance as at 01.01.2020	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	Balance as at 30.06.2020
(I) Directors								
Senta Wong	14.06.2019	0.906	14.06.2020 – 13.06.2029	5,000,000	-	-	-	5,000,000
Edward Ying-Chun Tsui	14.06.2019	0.906	14.06.2020 – 13.06.2029	3,000,000	-	-	-	3,000,000
Byron Shu-Chan Ho	14.06.2019	0.906	14.06.2020 – 13.06.2029	3,000,000	-	-	-	3,000,000
Bengie Man-Hang Kwong	14.06.2019	0.906	14.06.2020 – 13.06.2029	3,000,000	-	-	-	3,000,000
Vinci Wong	14.06.2019	0.906	14.06.2020 – 13.06.2029	3,000,000	-	-	-	3,000,000
Victor Jui Shum Chang	14.06.2019	0.906	14.06.2020 – 13.06.2029	3,000,000	-	-	-	3,000,000
Hamed Hassan El-Abd	14.06.2019	0.906	14.06.2020 – 13.06.2029	3,000,000	-	-	-	3,000,000
Hsu Hung Chieh	14.06.2019	0.906	14.06.2020 – 13.06.2029	3,000,000	-	-	-	3,000,000
Philip Wan-Chung Tse	14.06.2019	0.906	14.06.2020 – 13.06.2029	3,000,000	-	-	-	3,000,000
Leung Kam Fong	14.06.2019	0.906	14.06.2020 – 13.06.2029	3,000,000	-	-	-	3,000,000
Yip Wai Chun	14.06.2019	0.906	14.06.2020 – 13.06.2029	3,000,000	-	-	-	3,000,000
Arnold Hin Lin Tse	14.06.2019	0.906	14.06.2020 – 13.06.2029	3,000,000	-	-	-	3,000,000
Andrew Yiu Wing Lam	14.06.2019	0.906	14.06.2020 – 13.06.2029	3,000,000	-	-	-	3,000,000

DISCLOSURE OF INTERESTS

Grantee	Date of grant	Exercise price (HK\$)	Exercise period	Number of share options				
				Balance as at 01.01.2020	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	Balance as at 30.06.2020
(II) Associates of Directors								
Ava Wong	14.06.2019	0.906	14.06.2020 – 13.06.2029	150,000	-	-	-	150,000
Orangeo Wendy Wong	14.06.2019	0.906	14.06.2020 – 13.06.2029	150,000	-	-	-	150,000
(III) Other employees	14.06.2019	0.906	14.06.2020 – 13.06.2029	28,850,000	-	-	-	28,850,000
Total				70,150,000	-	-	-	70,150,000

Notes:

1. The share options can be exercised up to a maximum of 25% of the grant during the period from 14 June 2020 to 13 June 2021 and the balance of the grant during the period from 14 June 2021 to 13 June 2029.
2. The closing price of the shares of the Company immediately before the date on which the share options were granted was HK\$0.93.

Save as disclosed above, there were no outstanding share options under the Scheme during the six months ended 30 June 2020.

DISCLOSURE OF INTERESTS

The fair value of the options determined at the date of grant using the Black-Scholes option-pricing model was approximately HK\$7,379,000, of which approximately HK\$2,163,000 was charged to the profit or loss for the six months ended 30 June 2020.

The following assumptions were used to calculate the fair value of the share options granted:

Grant date fair value per share	HK\$0.10
Expected life	6 years
Expected volatility	31.93%
Dividend yield	7.39%
Risk-free interest rate	<u>1.44%</u>

Expected volatility is estimated taking into account historical average share price volatility. The Black-Scholes option-pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the Directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

CORPORATE GOVERNANCE

The Company has complied with the code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) during the six months ended 30 June 2020, with deviations as stated below:

Code Provision A.4.1

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

None of the existing Non-executive directors of the Company is appointed for a specific term. This constitutes a deviation from code provision A.4.1 of the CG Code. In accordance with the provisions of the Bye-laws of the Company, any Director appointed by the Board during the year shall retire and submit themselves for re-election at the next annual general meeting immediately following his/her appointment. Further, at each annual general meeting, one-third of the Directors for the time being, or if their number is not three or a multiple of three, then the number nearest to but not exceeding one-third, shall retire from office. The directors to retire by rotation shall be those who have been longest in office since their last re-election or appointment. As such, the Company considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are similar to those in the CG Code.

Code Provision A.4.2

Code Provision A.4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

According to the Bye-laws of the Company, all Directors (except the Executive Chairman or Managing or Joint Managing Director) of the Company are subject to retirement by rotations and re-elections at the annual general meeting of the Company. This constitutes a deviation from the CG Code. As continuation is a key factor to the successful implementation of any long term business plans, the Board believes that the present arrangement is most beneficial to the Company and the shareholders as a whole.

CORPORATE GOVERNANCE

Code Provision A.6.7

Code Provision A.6.7 stipulates that independent non-executive directors and other non-executive directors should attend general meetings to gain and develop a balanced understanding of the views of shareholders.

Due to the travel restrictions arising from the COVID-19 pandemic, the two Non-Executive Directors could not attend the annual general meeting of the Company held on 23 June 2020. However, at the aforesaid annual general meeting, there were Executive Directors and Independent Non-Executive Directors present to enable the Board to develop a balanced understanding of the views of the shareholders of the Company.

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

During the six months ended 30 June 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted a code of conduct regarding securities transactions by Directors on no less exacting than the terms and required standard contained in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code"). Having made specific enquiry of all the Directors, the Company had obtained confirmation from all the Directors that they have complied with the required standard set out in the Model Code and the code of conduct for securities transactions by Directors adopted by the Company throughout the six months ended 30 June 2020.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, risk management and internal control systems and financial reporting matters including a review of the unaudited condensed consolidated interim financial information for the six months ended 30 June 2020.

