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KADER HOLDINGS COMPANY LIMITED
開達集團有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 180)

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

The Board of Directors of Kader Holdings Company Limited (the “Company”) announces that the unaudited consolidated results of the Company and its subsidiaries (the “Group”) and the Group’s interests in associates for the six months ended 30 June 2020, together with comparative figures for the corresponding period in 2019 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020 – unaudited

		Six months ended 30 June	
		2020	2019
	<i>Note</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Revenue	4 & 5	114,292	196,010
Other income		4,019	9,094
Changes in inventories of finished goods and work in progress		8,401	13,001
Cost of purchase of finished goods		(12,166)	(8,525)
Raw materials and consumables used		(12,867)	(44,645)
Staff costs		(76,663)	(96,300)
Depreciation		(16,940)	(18,358)
Other operating expenses		(51,535)	(56,706)
Loss from operations		(43,459)	(6,429)
Finance costs	6(a)	(5,934)	(5,566)
Share of profits less losses of associates		(16,977)	(7,147)
Deficit on revaluation of investment properties	9(d)	(11,084)	–
Loss before taxation	6	(77,454)	(19,142)
Income tax expense	7	(313)	(1,129)
Loss for the period		(77,767)	(20,271)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)*For the six months ended 30 June 2020 – unaudited*

	<i>Note</i>	Six months ended 30 June	
		2020	2019
		<i>HK\$'000</i>	<i>HK\$'000</i>
Attributable to:			
Equity shareholders of the Company		(78,229)	(20,735)
Non-controlling interests		462	464
		<u> </u>	<u> </u>
Loss for the period		<u>(77,767)</u>	<u>(20,271)</u>
Loss per share			
	8		
Basic		<u>(8.23)¢</u>	<u>(2.18)¢</u>
		<u> </u>	<u> </u>
Diluted		<u>(8.23)¢</u>	<u>(2.18)¢</u>
		<u> </u>	<u> </u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020 – unaudited

	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Loss for the period	(77,767)	(20,271)
Other comprehensive income for the period: (after tax and reclassification adjustments)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong, net of HK\$Nil tax	<u>(3,953)</u>	<u>265</u>
Total comprehensive income for the period	<u>(81,720)</u>	<u>(20,006)</u>
Attributable to:		
Equity shareholders of the Company	(82,146)	(20,459)
Non-controlling interests	<u>426</u>	<u>453</u>
Total comprehensive income for the period	<u>(81,720)</u>	<u>(20,006)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020 – unaudited

		At 30 June 2020 <i>HK\$'000</i>	At 31 December 2019 <i>HK\$'000</i>
	<i>Note</i>		
Non-current assets			
Investment properties	9	1,996,924	2,007,898
Other property, plant and equipment	9	<u>210,517</u>	<u>225,532</u>
		2,207,441	2,233,430
Intangible assets		349	366
Interests in associates		76,990	82,855
Other financial assets		33,153	24,955
Deposits and prepayments		2,953	2,028
Deferred tax assets		<u>9,492</u>	<u>9,709</u>
		<u>2,330,378</u>	<u>2,353,343</u>
Current assets			
Other financial assets		5,000	5,000
Trading securities		12,951	7,892
Inventories	10	238,436	239,679
Current tax recoverable		41	7,088
Loans to an associate		36,971	23,709
Trade and other receivables	11	86,175	129,210
Cash and cash equivalents		<u>87,410</u>	<u>107,978</u>
		<u>466,984</u>	<u>520,556</u>
Current liabilities			
Trade and other payables and contract liabilities	12	129,569	119,662
Bank loans		319,877	323,733
Lease liabilities		8,611	10,194
Current tax payable		<u>30,856</u>	<u>20,799</u>
		<u>488,913</u>	<u>474,388</u>
Net current (liabilities)/assets		<u>(21,929)</u>	<u>46,168</u>
Total assets less current liabilities carried forward		<u>2,308,449</u>	<u>2,399,511</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)*As at 30 June 2020 – unaudited*

	At 30 June 2020 <i>Note</i> HK\$'000	At 31 December 2019 HK\$'000
Total assets less current liabilities brought forward	2,308,449	2,399,511
Non-current liabilities		
Lease liabilities	46,091	55,412
Rental deposits	3,615	3,615
Deferred tax liabilities	24,330	24,377
Accrued employee benefits	64	38
	74,100	83,442
NET ASSETS	2,234,349	2,316,069
CAPITAL AND RESERVES		
Share capital	<i>13</i> 95,059	95,059
Reserves	2,136,138	2,218,284
Total equity attributable to equity shareholders of the Company	2,231,197	2,313,343
Non-controlling interests	3,152	2,726
TOTAL EQUITY	2,234,349	2,316,069

NOTES

1. INDEPENDENT REVIEW

The interim financial results for the six months ended 30 June 2020 are unaudited, but have been reviewed by the Audit Committee.

2. BASIS OF PREPARATION

The interim financial results for the six months ended 30 June 2020 comprise the Group and the Group's interests in associates.

The interim financial results set out in the announcement do not constitute the Group's interim financial report for the six months ended 30 June 2020 but are extracted from the report. The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The interim financial report was approved by the Board of Directors and authorised for issue on 28 August 2020.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements. Details of any changes in accounting policies are set out in note 3.

The preparation of the interim financial results in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The Group recorded a loss from operations of HK\$43,459,000 during the six months ended 30 June 2020 and net current liabilities of HK\$21,929,000 as at 30 June 2020. These financial statements have been prepared on a going concern basis notwithstanding the Group's loss from operations and the net current liabilities of the Group because the directors are of the opinion that the Group would have adequate funds to meet its liabilities as and when they fall due for at least twelve months from 30 June 2020.

This interim financial results contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2019 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments has had a material effect on how the Group's results and the financial position for the current or prior periods have been prepared or presented in this interim financial report.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

NOTES (Continued)

4. REVENUE AND SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

Toys and model trains: The manufacture and sale of plastic, electronic and stuffed toys and model trains. These products are manufactured in the Group's manufacturing facilities located in Mainland China.

Property investment: The leasing of office premises and industrial building to generate rental income and to gain from the appreciation in the properties' value in the long term.

Investment holding: The investment in securities.

(a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by significant category of revenue is as follows:

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15		
– Sales of goods	94,443	172,939
Revenue from other sources		
– Gross rentals from investment properties	19,849	23,071
	114,292	196,010

The Group's customer base is diversified and includes one (2019: one) customer with whom transactions have exceeded 10% of the Group's revenue. In 2020, revenue from sales of toys and model trains to this customer (2019: one), including sales to entities which are known to the Group to be under common control of this customer, amounted to approximately HK\$17,534,000 (2019: HK\$68,721,000) and arose in the North America (2019: North America) geographical region in which the toys and model trains division is active.

NOTES (Continued)

4. REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment results, assets and liabilities

For the purpose of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible assets and current assets with the exception of intangible assets, interests in associates, deferred tax assets, current tax recoverable, cash and cash equivalents, loans to an associate and other corporate assets. Segment liabilities include all liabilities with the exception of amount due to an associate, current tax payable, deferred tax liabilities and other corporate liabilities.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is "adjusted EBITDA" i.e. "adjusted earnings before interest, taxes, depreciation and amortisation", where "interest" is regarded as including investment income and "depreciation and amortisation" is regarded as including impairment losses on non-current assets. To arrive at adjusted EBITDA, the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as share of profits less losses of associates and other head office or corporate administration costs.

In addition to receiving segment information concerning adjusted EBITDA, management is provided with segment information concerning revenue (including inter-segment sales), interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

NOTES (Continued)

4. REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment results, assets and liabilities (Continued)

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below:

	Toys and model trains		Property investment		Investment holding		Total	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
For the six months ended 30 June								
Revenue from external customers	94,443	172,939	19,849	23,071	-	-	114,292	196,010
Inter-segment revenue	-	-	929	868	-	-	929	868
Reportable segment revenue	94,443	172,939	20,778	23,939	-	-	115,221	196,878
Reportable segment (loss)/ profit (adjusted EBITDA)	(41,434)	(12,273)	14,375	17,927	(3,462)	(2,802)	(30,521)	2,852
Additions to non-current segment assets during the period	10,304	11,913	1,643	10,636	7,800	1,092	19,747	23,641
	Toys and model trains		Property investment		Investment holding		Total	
	At 30 June 2020 HK\$'000	At 31 December 2019 HK\$'000	At 30 June 2020 HK\$'000	At 31 December 2019 HK\$'000	At 30 June 2020 HK\$'000	At 31 December 2019 HK\$'000	At 30 June 2020 HK\$'000	At 31 December 2019 HK\$'000
Reportable segment assets	509,232	584,877	2,036,725	2,030,291	356,801	366,538	2,902,758	2,981,706
Reportable segment liabilities	744,841	783,943	44,084	43,187	5,517	6,111	794,442	833,241

NOTES (Continued)

4. REVENUE AND SEGMENT REPORTING (Continued)

(c) Reconciliations of reportable segment revenues, profit, assets and liabilities

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Revenue		
Reportable segment revenue	115,221	196,878
Elimination of inter-segment revenue	<u>(929)</u>	<u>(868)</u>
Consolidated revenue	<u>114,292</u>	<u>196,010</u>
Profit		
Reportable segment (loss)/profit	(30,521)	2,852
Elimination of inter-segment profit	<u>—</u>	<u>—</u>
Reportable segment (loss)/profit derived from Group's external customers	(30,521)	2,852
Other income	4,019	9,094
Depreciation and amortisation	(16,957)	(18,375)
Finance costs	(5,934)	(5,566)
Share of profits less losses of associates	(16,977)	(7,147)
Deficit on revaluation of investment properties	<u>(11,084)</u>	<u>—</u>
Consolidated loss before taxation	<u>(77,454)</u>	<u>(19,142)</u>

NOTES (Continued)

4. REVENUE AND SEGMENT REPORTING (Continued)

(c) Reconciliations of reportable segment revenues, profit, assets and liabilities (Continued)

	At 30 June 2020 <i>HK\$'000</i>	At 31 December 2019 <i>HK\$'000</i>
Assets		
Reportable segment assets	2,902,758	2,981,706
Elimination of inter-segment receivables	<u>(316,649)</u>	<u>(339,512)</u>
	2,586,109	2,642,194
Intangible assets	349	366
Interests in associates	76,990	82,855
Loans to an associate	36,971	23,709
Current tax recoverable	41	7,088
Deferred tax assets	9,492	9,709
Cash and cash equivalents	<u>87,410</u>	<u>107,978</u>
Consolidated total assets	<u>2,797,362</u>	<u>2,873,899</u>
Liabilities		
Reportable segment liabilities	794,442	833,241
Elimination of inter-segment payables	<u>(316,649)</u>	<u>(339,512)</u>
	477,793	493,729
Amount due to an associate	30,034	18,925
Current tax payable	30,856	20,799
Deferred tax liabilities	<u>24,330</u>	<u>24,377</u>
Consolidated total liabilities	<u>563,013</u>	<u>557,830</u>

5. SEASONALITY OF OPERATIONS

The Group's toys and model trains division, a separate business segment (see note 4), on average experiences higher sales in the second half of the year, compared to the first half of the year, due to increased demand for its products during the holiday season. As such, the first half of the year generally reports lower revenue and segment results for this segment than the second half.

NOTES (Continued)

6. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting):

	Six months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
(a) Finance costs		
Interest on bank loans	4,763	3,984
Interest on lease liabilities	1,171	1,582
	<u>5,934</u>	<u>5,566</u>
(b) Other items		
Cost of inventories (<i>note 10</i>)	74,554	119,921
Amortisation of intangible assets	17	17
Depreciation charge		
– owned property, plant and equipment	11,082	12,423
– right-of-use assets	5,858	5,935
Net gain on disposal of property, plant and equipment (<i>note 9(c)</i>)	(30)	(1,273)
Net realised and unrealised gains on trading securities	(1,907)	(958)
Net realised and unrealised gains on investments not held for trading	(382)	(1,260)
Dividend and interest income	(2,049)	(945)
(c) Other operating expenses		
Other operating expenses for the period included:		
Auditors' remuneration	2,408	2,093
Advertising and promotion	3,707	6,654
Building management office and security service fees	2,165	2,106
Fuel, electricity and water	4,331	6,071
Government rent and rates	1,298	1,330
Insurance	2,056	2,115
Legal and professional fee	2,710	2,307
Postage, telephone and fax	1,075	1,130
Repair and maintenance	5,244	2,504
Royalties, commission and sales service fee	4,041	3,192
Subcontracting fee	9,669	12,039
Tools and consumables	765	1,797
Transportation and travelling	4,568	4,568

NOTES (Continued)

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax – Hong Kong Profits Tax	–	837
Current tax – Outside Hong Kong	110	951
Deferred tax	203	(659)
	<hr/>	<hr/>
Income tax expense	313	1,129
	<hr/> <hr/>	<hr/> <hr/>

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2019: 16.5%) to the six months ended 30 June 2020. Taxation for subsidiaries outside Hong Kong is similarly calculated using the estimated annual effective rates of taxation that are expected to be applicable in the relevant countries.

8. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of HK\$78,229,000 (six months ended 30 June 2019: HK\$20,735,000) and the weighted average of 950,588,000 ordinary shares (six months ended 30 June 2019: 950,588,000 ordinary shares) in issue during the interim period.

(b) Diluted loss per share

The Company did not have any dilutive potential ordinary shares outstanding during both the current and prior periods. Accordingly, diluted loss per share is the same as the basic loss per share for both the current and prior periods.

9. INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT

(a) Right-of-use assets

During the six months ended 30 June 2020, additions to right-of-use assets were HK\$601,000 (six months ended 30 June 2019: HK\$10,633,000). This amount included the additions of a leasehold property of HK\$110,000 (six months ended 30 June 2019: HK\$10,633,000) and the remainder of HK\$491,000 (six months ended 30 June 2019: HK\$Nil) related to the capitalised lease payments payable under new lease agreements of other items of plant and equipment.

NOTES (Continued)

9. INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(b) Acquisitions

During the six months ended 30 June 2020, the Group acquired items of property, plant and equipment with an aggregate cost of HK\$11,022,000 (six months ended 30 June 2019: HK\$22,547,000).

(c) Disposals

Items of other property, plant and equipment with cost and net book value of HK\$5,936,000 and HK\$Nil respectively were disposed of during the six months ended 30 June 2020 (six months ended 30 June 2019: HK\$15,541,000 and HK\$3,000), resulting in a gain on disposal of HK\$30,000 (six months ended 30 June 2019: HK\$1,273,000).

(d) Valuation

The valuation of investment properties carried at fair value was updated at 30 June 2020 by the Group's independent valuer using the same valuation techniques as were used by this valuer when carrying out the December 2019 valuations.

As a result of the update, a net loss of HK\$11,084,000 (six months ended 30 June 2019: HK\$Nil) has been recognised in profit or loss for the period in respect of investment properties.

10. INVENTORIES

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Carrying amount of inventories sold	73,537	119,616
Write-down of inventories	1,709	3,200
Reversal of write-down of inventories	(692)	(2,895)
	<u>74,554</u>	<u>119,921</u>

The reversal of write-down of inventories made in current and prior periods arose upon sale of these inventories.

NOTES (Continued)

11. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade debtors, based on the invoice date and net of loss allowance with the following ageing analysis as at end of the reporting period:

	At 30 June 2020 <i>HK\$'000</i>	At 31 December 2019 <i>HK\$'000</i>
Within 1 month	19,085	44,732
Over 1 month but within 3 months	14,454	32,899
Over 3 months but within 12 months	1,366	18,335
Over 12 months	123	351
	<hr/>	<hr/>
Total trade debtors, net of loss allowance	35,028	96,317
Amounts due from related companies	2,084	2,084
Other debtors and prepayments	49,063	30,809
	<hr/>	<hr/>
	86,175	129,210
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Credit evaluations are performed on all customers requiring credit over a certain amount. Most of the trade debtors are due within ninety days from the date of billing.

12. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

Included in trade and other payables and contract liabilities are trade creditors with the following ageing analysis as at the end of the reporting period:

	At 30 June 2020 <i>HK\$'000</i>	At 31 December 2019 <i>HK\$'000</i>
Within 1 month	10,049	8,264
Over 1 month but within 3 months	4,401	6,315
Over 3 months but within 6 months	1,948	1,833
Over 6 months	565	598
	<hr/>	<hr/>
Total trade creditors	16,963	17,010
Other creditors and accrued charges	57,973	63,664
Contract liabilities	10,890	9,566
Rental deposits	12,840	9,628
Amounts due to related companies	869	869
Amount due to an associate	30,034	18,925
	<hr/>	<hr/>
	129,569	119,662
	<hr/> <hr/>	<hr/> <hr/>

NOTES (Continued)

13. CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

Dividends payable to equity shareholders attributable to the previous financial year, approved and paid during the interim period

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK Nil cents per ordinary share (six months ended 30 June 2019: HK1.0 cent per ordinary share)	<u>–</u>	<u>9,506</u>

(b) Share capital

	2020		2019	
	Number of shares		Number of shares	
	'000	HK\$'000	'000	HK\$'000
Authorised:				
Ordinary shares of HK\$0.10 each	<u>1,000,000</u>	<u>100,000</u>	<u>1,000,000</u>	<u>100,000</u>
Ordinary shares, issued and fully paid				
At 1 January and 30 June	<u>950,588</u>	<u>95,059</u>	<u>950,588</u>	<u>95,059</u>

(c) Share premium

The application of the share premium account is governed by section 40 of the Companies Act 1981 of Bermuda. The addition in share premium represents the difference between the total amount of the par value of shares issue.

INTERIM DIVIDEND

The Board of Directors has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2020 (2019: HK\$Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

During the period under review, the Group recorded a consolidated revenue of approximately HK\$114.29 million, which decreased by approximately 41.69% as compared to approximately HK\$196.01 million reported for the corresponding period last year. The loss attributable to equity shareholders amounted to approximately HK\$78.23 million (six months ended 30 June 2019: approximately HK\$20.74 million). The outbreak and spreading of the COVID-19 pandemic has notable effects on the economic activities and has negative impact on the performance of the Group for the first half year of 2020.

BUSINESS REVIEW

Toys and Model Trains

During the first half year of 2020, the revenue was approximately HK\$94.44 million, representing a decrease of approximately 45.39% as compared to the corresponding period last year.

The Group will continue to explore new sales opportunities and manufacture high quality products with competitive prices to sustain its business.

Property Investment

During the period under review, the Group's rental income amounted to approximately HK\$19.85 million, representing a decrease of approximately 13.96% as compared to the corresponding period last year and the occupancy rate of its investment properties was approximately 69% (30 June 2019: approximately 61%).

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 30 June 2020, the Group's net asset value per share was approximately HK\$2.35 (31 December 2019: approximately HK\$2.44). The Group had net current liabilities of approximately HK\$21.93 million (31 December 2019: net assets of approximately HK\$46.17 million). Total bank borrowings were approximately HK\$319.88 million (31 December 2019: approximately HK\$323.73 million) while the secured total banking facilities were approximately HK\$763.64 million (31 December 2019: approximately HK\$741.65 million). Included in total bank borrowings were revolving loans of approximately HK\$284.00 million (31 December 2019: approximately HK\$310.06 million) which are intended to be rolled over upon maturity. The Group's financial gearing, based on the total bank borrowings compared to the total equity, was approximately 14.32% (31 December 2019: approximately 13.98%). The majority of borrowings are on floating interest rate terms. The Group will negotiate with banks to increase the banking facilities for working capital needs, if necessary.

Capital Structure

During the period under review, there were no changes in the Company's share capital.

Charges on Group Assets

As at 30 June 2020, investment properties and certain leasehold land and buildings of the Group with a net book value of approximately HK\$1,908.26 million (31 December 2019: approximately HK\$1,909.35 million) were mortgaged to various banks to secure the banking facilities granted to the Group.

Material Acquisitions and Disposals

There were no material acquisitions and disposals during the six months ended 30 June 2020.

RISKS AND UNCERTAINTIES

The Group's financial position and results of operations may be affected by a number of risks and uncertainties pertaining to the Group's businesses. The following are the key risks and uncertainties identified by the Group:

Business Risk

Performance of the Group's core business will be affected by various factors, including but not limited to economic conditions which would not be completely mitigated even with strict operational procedures.

Interest Rate Risk

The Group's interest rate risk arises primarily from bank borrowings. The Group analyses its interest rate exposure on a dynamic basis and manages this risk in a cost-effective manner.

Liquidity risk

Liquidity risk is the potential that the Group will be unable to meet its obligations when they fall due because of an inability to obtain adequate funding. In managing the liquidity risk, the Group monitors the cash flows and will negotiate with banks to increase the banking facilities, if necessary.

Customer risk

The sales to one of the Group's customers represented approximately 19% of the Group's sales during the six months ended 30 June 2020. The Group has endeavoured to diversify its customer base and provided quality products and services to the customers to maintain good relationship with them so as to mitigate the customer risk.

Foreign Exchange Rate Risk

Major assets, liabilities and transactions of the Group are denominated in Hong Kong dollars, United States dollars, Sterling Pounds ("GBP"), Renminbi Yuan ("RMB"), Japanese Yen ("JPY") and Euro ("EUR"). As such, the Group faces a certain degree of exchange rate risk mainly arising from GBP, RMB, JPY and EUR denominated transactions for which the exchange rate volatility is relatively high.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2020, the Group employed 1,248 (30 June 2019: 1,730) full time management, administrative and production staff in Hong Kong Special Administrative Region ("HKSAR"), Mainland China, the United States and Europe. The Group has seasonal fluctuations in the number of workers employed in its production plants while the number of management and administrative staff remains stable. The staff costs for the six months ended 30 June 2020 amounted to approximately HK\$76.66 million (six months ended 30 June 2019: approximately HK\$96.30 million). The Group remunerates its employees based on their performance, experience and prevailing industry practices. In the area of staff training, the Group encourages staff to participate in courses on technical skills improvement and personal development.

PROSPECTS

The economic outlook for the period ahead will continue to be challenged by major domestic and international events including the outbreak and spreading of the COVID-19 pandemic, the United States and China tension and the Brexit which in turn adversely affect the general business environment. The Group will diversify its businesses, explore sales opportunities, raise production efficiency and strengthen the cost control measures in order to sustain its businesses. In addition, the Group obtained the approval from the Government of the HKSAR for revitalization of Kader Building. The whole process is expected to be completed by the end of 2022. The revitalization of Kader Building will enhance the Group's source of revenue and profitability.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

CORPORATE GOVERNANCE

The Board of Directors regularly reviews its corporate governance practices to ensure its continuous compliance with the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Throughout the period under review, the Group has complied with all code provisions in CG Code, except for the deviation from CG Code A.2.1 as described below:

Under CG Code A.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Kenneth Ting Woo-shou has the combined role of Chairman and Managing Director. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Group as non-executive director and independent non-executive directors ("INEDs") form the majority of the Board, with five out of eight of the directors of the Company being non-executive director and INEDs. The Board believes the appointment of Mr. Kenneth Ting Woo-shou to the posts of Chairman and Managing Director is beneficial to the Group as he has considerable industry experience.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed with management the key accounting policies and discussed auditing, internal controls and financial reporting matters, including a review of the interim results for the six months ended 30 June 2020.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Listing Rules as its model code for securities transactions by the Company’s directors and relevant employees who are or may be in possession of unpublished inside information. Based on specific enquiries made, all directors have confirmed that they have complied with the Model Code throughout the period under review.

By order of the Board
Kenneth Ting Woo-shou
Chairman

Hong Kong, 28 August 2020

As at the date hereof, the executive directors of the Company are Mr. Kenneth Ting Woo-shou, SBS, JP (Chairman and Managing Director), Mrs. Nancy Ting Wang Wan-sun and Mr. Ivan Ting Tien-li; the non-executive director of the Company is Mr. Bernie Ting Wai-cheung; and the independent non-executive directors of the Company are Mr. Floyd Chan Tsoi-yin, Mr. Andrew Yao Cho-fai, JP, Mr. Desmond Chum Kwan-yue and Ms. Sabrina Chao Sih-ming.