



WINOX

WINOX HOLDINGS LIMITED

盈利時控股有限公司

(incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立之有限公司)

Stock Code 股份代號：6838

INTERIM REPORT 中期報告 2016

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CORPORATE INFORMATION AND KEY DATES

BOARD OF DIRECTORS

Yiu Hon Ming (*Chairman & Managing Director*)
Au Wai Ming[#] (*Deputy Chairman*)
Law Wai Ping
Chau Kam Wing Donald (*Finance Director*)
Li Chin Keung
Yiu Ho Ting
Carson Wen*
Wong Lung Tak Patrick*
Wu Ming Lam*

[#] Non-executive Director

* Independent Non-executive Director

AUDIT COMMITTEE

Wong Lung Tak Patrick (*Chairman*)
Carson Wen
Wu Ming Lam

REMUNERATION COMMITTEE

Wong Lung Tak Patrick (*Chairman*)
Yiu Hon Ming
Carson Wen
Wu Ming Lam

NOMINATION COMMITTEE

Yiu Hon Ming (*Chairman*)
Carson Wen
Wong Lung Tak Patrick
Wu Ming Lam

COMPANY SECRETARY

Huen Lai Chun

AUDITOR

Deloitte Touche Tohmatsu

PRINCIPAL BANK

The Hongkong and Shanghai Banking Corporation Limited

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Sunray Industrial Centre
610 Cha Kwo Ling Road, Yau Tong
Kowloon, Hong Kong

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

INFORMATION OF SHARES

Place of Listing	: Main Board of The Stock Exchange of Hong Kong Limited
Stock Code	: 6838
Board Lot	: 2,000 shares
Financial Year End	: 31 December
Interim dividend	: HK1.6 cents per ordinary share

KEY DATES

Closure of register of members for interim dividend	: 9 September 2016
Record date for interim dividend	: 9 September 2016
Interim dividend payment date	: 23 September 2016

FINANCIAL HIGHLIGHTS

	Six months ended 30 June 2016 HK\$'000	Six months ended 30 June 2015 HK\$'000	Change
RESULTS HIGHLIGHTS			
Turnover	245,072	316,496	-22.6%
Gross profit	70,190	87,631	-19.9%
Profit for the period	16,359	32,154	-49.1%
Basic earnings per share (HK cents)	3.3	6.4	-48.4%
Interim dividend per share (HK cents)	1.6	3.0	-46.7%
	As at 30 June 2016 HK\$'000	As at 31 December 2015 HK\$'000	Change
BALANCE SHEET HIGHLIGHTS			
Total assets	750,668	764,905	-1.9%
Total borrowings	132,899	121,569	9.3%
Net assets	544,867	559,448	-2.6%
Net assets per share (HK\$)	1.09	1.12	-2.7%
Current ratio	2.17	1.95	
Gearing ratio ¹	0.18	0.16	

¹ Gearing ratio = Total borrowings/Total assets

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The principal focus of the Group is on the development and manufacture of premium stainless steel products, and our major business segments are, namely, watch bracelets, costume jewellery, mobile phone cases and parts, and accessories and parts for leather goods.

During the first half of 2016, the global demand for luxury goods was further weakened by the continuous slowdown in emerging economies, the volatility in capital market and the sluggish tourism due to geopolitical uncertainties. Under this challenging economic environment, Winox Holdings Limited ("Company", together with its subsidiaries "Group") recorded a decline of 22.6% in turnover during the six months ended 30 June 2016. The decline was mainly attributable from the decrease in sales of watch bracelets and costume jewellery. However, the Group's profit margin was slightly improved mainly due to the depreciation of Renminbi. In order to weather this critical operating environment, we shall remain prudent and implement stringent cost control policy and advance our supply chain management for the sustainable development of the Group.

FINANCIAL REVIEW

Turnover

For the six months ended 30 June 2016, the Group's turnover dropped by 22.6% to HK\$245,072,000 (2015: HK\$316,496,000) as compared to the same period last year. Turnover attributable to watch bracelets, costume jewellery, mobile phone cases and parts, and accessories and parts for leather goods were 65.6%, 22.8%, 8.1% and 3.5% respectively (2015: 66.4%, 30.6%, 1.1% and 1.9% respectively).

Export value of Swiss made watches fell by 10.6% in the first half of 2016 as compared to the same period last year. As a result, the Group's turnover of watch bracelets reported a decline of 23.5% to HK\$160,712,000 (2015: HK\$210,052,000) during the period under review.

Turnover of costume jewellery recorded a decline of 42.3% to HK\$55,847,000 (2015: HK\$96,727,000) as compared to the same period last year.

During the period under review, sales of mobile phone cases and parts was HK\$19,803,000 (2015: HK\$3,551,000), representing an increase of 457.7%. Despite the severe competition of the mobile phone market, we will continue to increase our efforts in serving our market leading customers targeting to grow this segment into scale in the coming year.

During the period under review, sales of accessories and parts for leather goods amounted to HK\$8,710,000 (2015: HK\$6,166,000), representing an increase of 41.3%.

Profit

As a result of decrease in sales, gross profit dropped by 19.9% to HK\$70,190,000 (2015: HK\$87,631,000) as compared to the same period last year. Gross profit margin for the period under review increased slightly to 28.6% (2015: 27.7%) due to the depreciation of Renminbi. Profit for the period decreased by 49.1% to HK\$16,359,000 (2015: HK\$32,154,000) and basic earnings per share for the period under review declined by 48.4% to HK3.3 cents (2015: HK6.4 cents).

Cost of sales

Cost of sales included costs of production materials, labour and manufacturing overhead and other costs. The following table sets forth the breakdowns of our cost of sales for the six months ended 30 June 2016:

	Six months ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Direct material costs	49,151	82,331
Direct labour costs	88,376	96,470
Manufacturing overhead and other costs	37,355	50,064
	174,882	228,865

During the six months ended 30 June 2016, direct material costs accounted for about 28.1% (2015: 36.0%) of the total cost of sales, while direct labour costs and manufacturing overhead and other costs accounted for about 50.5% and 21.4% (2015: 42.1% and 21.9%) of the total cost of sales respectively.

Other Income

Other income decreased by approximately 20.3% to HK\$2,047,000 for the six months ended 30 June 2016 as compared to HK\$2,568,000 for the same period last year.

Other Expenses

Selling and distribution expenses declined by approximately 18.3% to HK\$10,180,000 for the first six months of 2016 as compared to HK\$12,461,000 for the same period last year which was in line with the decrease in turnover.

As the Dongfeng Village Factory gradually came into operation in the first half of 2015, administrative expenses increased by 11.4% to HK\$38,598,000 (2015: HK\$34,662,000) during the period under review.

Finance costs for the six months ended 30 June 2016 amounted to HK\$2,282,000 (2015: HK\$2,134,000), representing an increase of 6.9%.

Taxation

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

Under the Law of the PRC on EIT ("EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Inventories

	At 30 June 2016 HK\$'000 (unaudited)	At 31 December 2015 HK\$'000 (audited)
Raw materials	12,343	12,469
Work in progress	45,997	35,000
Finished goods	5,976	2,916
	64,316	50,385

As at 30 June 2016, the Group recorded an inventory balance of HK\$64,316,000 (31 December 2015: HK\$50,385,000), representing an increase of 27.6% which was due to the increase in work in progress and finished goods. The inventory turnover for the first half of 2016 was 59.7 days as compared to 63.0 days for the same period of 2015.

Trade Receivables

As at 30 June 2016, the Group recorded trade receivables of HK\$61,113,000 (31 December 2015: HK\$71,643,000). The credit periods granted to our customers was considered on individual basis ranging from 30 days to 90 days. Generally, no credit would be granted to customers which are new, short-term and placing orders in immaterial scale. As most of our customers are internationally renowned brand owners, we considered we were exposed to relatively low default risk. The trade receivables turnover of the Group for the period under review was 49.3 days (for the year ended 31 December 2015: 30.6 days).

Trade Payables

As at 30 June 2016, the Group recorded trade payables of HK\$26,816,000 (31 December 2015: HK\$33,494,000). The trade payables were primarily related to the purchase of raw materials from suppliers with credit periods ranging from 30 days to 90 days. The trade payables turnover of the Group for the six months ended 30 June 2016 was 31.4 days (for the year ended 31 December 2015: 22.8 days).

Liquidity, Indebtedness and Charges on Assets

During the period under review, the Group maintained a satisfactory liquidity level. As at 30 June 2016, net current assets of the Group was HK\$181,977,000 (31 December 2015: HK\$168,425,000). Besides, the Group maintained cash and bank balances of HK\$187,143,000 (31 December 2015: HK\$196,295,000), of which 75.5% was in Hong Kong dollars, 13.0% was in Renminbi, 3.7% was in Swiss Franc and 7.8% was in United States dollars and other currencies.

The Group's outstanding bank borrowings as at 30 June 2016 was HK\$132,899,000 (31 December 2015: HK\$121,569,000), of which 97.4% was in Hong Kong dollars and 2.6% was in Renminbi. All of the Group's bank borrowings were arranged on floating rate basis. Except for certain bank borrowings which were committed loan facilities with specific maturity dates, the Group's other bank borrowings contained repayment on demand clause at any time at the discretion of the bank. According to the Hong Kong Accounting Standards, the Group had separated and classified the bank borrowings as current and non-current liabilities in the consolidated statements of financial position as at 30 June 2016 in accordance with the settlement term. Of the total bank borrowings, according to the repayment schedule, HK\$3,501,000 was short-term revolving loans, HK\$40,433,000 was loans repayable within one year and the balancing of HK\$88,965,000 was repayable after one year.

MANAGEMENT DISCUSSION AND ANALYSIS

Part of the bank borrowings was secured by certain of the Group's assets with an aggregate carrying value of HK\$53,047,000 as at 30 June 2016. The charged assets included a piece of land in Dongguan where our factory was situated, certain properties constructed thereon and the deposits for two keyman life insurance policies. The banking facilities to the Company's wholly-owned subsidiaries were also secured by corporate guarantees in favour of the bank from the Company.

As at 30 June 2016, the Group's gearing ratio was 0.18 (31 December 2015: 0.16), which was calculated on the basis of total borrowings over total assets of the Group.

Treasury

The Group adopted conservative treasury policies in cash and financial management. Cash was generally placed in short-term deposits. The Group's liquidity and financing requirements were reviewed regularly.

For the six months ended 30 June 2016, a large amount of the Group's sales was denominated in Hong Kong dollars whereas the foreign currency sales were mainly denominated in United States dollars and Swiss Franc that were contributed to the total turnover of 3.9% and 0.3% respectively (for the six months ended 30 June 2015: 2.4% and 0.7% respectively). As Hong Kong dollars was pegged with United States dollars and the sales denominated in Swiss Franc was not material, the directors of the Company ("Directors") considered the Group was exposed to limited risk in this aspect. Despite that, the Group's production plants were located in mainland China and the labour costs and manufacturing overhead were mainly denominated in Renminbi. The appreciation and depreciation of Renminbi might affect the overall production costs of the Group.

During the period under review, the Group did not use any financial instruments for hedging purposes and the Group did not have any hedging instruments outstanding as at 30 June 2016. We would continue to monitor closely the exchange rate risk arising from the Group's existing operations and new investments in future. We would implement the necessary hedging arrangement to mitigate any significant foreign exchange risk when and if appropriate.

Capital Commitments and Significant Investment

Capital expenditure contracted for by the Group but not yet provided in the consolidated financial statements as at 30 June 2016 was HK\$14,925,000 (31 December 2015: HK\$8,304,000), which was mainly related to the acquisition of property, plant and equipment.

Contingent Liabilities

As at 30 June 2016, save for the granting of corporate guarantees by the Company to its wholly-owned subsidiaries as described above, the Group did not have any other significant contingent liabilities.

Employment and Remuneration Policy

As at 30 June 2016, the total number of employees of the Group was approximately 3,398 (2015: 3,987). During the period under review, staff costs (including Directors' emoluments) amounted to approximately HK\$110,645,000 (2015: HK\$118,239,000). Remuneration of the employees which included salary and discretionary bonus was based on the Group's results and individual performance. Medical and retirement benefits schemes were made available to all levels of personnel.

The Company had adopted a share option scheme to incentivise, among others, its senior management and employees. As at 30 June 2016, no options had been granted by the Company pursuant to the share option scheme.

Prospects

We foresee the global economy is still facing a lot of challenges and the demand for luxury goods will remain sluggish in the coming year. Facing such difficult conditions, we remain focused on the business segments that we have strengths and expertise. We are optimistic on the development of stainless steel product business ahead. We are committed to improving our operational efficiency and will make the best use of our resources to enhance our profitability for the purpose of achieving the sustainable growth of the Group.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



TO THE BOARD OF DIRECTORS OF WINOX HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Winox Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 9 to 19, which comprise the condensed consolidated statement of financial position as of 30 June 2016 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

22 August 2016

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	NOTES	Six months ended	
		30.6.2016 HK\$'000 (unaudited)	30.6.2015 HK\$'000 (unaudited)
Turnover	3	245,072	316,496
Cost of sales		(174,882)	(228,865)
Gross profit		70,190	87,631
Other income		2,047	2,568
Other gains and losses		(137)	(477)
Selling and distribution expenses		(10,180)	(12,461)
Administrative expenses		(38,598)	(34,662)
Finance costs		(2,282)	(2,134)
Profit before taxation	4	21,040	40,465
Taxation	5	(4,681)	(8,311)
Profit for the period		16,359	32,154
Other comprehensive (expense) income			
Item that may be subsequently reclassified to profit or loss			
Exchange differences on translation of financial statements of foreign operation		(10,940)	804
Total comprehensive income for the period attributable to owners of the Company		5,419	32,958
Earnings per share – Basic	7	HK3.3 cents	HK6.4 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2016

	NOTES	30.6.2016 HK\$'000 (unaudited)	31.12.2015 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	8	340,733	354,797
Prepaid lease payments		33,369	34,507
Deposit for land use right		21,192	21,668
Deposits paid for acquisition of property, plant and equipment		14,130	3,713
Deposit and prepayments for a life insurance policy		4,216	4,338
		413,640	419,023
Current assets			
Inventories		64,316	50,385
Trade and other receivables	9	85,569	99,202
Bank balances and cash		187,143	196,295
		337,028	345,882
Current liabilities			
Trade and other payables	10	61,656	74,420
Taxation payable		11,246	9,468
Bank borrowings – amount due within one year	11	82,149	93,569
		155,051	177,457
Net current assets		181,977	168,425
Total assets less current liabilities		595,617	587,448
Non-current liability			
Bank borrowings – amount due after one year	11	50,750	28,000
		544,867	559,448
Capital and reserves			
Share capital	12	50,000	50,000
Reserves		494,867	509,448
		544,867	559,448

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Share capital HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2015 (audited)	50,000	213,244	22,451	243,718	529,413
Profit for the period	–	–	–	32,154	32,154
Exchange differences on translation of financial statements of foreign operation and other comprehensive income for the period	–	–	804	–	804
Total comprehensive income for the period	–	–	804	32,154	32,958
Dividend	–	–	–	(10,000)	(10,000)
At 30 June 2015 (unaudited)	50,000	213,244	23,255	265,872	552,371
At 1 January 2016 (audited)	50,000	213,244	(3,246)	299,450	559,448
Profit for the period	–	–	–	16,359	16,359
Exchange differences on translation of financial statements of foreign operation and other comprehensive expense for the period	–	–	(10,940)	–	(10,940)
Total comprehensive (expense) income for the period	–	–	(10,940)	16,359	5,419
Dividend	–	–	–	(20,000)	(20,000)
At 30 June 2016 (unaudited)	50,000	213,244	(14,186)	295,809	544,867

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Six months ended	
	30.6.2016 HK\$'000 (unaudited)	30.6.2015 HK\$'000 (unaudited)
Operating cash flows before movements in working capital	41,213	57,363
Increase in inventories	(15,039)	(8,452)
Decrease (increase) in trade and other receivables	13,126	(51,720)
(Decrease) increase in trade and other payables	(15,791)	20,777
Cash generated from operations	23,509	17,968
Hong Kong Profits Tax paid	–	(416)
PRC Enterprise Income Tax paid	(2,804)	(191)
Net cash from operating activities	20,705	17,361
Net cash used in investing activities		
Deposits paid for acquisition of property, plant and equipment	(14,130)	(10,374)
Purchases of property, plant and equipment	(2,589)	(28,922)
Other investing cash flows	90	1,699
	(16,629)	(37,597)
Net cash used in financing activities		
Repayment of bank borrowings	(27,151)	(27,885)
Dividend paid to shareholders	(20,000)	(10,000)
Interest paid	(2,282)	(2,134)
Bank borrowings raised	38,560	3,740
	(10,873)	(36,279)
Net decrease in cash and cash equivalents	(6,797)	(56,515)
Cash and cash equivalents at beginning of the period	196,295	177,653
Effect of foreign exchange rate changes	(2,355)	333
Cash and cash equivalents at end of the period, representing bank balances and cash	187,143	121,471

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The condensed consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRSs	Annual improvements to HKFRSs 2012-2014 cycle
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

3. TURNOVER AND SEGMENT INFORMATION

The Group's operating activities are attributable to a single reporting segment focusing on manufacture and trading of stainless steel products. This reportable segment has been identified on the basis of internal management reports prepared in accordance with accounting policies that conform to HKFRSs, that are regularly reviewed by the chief operating decision makers (the "CODM"), who are the members of executive directors of the Company. The CODM regularly reviews revenue analysis by products, including watch bracelets, costume jewellery, mobile phone cases and parts, and accessories and parts for leather goods, and by locations of customers, including Switzerland, Liechtenstein and other European countries, Hong Kong, the People's Republic of China ("PRC") and others. In the current period, revenue from Liechtenstein and other European countries are grouped together in revenue analysis as the CODM considered them as one key area. Accordingly, the comparative figures of turnover by locations of customers have been restated for the purpose of revenue analysis to conform to the current period's presentation. However, other than revenue analysis, no operating results and other discrete financial information is available for the assessment of performance by respective products and locations of customers. The CODM reviews the results of the Group as a whole to make decisions. Accordingly, no analysis of this single reporting segment is presented.

Turnover represents the fair value of the consideration received or receivable for goods sold to outside customers during the period.

Turnover by products are as follows:

	Six months ended	
	30.6.2016 HK\$'000 (unaudited)	30.6.2015 HK\$'000 (unaudited)
Watch bracelets	160,712	210,052
Costume jewellery	55,847	96,727
Mobile phone cases and parts	19,803	3,551
Accessories and parts for leather goods	8,710	6,166
	245,072	316,496

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

Turnover from external customers based on locations of customers attributed to the Group by geographical areas are as follows:

	Six months ended	
	30.6.2016 HK\$'000 (unaudited)	30.6.2015 HK\$'000 (unaudited)
Switzerland	150,499	205,502
Liechtenstein and other European countries	59,772	96,406
Hong Kong	14,478	10,814
PRC	19,871	3,078
Others	452	696
	245,072	316,496

Turnover from customers of the corresponding period contributing over 10% of the total turnover of the Group are as follows:

	Six months ended	
	30.6.2016 HK\$'000 (unaudited)	30.6.2015 HK\$'000 (unaudited)
Customer A ¹	146,037	189,079
Customer B ²	52,285	90,434

Notes:

¹ Turnover from sales of watch bracelets

² Turnover from sales of costume jewellery and accessories

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

4. PROFIT BEFORE TAXATION

	Six months ended	
	30.6.2016 HK\$'000 (unaudited)	30.6.2015 HK\$'000 (unaudited)
Profit before taxation has been arrived at after charging:		
Cost of inventories recognised as expenses	167,773	219,391
Depreciation of property, plant and equipment	16,725	15,164
Release of prepaid lease payments	396	416
Bank interest income	(90)	(933)
Loss (gain) on disposal of property, plant and equipment	738	(9)
Net foreign exchange (gain) loss	(601)	486

5. TAXATION

	Six months ended	
	30.6.2016 HK\$'000 (unaudited)	30.6.2015 HK\$'000 (unaudited)
The charge comprises:		
Current tax:		
Hong Kong Profits Tax	2,799	5,543
PRC Enterprise Income Tax ("PRC EIT")	1,882	2,768
	4,681	8,311

(i) Hong Kong Profit Tax

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

(ii) PRC EIT

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the group entities in the PRC is 25% from 1 January 2008 onwards.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

6. DIVIDENDS

During the current interim period, a final dividend of HK4 cents per ordinary share in respect of the year ended 31 December 2015 (2015: HK2 cents per ordinary share in respect of the year ended 31 December 2014) was declared and paid to the shareholders of the Company. The aggregate amount of the final dividend declared and paid in the current interim period amounted to HK\$20,000,000 (2015: HK\$10,000,000).

On 22 August 2016, the board of directors of the Company has resolved to declare an interim dividend of HK1.6 cents per ordinary share totalling not less than HK\$8,000,000 for the six months ended 30 June 2016 (six months ended 30 June 2015: HK3 cents per ordinary share totalling not less than HK\$15,000,000). The interim dividend is payable on 23 September 2016 to the shareholders of the Company whose names appear on the register of members on 9 September 2016.

7. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended	
	30.6.2016 HK\$'000 (unaudited)	30.6.2015 HK\$'000 (unaudited)
Earnings for the purposes of calculating basic earnings per share (profit for the period attributable to owners of the Company)	16,359	32,154
Number of shares		
Number of shares for the purpose of calculating basic earnings per share	500,000,000	500,000,000

No dilutive earnings per share is presented as there are no potential dilutive ordinary shares during both periods.

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group incurred approximately HK\$10,966,000 (six months ended 30 June 2015: HK\$35,067,000) mainly for additions to manufacturing plants in PRC for upgrading and expanding its manufacturing capacity.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

9. TRADE AND OTHER RECEIVABLES

The following is an aging analysis of trade receivables presented based on the invoice date, which approximated the revenue recognition date:

	30.6.2016 HK\$'000 (unaudited)	31.12.2015 HK\$'000 (audited)
0 to 30 days	47,259	53,566
31 to 60 days	7,702	12,389
61 to 90 days	4,706	4,058
Over 90 days	1,446	1,630
	61,113	71,643

The Group allows a credit period ranging from 30 to 90 days to its trade customers. A longer credit period may be granted to large or long-established customers with good payment history.

Included in other receivables is an amount of HK\$779,000 (31.12.2015: HK\$796,000) representing the current portion of the Group's prepaid lease payments.

10. TRADE AND OTHER PAYABLES

The following is an aging analysis of trade payables presented based on the invoice date:

	30.6.2016 HK\$'000 (unaudited)	31.12.2015 HK\$'000 (audited)
0 to 30 days	12,297	12,940
31 to 60 days	9,271	13,210
61 to 90 days	3,994	3,618
Over 90 days	1,254	3,726
	26,816	33,494

11. BANK BORROWINGS

During the current interim period, the Group obtained new bank borrowings of HK\$38,560,000 (six months ended 30 June 2015: HK\$3,740,000) and repaid bank borrowings of HK\$27,151,000 (six months ended 30 June 2015: HK\$27,885,000). The existing borrowings carry variable interest rates at (i) 1.00% to 3.25% over 1-month Hong Kong Interbank Offered Rate per annum, which is repayable up to 7 years; and (ii) 2.7% over the People's Bank of China Standard Loan interest rate per annum, which is repayable in one year. The proceeds are used to finance the Group's operation and the acquisition of property, plant and equipment.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

12. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Ordinary shares of HK\$0.1 each		
Authorised:		
At 1 January 2015, 30 June 2015, 1 January 2016 and 30 June 2016	4,000,000	400,000
Issued and fully paid:		
At 1 January 2015, 30 June 2015, 1 January 2016 and 30 June 2016	500,000	50,000

13. COMMITMENTS

	30.6.2016 HK\$'000 (unaudited)	31.12.2015 HK\$'000 (audited)
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	14,925	8,304

14. RELATED PARTY TRANSACTIONS

(a) During the current interim period, the Group had entered into the following related party transactions:

	Six months ended 30.6.2016 HK\$'000 (unaudited)	30.6.2015 HK\$'000 (unaudited)
Management and administrative services fee received from a related company controlled by Mr. Yiu	126	126
Rental expenses fee paid to Mr. Yiu	338	338

Note: Mr. Yiu Hon Ming ("Mr. Yiu") is the ultimate controlling shareholder and a director of the Company.

(b) The key management personnel are the directors of the Company. During the period, the remuneration of the key management personnel includes short-term employee benefits of HK\$2,973,000 and post-employment benefits of HK\$45,000 (six months ended 30 June 2015: HK\$2,206,000 and HK\$45,000).

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE

The Company is committed to establishing and maintaining high standard of corporate governance and believes that good corporate governance system provides a sustainable and solid foundation for the Company to manage business risks, enhance transparency, advance accountability and maximize shareholders' interests.

The Company has applied the principles of the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange") and complied with all the applicable code provisions of the CG Code throughout the six months ended 30 June 2016, save and except for the deviations from code provisions A.2.1 and A.6.7.

Under code provision A.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Yiu Hon Ming is the Chairman and Managing Director (being defined as Chief Executive under the CG Code) of the Company who is responsible for overseeing the overall operations of the Group. Mr. Yiu is the founder of the Group who possesses comprehensive knowledge and experience of the industry and has in-depth understanding of the Group's overall operations. The Directors consider this structure is conducive to strong and consistent leadership, and effective and efficient planning and implementation of business decisions and strategies of the Group. The Board meets regularly to discuss major matters affecting the Group's operations and considers this structure does not impair the balance of power and authority between the Board and the management of the Company.

Under code provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. An Independent Non-executive Director was unable to attend the Company's annual general meeting held on 23 May 2016 due to his other business engagements.

At the annual general meeting of the Company held on 23 May 2016, Mr. Au Wai Ming, Mr. Chau Kam Wing Donald and Professor Wong Lung Tak Patrick retired and were re-elected as Directors. As at the date of this report, the Board comprises:

Executive Directors

Mr. Yiu Hon Ming (*Chairman and Managing Director*)

Ms. Law Wai Ping

Mr. Chau Kam Wing Donald (*Finance Director*)

Mr. Li Chin Keung

Ms. Yiu Ho Ting

Non-executive Director

Mr. Au Wai Ming (*Deputy Chairman*)

Independent Non-executive Directors

Mr. Carson Wen

Professor Wong Lung Tak Patrick

Mr. Wu Ming Lam

CORPORATE GOVERNANCE AND OTHER INFORMATION

The audit committee of the Company ("Audit Committee") was established on 25 June 2011 with written terms of reference specifying its authority and duties which is available on the websites of the Stock Exchange and the Company. The Audit Committee comprises three Independent Non-executive Directors. The Audit Committee has reviewed with the senior management and the external auditor of the Company the interim results of the Group for the six months ended 30 June 2016 as well as the accounting principles and practices adopted by the Group, internal controls and financial reporting matters.

The Company has formed the Internal Audit Department and the Internal Control Committee. Together with the Audit Committee, these three bodies work together to ensure the Group is in compliance with the Listing Rules and other applicable laws, rules and regulations during its daily course of operation.

The Internal Control Committee comprises the Managing Director, an Executive Director and the Head of Internal Audit, and was formed in June 2011. The Internal Control Committee is responsible for the implementation of the remedial plans recommended by the Audit Committee to ensure our compliance with the Listing Rules and the relevant laws and regulations.

The Internal Audit Department consists of the Head of Internal Audit with one supporting staff. The Head of Internal Audit is a qualified accountant who possesses relevant auditing experience to monitor and oversee daily operation of internal control matters. The Internal Audit Department reports to the Audit Committee on a quarterly basis and recommends remedial plans for any internal control deficiencies identified. The Audit Committee shall give instructions to the Internal Control Committee for the implementation of any remedial plans for any deficiencies of internal control being identified.

The Board was satisfied that the Group's internal control system in place that covers all material controls including financial, operational and compliance controls, and risk management functions is reasonably effective and adequate during the reporting period.

The remuneration committee of the Company ("Remuneration Committee") was established on 25 June 2011 with written terms of reference specifying its authority and duties which is available on the websites of the Stock Exchange and the Company. The Remuneration Committee comprises four members, amongst which three are Independent Non-executive Directors and one is Executive Director.

The nomination committee of the Company ("Nomination Committee") was established on 25 June 2011 with written terms of reference specifying its authority and duties which is available on the websites of the Stock Exchange and the Company. The Nomination Committee comprises four members, amongst which three are Independent Non-executive Directors and one is Executive Director.

CHANGES IN DIRECTORS' INFORMATION

During the period under review, the changes in Directors' information disclosed pursuant to the requirements of Rule 13.51B(1) of the Listing Rules are as follows:

Professor Wong Lung Tak Patrick was appointed as an independent non-executive director of Li Bao Ge Group Limited (Stock Code: 8102) with effect from 16 June 2016.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions of Directors. Having made specific enquiry of all Directors, all Directors confirmed that they complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2016.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 30 June 2016, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("SFO")) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executive have taken or deemed to have under such provisions of the SFO); (ii) recorded in the register required to be kept by the Company under section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(a) The Company

Director	Note	Capacity	Total number of ordinary shares interested or deemed to be interested (Long positions)	Approximate percentage of total issued share capital of the Company
Yiu Hon Ming	1	Interest in controlled corporation and interest of spouse	331,700,000	66.34%
Law Wai Ping	2	Beneficial owner, interest in controlled corporation and interest of spouse	331,700,000	66.34%
Yiu Ho Ting	3	Beneficial owner and interest of spouse	5,758,000	1.15%
Li Chin Keung	4	Interest of spouse	804,000	0.16%
Au Wai Ming		Beneficial owner	3,776,000	0.76%

CORPORATE GOVERNANCE AND OTHER INFORMATION

Notes:

1. Mr. Yiu Hon Ming ("Mr. Yiu") is legally and beneficially interested in 60% of the entire issued share capital of Ming Fung Holdings (Hong Kong) Limited, which in turn is directly interested in approximately 95.45% of the entire issued share capital of Ming Fung Investment Limited, which in turn is directly interested in 330,000,000 shares of the Company. Mr. Yiu is the husband of Ms. Law Wai Ping ("Ms. Law"). By virtue of the SFO, Mr. Yiu is deemed to be interested in the same block of ordinary shares in which Ms. Law is interested.
2. Ms. Law is legally and beneficially interested in 40% of the entire issued share capital of Ming Fung Holdings (Hong Kong) Limited, which in turn is directly interested in approximately 95.45% of the entire issued share capital of Ming Fung Investment Limited, which in turn is directly interested in 330,000,000 shares of the Company. In addition, Ms. Law is directly and beneficially interested in 1,700,000 shares of the Company. Ms. Law is the wife of Mr. Yiu. By virtue of the SFO, Ms. Law is deemed to be interested in the same block of ordinary shares in which Mr. Yiu is interested.
3. Ms. Yiu Ho Ting ("Ms. Yiu") is directly and beneficially interested in 4,740,000 shares of the Company. In addition, her husband, Mr. Cheung Justin Chi Yen ("Mr. Cheung"), is directly interested in 1,018,000 shares of the Company. By virtue of the SFO, Ms. Yiu is deemed to be interested in the same block of ordinary shares in which Mr. Cheung is interested.
4. Ms. Cheung Wing Yan ("Ms. Cheung"), wife of Mr. Li Chin Keung ("Mr. Li"), is directly interested in 804,000 shares of the Company. By virtue of the SFO, Mr. Li is deemed to be interested in the same block of ordinary shares in which Ms. Cheung is interested.

(b) Associated Corporations

Director	Note	Associated corporation	Capacity	Total number of securities interested in associated corporation (Long positions)	Approximate percentage of total issued share capital of associated corporations
Yiu Hon Ming	1	Ming Fung Holdings (Hong Kong) Limited	Beneficial owner	60 ordinary shares	60%
		Ming Fung Investment Limited	Interest in controlled corporation	840 ordinary shares	95.45%
Law Wai Ping	2	Ming Fung Holdings (Hong Kong) Limited	Beneficial owner	40 ordinary shares	40%
		Ming Fung Investment Limited	Interest in controlled corporation	840 ordinary shares	95.45%

Notes:

1. Mr. Yiu is legally and beneficially interested in 60% of the entire issued share capital of Ming Fung Holdings (Hong Kong) Limited, which in turn is directly interested in approximately 95.45% of the entire issued share capital of Ming Fung Investment Limited, which in turn is directly interested in 330,000,000 shares of the Company.
2. Ms. Law is legally and beneficially interested in 40% of the entire issued share capital of Ming Fung Holdings (Hong Kong) Limited, which in turn is directly interested in approximately 95.45% of the entire issued share capital of Ming Fung Investment Limited, which in turn is directly interested in 330,000,000 shares of the Company.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Save as disclosed above, as at 30 June 2016, none of the Directors and 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 (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executive have taken or deemed to have under such provisions of the SFO); (ii) entered in the register required to be kept by the Company under section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2016, each of the following persons and entities, other than a Director and chief executive of the Company, had or were deemed to have interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name	Note	Capacity	Total number of ordinary shares interested or deemed to be interested (Long positions)	Approximate percentage of total issued share capital of the Company
Ming Fung Investment Limited	1	Beneficial owner	330,000,000	66%
Ming Fung Holdings (Hong Kong) Limited	1	Interest in controlled corporation	330,000,000	66%
Winholme Holdings Limited	2	Beneficial owner	42,500,000	8.5%
Tang Wai Fong	3	Interest in controlled corporation	42,500,000	8.5%
Chan Kai Ming	4	Interest in controlled corporation	42,500,000	8.5%
Leung Wai Yin Edith	5	Interest of spouse	42,500,000	8.5%

CORPORATE GOVERNANCE AND OTHER INFORMATION

Notes:

1. Ming Fung Holdings (Hong Kong) Limited is interested in approximately 95.45% of the entire issued share capital of Ming Fung Investment Limited.
2. Mr. Li Chin Keung, an executive Director, is the legal and beneficial owner of approximately 8.82% of the entire issued share capital of Winholme Holdings Limited.
3. Ms. Tang Wai Fong is the legal and beneficial owner of approximately 44.12% of the entire issued share capital of Winholme Holdings Limited.
4. Mr. Chan Kai Ming is the legal and beneficial owner of approximately 35.29% of the entire issued share capital of Winholme Holdings Limited.
5. Ms. Leung Wai Yin Edith is the wife of Mr. Chan Kai Ming. By virtue of the SFO, she is deemed to be interested in the same block of shares in which Mr. Chan Kai Ming is interested.

Save as disclosed above, as at 30 June 2016, the Company has not been notified by any person or entity who had or were deemed to have interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

SHARE OPTIONS

During the six months ended 30 June 2016, the Company had no share option being granted, outstanding, lapsed or cancelled pursuant to the share option scheme adopted by the Company on 25 June 2011.

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

During the six months ended 30 June 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

SPECIFIC PERFORMANCE OBLIGATIONS ON CONTROLLING SHAREHOLDER

On 24 February 2011, Winox Enterprise Company Limited ("Winox Enterprise"), an indirectly wholly-owned subsidiary of the Company, as borrower, entered into certain revised facilities letters with a financial institution to supersede the then facilities letters in order to facilitate the listing of the Company on the Stock Exchange in July 2011. These loan facilities (a) are interest bearing and secured; (b) are repayable by instalments ranging from a period of three quarters to 80 months commencing on 24 February 2011; and (c) contain repayment on demand clause at the discretion of the financial institution (the repayment on demand clause for certain committed loans was effective after 31 March 2013).

On 15 May 2012, Winox Enterprise, as borrower, entered into another facilities letter with the same financial institution in relation to two 5-year term loans at an aggregate amount of HK\$70,000,000. These loan facilities (a) are interest bearing and secured; (b) are repayable by 60 monthly instalments commencing one month after each drawdown; and (c) contain repayment on demand clause at the discretion of the financial institution. The loans were drawn by 5 instalments on dates ranging from 28 May 2012 to 24 December 2012.

On 21 June 2013, Winox Enterprise, as borrower, entered into another facilities letter with the same financial institution in relation to two term loans, which are interest bearing and secured, at the amounts of HK\$40,000,000 (converted to committed loan on 27 December 2013, and is repayable by 12 equal quarterly instalments and will be fully repaid by 30 September 2016) and HK\$60,000,000 (converted to committed loan on 24 March 2014 for the first 2 years from the loan drawdown date and is repayable by 28 equal quarterly instalments) respectively. During the year ended 31 December 2014, HK\$30,000,000 was drawn on 25 June 2014 and HK\$30,000,000 was drawn on 25 September 2014 from the latter loan.

CORPORATE GOVERNANCE AND OTHER INFORMATION

On 24 November 2015, Winox Enterprise, as borrower, entered into another facilities letter with the same financial institution in relation to a term loan of up to HK\$70,000,000. The loan facility (a) is interest bearing and secured, (b) is repayable by 20 equal quarterly instalments commencing three months after first drawdown, and (c) contains repayment on demand clause at the discretion of the financial institution which was effective after 22 months from the date of the first drawdown. HK\$35,000,000 was drawn on 28 December 2015 and HK\$35,000,000 was drawn on 15 March 2016.

Pursuant to these facilities letters, the controlling shareholder of the Company, Mr. Yiu Hon Ming and his family are required, at all times, to hold not less than 50% of the issued shares of the Company ("Specific Performance Obligations"). The breach of the Specific Performance Obligations will cause a default in respect of these loan facilities and the financial institution shall have the right to terminate the commitments and declare all outstanding amounts together with interests accrued thereon and all other sums payable under these loan facilities be immediately due and payable.

As at 30 June 2016, the amount of loan outstanding under these loan facilities was approximately HK\$129,397,000 and the unutilised facilities available for drawdown amounted to HK\$2,000,000.

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has declared an interim dividend of HK1.6 cents per ordinary share, totaling HK\$8,000,000, for the six months ended 30 June 2016. The interim dividend will be payable on Friday, 23 September 2016 to shareholders of the Company ("Shareholders") whose names appear on the Company's register of members on Friday, 9 September 2016.

For the purpose of ascertaining the Shareholders' entitlement to the interim dividend, the Company's register of members will be closed on Friday, 9 September 2016 on which no transfer of shares of the Company will be registered. In order to be entitled to the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 8 September 2016.

REVIEW OF INTERIM RESULTS

The interim results of the Group for the six months ended 30 June 2016 are unaudited, but have been reviewed in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants, by Messrs. Deloitte Touche Tohmatsu whose unmodified review report is set out on page 8 of this report. The interim results of the Group for the six months ended 30 June 2016 have also been reviewed by the Audit Committee.

INVESTOR RELATIONS

The Company recognises the importance of maintaining an effective mutual communication with the financial community and its stakeholders in order to achieve a fair valuation on the Company's securities as well as to enhance its Shareholders' value. Designated management staff meets with research analysts and institutional investors on an on-going basis. In addition, the Company utilises its website (www.winox.com) as a channel to provide updated information in a timely manner.