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

2019
INTERIM REPORT
中期報告

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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
Yiu Tat Sing
Carson Wen*
Wong Lung Tak Patrick*
Wu Ming Lam*

* *Independent Non-executive Director*

AUDIT COMMITTEE
Wong Lung Tak Patrick *(Chairman)*
Au Wai Ming
Carson Wen
Wu Ming Lam

REMUNERATION COMMITTEE
Wong Lung Tak Patrick *(Chairman)*
Yiu Hon Ming
Au Wai Ming
Carson Wen
Wu Ming Lam

NOMINATION COMMITTEE
Yiu Hon Ming *(Chairman)*
Au Wai Ming
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

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS
Conyers 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 54, 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	:	HK5 cents per ordinary share

KEY DATES

Closure of register of members for interim dividend	:	12 September 2019
Record date for interim dividend	:	12 September 2019
Interim dividend payment date	:	27 September 2019

FINANCIAL HIGHLIGHTS

	Six months ended 30 June 2019 HKD'000	Six months ended 30 June 2018 HKD'000	Change
RESULTS HIGHLIGHTS			
Revenue	**478,511**	491,687	–2.7%
Gross profit	**126,462**	134,408	–5.9%
Profit for the period	**53,334**	62,832	–15.1%
Return on equity[1] (%)	**7.5%**	9.4%	-1.9 pts
Basic earnings per share (HK cents)	**10.7**	12.6	–15.1%
Interim dividend per share (HK cents)	**5**	6	-16.7%

	As at 30 June 2019 HKD'000	As at 31 December 2018 HKD'000	Change
BALANCE SHEET HIGHLIGHTS			
Total assets	**925,349**	940,568	–1.6%
Total borrowings	**40,965**	52,250	–21.6%
Net assets	**714,039**	704,395	1.4%
Net assets per share (HKD)	**1.43**	1.41	1.4%
Current ratio	**2.16**	2.14	
Gearing ratio[2]	**0.04**	0.06	

1 Based on equity attributable to shareholders at period end

2 Gearing ratio = Total borrowings/Total assets

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The principal focus of Winox Holdings Limited ("Company", together with its subsidiaries "Group") remains on the development and manufacture of premium stainless steel products, and our major business segments are, namely, watch bracelets, mobile phone cases and parts, costume jewellery, and accessories and parts for leather goods.

Amidst of the escalating US-China trade tension and the slowing down in the world's major economies in the second half of 2018, the demand for our watch bracelets was adversely affected during the first half of 2019. On the other hand, we are pleased to inform that the demand for our mobile phone cases and parts was continuously to grow satisfactorily for the same period. As a result, the Group recorded a slight decrease of 2.7% in revenue for the first six months of 2019 as compared to the same period of last year. The gross profit margin was also slightly decreased by 0.9 percentage point to 26.4% as compared to the same period of last year which was mainly due to the change in sales of product mix as explained above.

FINANCIAL REVIEW

REVENUE

For the six months ended 30 June 2019, the Group's revenue decreased by 2.7% to HK$478,511,000 (2018: HK$491,687,000) as compared to the same period of last year. Revenue attributable to watch bracelets, mobile phone cases and parts, costume jewellery, and accessories and parts for leather goods were 40.0%, 49.8%, 9.2% and 1.0% respectively (2018: 53.1%, 37.4%, 7.6% and 1.9%).

In the first six months of 2019, the Group's revenue of watch bracelets reported a decrease of 26.6% to HK$191,489,000 (2018: HK$260,922,000).

During the period under review, sales of mobile phone cases and parts was HK$238,093,000 (2018: HK$184,073,000), representing a satisfactory increase of 29.3%.

During the period under review, revenue of costume jewellery recorded an increase of 17.6% to HK$43,911,000 (2018: HK$37,332,000) as compared to the same period of last year.

During the period under review, sales of accessories and parts for leather goods amounted to HK$5,018,000 (2018: HK$9,360,000), representing a decrease of 46.4%.

COST OF SALES

Cost of sales included costs of production materials, labour costs, and manufacturing overhead and other costs. The following table sets forth the breakdown of our cost of sales for the six months ended 30 June 2019:

	Six months ended 30 June	
	2019 HK$'000 (unaudited)	2018 HK$'000 (unaudited)
Direct materials costs	**179,453**	161,359
Direct labour costs	**124,570**	135,774
Manufacturing overhead and other costs	**48,026**	60,146
	352,049	357,279

During the six months ended 30 June 2019, direct materials costs accounted for about 51.0% (2018: 45.2%) of the total cost of sales, the increase was mainly due to the increase in sales of mobile phone cases and parts, the manufacture of which requires higher proportion of materials costs.

Direct labour costs, and manufacturing overhead and other costs accounted for about 35.4% and 13.6% (2018: 38.0% and 16.8%) of the total cost of sales respectively.

OTHER INCOME

Other income increased by 38.1% to HK$3,358,000 for the six months ended 30 June 2019 as compared to HK$2,431,000 for the same period of last year mainly due to the increase in bank interest income.

OTHER EXPENSES

Selling and distribution expenses decreased by 30.7% to HK$10,444,000 for the first six months of 2019 as compared to HK$15,075,000 for the same period of last year mainly due to the decrease in sales of watch bracelets.

Administrative expenses increased by 9.9% to HK$55,522,000 (2018: HK$50,524,000) during the period under review mainly due to the increase in staff costs.

Finance costs for the six months ended 30 June 2019 amounted to HK$1,288,000 (2018: HK$1,500,000), representing a decrease of 14.1%.

TAXATION

Under the two-tiered profits tax rates regime, the first HK$2 million of assessable profits of a qualifying group entity will be taxed at 8.25%, and assessable profits above HK$2 million will be taxed at 16.5%. The assessable profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the condensed consolidated financial statements. Accordingly, Hong Kong Profits Tax is calculated at a flat rate of 16.5% of the estimated assessable profits for both periods.

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of group entities in the PRC is 25%. During the six months ended 30 June 2018, certain PRC subsidiaries of the Company were awarded the High and New Technology Enterprise certificate and eligible to a tax rate of 15% for 3 years with effect from the financial year ended 31 December 2017. Accordingly, an overprovision for PRC EIT in prior years amounting to HK$6,222,000 was recognised during the six months ended 30 June 2018.

PROFIT FOR THE PERIOD

As a result of decrease in sales and gross profit margin, the Group's gross profit decreased by 5.9% to HK$126,462,000 (2018: HK$134,408,000) as compared to the same period of last year. Gross profit margin for the period under review was 26.4% (2018: 27.3%). Profit for the period decreased by 15.1% to HK$53,334,000 (2018: HK$62,832,000) and basic earnings per share for the period under review decreased by 15.1% to HK10.7 cents (2018: HK12.6 cents).

INVENTORIES

	At 30 June 2019 HK$'000 (unaudited)	At 31 December 2018 HK$'000 (audited)
Raw materials	**11,997**	10,070
Work in progress	**50,932**	32,915
Finished goods	**25,023**	31,819
	87,952	74,804

As at 30 June 2019, the Group recorded an inventory balance of HK$87,952,000 (31 December 2018: HK$74,804,000), representing an increase of 17.6% which was mainly due to the increase in raw materials and work in progress. The inventory turnover of the Group for the first half of 2019 was 41.8 days as compared to 44.1 days for the same period of 2018.

TRADE RECEIVABLES

As at 30 June 2019, the Group's trade receivables amounted to HK$150,699,000 (31 December 2018: HK$153,243,000). The credit periods granted to our customers were 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 57.5 days (for the year ended 31 December 2018: 47.5 days).

TRADE PAYABLES

As at 30 June 2019, the Group's trade payables amounted to HK$106,830,000 (31 December 2018: HK$102,206,000). The trade payables was 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 2019 was 53.7 days (for the year ended 31 December 2018: 44.9 days).

LIQUIDITY, INDEBTEDNESS AND CHARGES ON ASSETS

During the period under review, the Group maintained a satisfactory liquidity level. As at 30 June 2019, net current assets of the Group was HK$240,067,000 (31 December 2018: HK$269,788,000). Besides, the Group maintained cash and bank balances of HK$163,525,000 as at 30 June 2019 (31 December 2018: HK$239,478,000), of which 54.9% was in Renminbi, 31.2% was in Hong Kong dollars, 12.9% was in United State dollars, and 1.0% was in Swiss Franc and other currencies.

The Group's outstanding bank borrowings as at 30 June 2019 was HK$40,965,000 (31 December 2018: HK$52,250,000), which was all in Hong Kong dollars. All of the Group's bank borrowings were arranged on floating rate basis and contained repayment on demand clause at any time at the discretion of the bank. Under the Hong Kong Financial Reporting Standards, the Group had classified all the bank borrowings as current liabilities in the condensed consolidated statement of financial position as at 30 June 2019. Despite that, amongst those bank borrowings, according to the repayment schedule, HK$22,571,000 was repayable within one year and the balance of HK$18,394,000 was repayable after one year.

Part of the bank borrowings was secured by certain of the Group's assets with an aggregate carrying value of HK$45,190,000 as at 30 June 2019. The charged assets included a piece of land in Dongguan where our factory is situated and 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 2019, the Group's gearing ratio was 0.04 (31 December 2018: 0.06), which was calculated on the basis of outstanding 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 2019, a considerable amount of the Group's sales was denominated in Hong Kong dollars whereas the foreign currency sales was mainly denominated in United States dollars that was contributed to the total revenue of 53.6% (for the six months ended 30 June 2018: 37.9%). As Hong Kong dollars was pegged with United States dollars, 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 2019. 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

Capital expenditure contracted for by the Group but not yet provided in the condensed consolidated financial statements as at 30 June 2019 was HK$25,859,000 (31 December 2018: HK$24,030,000), which was mainly related to the acquisition of property, plant and equipment.

CONTINGENT LIABILITIES

As at 30 June 2019, 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 2019, the total number of employees of the Group was approximately 3,871 (2018: 3,727). During the period under review, staff costs (including Directors' emoluments) amounted to approximately HK$159,890,000 (2018: HK$168,758,000). 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 its senior management and employees. As at 30 June 2019, no options had been granted by the Company pursuant to the share option scheme.

OUTLOOK

The uncertainties around the US-China trade tensions, Brexit and increasing geopolitical tensions has weakened the global economic growth in 2019 and impacted the consumer sentiment for luxury goods. Although the central banks of many countries including the US have started to reduce their interest rates and are acting to increase the liquidity of the money markets in order to boost the real economy, the outcome is yet to be observed. This is the Group's strategy to remain focused on the business segments that we have strengths and expertise. With the extensive experience of our core team and our advanced technology in handling precision stainless steel materials and product design, we are optimistic on the development of stainless steel product business ahead. We are committed to improving our operation 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

Deloitte. 德勤

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 11 to 27, which comprise the condensed consolidated statement of financial position as of 30 June 2019 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 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
26 August 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2019

		Six months ended	
	NOTES	**30.6.2019 HK$'000 (unaudited)**	30.6.2018 HK$'000 (unaudited)
Revenue	*3*	**478,511**	491,687
Cost of sales		**(352,049)**	(357,279)
Gross profit		**126,462**	134,408
Other income		**3,358**	2,431
Other gains and losses		**(1,874)**	(2,890)
Selling and distribution costs		**(10,444)**	(15,075)
Administrative expenses		**(55,522)**	(50,524)
Finance costs		**(1,288)**	(1,500)
Profit before taxation	*4*	**60,692**	66,850
Taxation	*5*	**(7,358)**	(4,018)
Profit for the period		**53,334**	62,832
Other comprehensive expense for the period			
Item that may be subsequently reclassified to profit or loss			
Exchange differences on translation of financial statements of foreign operations		**(1,190)**	(9,692)
Total comprehensive income for the period		**52,144**	53,140
Earnings per share – Basic	*7*	**HK10.7 cents**	HK12.6 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2019

	NOTES	30.6.2019 HK$'000 (unaudited)	31.12.2018 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	*8*	**397,419**	365,955
Right-of-use assets	*8*	**37,685**	–
Prepaid lease payments		**–**	32,945
Deposit for land use right	*9*	**20,651**	20,675
Deposits paid for acquisition of property, plant and equipment		**17,588**	10,788
Deposit and prepayment for a life insurance policy		**4,162**	4,244
		477,505	434,607
Current assets			
Inventories		**87,952**	74,804
Trade and other receivables	*10*	**193,624**	188,215
Taxation recoverable		**2,743**	3,464
Bank balances and cash		**163,525**	239,478
		447,844	505,961
Current liabilities			
Trade and other payables	*11*	**151,544**	154,062
Taxation payable		**14,364**	29,861
Bank borrowings	*12*	**40,965**	52,250
Lease liabilities		**904**	–
		207,777	236,173
Net current assets		**240,067**	269,788
Total assets less current liabilities		**717,572**	704,395
Non-current liability			
Lease liabilities		**3,533**	–
		714,039	704,395
Capital and reserves			
Share capital	*13*	**50,000**	50,000
Reserves		**664,039**	654,395
		714,039	704,395

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Share capital HK$'000	**Share premium** HK$'000	**Translation reserve** HK$'000	**Retained profits** HK$'000	**Total** HK$'000
At 1 January 2018 (audited)	50,000	213,244	1,064	386,589	650,897
Profit for the period	–	–	–	62,832	62,832
Exchange differences on translation of financial statements of foreign operations and other comprehensive expense for the period	–	–	(9,692)	–	(9,692)
Total comprehensive (expense) income for the period	–	–	(9,692)	62,832	53,140
Dividend	–	–	–	(35,000)	(35,000)
At 30 June 2018 (unaudited)	50,000	213,244	(8,628)	414,421	669,037
At 1 January 2019 (audited)	**50,000**	**213,244**	**(34,564)**	**475,715**	**704,395**
Profit for the period	**–**	**–**	**–**	**53,334**	**53,334**
Exchange differences on translation of financial statements of foreign operations and other comprehensive expense for the period	**–**	**–**	**(1,190)**	**–**	**(1,190)**
Total comprehensive (expense) income for the period	**–**	**–**	**(1,190)**	**53,334**	**52,144**
Dividend	**–**	**–**	**–**	**(42,500)**	**(42,500)**
At 30 June 2019 (unaudited)	**50,000**	**213,244**	**(35,754)**	**486,549**	**714,039**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Six months ended	
	30.6.2019	30.6.2018
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Net cash from operating activities	**37,481**	54,589
Net cash used in investing activities		
Deposits paid for acquisition of property, plant and equipment	**(17,588)**	(20,863)
Purchases of property, plant and equipment	**(53,304)**	(22,532)
Proceeds from disposal of property, plant and equipment	**12,212**	263
Other investing cash flows	**618**	259
	(58,062)	(42,873)
Cash used in financing activities		
Repayment of bank borrowings	**(11,285)**	(11,285)
Dividend paid to shareholders	**(42,500)**	(35,000)
Interests paid	**(1,288)**	(1,500)
Repayment of lease liabilities	**(149)**	–
	(55,222)	(47,785)
Net decrease in cash and cash equivalents	**(75,803)**	(36,069)
Cash and cash equivalents at beginning of the period	**239,478**	200,453
Effect of foreign exchange rate changes	**(150)**	(3,844)
Cash and cash equivalents at end of the period, representing bank balances and cash	**163,525**	160,540

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

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.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018.

APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

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

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2.1 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 16 "LEASES"

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 "Leases" ("HKAS 17"), and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

<u>Allocation of consideration to components of a contract</u>

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

<u>Short-term leases and leases of low-value assets</u>

The Group applies the short-term lease recognition exemption to leases of leasehold land and office premises that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group represents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 "Financial Instruments" ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

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

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/ expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 "Income Taxes" requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease. The application of new definition of a lease does not have material impact on condensed consolidated financial statements.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

At the date of initial application, 1 January 2019, the Group adopted the HKFRS 16.C8 (b)(ii) and recognised the right-of-use assets at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the condensed consolidated statement of financial position immediately before 1 January 2019.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised lease liabilities of HK$3,128,000 and right-of-use assets of HK$36,832,000 at 1 January 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 4.95%.

	At 1 January 2019 HK$'000
Operating lease commitments disclosed as at 31 December 2018	7,627
Less: Practical expedient – short-term leases	(317)
Recognition exemption – low value assets	(8)
	7,302
Lease liabilities discounted at relevant incremental borrowing rates relating to operating leases recognised upon application of HKFRS 16 as at 1 January 2019	3,128
Analysed as	
Current	183
Non-current	2,945
	3,128

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Right-of-use assets HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	3,128
Reclassified from prepaid lease payments *(Note)*	33,704
	36,832
By class:	
Leasehold land	33,704
Land and buildings	3,085
Office equipment	43
	36,832

Note: Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to HK$759,000 and HK$32,945,000 respectively were reclassified to right-of-use assets.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018	Adjustments	Carrying amounts under HKFRS 16 at 1 January 2019
	HK$'000	HK$'000	HK$'000
Non-current assets			
Prepaid lease payments *(Note)*	32,945	(32,945)	–
Right-of-use assets	–	36,832	36,832
Current assets			
Trade and Other receivables			
– Prepaid lease payments *(Note)*	759	(759)	–
Current liabilities			
Lease liabilities	–	(183)	(183)
Non-current liability			
Lease liabilities	–	(2,945)	(2,945)

Note: For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 June 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

3. REVENUE 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 based on 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, mobile phone cases and parts, costume jewellery, and accessories and parts for leather goods, and by locations of customers, including Switzerland, Taiwan, the People's Republic of China ("PRC"), Liechtenstein and other European countries, Hong Kong and others. 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 segment information is presented other than entity wide disclosures.

The revenue of the Group from manufacture and trading of stainless steel products is recognised when the goods passed to the customers, which is the point of time when the customers have the ability to direct the use of the goods and obtain substantially all of the remaining benefits of the goods.

Revenue by products are as follows:

	Six months ended	
	30.6.2019	30.6.2018
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Watch bracelets	**191,489**	260,922
Mobile phone cases and parts	**238,093**	184,073
Costume jewellery	**43,911**	37,332
Accessories and parts for leather goods	**5,018**	9,360
	478,511	491,687

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

	Six months ended	
	30.6.2019	30.6.2018
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Switzerland	**159,081**	248,739
Taiwan	**188,912**	121,215
PRC	**53,234**	51,267
Liechtenstein and other European countries	**44,355**	42,019
Hong Kong	**32,601**	27,615
Others	**328**	832
	478,511	491,687

4. PROFIT BEFORE TAXATION

	Six months ended	
	30.6.2019 HK$'000 (unaudited)	30.6.2018 HK$'000 (unaudited)
Profit before taxation has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**20,560**	18,912
Depreciation of right-of-use assets	**574**	–
Release of prepaid lease payments	**–**	410
Bank interest income	**(618)**	(259)
Loss on disposal of property, plant and equipment	**2,051**	2,329
Net foreign exchange (gain) loss	**(177)**	561
Interests on:		
– bank borrowings	**1,206**	1,500
– lease liabilities	**82**	–
	1,288	1,500

5. TAXATION

	Six months ended	
	30.6.2019 HK$'000 (unaudited)	30.6.2018 HK$'000 (unaudited)
The charge comprises:		
Current tax:		
Hong Kong Profits Tax	**6,643**	5,862
PRC Enterprise Income Tax ("EIT")	**3,517**	4,378
	10,160	10,240
Overprovision in prior years:		
PRC EIT	**(2,802)**	(6,222)
	7,358	4,018

(i) HONG KONG PROFIT TAX

Under the two-tiered profits tax rates regime, the first HK$2 million of assessable profits of a qualifying group entity will be taxed at 8.25%, and assessable profits above HK$2 million will be taxed at 16.5%. The assessable profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the condensed consolidated financial statements. Accordingly, Hong Kong Profits Tax is calculated at a flat rate of 16.5% of the estimated assessable profits 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 group entities in the PRC is 25%. During the six months ended 30 June 2018, certain PRC subsidiaries of the Company were awarded the High and New Technology Enterprise certificate and eligible to a tax rate of 15% for 3 years with effect from the financial year ended 31 December 2017. Accordingly, an overprovision for PRC EIT in prior years amounting to HK$6,222,000 was recognised during the six months ended 30 June 2018.

6. DIVIDENDS

During the current interim period, a final dividend of HK8.5 cents per ordinary share in respect of the year ended 31 December 2018 (2018: HK7 cents per ordinary share in respect of the year ended 31 December 2017) 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$42,500,000 (2018: HK$35,000,000).

On 26 August 2019, the board of directors of the Company has resolved to declare an interim dividend of HK5 cents per ordinary share, totalling HK$25,000,000, for the six months ended 30 June 2019 (six months ended 30 June 2018: HK6 cents per ordinary share, totalling HK$30,000,000). The interim dividend is payable on 27 September 2019 to the shareholders of the Company whose names appear on the register of members on 12 September 2019.

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	
	30.6.2019 HK$'000 (unaudited)	30.6.2018 HK$'000 (unaudited)
Earnings for the purpose of calculating basic earnings per share (profit for the period attributable to owners of the Company)	**53,334**	62,832

	30.6.2019	30.6.2018
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 AND RIGHT-OF-USE ASSETS

During the current interim period, the Group incurred additions to property, plant and equipment of HK$67,268,000 (six months ended 30 June 2018: HK$42,806,000).

During the current interim period, the Group entered into a new lease agreement for the use of land and building for 2 years. The Group is required to make fixed monthly payments. On lease commencement, the Group recognised an right-of-use asset of HK$1,461,000 and lease liability of HK$1,461,000.

9. DEPOSIT FOR LAND USE RIGHT

A deposit of RMB18,158,000 (equivalent to HK$20,651,000) (31 December 2018: RMB18,158,000 (equivalent to HK$20,675,000)) was paid for land use right in prior year as the Group intended to establish a new production plant at Boluo County, Huizhou, PRC ("Huzhen Site"). The requisite construction land quota in respect of the Huzhen Site has not been granted and the development of production premises at Huzhen Site is postponed. At 30 June 2019, the transaction has not been completed. The directors of the Company considered it is in the interest of the Group to acquire more land for production use in order to cater for the long-term development plan of the Group. Accordingly, it is the Group's intention to continue to negotiate with the local government authorities for the grant of the construction land quota and approval.

10. 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:

	30.6.2019 HK$'000 (unaudited)	31.12.2018 HK$'000 (audited)
0 to 30 days	85,507	83,903
31 to 60 days	55,845	52,346
61 to 90 days	7,771	16,510
Over 90 days	1,576	484
	150,699	153,243

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 nil (31.12.2018: HK$759,000) representing the current portion of the Group's prepaid lease payments.

11. TRADE AND OTHER PAYABLES

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

	30.6.2019 HK$'000 (unaudited)	31.12.2018 HK$'000 (audited)
0 to 30 days	40,647	34,201
31 to 60 days	49,147	41,474
61 to 90 days	14,886	23,502
Over 90 days	2,150	3,029
	106,830	102,206

The credit period granted by suppliers ranges from 30 to 90 days.

12. BANK BORROWINGS

During the current interim period, the Group repaid bank borrowings of HK$11,285,000 (six months ended 30 June 2018: HK$11,285,000). The existing borrowings carry variable interest rates at 3.25% over 1-month Hong Kong Interbank Offered Rate per annum, which is repayable up to 3 years but contains repayment on demand clause.

13. SHARE CAPITAL

	Number of shares '000	Amount HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 January 2018, 30 June 2018, 1 January 2019 and 30 June 2019	4,000,000	400,000
Issued and fully paid:		
At 1 January 2018, 30 June 2018, 1 January 2019 and 30 June 2019	500,000	50,000

14. CAPITAL COMMITMENTS

	30.6.2019 HK$'000 (unaudited)	31.12.2018 HK$'000 (audited)
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	**25,859**	24,030

15. RELATED PARTY TRANSACTIONS

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

	Six months ended	
	30.6.2019 HK$'000 (unaudited)	30.6.2018 HK$'000 (unaudited)
Management and administrative services fee received from a related company controlled by Mr. Yiu Hon Ming ("Mr. Yiu")	**126**	126
Rental fee paid to Mr. Yiu	**381**	381

Note: 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$4,872,000 and post-employment benefits of HK$56,000 (six months ended 30 June 2018: HK$4,019,000 and post-employment benefits of HK$47,000).

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 2019, 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 20 May 2019 due to his other business engagement.

At the annual general meeting of the Company held on 20 May 2019, Mr. Au Wai Ming, Mr. Chau Kam Wing Donald, Professor Wong Lung Tak Patrick and Mr. Yiu Tat Sing 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
Mr. Yiu Tat Sing

Independent Non-executive Directors
Mr. Au Wai Ming *(Deputy Chairman)*
Mr. Carson Wen
Professor Wong Lung Tak Patrick
Mr. Wu Ming Lam

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. As at the date of this report, the Audit Committee comprises four 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 2019 as well as the accounting principles and practices adopted by the Group, internal controls and financial reporting matters.

The Group's internal audit function is performed by an internal audit team and it plays an important part in the assessment of the effectiveness of the risk management and internal control systems of the Group and reports directly to the Audit Committee. The team conducts internal audit reviews on material internal control systems covering major financial, operational and compliance controls, as well as risk management functions. The team reports to the Audit Committee on a quarterly basis and recommends remedial plans to the management for any internal control deficiencies identified. The team monitors the implementation of its recommendations by the management and reports the outcome to the Audit Committee. Details of the Group's risk management framework and the responsibilities of each delegated group are disclosed in the 2018 Annual Report of the Company.

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 system are 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. As at the date of this report, the Remuneration Committee comprises four Independent Non-executive Directors and one 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. As at the date of this report, the Nomination Committee comprises four Independent Non-executive Directors and one Executive Director.

Changes in the Information of Directors

In accordance with Rule 13.51B(1) of the Listing Rules, the changes in information of Directors required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules during the period under review and up to the date of this report are set out below:

Position held with the Company and other members of the Group

Name of Director	**Details of Changes**
Au Wai Ming	Re-designated from Non-executive Director to Independent Non-executive Director with effect from 26 March 2019 and appointed as a member of the Audit Committee, Nomination Committee and Remuneration Committee with effect from 26 August 2019.
Yiu Tat Sing	Appointed as an Executive Director with effect from 26 March 2019.

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 for dealing in the securities of the Company by the 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 2019.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 30 June 2019, 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%
Yiu Tat Sing		Beneficial owner	1,650,000	0.33%

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.

Save as disclosed above, as at 30 June 2019, 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 2019, 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%
Webb David Michael	*6*	Beneficial owner and interest in controlled corporation	25,004,000	5%

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. Mr. Yiu Tat Sing, an executive Director, is the legal and beneficial owner of approximately 11.77% 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.

6. Of the 25,004,000 shares of the Company, 9,479,668 shares of the Company were held directly by Mr. David Michael Webb, while 15,524,332 shares of the Company were held through his wholly owned company, Preferable Situation Assets Limited.

Save as disclosed above, as at 30 June 2019, 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 2019, no share option was granted, outstanding, lapsed or cancelled under 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 2019, 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 21 June 2013, Winox Enterprise Company Limited ("Winox Enterprise"), as borrower, entered into a facilities letter with a 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 was fully repaid in 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.

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 2019, the amount of loan outstanding under these loan facilities was approximately HK$40,965,000 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 HK 5 cents per ordinary share, totaling HK$25,000,000, for the six months ended 30 June 2019. The interim dividend will be payable on Friday, 27 September 2019 to shareholders of the Company whose names appear on the Company's register of members on Thursday, 12 September 2019.

For the purpose of ascertaining the shareholders' entitlement to the interim dividend, the Company's register of members will be closed on Thursday, 12 September 2019 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 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 11 September 2019.

REVIEW OF INTERIM RESULTS

The interim results of the Group for the six months ended 30 June 2019 are unaudited, but have been reviewed 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 Hong Kong Institute of Certified Public Accountants, by Messrs. Deloitte Touche Tohmatsu whose unmodified review report is set out on page 10 of this report. The interim results of the Group for the six months ended 30 June 2019 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 ongoing basis. In addition, the Company utilises its website (www.winox.com) as a channel to provide updated information in a timely manner.