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WINOX

## WINOX HOLDINGS LIMITED

盈利時控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 6838)

### 2016 INTERIM RESULTS

#### FINANCIAL HIGHLIGHTS

- The Group's turnover amounted to HK\$245,072,000, representing a corresponding decrease of 22.6%.
- The Group's gross profit amounted to HK\$70,190,000, representing a corresponding decrease of 19.9%.
- The Group's profit for the period amounted to HK\$16,359,000, representing a corresponding decrease of 49.1%.
- Basic earnings per share amounted to HK3.3 cents, representing a corresponding decrease of 48.4%.
- The Board declared an interim dividend of HK1.6 cents per ordinary share for the six months ended 30 June 2016.

#### 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 month 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, the Group's 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                     | 2015           |
|  | HK\$'000                 | HK\$'000       |
|  | (unaudited)              | (unaudited)    |
| Direct material costs                  | 49,151                   | 82,331         |
| Direct labour costs                    | 88,376                   | 96,470         |
| Manufacturing overhead and other costs | 37,355                   | 50,064         |
|  | <u>174,882</u>           | <u>228,865</u> |

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

|                  | <b>At 30 June<br/>2016<br/>HK\$'000<br/>(unaudited)</b> | At 31 December<br>2015<br>HK\$'000<br>(audited) |
|------------------|---|---|
| Raw materials    | <b>12,343</b>   | 12,469  |
| Work in progress | <b>45,997</b>   | 35,000  |
| Finished goods   | <b>5,976</b>  | 2,916   |
|                  | <b>64,316</b>   | 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 of the Group 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 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.

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 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 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 audited: 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.

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

|  | Notes | 2016<br>HK\$'000<br>(unaudited) | 2015<br>HK\$'000<br>(unaudited) |
|--|-------|---------------------------------|---------------------------------|
| Turnover   | 3     | 245,072                         | 316,496                         |
| Cost of sales  |       | <b>(174,882)</b>                | (228,865)                       |
| Gross profit   |       | <b>70,190</b>                   | 87,631                          |
| Other income   |       | <b>2,047</b>                    | 2,568                           |
| Other gains and losses   |       | <b>(137)</b>                    | (477)                           |
| Selling and distribution expenses  |       | <b>(10,180)</b>                 | (12,461)                        |
| Administrative expenses  |       | <b>(38,598)</b>                 | (34,662)                        |
| Finance costs  |       | <b>(2,282)</b>                  | (2,134)                         |
| Profit before taxation   | 4     | <b>21,040</b>                   | 40,465                          |
| Taxation   | 5     | <b>(4,681)</b>                  | (8,311)                         |
| Profit for the period  |       | <b>16,359</b>                   | 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 |       | <b>(10,940)</b>                 | 804                             |
| Total comprehensive income for the period attributable to owners of the Company    |       | <b>5,419</b>                    | 32,958                          |
| Earnings per share – Basic   | 7     | <b>HK3.3 cents</b>              | HK6.4 cents                     |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

|   | Notes | At<br>30 June<br>2016<br>HK\$'000<br>(unaudited) | At<br>31 December<br>2015<br>HK\$'000<br>(audited) |
|---|-------|--|--|
| Non-current assets  |       |  |  |
| Property, plant and equipment                                     | 8     | 340,733  | 354,797  |
| Prepaid lease payments  |       | 33,369   | 34,507   |
| Deposits for land use right                                       |       | 21,192   | 21,668   |
| Deposits paid for acquisition of property,<br>plant and equipment |       | 14,130   | 3,713  |
| Deposits and prepayments for a life<br>insurance policy           |       | 4,216  | 4,338  |
|   |       | <b>413,640</b>                                   | 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  |
|   |       | <b>337,028</b>                                   | 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<br>year                   | 11    | 82,149   | 93,569   |
|   |       | <b>155,051</b>                                   | 177,457  |
| Net current assets  |       | <b>181,977</b>                                   | 168,425  |
| Total assets less current liabilities                             |       | <b>595,617</b>                                   | 587,448  |
| Non-current liability   |       |  |  |
| Bank borrowings – amount due after one<br>year                    | 11    | 50,750   | 28,000   |
|   |       | <b>544,867</b>                                   | 559,448  |
| Capital and reserves  |       |  |  |
| Share capital   |       | 50,000   | 50,000   |
| Reserves  |       | 494,867  | 509,448  |
|   |       | <b>544,867</b>                                   | 559,448  |



## NOTES

### 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 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.

### 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 |                  |
|---|------------------|------------------|
|   | <u>30.6.2016</u> | <u>30.6.2015</u> |
|   | HK\$'000         | HK\$'000         |
|   | (unaudited)      | (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            |
|   | <u>245,072</u>   | <u>316,496</u>   |

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

|  | Six months ended |                  |
|--|------------------|------------------|
|  | <u>30.6.2016</u> | <u>30.6.2015</u> |
|  | HK\$'000         | HK\$'000         |
|  | (unaudited)      | (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              |
|  | <u>245,072</u>   | <u>316,496</u>   |

### 3. Turnover and Segment Information – continued

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

|                         | Six months ended |                  |
|-------------------------|------------------|------------------|
|                         | <u>30.6.2016</u> | <u>30.6.2015</u> |
|                         | HK\$'000         | HK\$'000         |
|                         | (unaudited)      | (unaudited)      |
| Customer A <sup>1</sup> | 146,037          | 189,079          |
| Customer B <sup>2</sup> | 52,285           | 90,434           |

Notes:

<sup>1</sup> Turnover from sales of watch bracelets

<sup>2</sup> Turnover from sales of costume jewellery and accessories

### 4. Profit Before Taxation

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

## 5. Taxation - continued

### (i) Hong Kong Profits 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.

## 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        |                    |
|---|-------------------------|--------------------|
|   | <u>30.6.2016</u>        | <u>30.6.2015</u>   |
|   | HK\$'000                | HK\$'000           |
|   | (unaudited)             | (unaudited)        |
| Earnings for the purposes of calculating basic earnings per share (profit for the period attributable to owners of the Company) | <u>16,359</u>           | <u>32,154</u>      |
|   | <u>Number of Shares</u> |                    |
| Number of shares for the purpose of calculating basic earnings per share  | <u>500,000,000</u>      | <u>500,000,000</u> |

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 the PRC for upgrading and expanding its manufacturing capacity.

## 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:

|               | <u>30.6.2016</u><br>HK\$'000<br>(unaudited) | <u>31.12.2015</u><br>HK\$'000<br>(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                                      |
|               | <hr/> <b>61,113</b>                         | <hr/> <b>71,643</b>                        |

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 December 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:

|               | <u>30.6.2016</u><br>HK\$'000<br>(unaudited) | <u>31.12.2015</u><br>HK\$'000<br>(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                                      |
|               | <hr/> <b>26,816</b>                         | <hr/> <b>33,494</b>                        |

## 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.

## 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.

## **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.

## **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 to all Directors, all Directors confirmed that they complied with the required standard of dealings as set out in the Model Code throughout the six months ended 30 June 2016.

## **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 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 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 included in the interim report to be sent to the Company's shareholders. The interim results of the Group for the six months ended 30 June 2016 have also been reviewed by the Audit Committee of the Company.

## **APPRECIATION**

On behalf of the Board, I would like to express my gratitude to all our customers, suppliers and shareholders for their continuous support to the Group. I would also like to thank our team of dedicated staff for their invaluable services and contributions to the Group throughout the period.

By Order of the Board  
**Yiu Hon Ming**  
*Chairman and Managing Director*

Hong Kong • 22 August 2016

As at the date of this announcement, the Board comprises (a) five executive directors, namely, Mr. Yiu Hon Ming, Ms. Law Wai Ping, Mr. Chau Kam Wing Donald, Mr. Li Chin Keung and Ms. Yiu Ho Ting; (b) one non-executive director, namely, Mr. Au Wai Ming; and (c) three independent non-executive directors, namely, Mr. Carson Wen, Professor Wong Lung Tak Patrick and Mr. Wu Ming Lam.