WINOX

WINOX HOLDINGS LIMITED

盈 利 時 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 6838)

2019 INTERIM RESULTS

FINANCIAL HIGHLIGHTS

- The Group's revenue amounted to HK$478,511,000, representing a corresponding decrease of 2.7%.
- The Group's gross profit amounted to HK$126,462,000, representing a corresponding decrease of 5.9%.
- The Group's profit for the period amounted to HK$53,334,000, representing a corresponding decrease of 15.1%.
- Basic earnings per share amounted to HK10.7 cents, representing a corresponding decrease of 15.1%.
- The Board declared an interim dividend of HK5 cents per ordinary share for the six months ended 30 June 2019.

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	2018
	HK$'000	HK$'000
	(unaudited)	(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.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

		Six months ended	
		30.6.2019	30.6.2018
	Notes	**HK$'000**	HK$'000
		(unaudited)	(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**	31.12.2018
		HK$'000	HK$'000
		(unaudited)	(audited)
Non-current assets			
Property, plant and equipment		**397,419**	365,955
Right-of-use assets		**37,685**	-
Prepaid lease payments		**-**	32,945
Deposits for land use right		**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	8	**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	9	**151,544**	154,062
Taxation payable		**14,364**	29,861
Bank borrowings		**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		**50,000**	50,000
Reserves		**664,039**	654,395
		714,039	704,395

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 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.

In the current interim period, the Group has applied, for the first time, a number of 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.

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.

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.

As a lessee

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

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: 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.

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 other countries. 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
Other countries	**328**	832
	478,511	491,687

4. Profit Before Taxation

	Six months ended	
	30.6.2019	30.6.2018
	HK$'000	HK$'000
	(unaudited)	(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	30.6.2018
	HK$'000	HK$'000
	(unaudited)	(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 Profits 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) <u>PRC EIT</u>

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, totaling HK$25,000,000, for the six months ended 30 June 2019 (six months ended 30 June 2018: HK6 cents per ordinary share, totaling 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	30.6.2018
	HK$'000	HK$'000
	(unaudited)	(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
	Number of Shares	
Number of shares for the purpose of calculating basic earnings per share	**500,000,000**	500,000,000

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

8. 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	31.12.2018
	HK$'000	HK$'000
	(unaudited)	(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.

9. Trade and Other Payables

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

	30.6.2019	31.12.2018
	HK$'000	HK$'000
	(unaudited)	(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.

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 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.

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.

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.

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has declared an interim dividend of HK5 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 the HKICPA, by Messrs. Deloitte Touche Tohmatsu whose unmodified review report will be 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 2019 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 • 26 August 2019

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