WINOX

WINOX HOLDINGS LIMITED
盈利時控股有限公司

(incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立之有限公司)
Stock Code 股份代號：6838

INTERIM REPORT
中期報告

2018

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CORPORATE INFORMATION AND KEY DATES

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

Non-executive Director
* *Independent Non-executive Director*

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

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

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

COMPANY SECRETARY
Huen Lai Chun

AUDITOR
Deloitte Touche Tohmatsu

PRINCIPAL BANK
The Hongkong and Shanghai Banking Corporation Limited

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Units 2 & 3, 1/F.
Sunray Industrial Centre
610 Cha Kwo Ling Road, Yau Tong
Kowloon, Hong Kong

Telephone: (852) 23493776
Facsimile: (852) 23493780
Website: http://www.winox.com

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 22, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

INFORMATION OF SHARES

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

KEY DATES

Closure of register of members for interim dividend	:	14 September 2018
Record date for interim dividend	:	14 September 2018
Interim dividend payment date	:	28 September 2018

FINANCIAL HIGHLIGHTS

	Six months ended 30 June 2018 HKD'000	Six months ended 30 June 2017 HKD'000	Change
RESULTS HIGHLIGHTS			
Turnover	**491,687**	342,594	43.5%
Gross profit	**134,408**	97,021	38.5%
Profit for the period	**62,832**	39,193	60.3%
Return on equity[1] (%)	**9.4%**	6.9%	2.5% pts
Basic earnings per share (HK cents)	**12.6**	7.8	61.5%
Interim dividend per share (HK cents)	**6**	4	50%

	As at 30 June 2018 HKD'000	As at 31 December 2017 HKD'000	Change
BALANCE SHEET HIGHLIGHTS			
Total assets	**886,964**	890,449	–0.4%
Total borrowings	**63,536**	74,821	–15.1%
Net assets	**669,037**	650,897	2.8%
Net assets per share (HKD)	**1.34**	1.30	3.1%
Current ratio	**2.03**	1.93	
Gearing ratio[2]	**0.07**	0.08	

1 Return 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.

During the first half of 2018, the demand for luxury goods continues to grow as the economy of the world's major economies have kept their pace of growth. The Group recorded a satisfactory growth of 43.5% in turnover for the first six months of 2018 as compared to the same period of last year, which was mainly due to the increase in sales of watch bracelets, and mobile phone cases and parts. Our gross profit margin was slightly decreased by one percentage point to 27.3% as compared to the same period of last year which was mainly due to (1) the significant appreciation of Renminbi to Hong Kong Dollars during the first four months of 2018 and (2) the increase in wages. We will continuously carry out stringent cost control policy and efficient supply chain management to maintain our profit margin level.

FINANCIAL REVIEW

TURNOVER

For the six months ended 30 June 2018, the Group's unaudited consolidated turnover increased by 43.5% to HK$491,687,000 (2017: HK$342,594,000) as compared to the same period of last year. Turnover attributable to watch bracelets, mobile phone cases and parts, costume jewellery, and accessories and parts for leather goods were 53.1%, 37.4%, 7.6% and 1.9% respectively (2017: 55.1%, 25.3%, 17.2% and 2.4%).

In the first six months of 2018, the export value of Swiss made watches achieved an increase of 10.5% as compared to the same period of last year. The Group's turnover of watch bracelets reported an increase of 38.3% to HK$260,922,000 (2017: HK$188,673,000).

During the period under review, sales of mobile phone cases and parts was HK$184,073,000 (2017: HK$86,685,000), representing a significant increase of 112.3%.

During the period under review, turnover of costume jewellery recorded a decrease of 36.8% to HK$37,332,000 (2017: HK$59,030,000) 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$9,360,000 (2017: HK$8,206,000), representing an increase of 14.1%.

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 2018:

	Six months ended 30 June	
	2018 HK$'000 (unaudited)	2017 HK$'000 (unaudited)
Direct materials costs	**161,359**	95,098
Direct labour costs	**135,774**	103,907
Manufacturing overhead and other costs	**60,146**	46,568
	357,279	245,573

During the six months ended 30 June 2018, direct materials costs accounted for about 45.2% (2017: 38.7%) of the total cost of sales, while direct labour costs, and manufacturing overhead and other costs accounted for about 38.0% and 16.8% (2017: 42.3% and 19.0%) of the total cost of sales respectively.

OTHER INCOME

Other income decreased by approximately 44.5% to HK$2,431,000 for the six months ended 30 June 2018 as compared to HK$4,384,000 for the same period of last year mainly due to the decrease in government subsidies received.

OTHER EXPENSES

Selling and distribution expenses increased by approximately 31.1% to HK$15,075,000 for the first six months of 2018 as compared to HK$11,502,000 for the same period of last year mainly due to the increase in turnover.

Administrative expenses increased by 28.1% to HK$50,524,000 (2017: HK$39,448,000) during the period under review mainly due to the increase in salaries and performance bonus.

Finance costs for the six months ended 30 June 2018 amounted to HK$1,500,000 (2017: HK$1,895,000), representing a decrease of 20.8%.

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

During the period under review, certain subsidiaries of the Company operating in the PRC were recognised as High and New Technology Enterprise ("HNTE"). They are eligible to a tax rate of 15% with effect from the financial year ended 31 December 2017. Accordingly, overprovision in PRC EIT for prior years amounting to HK$6,222,000 was recognised during the period ended 30 June 2018. The HNTE certificates need to be renewed every three years so as to enable those subsidiaries to enjoy the reduced tax rate of 15%.

PROFIT FOR THE PERIOD

As a result of increase in sales, the Group's gross profit increased by 38.5% to HK$134,408,000 (2017: HK$97,021,000) as compared to the same period of last year. Gross profit margin for the period under review was 27.3% (2017: 28.3%). Profit for the period increased by 60.3% to HK$62,832,000 (2017: HK$39,193,000) and basic earnings per share for the period under review increased by 61.5% to HK12.6 cents (2017: HK7.8 cents).

INVENTORIES

	At 30 June 2018 HK$'000 (unaudited)	At 31 December 2017 HK$'000 (audited)
Raw materials	**14,949**	10,694
Work in progress	**54,901**	50,631
Finished goods	**22,209**	20,825
	92,059	82,150

As at 30 June 2018, the Group recorded an inventory balance of HK$92,059,000 (31 December 2017: HK$82,150,000), representing an increase of 12.1% which was due to the increase in raw materials, work in progress and finished goods. The inventory turnover of the Group for the first half of 2018 was 44.1 days as compared to 47.5 days for the same period of 2017.

TRADE RECEIVABLES

As at 30 June 2018, the Group recorded trade receivables of HK$145,719,000 (31 December 2017: HK$140,261,000). 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 52.6 days (for the year ended 31 December 2017: 46.9 days).

TRADE PAYABLES

As at 30 June 2018, the Group recorded trade payables of HK$93,432,000 (31 December 2017: HK$99,416,000). 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 2018 was 48.8 days (for the year ended 31 December 2017: 40.9 days).

LIQUIDITY, INDEBTEDNESS AND CHARGES ON ASSETS

During the period under review, the Group maintained a satisfactory liquidity level. As at 30 June 2018, net current assets of the Group was HK$225,024,000 (31 December 2017: HK$222,605,000). Besides, the Group maintained cash and bank balances of HK$160,540,000 (31 December 2017: HK$200,453,000), of which 38.3% was in Hong Kong dollars, 15.1% was in United State dollars, 41.9% was in Renminbi, and 4.7% was in Swiss Franc and other currencies.

The Group's outstanding bank borrowings as at 30 June 2018 was HK$63,536,000 (31 December 2017: HK$74,821,000), 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 Accounting Standards, the Group had classified all the bank borrowings as current liabilities in the condensed consolidated statement of financial position as at 30 June 2018. 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$40,965,000 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$49,051,000 as at 30 June 2018. The charged assets included a piece of land in Dongguan where our factory was 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 2018, the Group's gearing ratio was 0.07 (31 December 2017: 0.08), which was calculated on the basis of outstanding borrowings over the 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 2018, a large 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 turnover of 37.9% (for the six months ended 30 June 2017: 29.8%). 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 2018. 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 INVESTMENTS

Capital expenditure contracted for by the Group but not yet provided in the unaudited condensed consolidated financial statements as at 30 June 2018 was HK$18,481,000 (31 December 2017: HK$25,774,000), which was mainly related to the acquisition of property, plant and equipment.

CONTINGENT LIABILITIES

As at 30 June 2018, 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 2018, the total number of employees of the Group was approximately 3,727 (2017: 3,402). During the period under review, staff costs (including Directors' emoluments) amounted to approximately HK$168,758,000 (2017: HK$127,992,000). 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 2018, no options had been granted by the Company pursuant to the share option scheme.

OUTLOOK

Riding on the continuous growth of the global economy in the first half of 2018, we expected that our customers' demand for our products will remain stable in the second half of 2018. However, we will remain cautious towards the risks surrounding the global economy including the effect from the recent rising trade tensions and the currency depreciation of certain emerging markets. 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 very 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 10 to 25, which comprise the condensed consolidated statement of financial position as of 30 June 2018 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
29 August 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2018

		Six months ended	
	NOTES	**30.6.2018 HK$'000 (unaudited)**	30.6.2017 HK$'000 (unaudited)
Turnover	*3*	**491,687**	342,594
Cost of sales		**(357,279)**	(245,573)
Gross profit		**134,408**	97,021
Other income		**2,431**	4,384
Other gains and losses		**(2,890)**	(22)
Selling and distribution expenses		**(15,075)**	(11,502)
Administrative expenses		**(50,524)**	(39,448)
Finance costs		**(1,500)**	(1,895)
Profit before taxation	*4*	**66,850**	48,538
Taxation	*5*	**(4,018)**	(9,345)
Profit for the period		**62,832**	39,193
Other comprehensive (expense) income			
Item that may be subsequently reclassified to profit or loss			
Exchange differences on translation of financial statements of foreign operations		**(9,692)**	14,315
Total comprehensive income for the period attributable to owners of the Company		**53,140**	53,508
Earnings per share – Basic	*7*	**HK12.6 cents**	HK7.8 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2018

	NOTES	30.6.2018 HK$'000 (unaudited)	31.12.2017 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	*8*	**365,414**	349,617
Prepaid lease payments		**32,248**	33,083
Deposit for land use right	*9*	**21,486**	21,781
Deposits paid for acquisition of property, plant and equipment		**20,863**	19,724
Deposit and prepayment for a life insurance policy		**4,002**	4,087
		444,013	428,292
Current assets			
Inventories		**92,059**	82,150
Trade and other receivables	*10*	**190,227**	177,649
Taxation recoverable		**125**	1,905
Bank balances and cash		**160,540**	200,453
		442,951	462,157
Current liabilities			
Trade and other payables	*11*	**137,576**	143,508
Taxation payable		**16,815**	21,223
Bank borrowings	*12*	**63,536**	74,821
		217,927	239,552
Net current assets		**225,024**	222,605
		669,037	650,897
Capital and reserves			
Share capital	*13*	**50,000**	50,000
Reserves		**619,037**	600,897
		669,037	650,897

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Share capital HK$'000	Share premium HK$'000	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2017 (audited)	50,000	213,244	(35,725)	320,154	547,673
Profit for the period	–	–	–	39,193	39,193
Exchange differences on translation of financial statements of foreign operations and other comprehensive income for the period	–	–	14,315	–	14,315
Total comprehensive income for the period	–	–	14,315	39,193	53,508
Dividend	–	–	–	(30,000)	(30,000)
At 30 June 2017 (unaudited)	50,000	213,244	(21,410)	329,347	571,181
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**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Six months ended	
	30.6.2018	30.6.2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Net cash from operating activities	**54,589**	67,434
Net cash used in investing activities		
Deposits paid for acquisition of property, plant and equipment	**(20,863)**	(12,417)
Purchases of property, plant and equipment	**(22,532)**	(10,005)
Proceeds from disposal of property, plant and equipment	**263**	786
Other investing cash flows	**259**	154
	(42,873)	(21,482)
Cash used in financing activities		
Repayment of bank borrowings	**(11,285)**	(21,829)
Dividend paid to shareholders	**(35,000)**	(30,000)
Interest paid	**(1,500)**	(1,895)
	(47,785)	(53,724)
Net decrease in cash and cash equivalents	**(36,069)**	(7,772)
Cash and cash equivalents at beginning of the period	**200,453**	179,247
Effect of foreign exchange rate changes	**(3,844)**	2,836
Cash and cash equivalents at end of the period, representing bank balances and cash	**160,540**	174,311

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 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

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 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 "Financial Instruments" with HKFRS 4 "Insurance Contracts"
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2.1 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 15 "REVENUE FROM CONTRACTS WITH CUSTOMERS"

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group recognises revenue from the following major source:

- Sales of stainless steel products

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A point in time revenue recognition
The revenue of the Group is recognised at a point in time. Under the transfer-of-control approach in IFRS 15, revenue from sales of goods to the Group's customers in connection with the production of stainless steel products are recognised when the goods are passed to the customers, which is the point of time when the customer has the ability to direct the use of the goods and obtain substantially all of the remaining benefits of the goods.

Warranties
If a customer has the option to purchase a warranty separately, the Group accounts for the warranty as a separate performance obligation and allocates a portion of the transaction price to that performance obligation.

If a customer does not have the option to purchase a warranty separately, the Group accounts for the warranty in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" unless the warranty provides the customer with a service in addition to the assurance that the product complies with agreed-upon specifications (i.e. service-type warranties).

For service-type warranties, the promised service is a performance obligation. In that case, the Group allocates a portion of the transaction price to the warranty.

Incremental costs of obtaining a contract
Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognises such costs (sales commissions) as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is subject to impairment review.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

2.1.2 Summary of effects arising from initial application of HKFRS 15
The Group has performed an assessment on the impact of the adoption of HKFRS 15 and concluded that no material financial impact exists, and therefore no adjustment to the opening balance of retained profits at 1 January 2018 was recognised.

2.2 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 9 "FINANCIAL INSTRUMENTS" AND THE RELATED AMENDMENTS

In the current period, the Group has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("ECL") for financial assets and (3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL
The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed in Note 2.2.2.

2.2.2. Summary of effects arising from initial application of HKFRS 9

Impairment under ECL

In the current period, the Group has applied the HKFRS 9 simplified approach to measure ECL using lifetime ECL for trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics, and there has been no significant increase in credit risk since initial recognition.

Loss allowances for other financial assets at amortised cost mainly comprise of bank balances, are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. No additional impairment allowance was recognised at 1 January 2018.

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. The revenue from manufacture and trading of stainless steel products is recognised at a point in time. 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 analysis of this single reporting segment is presented.

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

Turnover by products are as follows:

	Six months ended	
	30.6.2018 HK$'000 (unaudited)	30.6.2017 HK$'000 (unaudited)
Watch bracelets	**260,922**	188,673
Mobile phone cases and parts	**184,073**	86,685
Costume jewellery	**37,332**	59,030
Accessories and parts for leather goods	**9,360**	8,206
	491,687	342,594

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

	Six months ended	
	30.6.2018 HK$'000 (unaudited)	30.6.2017 HK$'000 (unaudited)
Switzerland	**248,739**	172,275
Taiwan	**121,215**	67,547
PRC	**51,267**	14,566
Liechtenstein and other European countries	**42,019**	63,817
Hong Kong	**27,615**	18,838
Others	**832**	5,551
	491,687	342,594

4. PROFIT BEFORE TAXATION

	Six months ended	
	30.6.2018 HK$'000 (unaudited)	30.6.2017 HK$'000 (unaudited)
Profit before taxation has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**18,912**	16,609
Release of prepaid lease payments	**410**	379
Bank interest income	**(259)**	(154)
Loss on disposal of property, plant and equipment	**2,329**	502
Net foreign exchange loss (gain)	**561**	(480)
Interests on bank borrowings	**1,500**	1,895

5. TAXATION

	Six months ended	
	30.6.2018 HK$'000 (unaudited)	30.6.2017 HK$'000 (unaudited)
The charge comprises:		
Current tax:		
Hong Kong Profits Tax	**5,862**	5,323
PRC Enterprise Income Tax ("EIT")	**4,378**	4,022
	10,240	9,345
Overprovision in prior years:		
PRC EIT	**(6,222)**	–
	4,018	9,345

(i) HONG KONG PROFIT TAX

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

(ii) PRC EIT

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the group entities in the PRC is 25% from 1 January 2008 onwards. During the period, certain subsidiaries of the Company operating in the PRC are recognised as High and New Technology Enterprise and eligible to a tax rate of 15% with effect from the financial year ended 31 December 2017. Accordingly, overprovision for PRC EIT in prior years amounting to HK$6,222,000 is recognised during the period ended 30 June 2018.

6. DIVIDENDS

During the current interim period, a final dividend of HK7 cents per ordinary share in respect of the year ended 31 December 2017 (2017: HK3 cents and a special dividend of HK3 cents per ordinary share in respect of the year ended 31 December 2016) 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$35,000,000 (2017: HK$30,000,000).

On 29 August 2018, the board of directors of the Company has resolved to declare an interim dividend of HK 6 cents per ordinary share totalling HK$30,000,000 for the six months ended 30 June 2018 (six months ended 30 June 2017: HK4 cents per ordinary share totalling HK$20,000,000). The interim dividend is payable on 28 September 2018 to the shareholders of the Company whose names appear on the register of members on 14 September 2018.

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	
	30.6.2018 HK$'000 (unaudited)	30.6.2017 HK$'000 (unaudited)
Earnings for the purpose of calculating basic earnings per share (profit for the period attributable to owners of the Company)	**62,832**	39,193

	30.6.2018	30.6.2017
Number of shares for the purpose of calculating basic earnings per share	**500,000,000**	500,000,000

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

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group incurred additions to property, plant and equipment of HK$42,806,000 (six months ended 30 June 2017: HK$19,026,000).

9. DEPOSIT FOR LAND USE RIGHT

A deposit of RMB18,158,000 (equivalent to HK$21,486,000) (31 December 2017: RMB18,158,000 (equivalent to HK$21,781,000)) was paid for land use right in prior years 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 2018, 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:

	30.6.2018 **HK$'000** **(unaudited)**	31.12.2017 HK$'000 (audited)
0 to 30 days	**100,096**	89,738
31 to 60 days	**37,285**	44,328
61 to 90 days	**7,959**	5,875
Over 90 days	**379**	320
	145,719	140,261

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$789,000 (31.12.2017: HK$800,000) 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:

	30.6.2018 HK$'000 (unaudited)	31.12.2017 HK$'000 (audited)
0 to 30 days	39,842	36,707
31 to 60 days	37,844	41,521
61 to 90 days	13,674	17,772
Over 90 days	2,072	3,416
	93,432	99,416

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 2017: HK$21,829,000). The existing borrowings carry variable interest rates at 1.00% to 3.25% over 1-month Hong Kong Interbank Offered Rate per annum, which is repayable up to 4 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 2017, 30 June 2017, 1 January 2018 and 30 June 2018	4,000,000	400,000
Issued and fully paid:		
At 1 January 2017, 30 June 2017, 1 January 2018 and 30 June 2018	500,000	50,000

14. CAPITAL COMMITMENTS

	30.6.2018 HK$'000 (unaudited)	31.12.2017 HK$'000 (audited)
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	18,481	25,774

15. RELATED PARTY TRANSACTIONS

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

	Six months ended	
	30.6.2018 HK$'000 (unaudited)	30.6.2017 HK$'000 (unaudited)
Management and administrative services fee received from a related company controlled by Mr. Yiu Hon Ming ("Mr. Yiu")	126	126
Rental expenses fee paid to Mr. Yiu	381	342

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$4,019,000 and post-employment benefits of HK$47,000 (six months ended 30 June 2017: HK$2,059,000 and post-employment benefits of HK$45,000).

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE

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

The Company has applied the principles of the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange") and complied with all the applicable code provisions of the CG Code throughout the six months ended 30 June 2018, 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 28 May 2018 due to his other business engagement.

At the annual general meeting of the Company held on 28 May 2018, Mr. Yiu Hon Ming, Ms. Law Wai Ping and Mr. Carson Wen retired and were re-elected as Directors. As at the date of this report, the Board comprises:

Executive Directors
Mr. Yiu Hon Ming *(Chairman and Managing Director)*
Ms. Law Wai Ping
Mr. Chau Kam Wing Donald *(Finance Director)*
Mr. Li Chin Keung
Ms. Yiu Ho Ting

Non-executive Director
Mr. Au Wai Ming *(Deputy Chairman)*

Independent Non-executive Directors
Mr. Carson Wen
Professor Wong Lung Tak Patrick
Mr. Wu Ming Lam

The audit committee of the Company ("Audit Committee") was established on 25 June 2011 with written terms of reference specifying its authority and duties which is available on the websites of the Stock Exchange and the Company. The Audit Committee comprises three Independent Non-executive Directors. The Audit Committee has reviewed with the senior management and the external auditor of the Company the interim results of the Group for the six months ended 30 June 2018 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 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 2017 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. The Remuneration Committee comprises four members, amongst which three are Independent Non-executive Directors and one is Executive Director.

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

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 2018.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 30 June 2018, 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%

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 2018, 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 2018, 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.

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 held by Mr. David Michael Webb, 9,479,668 shares of the Company were held directly by him, 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 2018, 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 2018, 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 2018, 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 2018, the amount of loan outstanding under these loan facilities was approximately HK$63,536,000 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 6 cents per ordinary share, totaling HK$30,000,000, for the six months ended 30 June 2018. The interim dividend will be payable on Friday, 28 September 2018 to shareholders of the Company whose names appear on the Company's register of members on Friday, 14 September 2018.

For the purpose of ascertaining the shareholders' entitlement to the interim dividend, the Company's register of members will be closed on Friday, 14 September 2018 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, 13 September 2018.

REVIEW OF INTERIM RESULTS

The interim results of the Group for the six months ended 30 June 2018 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 9 of this report. The interim results of the Group for the six months ended 30 June 2018 have also been reviewed by the Audit Committee.

INVESTOR RELATIONS

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