Wai Chi Holdings Company Limited
偉志控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1305)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2015

FINANCIAL HIGHLIGHTS		
	For the six months ended 30 June	
	2015	2014
	Unaudited	Audited
	HK$'000	*HK$'000*
Revenue	**588,287**	571,875
Gross profit	**152,082**	142,247
Gross profit margin	**25.9%**	24.9%
Profit for the period	**36,130**	41,368
Basic and diluted earnings per share	**HK$18 cents**	HK$28 cents
Interim dividend per share	**HK$2 cents**	N/A

INTERIM RESULTS

The Board of Directors (the "Board") of Wai Chi Holdings Company Limited (the "Company") is pleased to announce the unaudited interim condensed consolidated statement of profit or loss and other comprehensive income of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2015 (the "Period"), together with the comparative figures for the same period of 2014 and the unaudited interim condensed consolidated statement of financial position of the Group as at 30 June 2015 together with audited comparative figures as at 31 December 2014.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2015

		Six months ended 30 June	
		2015	2014
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Audited)
Turnover	*4*	**588,287**	571,875
Cost of sales		**(436,205)**	(429,628)
Gross profit		**152,082**	142,247
Other income and other gains	*4*	**5,195**	4,556
Selling and distribution expenses		**(12,300)**	(11,513)
Administrative expenses		**(51,395)**	(44,418)
Research and development expenses		**(31,684)**	(27,094)
Finance costs	*6*	**(17,222)**	(13,751)
Profit before tax		**44,676**	50,027
Income tax expense	*7*	**(8,546)**	(8,659)
Profit for the period	*8*	**36,130**	41,368
Earnings per share			
Basic and diluted *(HK$ cent)*	*10*	**18**	28
Dividends			
Interim dividend declared after the end of the reporting period	*9*	**4,000**	N/A

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Profit for the period	**36,130**	41,368
Other comprehensive income (expense) for the period		
Other comprehensive income (expense) to be reclassified to profit or loss in subsequent periods (net of tax)		
Exchange differences arising on translation of foreign operations	**34**	(3,633)
Total comprehensive income for the period, net of tax	**36,164**	37,735

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

	Notes	30 June 2015 HK$'000 (Unaudited)	31 December 2014 HK$'000 (Audited)
Non-Current Assets			
Property, plant and equipment		**324,221**	312,335
Prepaid lease payments		**42,366**	42,840
Deferred taxation		**1,349**	1,349
		367,936	356,524
Current Assets			
Inventories		**285,810**	201,120
Prepaid lease payments		**967**	967
Trade and bills receivables	*11*	**694,921**	625,411
Prepayment, deposits and other receivables		**84,056**	36,324
Pledged bank deposits		**165,059**	56,715
Bank balances and cash		**242,272**	331,864
		1,473,085	1,252,401
Current Liabilities			
Trade and bills payables	*12*	**626,515**	507,096
Other payables and accruals	*12*	**47,399**	44,432
Bank borrowings		**426,134**	348,521
Obligations under finance leases – due within one year		**2,432**	2,252
Income tax payables		**13,749**	17,141
		1,116,229	919,442
Net Current Assets		**356,856**	332,959
Total Assets less Current Liabilities		**724,792**	689,483
Non-Current Liabilities			
Obligations under financial leases – due more than one year		**2,603**	3,381
Government grants		**33,794**	33,871
		36,397	37,252
Net Assets		**688,395**	652,231
Capital and Reserves			
Share capital		**2,000**	2,000
Reserves		**686,395**	650,231
Total Equity		**688,395**	652,231

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2015

1. GENERAL

Wai Chi Holdings Company Limited (the "Company") is a company incorporated in the Cayman Islands as an exempted company with limited liability under Companies Law of the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 18 November 2014. The address of the registered office of the Company is Offshore Incorporations (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, the Cayman Islands and the principal place of business of the Company is 6th Floor, Liven House, 63 King Yip Street, Kwun Tong, Kowloon, Hong Kong.

The Company is principally engaged in investment holding. The principal activities of its subsidiaries are engaged in manufacturing and trading of Light-Emitting Diode ("LED") backlight and LED lighting products.

The functional currency of the Company and the subsidiaries incorporated in Hong Kong are Hong Kong dollars ("HK$") while that of the subsidiaries established in the People's Republic of China (the "PRC") are Reminbi ("RMB"). For the purpose of presenting the condensed consolidated interim financial information, the Group adopted HK$ as its presentation currency which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION

The condensed consolidated interim financial information of the Group has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial information has been prepared on the historical cost basis.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2014.

In the current interim period, the Group has applied, for the first time, the following new standards, amendments and interpretation ("new HKFRSs") issued by the HKICPA which are effective for the Group's financial year beginning 1 January 2015.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions

The application of the above new and revised HKFRSs in the current interim period has had no material effect on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these condensed consolidated interim financial information.

4. TURNOVER, OTHER INCOME AND OTHER GAINS

Turnover represents the amounts received and receivable for goods sold in the normal course of business, net of discounts and sales related taxes. Analysis of the Group's turnover, other income and other gains is as follows:

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Turnover		
Sales of goods	**588,287**	571,875
Other income and other gains		
Bank interest income	**3,431**	860
Government grants *(note)*	**77**	3,162
Sales of scrapped materials	**17**	107
Reversal of allowance for trade and other receivables	**253**	7
Sundry income	**1,417**	420
	5,195	4,556

Note: Included in the amount of government grants recognised during each of the periods ended 30 June 2015 and 2014 of approximately HK$77,000 (unaudited) and HK$3,162,000 (audited) respectively were received in respect of certain research projects and export encouragement scheme, the relevant granting criteria for which have been fulfilled and were immediately recognised as other income for the periods. For the six months ended 30 June 2015 and 2014, government grants of approximately HK$77,000 (unaudited) and HK$3,148,000 (audited) were recognised as deferred income utilised during the periods respectively.

5. SEGMENT INFORMATION

Segment profit represents the profit earned by each segment without allocation of central administration costs, directors' salaries, share of profit of associates, investment income and finance costs.

Information reported to the Chief Executive Officer of the Group, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. In addition, for both LED backlight and LED lighting operations, the information reported to the chief operating decision maker is further broken down into different type of products and application of products. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

1. LED backlight – Manufacturing and trading of LED backlight products in different sizes and applications

2. LED lighting – Manufacturing and trading of LED lighting products for public and commercial use

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segments.

For the six months ended 30 June 2015 (unaudited)

	LED backlight *HK$'000*	**LED lighting** *HK$'000*	**Total** *HK$'000*
REVENUE			
External sales	**555,751**	**32,536**	**588,287**
Segment profit	**97,113**	**7,188**	**104,301**
Unallocated income			**4,865**
Unallocated expenses			**(47,268)**
Finance costs			**(17,222)**
Profit before tax			**44,676**

For the six months ended 30 June 2014 (audited)

	LED backlight *HK$'000*	LED lighting *HK$'000*	Total *HK$'000*
REVENUE			
External sales	532,588	39,287	571,875
Segment profit	95,022	11,357	106,379
Unallocated income			1,408
Unallocated expenses			(44,009)
Finance costs			(13,751)
Profit before tax			50,027

Other segment information

Revenue from major products

Analysis by type of products

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
LED backlight		
– Small dimension	**466,544**	451,595
– Medium dimension	**44,296**	19,822
– Large dimension	**44,911**	61,171
Sub-total	**555,751**	532,588
LED lighting		
– Indoor lighting	**16,798**	27,309
– Outdoor lighting	**15,738**	11,978
Sub-total	**32,536**	39,287
Total	**588,287**	571,875

Analysis by application of products

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
LED backlight		
– Smartphone	**333,916**	328,304
– Automobile displays	**102,967**	59,365
– Equipment displays	**73,408**	83,748
– Televisions	**45,460**	61,171
Sub-total	**555,751**	532,588
LED lighting		
– Public lighting	**16,899**	18,247
– Commercial lighting	**15,637**	21,040
Sub-total	**32,536**	39,287
Total	**588,287**	571,875

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

Segment assets

	30 June 2015 *HK$'000* **(Unaudited)**	31 December 2014 *HK$'000* (Audited)
LED backlight	**1,082,569**	948,263
LED lighting	**265,716**	234,410
Total segment assets	**1,348,285**	1,182,673
Unallocated assets	**492,736**	426,252
Consolidated total assets	**1,841,021**	1,608,925

Segment liabilities

	30 June 2015 *HK$'000* **(Unaudited)**	31 December 2014 *HK$'000* (Audited)
LED backlight	**621,676**	501,242
LED lighting	**84,252**	78,754
Total segment liabilities	**705,928**	579,996
Unallocated liabilities	**446,698**	376,698
Consolidated total liabilities	**1,152,626**	956,694

For the purposes of monitoring segment performance and allocating resources between segments:

– all assets are allocated to operating segments other than deferred tax assets, pledged bank deposits, bank balances and cash and certain unallocated head office assets. Assets used jointly by operating segments are allocated on the basis of the revenues earned by individual reportable segments; and

– all liabilities are allocated to operating segments other than income tax payables, bank borrowings, obligations under finance leases and certain unallocated head office liabilities. Liabilities for which operating segments are jointly liable are allocated in proportion to segment revenue.

6. FINANCE COSTS

	Six months ended 30 June	
	2015 *HK$'000* **(Unaudited)**	2014 *HK$'000* (Audited)
Interest expenses on:		
– bank borrowings wholly repayable within five years	**17,054**	13,731
– finance leases	**168**	20
	17,222	13,751

7. INCOME TAX EXPENSE

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the condensed consolidated statement of profit or loss are:

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Current income tax		
– PRC Enterprise Income Tax	**8,546**	8,721
Deferred taxation	**–**	(62)
Total income tax expense for the period	**8,546**	8,659

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the "BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI.

No provision for Hong Kong Profits Tax has been made as the Group did not have any assessable profits subject to Hong Kong Profits Tax for the six months ended 30 June 2015 and 2014.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC companies is 25% for the six months ended 30 June 2015 and 2014.

Pursuant to the relevant laws and regulation in the PRC, the Group's subsidiary, Wai Chi Opto Technology (Shenzhen) Limited (偉志光電(深圳)有限公司), was accredited as a high-tech enterprise. It is entitled to the preferential tax rate of 15% for both of the six months ended 30 June 2015 and 2014.

Pursuant to the relevant laws and regulation in the PRC, the Group's subsidiary, Huizhou Wai Chi Electronics Company Limited (惠州偉志電子有限公司), was accredited as a high-tech enterprise in 2015. It is entitled to the preferential tax rate of 15% for the six months ended 30 June 2015.

8. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Profit for the period has been arrived at after charging:		
Salaries and allowances (excluding directors' emoluments)	**126,735**	92,497
Retirement benefit scheme contributions (excluding directors)	**5,619**	5,908
Total staff costs	**132,354**	98,405
Amounts of inventories recognised as expenses	**435,939**	428,190
Impairment loss on inventories (including in cost of sales)	**266**	1,438
Net loss on disposal of property, plant and equipment	**245**	25
Impairment loss on trade and other receivables	**6,360**	409
Depreciation of property, plant and equipment	**19,146**	20,543
Amortisation of prepaid lease payments	**487**	485
Operating lease payment on premises	**3,815**	3,506

9. DIVIDENDS

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Interim dividend declared and paid after the interim period of HK$2 cents per share (2014: nil)	**4,000**	–

The interim dividend has not been recognised as liability at the end of the reporting period.

10. EARNINGS PER SHARE

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Earnings		
Earnings for the purpose of basic earnings per share	**36,130**	41,368
Number of shares hold		
Weighted average number of ordinary shares for the purpose of basic earnings per share *(Note)*	**200,000,000**	150,000,000
Basic earnings per share (HK$ cents per share)	**18**	28

Note:

The weighted average number of ordinary shares for the purpose of basic earnings per share for the six months ended 30 June 2014 has been retrospectively adjusted for the effects of capitalisation of the ordinary shares of the Company which took place in 2014 as reorganisation for the preparation for the Company's listing.

The dilutive earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares outstanding during the six months ended 30 June 2015 and 2014.

11. TRADE AND BILLS RECEIVABLES

	30 June	31 December
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables	**493,382**	540,637
Less: Impairment	**(13,089)**	(7,980)
	480,293	532,657
Bills receivables	**214,628**	92,754
	694,921	625,411

The Group generally allows a credit period of 30 to 180 days to its trade customers. The Group does not hold any collateral over these balances.

The following is an ageing analysis of trade receivables net of accumulated impairment losses presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates.

	30 June 2015 *HK$'000* **(Unaudited)**	31 December 2014 *HK$'000* (Audited)
0 to 90 days	**412,166**	440,920
91 to 180 days	**43,982**	50,495
181 to 365 days	**7,326**	33,276
Over 365 days	**16,819**	7,966
	480,293	532,657

All the bills receivables are aged within 180 days.

12. TRADE, BILLS AND OTHER PAYABLES

	30 June 2015 *HK$'000* **(Unaudited)**	31 December 2014 *HK$'000* (Audited)
Trade payables *(Note a)*	**290,429**	222,643
Bills payables *(Note b)*	**336,086**	284,453
	626,515	507,096
Receipt in advance	**2,332**	1,408
Construction cost payables	**721**	1,557
Other payables	**3,733**	6,478
Accrued expenses	**23,315**	24,845
Value added tax payables	**17,298**	10,144
	47,399	44,432
	673,914	551,528

Note:

a) The ageing analysis of trade payables presented based on the invoice date at the end of the reporting period is as follows:

	30 June 2015 *HK$'000* **(Unaudited)**	31 December 2014 *HK$'000* (Audited)
0 to 90 days	**238,815**	176,595
91 to 180 days	**43,344**	32,775
181 to 365 days	**3,506**	6,872
Over 365 days	**4,764**	6,401
	290,429	222,643

The average credit period on purchase of goods is from 30 days to 90 days. The Group has financial risk management policies or plans for its payables with respect to the credit timeframe.

b) The bills payables aged within 180 days.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Review

The overall LED backlight market in China is becoming increasingly mature and saturated during the first half of 2015. In such market conditions, the market for automotive LED backlight products continued to grow steadily. LED technology advancement together with the drop in LED price has spurred automobile on-board display demands for middle to high-end car models, and it is believed that such trend will continue for the foreseeable years.

On the other hand, smartphone LED backlight products experienced a relatively milder growth as Chinese smartphone manufacturers were seen switching their focuses to other Asian countries and have started expanding into overseas markets for larger business opportunities. The slow down of growth was also attributable to the decline in international tablet shipments during 2014 upon the rising penetration rate and diminishing novelty in backlight products. In terms of the market for TV LED backlight products, despite the continuous promotion of "locally-produced" TVs in China, the market for TV LED backlight products remained stable upon the consumption slowdown post economic stimulation.

China LED lighting market has undergone soaring yet difficult development for the first half of 2015. While the LED lighting industry remained segmented and oversupply concerns lingered, price war ignited by large LED companies in 2014 continued, leading to drastic consolidation within the industry where smaller companies were forced to exit or feared closure; this happened on a regional scale affecting most companies across China. Relevant government departments and industrial institutes have stepped in regulating and stipulating higher requirements to standardise market order hoping to stabilise the market consolidation process. The PRC government in particular, announced a series of LED stimulation policies including the phase out of incandescent lamps as well as the targeted 30% industry annual growth rate to make sure LED light is taken as the promising alternative light source in the future. All these supportive measures have managed to give the market a push.

Business Review

Surviving through the market's ups and downs, the Group achieved a stable performance during the period under review, which was mainly attributable to the prudent management and technological advancement and breakthroughs made by the Group. The total revenue was approximately HK$588,287,000, increased by 2.9% as compared to the same period in 2014. Revenue from sales of LED backlight products was approximately HK$555,751,000 and revenue from sales of LED lighting products was approximately HK$32,536,000, increased by 4.3% and decreased by 17.2% respectively as compared to the same period in 2014. The steady growth of sale in LED backlight products was mainly attributable to the increase in demand for smartphone and automotive products and the good relationship maintained by us with our major customers. Decrease of sale in LED lighting products was mainly due to the Group has reduced its effort and input into the market as the profit margin has dramatically dropped as being caused by the price war. The Board has decided to distribute interim dividend of HK$0.02 per share to share the steady results with our respectable shareholders for their trust and support since our successful listing in 2014.

One of the key successes for the Group's operating philosophy is stringent cost control measure. From production perspective, with production facilities in Shenzhen and Huizhou in Guangdong province and Yichang in Hubei province which produce various sizes of LED backlight products and various kinds of LED lighting products, it is essential to adopt and maintain comprehensive production facilities for the necessary production procedures, which allow the Group to have complete control over the entire production chain for product quality assurance. To achieve better cost control, the Group pursed higher degree of production automation during the period under review to replace labour intensive production line. In addition, from financial cost control perspective, the Group has been in active discussions with various banks regarding onshore and offshore loans restructuring.

LED Backlight Business

The Group's LED backlight products are classified into 4 types, including: 1) smartphones; 2) automobile on-board displays; 3) television displays; and 4) other industrial equipment displays.

During the period under review, revenue derived from LED backlight products related to smartphones, automobile on-board displays, television displays and equipment displays were approximately HK$333,916,000, HK$102,967,000, HK$45,460,000, and HK$73,408,000, respectively.

The LED backlight product market in China continued to suffer from over-supply and keen market competition during the first half of 2015. According to the International Data Corporation, China's smartphone shipment dropped by 4.3% year on year with 98.9 million mobile units shipped in the first quarter of 2015, this is the first time in six years that the Chinese smartphone market declined year on year as the market continues to mature. This showed that the growth of smartphone backlight market experienced a slow down and the demand for LED backlight products from smartphone manufacturers remained sluggish during the first half of 2015 due to price competition and inventory issues curbing the demand for smartphone backlight products. However, thanks to the satisfactory demand for the Group's automobile on-board displays and other equipment displays backlight products, the revenue of the Group's LED backlight products recorded steady growth during the first half of 2015.

Beside of the smartphone backlight products, automobile on-board LED backlights continued to be the Group's key development driver. Due to the drop in LED price over the past year, together with the LED technology advancement for LED backlight products applied in automobile displays, the demands of automobile on-board displays being used in middle to high-end vehicles in China and international markets spurred. The Group believes that this transformational trend in automobile on-board displays will continue in the coming years.

Furthermore, as the Chinese economy has experienced fluctuations in the first half of 2015, consumption slowdown has dragged the demands on TV LED market in China. Nevertheless, growth for TV backlight products is expected to remain steady in the future.

The Group's customers for LED backlight products include manufacturers of smartphones, automobile on-board displays, equipment displays and TV panels. The Group has established long term and stable relationships with its major customers, ranging from 5 to 16 years. It is believed that such long-standing relationship with sizeable customers has set a good foundation for the Group's future development. The Group may also continue to explore new market and secure new customer in order to achieve customer diversification.

LED Lighting Services Business

The Group's LED lighting business are classified into 2 types, including public lighting and commercial lighting. This business provides various services including products, lighting solutions design, installation and maintenance etc. During the period under review, revenue from public lighting and commercial lighting was approximately HK$16,899,000 and HK$15,637,000 respectively.

After the PRC government announced a series of LED street lighting stimulation policies, the penetration rate of LED street lights is expected to soar. The PRC government will continue to promote adoption of LED lighting devices in street lighting systems to achieve better energy saving and efficiency.

As a well established LED lighting products manufacturer and lighting management services provider, the Group's environmental-friendly and quality LED lighting products received high recognition and are being recommended by the Guangzhou government authorities in the "Guangdong Province Green Lighting Model City Catalogue of Recommended Products for Procurement". By the first half of 2015, the Group has successfully completed over 200 LED lighting energy management services with major supermarkets in China and it is striving to increase its market share in replacing traditional incandescent lamps with LED lighting devices in various supermarket chain stores.

Due to the current uncertainties for the Chinese economy, business owners are actively seeking all possible solutions to reduce operational costs for its businesses, together with the on-going demand on environmental protection and energy saving, the Group believes that public lighting optimisation and the PRC government's promotion to adopt LED lighting devices will continue to drive the industry's growth in 2015. By leveraging on the Group's extensive experience in governmental and sizable supermarket projects, it is believed that the Group will continue to benefit from the growing LED lighting market.

Quality Control

The Group has established stringent quality control procedures to ensure the quality of the LED products. The Group's quality control procedures start during product design stage and will continue throughout the entire product manufacturing and storage process. Quality control staffs participate in the product design process. There is a set of established procedures in selecting and approving new suppliers and raw materials, and thorough testing of product sample are carried out before mass production of the LED products.

The Group has purchased a series of advanced production and testing equipment for improving quality control. The Group has been awarded various certifications, including ISO 9001: 2008 and ISO 14001: 2004 for quality and environmental management systems, which serve as important assurance of the product quality and reliability.

Research and Development

The Group believes that product innovation and the research and development ("R&D") capabilities to develop new products are critical in maintaining its competitiveness in the LED backlight and LED lighting industries which are characterised by rapid technological advancements. The Group places great emphasis on developing and improving the LED backlight and LED lighting products in order to remain competitive in the LED industry over the years.

The Group's R&D centre is located in our production plant in Huizhou. The Group engages in various R&D activities, including (i) concurrent development of new product designs with customers; (ii) improvement of product quality, efficiency and functions of existing products; (iii) in-project calibration and optimization of the production processes and capability of the equipment; (iv) introduction and promotion of the use of new production technologies and new production materials; and (v) assessment of the future prospect and development trend of the LED industry. The Group has achieved a number of technological advancement and breakthroughs by obtaining 26 patents registered in the PRC and 1 patent registered in Hong Kong. Going forward, the Group will continue to enhance its R&D capabilities in order to catch up with the strong demands in both LED backlight and LED lighting products markets.

Prospects

For many LED manufacturers, 2014 has marked the start of a challenging operating period. For the past year, manufacturers' recorded diverging results with market sentiments remained sluggish. Despite the series of supportive measures from the PRC government, many manufacturers were still impacted by the rising inventory and cooling down of markets demands. It is worth noting that the emergence of Chinese LED manufacturers leading to sliding LED product prices is expected to continue and it is expected that more severe price cuts are underway. While LED backlight market remains healthy, the industry price competition may pose negative impact on the backlight products mid-term growth prospect resulting in some businesses dwindling in the near future.

Given the situation is getting more complicated, our Group will continue strengthening its business sustainability, actively developing energy efficiency management as well as putting extra focus on research and development for technological breakthroughs to stay competitive and stand firm under the storm.

On the other hand, the Group will deploy more stringent cost control measures and pursue business streamlining for further strengthening of its competitive edge.

With over 30 years of experience, industry expertise and wide market recognition received, Wai Chi Holdings Company Limited is in a better position to deal with all the challenges ahead. The Group is always working to develop itself into an integrated industry leader in terms of design, manufacturing and selling of LED backlight and LED lighting products.

Financial Review

Turnover

The Group's turnover was derived from the sales of LED backlight and LED lighting products. During the period under review, the sales of the Group's LED backlight products was approximately HK$555,751,000, increased by 4.3% from approximately HK$532,588,000 in the same period of 2014; the increase was attributable to the continuous growth in mid-to-high end automobiles, smartphones and other equipment displays markets. The sales of the Group's LED lighting products was approximately HK$32,536,000, with a decrease of 17.2% from approximately HK$39,287,000 in the same period of 2014, which was mainly due to decrease in effort and input into the market as the margin has dramatically dropped as being caused by the price war.

Group Profit and Gross Profit Margin

During the period under review, the Group's gross profit was approximately HK$152,082,000, increased by 6.9% from approximately HK$142,247,000 in the same period of 2014. Gross profit margin was 25.9%, slightly increased by 1.0 percentage points from 24.9% in the same period of 2014 due to the Group focus on producing high-end products. The Group will continue to eliminate outdated production procedures actively and upgrade production facilities for more automation as well as to launch new and upgraded products to maintain gross profit margin.

Selling and Distribution Expenses

Labour costs, sales commissions and transportation costs were the Group's major selling and distribution expenses. During the period under review, the Group's selling and distribution expenses was approximately HK$12,300,000, increased by 6.8% compared with the same period of 2014, which was attributable to the increase in labour cost.

Administrative Expenses

Administrative expenses refer to the general expenses incurred in offices and factories. The Group focuses on effective management, by means of resources consolidation in the Shenzhen and Huizhou factories, as well as moving the purchase departments from Shenzhen to Huizhou. During the period under review, the Group's administrative expenses was approximately HK$51,395,000, increased by 15.7% as compared with 2014. The increase was mainly due to increase in labour cost.

Research and Development Expenses

R&D expenses are incurred for LED backlight and LED lighting products. During the first half of 2015, the Group's R&D expenses was approximately HK$31,684,000, increased by 16.9% as compared to the same period of 2014. The increase was attributable to increase in LED product types and labour cost.

Income Tax Expense

Income tax expense comprised current tax and movements in deferred tax assets and liabilities. Two of the Group's subsidiaries, Wai Chi Opto Technology (Shenzhen) Limited and Huizhou Wai Chi Electronics Company Limited, are qualified as a "High-Tech Enterprise" in the PRC and granted certain tax benefit, including a preferential enterprise income tax rate of 15% instead of the statutory rate of 25%. During the period under review, the Group's income tax expense was approximately HK$8,546,000, decreased by 1.3% as compared to the same period of 2014 due to decrease in taxable profits.

Inventories

As at 30 June 2015, the Group's inventory was approximately HK$285,810,000, increased by 42.1% as compared to 31 December 2014. The increase in inventory was attributable to the increase of inventory for automotive LED products to meet with the increasing demand.

Trade Receivables

As at 30 June 2015, the Group's net trade receivables was approximately HK$480,293,000, decreased by 9.8% as compared to 31 December 2014. The Group's major customers are sizeable corporations with long term relationships, including a number of listed companies, hence the risk of trade receivables turning into bad debts is relatively low.

Trade Payables

As at 30 June 2015, the Group's trade payables was approximately HK$290,429,000, increased by 30.4% as compared to 31 December 2014, the increase was attributable to increase in purchase of materials and longer credit period granted by suppliers.

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

The Company's ordinary shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 18 November 2014. The total net proceeds from the initial public offering amounted to approximately HK$161.5 million. The Group has, up to the financial period ended 30 June 2015, utilized approximately HK$9,656,000 to purchase machinery and equipment for producing LED backlight and LED lighting products, approximately HK$22,500,000 to repay bank loan utilized for purchasing machinery and equipment, approximately HK$1,968,000 to upgrade and expand our enterprise resources planning system, approximately HK$36,973,000 for our research and development activities including recruiting technical and expert staff and enhancing our research and development capacity. At the ending of the period, net proceeds not yet utilized were deposited with licensed banks in Hong Kong and China.

INTERIM DIVIDEND

The Board has recommended declaring an interim dividend of HK$2 cents (2014: Nil) per share for the six months ended 30 June 2015. The interim dividend will be payable on or around Thursday, 15 October 2015 to shareholders whose names appear on the register of members of the Company at the close of business on Wednesday, 30 September 2015.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 25 September 2015 to Wednesday, 30 September 2015 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the aforementioned interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Thursday, 24 September 2015.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period ended 30 June 2015.

CORPORATE GOVERNANCE PRACTICES

The Company and its management are committed to maintaining good corporate governance with an emphasis on the principles of transparency, accountability and independence to all shareholders. The Company believes that good corporate governance is an essential for the continual growth and enhancement of shareholder's value. Throughout the period under review, the Company has applied the principles of and complied with the code provisions stipulated in the Corporate Governance Code and Corporate Governance Report (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company periodically reviews its corporate governance practices with reference to the latest development of corporate governance.

All other information on the Code has been disclosed in the corporate governance report contained in the 2014 annual report of the Company issued in March 2015.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as the code of conduct governing Director's securities transactions. All Directors have confirmed, following specific enquiry by the Company, that they had complied with the required standards set out in the Model Code throughout the period under review.

AUDIT COMMITTEE

The Audit Committee has reviewed the unaudited interim financial report for the six months ended 30 June 2015. On 21 August 2015, the Committee met with the management to review the unaudited interim financial statements with the attendance of the external auditor and to consider the significant accounting policies.

PUBLICATION OF INTERIM REPORT

The 2015 interim report of the Company containing all applicable information required by the Listing Rules will be dispatched to the shareholders of the Company and available on the Company's website at www.waichiholdings.com and HKEx news website at www.hkexnews.hk in due course.

APPRECIATION

Finally, the Board would like to thank all shareholders of the Company who placed strong confidence in our Group's management. We would also like to thank all our business partners and bank enterprises who supported and stood beside us at all times.

By order of the Board
Wai Chi Holdings Company Limited
Yiu Chi To
Chairman

Hong Kong, 21 August 2015

As at the date of this announcement, the executive directors of the Company are Mr. Yiu Chi To (Chairman), Mr. Chen Chung Po (Chief Executive Officer), Ms. Yiu Kwan Yu, Mr. Chen Wei Wu and Ms. Yong Jian Hui. The independent non-executive directors are Mr. Au Yeung Tin Wah, Mr. Chen Kwok Wang and Mr. Ho Chi Wai.