



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

2020

INTERIM REPORT
中期報告

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CORPORATE INFORMATION

BOARD OF DIRECTORS

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

* *Independent Non-executive Director*

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Huen Lai Chun

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
Registered Public Interest Entity Auditor

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
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Kowloon, Hong Kong

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

INFORMATION OF SHARES

Place of Listing : Main Board of The Stock Exchange
of Hong Kong Limited
Stock Code : 6838
Board Lot : 2,000 shares
Financial Year End : 31 December

FINANCIAL HIGHLIGHTS

	Six months ended 30 June 2020 HK\$'000 (unaudited)	Six months ended 30 June 2019 HK\$'000 (unaudited)	Change
RESULTS HIGHLIGHTS			
Revenue	521,995	478,511	9.1%
Gross profit	95,634	126,462	-24.4%
Profit for the period	35,231	53,334	-33.9%
Return on equity ¹ (%)	4.6%	7.5%	-2.9 pts
Basic earnings per share (HK cents)	7.0	10.7	-34.6%
Interim dividend per share (HK cents)	–	5	N/A
	As at 30 June 2020 HK\$'000 (unaudited)	As at 31 December 2019 HK\$'000 (audited)	Change
BALANCE SHEET HIGHLIGHTS			
Total assets	1,070,748	1,110,774	-3.6%
Total borrowings	120,284	70,494	70.6%
Net assets	766,803	760,434	0.8%
Net assets per share (HK\$)	1.53	1.52	0.7%
Current ratio	1.65	1.68	
Gearing ratio ²	0.11	0.06	

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, fashion accessories, and smart wearable cases and parts.

During the first half of 2020, the world’s economy was hard hit by the pandemic of the novel coronavirus disease 2019 (“COVID-19”). The resumption of our manufacturing facilities in the PRC was delayed after the Chinese New Year and thanks to the timely and effective quarantine measures of the Chinese Government, our manufacturing facilities were quickly recovered to normal operating capacity by the end of March 2020.

Amidst the many challenges in the first six month of 2020, we are pleased that the Group’s revenue increased by 9.1% to HK\$521,995,000 as compared to the same period of last year.

The effects of the COVID-19 pandemic to our four major business segments were mixed. The revenue of our watch bracelets and fashion accessories were down by 41.7% and 41.9% respectively when compared to last year same period as the sales of luxury goods were adversely affected by the lock-down of the world’s major cities and the travelling of the world’s tourists was nearly come to a halt. On the other hand, our world leading clients kept demanding our mobile phone cases and parts in which the revenue of this segment was increased by 10.2% as compared to last year same period. Following the good start of mass production of our smart wearables cases and parts segment in the second half of 2019, the momentum come down a bit in the first six month of 2020 in which the revenue was decreased by 10.2% as compared to the second half of 2019. Having said that we saw the revenue of this segment is picking up since June 2020.

The gross profit margin was decreased by 8.1 percentage point to 18.3% as compared to the same period of last year which is mainly attributable to (1) the change in sales mix as explained above; and (2) the decrease in sales price of our certain products due to the intensified market competition caused by the pandemic.

On 21 May 2020, Winox Watch Manufactory (Dongguan) Limited (“Winox Dongguan”), a wholly-owned subsidiary of the Company, successfully won the bidding for the land use right of a parcel of land (the “Land”) for a consideration of RMB26,240,000 (equivalent to approximately HK\$28,600,000) with a total site area of approximately 24,988 square meters (or 37.5 mu), which is adjacent to one of the existing production plants of the Group. This piece of land is planned to develop into a new production plant in medium term. Please refer to the announcements of the Company dated 21 September 2018 and 21 May 2020 for details.

FINANCIAL REVIEW

REVENUE

For the six months ended 30 June 2020, the Group’s revenue increased by 9.1% to HK\$521,995,000 (2019: HK\$478,511,000) as compared to the same period of last year. Revenue attributable to watch bracelets, mobile phone cases and parts, fashion accessories, and smart wearable cases and parts were 19.8%, 50.3%, 5.4% and 24.5% respectively (2019: 37.0%, 49.8%, 10.2% and 3.0%).

In the first six months of 2020, the Group’s revenue of watch bracelets reported a decrease of 41.7% to HK\$103,293,000 (2019: HK\$177,209,000).

During the period under review, revenue of mobile phone cases and parts was HK\$262,373,000 (2019: HK\$238,093,000), representing a satisfactory increase of 10.2%.

During the period under review, revenue of fashion accessories recorded a decrease of 41.9% to HK\$28,428,000 (2019: HK\$48,929,000) as compared to the same period of last year.

During the period under review, revenue of smart wearable cases and parts amounted to HK\$127,901,000 (2019: HK\$14,280,000), representing an increase of 795.7%.

PROFIT FOR THE PERIOD

Gross profit decreased by 24.4% to HK\$95,634,000 (2019: HK\$126,462,000) as compared to the same period of last year. Gross profit margin for the period under review was 18.3% (2019: 26.4%). Profit for the period decreased by 33.9% to HK\$35,231,000 (2019: HK\$53,334,000) and basic earnings per share for the period under review decreased by 34.6% to HK7.0 cents (2019: HK10.7 cents).

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 2020:

	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Direct materials costs	225,407	179,453
Direct labour costs	150,168	124,570
Manufacturing overhead and other costs	50,786	48,026
	426,361	352,049

During the six months ended 30 June 2020, direct materials costs accounted for about 52.9% (2019: 51.0%) of the total cost of sales, the increase was mainly due to the increase in sales of mobile phone cases and parts, the manufacture of which requires higher proportion of materials costs.

Direct labour costs, and manufacturing overhead and other costs accounted for about 35.2% and 11.9% (2019: 35.4% and 13.6%) of the total cost of sales respectively.

OTHER INCOME

Other income increased by 268.9% to HK\$12,388,000 for the six months ended 30 June 2020 as compared to HK\$3,358,000 for the same period of last year mainly due to the increase in government grants.

OTHER EXPENSES

Selling and distribution costs decreased by 36.1% to HK\$6,672,000 for the first six months of 2020 as compared to HK\$10,444,000 for the same period of last year mainly due to the decrease in sales of watch bracelets.

Administrative expenses decreased by 2.6% to HK\$54,067,000 (2019: HK\$55,522,000) during the period under review mainly due to the decrease in staff costs.

Finance costs for the six months ended 30 June 2020 amounted to HK\$2,448,000 (2019: HK\$1,288,000), representing an increase of 90.1% mainly due to the increase in bank borrowings.

TAXATION

Under the two-tiered profits tax rates regime, the first HK\$2 million of assessable profits of a qualifying group entity will be taxed at 8.25%, and assessable profits above HK\$2 million will be taxed at 16.5%. The assessable profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Under the Law of the PRC on EIT ("EIT Law") and Implementation Regulation of the EIT Law, the tax rate of group entities in the PRC is 25%. During the six months ended 30 June 2019, certain PRC subsidiaries of the Group were awarded the High and New Technology Enterprise ("HNTE") certificate and eligible to a tax rate of 15% for 3 years with effect from the financial year ended 31 December 2017. The recognition as a HNTE is subject to review on every three years by the relevant government bodies. In 2020, these certain PRC subsidiaries of the Group submitted applications to the related PRC Government authorities for the assessments and renewal approvals of their HNTE qualifications, but the applications have not been approved yet, they were therefore subject to 25% for the six months ended 30 June 2020.

According to relevant laws and regulations promulgated by the State Administration of Tax of the PRC effective from 2008 onwards, enterprises engaging in research and development activities are entitled to claim 175% of their qualified research and development expenses so incurred as tax deductible expenses when determining their assessable profits for the year. The deduction of qualified research and development expenses is subject to the approval from the relevant tax authorities in the annual EIT filing. Accordingly, an overprovision for the PRC EIT in prior years amounting to HK\$2,989,000 was recognised during the six months ended 30 June 2020 (six months ended 30 June 2019: HK\$2,802,000).

INVENTORIES

	At 30 June 2020 HK\$'000 (unaudited)	At 31 December 2019 HK\$'000 (audited)
Raw materials	18,980	14,131
Work in progress	66,163	89,636
Finished goods	26,776	29,578
	111,919	133,345

As at 30 June 2020, the Group recorded an inventory balance of HK\$111,919,000 (31 December 2019: HK\$133,345,000), representing a decrease of 16.1% which was mainly due to the decrease in work in progress and finished goods. The inventory turnover of the Group for the first half of 2020 was 52.3 days as compared to 41.8 days for the same period of 2019.

TRADE RECEIVABLES

As at 30 June 2020, the Group's trade receivables amounted to HK\$181,237,000 (31 December 2019: HK\$264,090,000). 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. Up to 31 July 2020, approximately 63.1% of the trade receivables balances as at 30 June 2020 has been received. The trade receivables turnover of the Group for the period under review was 77.6 days (for the year ended 31 December 2019: 62.9 days) and the increase in number of days was mainly due to the increase in sales of mobile phone cases and parts, and smart wearable cases and parts, which have relatively longer credit period.

TRADE PAYABLES

As at 30 June 2020, the Group's trade payables amounted to HK\$103,845,000 (31 December 2019: HK\$173,141,000). 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 2020 was 59.1 days (for the year ended 31 December 2019: 55.6 days).

LIQUIDITY, INDEBTEDNESS AND CHARGES ON ASSETS

During the period under review, the Group maintained a satisfactory liquidity level. As at 30 June 2020, net current assets of the Group was HK\$195,838,000 (31 December 2019: HK\$235,477,000). Besides, the Group maintained cash and bank balances of HK\$167,903,000 as at 30 June 2020 (31 December 2019: HK\$137,292,000), of which 45.5% was in Renminbi, 32.8% was in Hong Kong dollars, 21.2% was in United State dollars, and 0.5% was in Euro and other currencies.

The Group's outstanding bank borrowings as at 30 June 2020 was HK\$120,284,000 (31 December 2019: HK\$70,494,000), of which 53.3% was in Hong Kong dollars and 46.7% was in Renminbi. 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 2020. Despite that, amongst these bank borrowings, according to the repayment schedule, HK\$82,929,000 was repayable within one year and the balance of HK\$37,355,000 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\$41,504,000 as at 30 June 2020. 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 2020, the Group's gearing ratio was 0.11 (31 December 2019: 0.06), which was calculated on the basis of outstanding borrowings over total assets of the Group.

TREASURY

The Group adopted conservative treasury policies in cash and financial management. Cash was generally placed in short-term deposits. The Group's liquidity and financing requirements were reviewed regularly.

For the six months ended 30 June 2020, a considerable amount of the Group's sales was denominated in United States dollars, Hong Kong dollars and Renminbi contributing to 53.8%, 24.4% and 21.8% of the total revenue respectively (for the six months ended 30 June 2019: 53.6%, 45.6% and 0.8% respectively). 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 2020. We would continue to monitor closely the exchange rate risk arising from the Group's existing operations and new investments in future. We would implement the necessary hedging arrangement to mitigate any significant foreign exchange risk when and if appropriate.

CAPITAL COMMITMENTS

Capital expenditure contracted for by the Group but not yet provided in the condensed consolidated financial statements as at 30 June 2020 was HK\$22,724,000 (31 December 2019: HK\$29,936,000), which was mainly related to the acquisition of property, plant and equipment and land use right.

CONTINGENT LIABILITIES

As at 30 June 2020, 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 2020, the total number of employees of the Group was approximately 4,462 (2019: 3,871). During the period under review, staff costs (including Directors' emoluments) amounted to approximately HK\$182,442,000 (2019: HK\$159,890,000). 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 has adopted a share option scheme to incentivise its senior management and employees. As at 30 June 2020, no options had been granted by the Company pursuant to the share option scheme.

OUTLOOK

Entering the second half of 2020, the world's economy is still hindered by the COVID-19 pandemic and the escalating tension between the USA and China has added further uncertainties to it. Although the governments and central banks of major countries are continuously to rollout unprecedented huge amount of economic stimulus and liquidity plans in order to boost the real economy, the outcome is yet to be observed. However, 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, and our sound financial positions, 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 23, which comprise the condensed consolidated statement of financial position as of 30 June 2020 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

24 August 2020

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	NOTES	Six months ended	
		30.6.2020 HK\$'000 (unaudited)	30.6.2019 HK\$'000 (unaudited)
Revenue	3	521,995	478,511
Cost of sales		(426,361)	(352,049)
Gross profit		95,634	126,462
Other income	4	12,388	3,358
Other gains and losses		(42)	(1,874)
Selling and distribution costs		(6,672)	(10,444)
Administrative expenses		(54,067)	(55,522)
Finance costs		(2,448)	(1,288)
Profit before taxation	5	44,793	60,692
Taxation	6	(9,562)	(7,358)
Profit for the period		35,231	53,334
Other comprehensive expense for the period			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange differences arising on translation of financial statements of foreign operations		(13,862)	(1,190)
Total comprehensive income for the period		21,369	52,144
Earnings per share – Basic	8	HK7.0 cents	HK10.7 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2020

	NOTES	30.6.2020 HK\$'000 (unaudited)	31.12.2019 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	9	470,725	447,363
Right-of-use assets	9	64,695	36,742
Deposit for land use right	10	19,892	20,254
Deposits paid for acquisition of property, plant and equipment		14,346	19,796
Deposit and prepayment for a life insurance policy		4,001	4,081
		573,659	528,236
Current assets			
Inventories		111,919	133,345
Trade and other receivables	11	217,024	309,907
Taxation recoverable		243	1,994
Bank balances and cash		167,903	137,292
		497,089	582,538
Current liabilities			
Trade and other payables	12	152,523	241,594
Dividend payable	7	15,000	–
Taxation payable		12,273	33,537
Bank borrowings	13	120,284	70,494
Lease liabilities		1,171	1,436
		301,251	347,061
Net current assets		195,838	235,477
Total assets less current liabilities		769,497	763,713
Non-current liability			
Lease liabilities		2,694	3,279
Net assets		766,803	760,434
Capital and reserves			
Share capital	14	50,000	50,000
Reserves		716,803	710,434
Total equity		766,803	760,434

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Share capital HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2019 (audited)	50,000	213,244	(34,564)	475,715	704,395
Profit for the period	–	–	–	53,334	53,334
Exchange differences arising on translation of financial statements of foreign operations and other comprehensive expense for the period	–	–	(1,190)	–	(1,190)
Total comprehensive (expense) income for the period	–	–	(1,190)	53,334	52,144
Dividends paid (<i>note 7</i>)	–	–	–	(42,500)	(42,500)
At 30 June 2019 (unaudited)	50,000	213,244	(35,754)	486,549	714,039
At 1 January 2020 (audited)	50,000	213,244	(49,421)	546,611	760,434
Profit for the period	–	–	–	35,231	35,231
Exchange differences arising on translation of financial statements of foreign operations and other comprehensive expense for the period	–	–	(13,862)	–	(13,862)
Total comprehensive (expense) income for the period	–	–	(13,862)	35,231	21,369
Dividends declared (<i>note 7</i>)	–	–	–	(15,000)	(15,000)
At 30 June 2020 (unaudited)	50,000	213,244	(63,283)	566,842	766,803

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Six months ended	
	30.6.2020 HK\$'000 (unaudited)	30.6.2019 HK\$'000 (unaudited)
Operating activities		
Profit before taxation	44,793	60,692
Adjustments for:		
Depreciation of property, plant and equipment	25,847	20,560
Other non-cash items	3,603	3,377
Operating cash flows before movements in working capital	74,243	84,629
Decrease (increase) in inventories	19,192	(13,233)
Decrease (increase) in trade and other receivables	94,157	(6,176)
Decrease in trade and other payables	(86,944)	(5,518)
Other cash flows used in operating activities	(28,881)	(22,221)
Net cash from operating activities	71,767	37,481
Investing activities		
Purchases of property, plant and equipment	(42,903)	(53,304)
Deposits paid for acquisition of property, plant and equipment	(14,663)	(17,588)
Proceeds from disposal of property, plant and equipment	–	12,212
Other investing cash flows	138	618
Net cash used in investing activities	(57,428)	(58,062)
Financing activities		
Repayment of bank borrowings	(33,151)	(11,285)
Repayment of lease liabilities	(30,513)	(149)
Interests paid	(2,448)	(1,288)
Bank borrowings raised	83,724	–
Dividends paid	–	(42,500)
Net cash from (used in) financing activities	17,612	(55,222)
Net increase (decrease) in cash and cash equivalents	31,951	(75,803)
Cash and cash equivalents at beginning of the period	137,292	239,478
Effect of foreign exchange rate changes	(1,340)	(150)
Cash and cash equivalents at end of the period, representing bank balances and cash	167,903	163,525

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

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 (“HK\$”), which is the same as the functional currency of the Company.

1A. SIGNIFICANT EVENTS IN THE CURRENT INTERIM PERIOD

The outbreak of coronavirus disease (“COVID-19”) and the subsequent quarantine measures as well as the travel restrictions imposed by many countries have had negative impacts to the global economy, business environment, and directly and indirectly affect the operation of the Group. The Group has had to delay its manufacturing activities due to the mandatory government quarantine measures in an effort to contain the spread of the epidemic. After the implementation of the various prevention and control measures, the Group’s manufacturing facilities resumed operation on 10 February 2020 and gradually recovered to the normal operating capacity afterward. The Group also dealt with payment deferrals from certain customers with flexibility during the period. On the other hand, the People’s Republic of China (“PRC”) Government and Hong Kong Special Administrative Region Government (“Hong Kong Government”) have announced some financial measures and supports for corporates to overcome the negative impact arising from the pandemic. These all had certain impact on the Group’s business including government grant in respect of COVID-19-related subsidy and the increase in estimated expected credit loss rates as disclosed in the relevant notes.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Other than additional accounting policies resulting from application of 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 2020 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2019.

APPLICATION OF AMENDMENTS TO HKFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

2. PRINCIPAL ACCOUNTING POLICIES (Continued) APPLICATION OF AMENDMENTS TO HKFRSs (Continued)

Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 December 2020.

3. REVENUE AND SEGMENT INFORMATION

The Group's operating activities are attributable to a single reporting segment focusing on manufacture and trading of stainless steel products. This reportable segment has been identified based on internal management reports prepared in accordance with accounting policies that conform to HKFRSs, that are regularly reviewed by the chief operating decision makers ("CODM"), who are the members of executive directors of the Company. The CODM regularly reviews revenue analysis by products, including mobile phone cases and parts, smart wearable cases and parts, watch bracelets and fashion accessories and by geographic locations of customers, including Taiwan, PRC, Switzerland, Hong Kong, Liechtenstein and other European countries and other countries. However, other than revenue analysis, no operating results and other discrete financial information is available. In addition, the CODM reviews the results of the Group as a whole to make decisions. Accordingly, no segment information is presented other than entity wide disclosures.

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

REVENUE FROM MAJOR PRODUCTS

Revenue by products are as follows:

	Six months ended	
	30.6.2020 HK\$'000 (unaudited)	30.6.2019 HK\$'000 (unaudited)
Mobile phone cases and parts	262,373	238,093
Smart wearable cases and parts	127,901	14,280
Watch bracelets	103,293	177,209
Fashion accessories	28,428	48,929
	521,995	478,511

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

3. REVENUE AND SEGMENT INFORMATION (Continued) GEOGRAPHICAL INFORMATION

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

	Six months ended	
	30.6.2020 HK\$'000 (unaudited)	30.6.2019 HK\$'000 (unaudited)
Taiwan	202,696	188,912
PRC	160,570	53,234
Switzerland	99,390	159,081
Hong Kong	30,960	32,601
Liechtenstein and other European countries	25,553	44,355
Other countries	2,826	328
	521,995	478,511

4. OTHER INCOME

	Six months ended	
	30.6.2020 HK\$'000 (unaudited)	30.6.2019 HK\$'000 (unaudited)
Government grants (<i>Note</i>)	9,355	313
Income from sales of scrap materials	1,838	824
Bank interest income	138	618
Others	1,057	1,603
	12,388	3,358

Note: The unconditional government grants recognised during the current interim period are mainly related to employment stabilisation subsidy and research and development subsidy from PRC Government, and the Employment Support Scheme from Hong Kong Government (six months ended 30 June 2019: research and development subsidy from PRC Government). During the current interim period, the Group recognised government grants of HK\$375,000 and HK\$6,298,000 from Employment Support Scheme in respect of COVID-19-related subsidy from Hong Kong Government and employment stabilisation subsidy from PRC Government, respectively.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

5. PROFIT BEFORE TAXATION

	Six months ended	
	30.6.2020 HK\$'000 (unaudited)	30.6.2019 HK\$'000 (unaudited)
Profit before taxation has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	25,847	20,560
Depreciation of right-of-use assets	1,045	574
Loss on disposal of property, plant and equipment	168	2,051
Net foreign exchange gain	(126)	(177)
Interests on:		
– bank borrowings	2,347	1,206
– lease liabilities	101	82
	2,448	1,288

6. TAXATION

	Six months ended	
	30.6.2020 HK\$'000 (unaudited)	30.6.2019 HK\$'000 (unaudited)
The charge comprises:		
Hong Kong Profits Tax		
Current period	7,990	6,643
PRC Enterprise Income Tax ("EIT")		
Current period	4,561	3,517
Overprovision in prior years	(2,989)	(2,802)
	1,572	715
	9,562	7,358

6. TAXATION (Continued)

HONG KONG PROFITS TAX

Under the two-tiered profits tax rates regime, the first HK\$2 million of assessable profits of a qualifying group entity will be taxed at 8.25%, and assessable profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

PRC EIT

Under the Law of the PRC on EIT ("EIT Law") and Implementation Regulation of the EIT Law, the tax rate of group entities in the PRC is 25%. During the six months ended 30 June 2019, certain PRC subsidiaries of the Group were awarded the High and New Technology Enterprise ("HNTE") certificate and eligible to a tax rate of 15% for 3 years with effect from the financial year ended 31 December 2017. The recognition as a HNTE is subject to review on every three years by the relevant government bodies. In 2020, these certain PRC subsidiaries of the Group submitted applications to the related PRC Government authorities for the assessments and renewal approvals of their HNTE qualifications, but the applications have not been approved yet, they were therefore subject to 25% for the six months ended 30 June 2020.

According to relevant laws and regulations promulgated by the State Administration of Tax of the PRC effective from 2008 onwards, enterprises engaging in research and development activities are entitled to claim 175% of their qualified research and development expenses so incurred as tax deductible expenses when determining their assessable profits for the year. The deduction of qualified research and development expenses is subject to the approval from the relevant tax authorities in the annual EIT filing. Accordingly, an overprovision for the PRC EIT in prior years amounting to HK\$2,989,000 is recognised during the six months ended 30 June 2020 (six months ended 30 June 2019: HK\$2,802,000).

7. DIVIDENDS

During the current interim period, a final dividend of HK3.0 cents per ordinary share in respect of the year ended 31 December 2019 (2019: HK8.5 cents per ordinary share in respect of the year ended 31 December 2018) was declared to the shareholders of the Company. The aggregate amount of the final dividend declared in the current interim period amounted to HK\$15,000,000 (2019: HK\$42,500,000).

The board of directors of the Company has resolved not to declare any interim dividend in respect of the current interim period (six months ended 30 June 2019: HK5.0 cents per ordinary share, totaling HK\$25,000,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

8. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

	Six months ended	
	30.6.2020 HK\$'000 (unaudited)	30.6.2019 HK\$'000 (unaudited)
Earnings for the purpose of calculating basic earnings per share (profit for the period attributable to owners of the Company)	35,231	53,334
	Number of shares	
Weighted average 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.

9. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the current interim period, the Group incurred additions to property, plant and equipment of HK\$57,468,000 (six months ended 30 June 2019: HK\$67,268,000).

During the current interim period, the Group entered into a new lease agreement for the use of land for 50 years. The Group made full payments after around one month of the lease commencement date. On lease commencement, the Group recognised an right-of-use asset of HK\$29,725,000 (six months ended 30 June 2019: HK\$1,461,000) and a lease liability of HK\$29,725,000 (six months ended 30 June 2019: HK\$1,461,000).

10. DEPOSIT FOR LAND USE RIGHT

A deposit of RMB18,158,000 (equivalent to HK\$19,892,000) (31 December 2019: RMB18,158,000 (equivalent to HK\$20,254,000)) was paid for land use right in prior year as the Group intended to establish a new production plant at Boluo County, Huizhou, PRC ("Huzhen Site"). The requisite construction land quota in respect of the Huzhen Site has not been granted and the development of production premises at Huzhen Site is postponed. At 30 June 2020, 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, Group continues to negotiate with the local government authorities for the grant of the construction land quota and approval.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

11. TRADE AND OTHER RECEIVABLES

	30.6.2020 HK\$'000 (unaudited)	31.12.2019 HK\$'000 (audited)
Trade receivables arising from contracts with customers	181,237	264,090
Value added tax recoverable	27,176	35,749
Other receivables and deposits	8,611	10,068
	217,024	309,907

The Group allows an average 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.

The following is an aging analysis of trade receivables at the end of each reporting period based on the invoice date, which approximated the respective revenue recognition date:

	30.6.2020 HK\$'000 (unaudited)	31.12.2019 HK\$'000 (audited)
0 to 30 days	85,611	137,213
31 to 60 days	65,684	85,248
61 to 90 days	26,343	36,505
Over 90 days	3,599	5,124
	181,237	264,090

The management of the Group estimates the amount of lifetime expected credit losses of trade receivables based on individual assessment, after considering internal credit rating of trade debtors, aging, repayment history and/or past due status of respective trade receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information without undue cost or effort, including but not limited to the expected economic conditions in the PRC, macroeconomic factors affecting the ability of the customers to settle the debtors. The Group has not recognised any impairment of trade receivables as at 30 June 2020 because there is no significant impact to the amount of credit losses for the increase in estimated loss rates.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

12. TRADE AND OTHER PAYABLES

	30.6.2020 HK\$'000 (unaudited)	31.12.2019 HK\$'000 (audited)
Trade payables	103,845	173,141
Payroll and welfare payables	29,135	38,066
Payables for acquisition of property, plant and equipment	9,222	14,453
Commissions and other payables to intermediary agents	5,521	8,921
Others	4,800	7,013
	152,523	241,594

The following is an aging analysis of trade payables at the end of each reporting period based on the invoice date:

	30.6.2020 HK\$'000 (unaudited)	31.12.2019 HK\$'000 (audited)
0 to 30 days	37,868	75,963
31 to 60 days	24,403	63,538
61 to 90 days	31,561	31,187
Over 90 days	10,013	2,453
	103,845	173,141

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

13. BANK BORROWINGS

During the current interim period, the Group raised and repaid bank borrowings of HK\$83,724,000 (six months ended 30 June 2019: nil) and HK\$33,151,000 (six months ended 30 June 2019: HK\$11,285,000), respectively. The existing bank borrowings carry variable interest rates range from 1.90% to 3.25% over 1-month Hong Kong Interbank Offered Rate and 0.64% over 1-year loan prime rate published by the National Interbank Funding Center. These bank borrowings are repayable up to 5 years but contains repayment on demand clause.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

14. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Ordinary shares of HK\$0.1 each		
Authorised:		
At 1 January 2019, 30 June 2019, 31 December 2019, 1 January 2020 and 30 June 2020	4,000,000	400,000
Issued and fully paid:		
At 1 January 2019, 30 June 2019, 31 December 2019, 1 January 2020 and 30 June 2020	500,000	50,000

15. CAPITAL COMMITMENTS

	30.6.2020 HK\$'000 (unaudited)	31.12.2019 HK\$'000 (audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment and land use right	22,724	29,936

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

16. RELATED PARTY TRANSACTIONS

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

Name of related party	Nature of balance/transaction	Six months ended	
		30.6.2020 HK\$'000 (unaudited)	30.6.2019 HK\$'000 (unaudited)
Ming Fung (Holdings) Limited (controlled by Mr. Yiu Hon Ming ("Mr. Yiu"))	Fee received for management and administrative service	126	126
Mr. Yiu	Interest expenses on lease liabilities	19	5
	Short-term lease payments	–	317
	Lease liabilities	686	1,402

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\$4,507,000 and post-employment benefits of HK\$69,000 (six months ended 30 June 2019: HK\$4,872,000 and post-employment benefits of HK\$56,000).

17. EVENT AFTER THE REPORTING PERIOD

GOVERNMENT GRANT IN RESPECT OF COVID-19-RELATED SUBSIDY

As disclosed in note 4, the Group applied for the first tranche of the Employment Support Scheme provided by the Hong Kong Government. In July 2020, the Group received the subsidy amounted to HK\$486,000 as compensation to the Group's salary costs for June to August 2020, of which HK\$162,000 was recognised as government grant receivable as at 30 June 2020 in relation to salary costs for June 2020.

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 maximise 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 2020, 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. Since 15 June 2020, Mr. Yiu Hon Ming has resigned as the Managing Director of the Company. Mr. Yiu will remain as the chairman of the Board ("Chairman"), an Executive Director, the chairman of the nomination committee of the Company and a member of the remuneration committee of the Company. Since 15 June 2020, Mr. Li Chin Keung, an executive Director, has been appointed as the Managing Director of the Company. In the past, Mr. Yiu Hon Ming was the Chairman and Managing Director of the Company. The Board considered that vesting the roles of both Chairman and Managing Director in Mr. Yiu Hon Ming was conducive to strong and consistent leadership, and effective and efficient planning and implementation of business decisions and strategies of the Group, and did not impair the balance of power and authority between the Board and the management of the Company as the Board meets regularly to discuss major matters affecting the Group's operations.

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 15 June 2020 due to his other business engagement.

At the annual general meeting of the Company held on 15 June 2020, Mr. Yiu Hon Ming, Mr. Li Chin Keung, Ms. Yiu Ho Ting and Mr. Wu Ming Lam retired and were re-elected as Directors. As at the date of this report, the Board comprises:

Executive Directors

Mr. Yiu Hon Ming (*Chairman*)

Mr. Yiu Tat Sing (*Deputy Chairman, with effect from 15 June 2020*)

Mr. Li Chin Keung (*Managing Director, with effect from 15 June 2020*)

Ms. Law Wai Ping

Mr. Chau Kam Wing Donald (*Finance Director*)

Ms. Yiu Ho Ting

Independent Non-executive Directors

Mr. Au Wai Ming

Mr. Carson Wen

Professor Wong Lung Tak Patrick

Mr. Wu Ming Lam

CORPORATE GOVERNANCE AND OTHER INFORMATION

The audit committee of the Company ("Audit Committee") was established on 25 June 2011 with written terms of reference specifying its authority and duties which is available on the websites of the Stock Exchange and the Company. As at the date of this report, the Audit Committee comprises four Independent Non-executive Directors. The Audit Committee has reviewed with the senior management and the external auditor of the Company the interim results of the Group for the six months ended 30 June 2020 as well as the accounting principles and practices adopted by the Group, internal controls and financial reporting matters.

The Group's internal audit function is performed by an internal audit team and it plays an important part in the assessment of the effectiveness of the risk management and internal control systems of the Group and reports directly to the Audit Committee. The team conducts internal audit reviews on material internal control systems covering major financial, operational and compliance controls, as well as risk management functions. The team reports to the Audit Committee on a quarterly basis and recommends remedial plans to the management for any internal control deficiencies identified. The team monitors the implementation of its recommendations by the management and reports the outcome to the Audit Committee. Details of the Group's risk management framework and the responsibilities of each delegated group are disclosed in the 2019 Annual Report of the Company.

The Board was satisfied that the Group's internal control system in place that covers all material controls including financial, operational and compliance controls, and risk management system are reasonably effective and adequate during the reporting period.

The remuneration committee of the Company ("Remuneration Committee") was established on 25 June 2011 with written terms of reference specifying its authority and duties which is available on the websites of the Stock Exchange and the Company. As at the date of this report, the Remuneration Committee comprises four Independent Non-executive Directors and one Executive Director.

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

Changes in the Information of Directors

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

Position held with the Company and other members of the Group

Name of Director	Details of Changes
Yiu Hon Ming	Resigned as the Managing Director of the Company with effect from 15 June 2020 and remain as the Chairman, an Executive Director, the chairman of the Nomination Committee and a member of the Remuneration Committee.
Li Chin Keung	Appointed as the Managing Director of the Company with effect from 15 June 2020.
Au Wai Ming	Resigned as the Deputy Chairman of the Board with effect from 15 June 2020 and remain as an Independent Non-executive Director, and a member of the Audit Committee, Nomination Committee and Remuneration Committee.
Yiu Tat Sing	Appointed as the Deputy Chairman of the Board with effect from 15 June 2020.

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 2020.

DIRECTORS’ AND CHIEF EXECUTIVE’S INTERESTS IN SECURITIES

As at 30 June 2020, 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%
Au Wai Ming		Beneficial owner	3,776,000	0.76%
Yiu Tat Sing	4	Beneficial owner	1,650,000	0.33%
Li Chin Keung	5	Interest of spouse	804,000	0.16%

Notes:

- 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, representing 66% of the entire issued share capital 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

- 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, representing 66% of the entire issued share capital 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.
- 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.
- Mr. Yiu Tat Sing is directly and beneficially interested in 1,650,000 shares of the Company. In addition, he has an interest of approximately 11.77% of the entire issued share capital of Winholme Holdings Limited which holds 42,500,000 shares of the Company, representing approximately 8.50% of the entire issued share capital of the Company.
- 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. In addition, Mr. Li has an interest of approximately 8.82% of the entire issued share capital of Winholme Holdings Limited which holds 42,500,000 shares of the Company, representing approximately 8.50% of the entire issued share capital of the Company.

(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:

- 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, representing 66% of the entire issued share capital of the Company.
- 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, representing 66% of the entire issued share capital of the Company.

Save as disclosed above, as at 30 June 2020, 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 2020, 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:

- Ming Fung Holdings (Hong Kong) Limited is interested in approximately 95.45% of the entire issued share capital of Ming Fung Investment Limited.
- Mr. Yiu Tat Sing, an executive Director, is the legal and beneficial owner of approximately 11.77% of the entire issued share capital of Winholme Holdings Limited. 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.
- Ms. Tang Wai Fong is the legal and beneficial owner of approximately 44.12% of the entire issued share capital of Winholme Holdings Limited.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 2020, 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 2020, 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 2020, 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"), a wholly-owned subsidiary of the Company, 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.

On 14 February 2020, Max Surplus Corporation Limited (“Max Surplus”), a wholly-owned subsidiary of the Company, and Winox Enterprise, as borrowers, entered into a letter of banking facility with a financial institution respectively, for a term loan facility in an aggregate principal amount of up to HK\$65,000,000. The loan facilities (a) are interest bearing, secured for Winox Enterprise and not secured for Max Surplus; (b) are repayable by 36 equal monthly instalments, commencing one month after drawdown if the loans under the facilities are used to finance the general working capital requirements of the Group, or are repayable by 60 equal monthly instalments, commencing one month after drawdown if the loans under the facilities are used to finance the capital expenditure requirements of the Group; and (c) contain repayment on demand clause at the discretion of the financial institution. HK\$20,000,000 was drawn on 16 April 2020 and HK\$15,000,000 was drawn on 27 May 2020.

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 2020, the amount of loan outstanding under these loan facilities was approximately HK\$52,476,000 and the unutilised facilities available for drawdown amounted to HK\$32,000,000.

REVIEW OF INTERIM RESULTS

The interim results of the Group for the six months ended 30 June 2020 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. The interim results of the Group for the six months ended 30 June 2020 have also been reviewed by the Audit Committee of the Company.

INVESTOR RELATIONS

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