



WINOX

WINOX HOLDINGS LIMITED

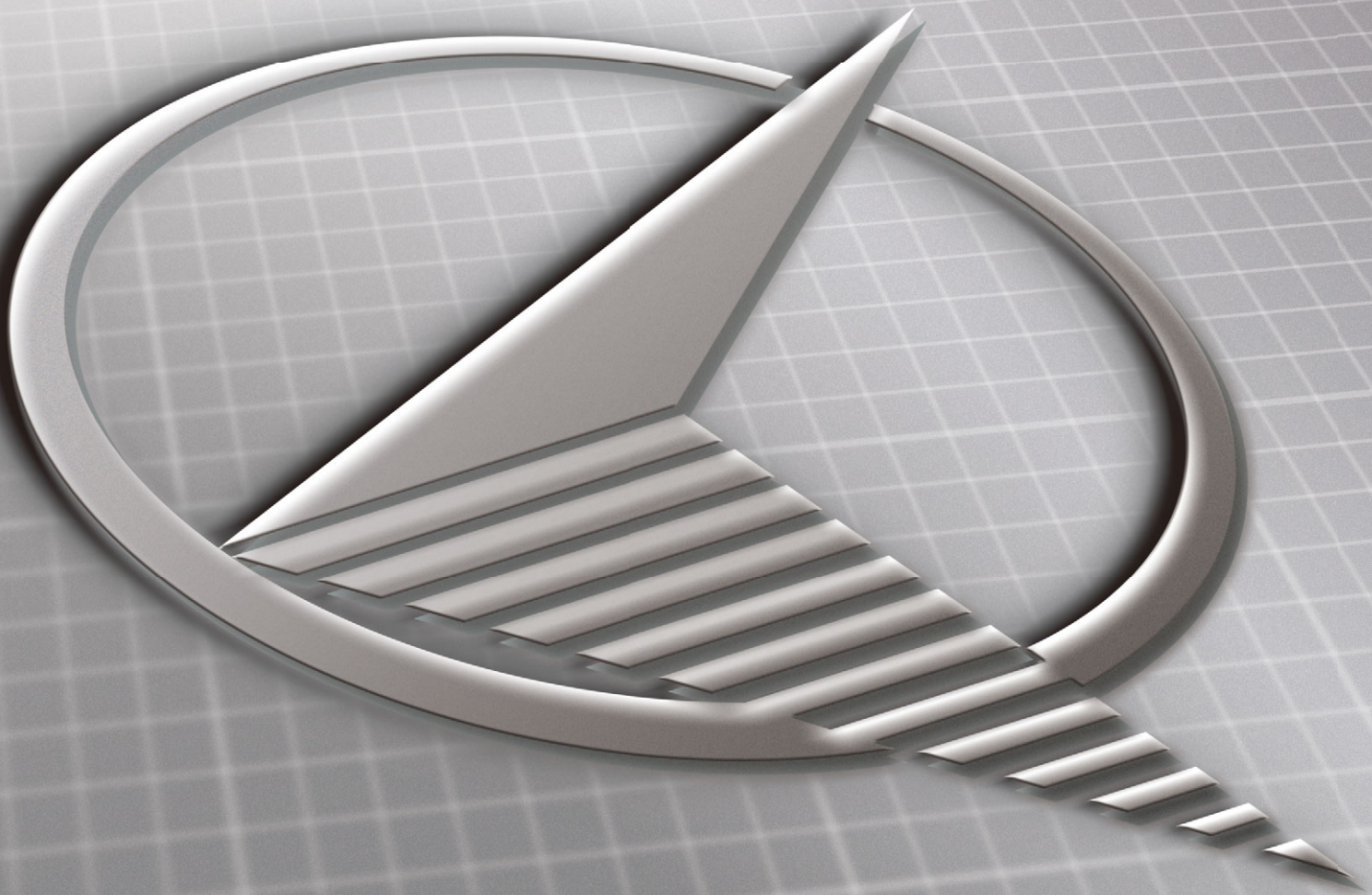
盈利時控股有限公司

(incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立之有限公司)

Stock Code 股份代號：6838

INTERIM REPORT **2021** 中期報告



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CORPORATE INFORMATION AND KEY DATES

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
610 Cha Kwo Ling Road, Yau Tong
Kowloon, Hong Kong

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 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
Interim dividend : HK0.5 cent per ordinary share

KEY DATES

Closure of register of members : 16 September 2021
for interim dividend
Record date for interim dividend : 16 September 2021
Interim dividend payment date : 4 October 2021

FINANCIAL HIGHLIGHTS

	Six months ended 30 June 2021 HK\$'000 unaudited	Six months ended 30 June 2020 HK\$'000 unaudited	Change
RESULTS HIGHLIGHTS			
Revenue	536,010	521,995	2.7%
Gross profit	101,803	95,634	6.5%
Profit for the period	16,565	35,231	-53.0%
Return on equity ¹ (%)	1.8%	4.6%	2.8 pts
Basic earnings per share (HK cents)	2.8	5.9 (restated)	-52.5%
Interim dividend per share (HK cent)	0.5	–	–
	As at 30 June 2021 HK\$'000 unaudited	As at 31 December 2020 HK\$'000 audited	Change
BALANCE SHEET HIGHLIGHTS			
Total assets	1,276,403	1,233,858	3.4%
Total borrowings	156,106	72,493	115.3%
Net assets	908,677	899,850	1.0%
Net assets per share (HK\$)	1.51	1.50 (restated)	0.7%
Current ratio	1.63	1.81	
Gearing ratio ²	0.12	0.06	

¹ Based 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, smart wearable cases and parts, and fashion accessories.

During the first six months of 2021, the world’s major economies have been recovering from the COVID-19 pandemic since more and more people got vaccinated and continuous huge quantitative easing plans and stimulus and relief measures taken out by central banks and governments respectively kept boosting the economy. On the other hand, the world’s shortage of chip and certain raw material supplies and the recent increased lock-down of countries due to the spread of the COVID-19 variants have affected the economic recovery in certain extent.

The recovery of the world’s major economies in the first half of 2021 has brought back the world’s demand of luxury goods. The sales of our watch bracelets for the six months ended 30 June 2021 bounced back and increased by 55.9% as compared to last year same period. With this good result, we are confident that the demand for our watch bracelets will keep growing in the second half of 2021.

Due to some interruptions to the supply chain, the sales of our mobile phone cases and parts for the first six months of 2021 decreased by 12.0% as compared to last year same period.

Due to our client has postponed the rollout of new models, the sales of our smart wearable cases and parts for the first six months of 2021 has fallen short of our target and was down by 9.4% as compared to last year same period. Together with the increase in production costs and operation expenses relating to the expansion plan of this segment, the Group’s results was affected for the first six months of 2021. We have already taken steps to adjust our production facilities so as to utilize our resources more efficiently. Nevertheless, we are still confident in the business development of this segment.

FINANCIAL REVIEW

REVENUE

For the six months ended 30 June 2021, the Group’s revenue increased by 2.7% to HK\$536,010,000 (2020: HK\$521,995,000) as compared to the same period of last year. Revenue attributable to watch bracelets, mobile phone cases and parts, smart wearable cases and parts, and fashion accessories were 30.0%, 43.1%, 21.6% and 5.3% respectively (2020: 19.8%, 50.3%, 24.5% and 5.4%).

In the first six months of 2021, the Group’s revenue of watch bracelets reported a satisfactory increase of 55.9% to HK\$161,056,000 (2020: HK\$103,293,000).

During the period under review, revenue of mobile phone cases and parts was HK\$230,999,000 (2020: HK\$262,373,000), representing a decrease of 12.0%.

During the period under review, revenue of smart wearable cases and parts amounted to HK\$115,888,000 (2020: HK\$127,901,000), representing a decrease of 9.4%.

During the period under review, revenue of fashion accessories recorded a decrease of 1.3% to HK\$28,067,000 (2020: HK\$28,428,000) as compared to the same period of last year.

MANAGEMENT DISCUSSION AND ANALYSIS

PROFIT FOR THE PERIOD

Gross profit increased by 6.5% to HK\$101,803,000 (2020: HK\$95,634,000) as compared to the same period of last year. Gross profit margin for the period under review was 19.0% (2020: 18.3%). Profit for the period decreased by 53.0% to HK\$16,565,000 (2020: HK\$35,231,000) and basic earnings per share for the period under review decreased by 52.5% to HK2.8 cents (2020: HK5.9 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 2021:

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Direct materials costs	208,662	225,407
Direct labour costs	151,839	150,168
Manufacturing overhead and other costs	73,706	50,786
	434,207	426,361

During the six months ended 30 June 2021, direct materials costs accounted for about 48.1% (2020: 52.9%) of the total cost of sales, the decrease was mainly due to the decrease in sales of mobile phone cases and parts and smart wearables 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 35.0% and 16.9% (2020: 35.2% and 11.9%) of the total cost of sales respectively.

OTHER INCOME

Other income decreased by 52.9% to HK\$5,834,000 for the six months ended 30 June 2021 as compared to HK\$12,388,000 for the same period of last year. There was COVID-19 related subsidy and employment stabilization subsidy amounting to HK\$6,673,000 granted last year same period and no such income was received this year.

OTHER EXPENSES

Selling and distribution costs increased by 66.6% to HK\$11,116,000 for the first six months of 2021 as compared to HK\$6,672,000 for the same period of last year which was mainly due to the increase in the sales of watch bracelets.

Administrative expenses increased by 30.1% to HK\$70,325,000 (2020: HK\$54,067,000) during the period under review which was mainly due to the increase in salaries and research and development costs, appreciation of Renminbi and no more COVID-19 related waiver of social security payments this year.

Finance costs for the six months ended 30 June 2021 amounted to HK\$1,662,000 (2020: HK\$2,448,000), representing a decrease of 32.1% which was mainly due to the repayment of bank loans and decrease in interest rate.

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%. Certain PRC subsidiaries of the Group were awarded the High and New Technology Enterprise (“HNTE”) certificate in prior years and eligible to a tax rate of 15% for three years until 31 December 2022. The recognition as a HNTE is subject to review every three years by the relevant government bodies.

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 200% of their qualified research and development expenses so incurred as tax deductible expenses when determining their assessable profits for the period (“Super Deduction”). The Group has made its best estimate for the Super Deduction to be claimed for the subsidiaries in ascertaining their assessable profits for the period.

INVENTORIES

	At 30 June 2021 HK\$'000 (unaudited)	At 31 December 2020 HK\$'000 (audited)
Raw materials	17,665	17,438
Work in progress	94,484	67,809
Finished goods	33,303	32,828
	145,452	118,075

As at 30 June 2021, the Group recorded an inventory balance of HK\$145,452,000 (31 December 2020: HK\$118,075,000), representing an increase of 23.2%. The inventory turnover of the Group for the first half of 2021 was 54.9 days as compared to 52.3 days for the same period of 2020.

TRADE RECEIVABLES

As at 30 June 2021, the Group’s trade receivables amounted to HK\$181,850,000 (31 December 2020: HK\$251,950,000). 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 2021, approximately 64% of the trade receivables balances as at 30 June 2021 has been received. The trade receivables turnover of the Group for the period under review was 73.2 days (for the year ended 31 December 2020: 79.5 days) and the decrease in number of days was mainly due to the decrease in sales of mobile phone cases and parts, and smart wearable cases and parts, which have relatively longer credit period.

MANAGEMENT DISCUSSION AND ANALYSIS

TRADE PAYABLES

As at 30 June 2021, the Group's trade payables amounted to HK\$134,678,000 (31 December 2020: HK\$193,759,000). 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 2021 was 68.5 days (for the year ended 31 December 2020: 70.9 days).

LIQUIDITY, INDEBTEDNESS AND CHARGES ON ASSETS

During the period under review, the Group maintained a satisfactory liquidity level. As at 30 June 2021, net current assets of the Group was HK\$226,012,000 (31 December 2020: HK\$269,173,000). Besides, the Group maintained bank balances and cash of HK\$161,637,000 as at 30 June 2021 (31 December 2020: HK\$174,638,000), of which 37.8% was in Renminbi, 37.7% was in Hong Kong dollars, 24.4% was in United State dollars, and 0.1% was in Swiss Franc and other currencies.

The Group's outstanding bank borrowings as at 30 June 2021 was HK\$156,106,000 (31 December 2020: HK\$72,493,000), of which 42.3% was in Hong Kong dollars and 57.7% was in Renminbi. Balance of HK\$109,092,000 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 2021. Despite that, amongst these bank borrowings, according to the repayment schedule, HK\$106,556,000 was repayable within one year and the balance of HK\$49,550,000 was repayable after one year. Details of the Group's committed borrowing facilities are set out in the section entitled "Specific performance obligations on controlling shareholder" in the interim report.

During the current interim period, the Group raised loans related to bills discounted with recourse of HK\$47,000,000 (six month ended 30 June 2020: nil), which carry fixed interest rates ranging from 3.10% to 3.50% per annum and are with a maturity period of less than one year.

Part of the bank borrowings was secured by certain of the Group's assets with an aggregate carrying value of HK\$42,825,000 as at 30 June 2021. The charged assets included a piece of land in Dongguan where our factory was situated and certain properties constructed thereon, and the deposit for keyman life insurance policy. 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 2021, the Group's gearing ratio was 0.12 (31 December 2020: 0.06), which was calculated on the basis of total 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 2021, a considerable amount of the Group's sales was denominated in United States dollars, Hong Kong dollars and Renminbi contributing to 47.0%, 34.3% and 18.7% of the total revenue respectively (2020: 53.8%, 24.4% and 21.8% 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 2021. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL COMMITMENTS

Capital expenditure contracted for but not yet provided by the Group in the condensed consolidated financial statements as at 30 June 2021 was HK\$24,092,000 (31 December 2020: HK\$21,988,000), which was mainly related to the acquisition of property, plant and equipment and land use rights.

CONTINGENT LIABILITIES

As at 30 June 2021, 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 2021, the total number of employees of the Group was approximately 4,204 (2020: 4,462). During the period under review, staff costs (including Directors' emoluments) amounted to HK\$194,451,000 (2020: HK\$182,442,000). Remuneration of 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 share option scheme of the Company which was approved and adopted by the Board on 25 June 2011 ("Share Option Scheme") expired on 24 June 2021. As at 30 June 2021, no options had been granted by the Company pursuant to the Share Option Scheme.

OUTLOOK

Entering into the second half of 2021, the wide spread of the COVID-19 variants and the continuous US-China tension has put the recovery of the world economy into uncertain. Although there are still uncertainties and challenges lying ahead, the Group is cautiously optimistic in the rest of 2021. On top of the Group's focus on growing revenue, ensuring consistent and sustainable long-term profitability remains a top priority. We are committed to improving our operation efficiency and will make the best use of our resources to enhance our profitability for the purpose of achieving the sustainable growth of the Group.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.

德勤

TO THE BOARD OF DIRECTORS OF WINOX HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Winox Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 10 to 25, which comprise the condensed consolidated statement of financial position as of 30 June 2021 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

30 August 2021

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	NOTES	Six months ended	
		30.6.2021 HK\$'000 (unaudited)	30.6.2020 HK\$'000 (unaudited)
Revenue	3	536,010	521,995
Cost of sales		(434,207)	(426,361)
Gross profit		101,803	95,634
Other income	4	5,834	12,388
Other gains and losses		(2,780)	(42)
Selling and distribution costs		(11,116)	(6,672)
Administrative expenses		(70,325)	(54,067)
Finance costs		(1,662)	(2,448)
Profit before taxation	5	21,754	44,793
Taxation	6	(5,189)	(9,562)
Profit for the period		16,565	35,231
Other comprehensive income (expense) for the period			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange differences arising on translation of foreign operations		7,262	(13,862)
Total comprehensive income for the period		23,827	21,369
			(restated)
Earnings per share – Basic	8	HK2.8 cents	HK5.9 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2021

	NOTES	30.6.2021 HK\$'000 (unaudited)	31.12.2020 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	9	560,263	521,480
Right-of-use assets	9	77,029	68,575
Refundable rental deposit		1,119	–
Deposit for land use rights	10	21,808	21,635
Deposits paid for acquisition of property, plant and equipment		25,591	17,947
Deposit and prepayment for a life insurance policy		3,814	3,923
		689,624	633,560
Current assets			
Inventories		145,452	118,075
Trade and other receivables	11	277,680	303,473
Taxation recoverable		2,010	4,112
Bank balances and cash		161,637	174,638
		586,779	600,298
Current liabilities			
Trade and other payables	12	197,794	251,632
Taxation payable		1,866	6,660
Bank borrowings	13	156,106	72,493
Lease liabilities		5,001	340
		360,767	331,125
Net current assets		226,012	269,173
Total assets less current liabilities		915,636	902,733
Non-current liability			
Lease liabilities		6,959	2,883
Net assets		908,677	899,850
Capital and reserves			
Share capital	14	60,000	50,000
Reserves		848,677	849,850
Total equity		908,677	899,850

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Share capital HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
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 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
At 1 January 2021 (audited)	50,000	213,244	8,910	627,696	899,850
Profit for the period	–	–	–	16,565	16,565
Exchange differences arising on translation of foreign operations and other comprehensive income for the period	–	–	7,262	–	7,262
Total comprehensive income for the period	–	–	7,262	16,565	23,827
Dividends declared (<i>note 7</i>)	–	–	–	(15,000)	(15,000)
Issue of bonus shares (<i>note 14</i>)	10,000	(10,000)	–	–	–
At 30 June 2021 (unaudited)	60,000	203,244	16,172	629,261	908,677

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Six months ended	
	30.6.2021	30.6.2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Operating activities		
Profit before taxation	21,754	44,793
Adjustments for:		
Depreciation of property, plant and equipment	29,261	25,847
Other non-cash items	5,474	3,603
Operating cash flows before movements in working capital	56,489	74,243
(Increase) decrease in inventories	(26,436)	19,192
Decrease in trade and other receivables	28,230	94,157
Decrease in trade and other payables	(60,091)	(86,944)
Other cash flows used in operating activities	(7,917)	(28,881)
Net cash (used in) from operating activities	(9,725)	71,767
Investing activities		
Purchases of property, plant and equipment	(43,101)	(42,903)
Deposits paid for acquisition of property, plant and equipment	(25,448)	(14,663)
Payment of refundable rental deposit	(786)	–
Proceeds from disposal of property, plant and equipment	149	–
Other investing cash flows	100	138
Net cash used in investing activities	(69,086)	(57,428)
Financing activities		
Repayment of bank borrowings	(30,451)	(33,151)
Dividends paid	(15,000)	–
Interests paid	(1,655)	(2,448)
Repayment of lease liabilities	(1,415)	(30,513)
Bank borrowings raised	113,849	83,724
Net cash from financing activities	65,328	17,612
Net (decrease) increase in cash and cash equivalents	(13,483)	31,951
Cash and cash equivalents at beginning of the period	174,638	137,292
Effect of foreign exchange rate changes	482	(1,340)
Cash and cash equivalents at end of the period, representing bank balances and cash	161,637	167,903

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The condensed consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is the same as the functional currency of the Company.

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than 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 2021 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2020.

APPLICATION OF AMENDMENTS TO HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the Group’s condensed consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

Except as described below, the application of 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.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 IMPACTS AND ACCOUNTING POLICIES ON APPLICATION OF AMENDMENTS TO HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 AND HKFRS 16 “INTEREST RATE BENCHMARK REFORM – PHASE 2”

2.1.1 Accounting policies

Financial instruments

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change).

2.1.2 Transition and summary of effects

The Group intends to apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for bank borrowings measured at amortised cost. The amendments have had no impact on the condensed consolidated financial statements as none of the above contracts has been transitioned to the relevant replacement rates during the interim period. The impacts on application of the amendments, if any, including additional disclosures, will be reflected in the Group’s consolidated financial statements for the year ending 31 December 2021.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

3. REVENUE AND SEGMENT INFORMATION

The Group is engaged in manufacture and trading of stainless steel products. Information reported to the members of executive directors of the Company, being the chief operating decision makers (the "CODM"), for the purposes of resources allocation and assessment of performance focuses on revenue analysis by products, including mobile phone cases and parts, watch bracelets, smart wearable cases and parts, and fashion accessories, and by geographic locations of customers, including the People's Republic of China ("PRC"), Switzerland, Hong Kong, Liechtenstein and other European countries, Vietnam, Taiwan 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, only entity-wide disclosures, major customers and geographic information are presented.

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	
	30.6.2021 HK\$'000 (unaudited)	30.6.2020 HK\$'000 (unaudited)
Mobile phone cases and parts	230,999	262,373
Watch bracelets	161,056	103,293
Smart wearable cases and parts	115,888	127,901
Fashion accessories	28,067	28,428
	536,010	521,995

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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	
	30.6.2021 HK\$'000 (unaudited)	30.6.2020 HK\$'000 (unaudited)
PRC	281,240	160,570
Switzerland	154,768	99,390
Hong Kong	33,738	30,960
Liechtenstein and other European countries	26,795	25,553
Vietnam	23,849	2,805
Taiwan	13,532	202,696
Other countries	2,088	21
	536,010	521,995

4. OTHER INCOME

	Six months ended	
	30.6.2021 HK\$'000 (unaudited)	30.6.2020 HK\$'000 (unaudited)
Income from sales of scrap materials, other parts and samples	3,630	2,588
Government grants (<i>Note</i>)	1,468	9,355
Bank interest income	100	138
Others	636	307
	5,834	12,388

Note: The unconditional government grants recognised during the current interim period are mainly related to research and development subsidy from PRC Government. For the period ended 30 June 2020, 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 (30 June 2021: nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

5. PROFIT BEFORE TAXATION

	Six months ended	
	30.6.2021 HK\$'000 (unaudited)	30.6.2020 HK\$'000 (unaudited)
Profit before taxation has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	29,261	25,847
Depreciation of right-of-use assets	2,214	1,045
Loss on disposal of property, plant and equipment (included in other gains and losses)	1,589	168
Net foreign exchange loss (gain) (included in other gains and losses)	1,191	(126)
Interests on:		
– bank borrowings	1,265	2,347
– loans related to bills discounted with recourse	225	–
– lease liabilities	172	101
	1,662	2,448

6. TAXATION

	Six months ended	
	30.6.2021 HK\$'000 (unaudited)	30.6.2020 HK\$'000 (unaudited)
The charge (credit) comprises:		
Hong Kong Profits Tax		
Current period	5,364	7,990
PRC Enterprise Income Tax ("EIT")		
Current period	880	4,561
Overprovision in prior years	(1,055)	(2,989)
	(175)	1,572
	5,189	9,562

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

6. TAXATION (Continued) HONG KONG PROFIT 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%. Certain PRC subsidiaries of the Group were awarded the High and New Technology Enterprise ("HNTE") certificate in prior years and eligible to a tax rate of 15% for 3 years until 31 December 2022. The recognition as a HNTE is subject to review every three years by the relevant government bodies.

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 200% of their qualified research and development expenses so incurred as tax deductible expenses when determining their assessable profits for the period ("Super Deduction"). The Group has made its best estimate for the Super Deduction to be claimed for the subsidiaries in ascertaining their assessable profits for the period.

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 2020 (2020: HK3.0 cents per ordinary share in respect of the year ended 31 December 2019) 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 (2020: HK\$15,000,000).

On 30 August 2021, the board of directors of the Company has resolved to declare an interim dividend of HK0.5 cent per ordinary share, totalling HK\$3,000,000, for the six months ended 30 June 2021 (2020: nil). The interim dividend is payable on 4 October 2021 to the shareholders of the Company whose names appear on the Company's register of members on 16 September 2021.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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	
	30.6.2021 HK\$'000 (unaudited)	30.6.2020 HK\$'000 (unaudited)
Earnings for the purpose of calculating basic earnings per share (profit for the period attributable to owners of the Company)	16,565	35,231

	Number of shares	
	30.6.2021	30.6.2020 (restated)
Weighted average number of shares for the purpose of calculating basic earnings per share	600,000,000	600,000,000

The weighted average number of ordinary shares for the purpose of basic earnings per share for both periods has been adjusted for issue of bonus shares that took place on 21 June 2021.

No diluted earnings per share for both periods were presented as there were no potential ordinary shares in issue for both periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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\$65,613,000 (six months ended 30 June 2020: HK\$57,468,000).

During the current interim period, the Group entered into several new lease agreements for the use of buildings and office equipment for fixed term of 2 years to 5 years. On lease commencement, the Group recognised right-of-use assets of HK\$10,126,000 and lease liabilities of HK\$10,126,000.

During the six months ended 30 June 2020, 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 and a lease liability of HK\$29,725,000.

10. DEPOSIT FOR LAND USE RIGHTS

A deposit of RMB18,158,000 (equivalent to HK\$21,808,000) (31 December 2020: RMB18,158,000 (equivalent to HK\$21,635,000)) was paid for land use right in prior year as the Group intended to construct 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 2021, 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 2021

11. TRADE AND OTHER RECEIVABLES

	30.6.2021 HK\$'000 (unaudited)	31.12.2020 HK\$'000 (audited)
Trade receivables	181,850	251,950
Bills receivables	47,682	–
Value added tax recoverable	37,805	40,694
Prepayments and deposits	8,636	8,806
Refundable rental deposits	113	442
Others	1,594	1,581
	277,680	303,473

Payment terms with customers are mainly on credit. Invoices are normally payable within 30 to 90 days by the customers from date of issuance. 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:

	30.6.2021 HK\$'000 (unaudited)	31.12.2020 HK\$'000 (audited)
0 to 30 days	92,067	112,234
31 to 60 days	67,904	98,990
61 to 90 days	21,043	39,304
Over 90 days	836	1,422
	181,850	251,950

As at 30 June 2021, total bills received amounting to HK\$47,682,000 (31 December 2020: nil) are held by the Group for future settlement of trade receivables, of which certain bills amounting to HK\$47,014,000 (31 December 2020: nil) were discounted by the Group. The Group continues to recognise their full carrying amounts at the end of the reporting period. All bills received by the Group are with a maturity period of less than 4 months.

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 forward-looking information. No impairment allowance of trade receivables was recognised as the directors of the Company considered the amounts involved are insignificant.

The Group only accepts bills issued or guaranteed by reputable PRC banks if trade receivables are settled by bills and therefore the management of the Group considered the credit risk arising from the bills receivables are insignificant.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

12. TRADE AND OTHER PAYABLES

	30.6.2021 HK\$'000 (unaudited)	31.12.2020 HK\$'000 (audited)
Trade payables	134,678	193,759
Payroll and welfare payables	31,275	30,817
Payables for acquisition of property, plant and equipment	18,103	13,538
Commissions and other payables to intermediary agents	9,103	6,611
Accrued expense	1,728	2,573
Other tax payables	1,131	3,419
Interest payable	348	339
Others	1,428	576
	197,794	251,632

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

	30.6.2021 HK\$'000 (unaudited)	31.12.2020 HK\$'000 (audited)
0 to 30 days	41,356	51,369
31 to 60 days	45,413	66,030
61 to 90 days	29,520	38,285
Over 90 days	18,389	38,075
	134,678	193,759

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

13. BANK BORROWINGS

During the current interim period, the Group raised and repaid bank borrowings of HK\$66,849,000 (six months ended 30 June 2020: HK\$83,724,000) and HK\$30,451,000 (six months ended 30 June 2020: HK\$33,151,000), respectively. The existing bank borrowings carry variable interest rates ranging 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 contain repayment on demand clause.

During the current interim period, the Group raised loans related to bills discounted with recourse of HK\$47,000,000 (six month ended 30 June 2020: nil), which carry fixed interest rates ranging from 3.10% to 3.50% per annum and are with a maturity period of less than one year.

14. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Ordinary shares of HK\$0.1 each		
Authorised:		
At 1 January 2020, 30 June 2020, 31 December 2020, 1 January 2021 and 30 June 2021	4,000,000	400,000
Issued and fully paid:		
At 1 January 2020, 30 June 2020, 31 December 2020, 1 January 2021	500,000	50,000
Issue of bonus shares	100,000	10,000
At 30 June 2021	600,000	60,000

An ordinary resolution was passed by the shareholders at the annual general meeting of the Company held on 31 May 2021 approving an issue of bonus shares to shareholders of the Company on the basis of one bonus share for every five existing issued shares in the share capital of the Company. The issue of bonus shares took place on 21 June 2021. The shares issued rank pari passu with the then existing shares in issue in all respects.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

15. CAPITAL COMMITMENTS

	30.6.2021 HK\$'000 (unaudited)	31.12.2020 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 rights	24,092	21,988

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 transaction	Six months ended	
		30.6.2021 HK\$'000 (unaudited)	30.6.2020 HK\$'000 (unaudited)
Ming Fung (Holdings) Limited (controlled by Mr. Yiu Hon Ming ("Mr. Yiu"))	Fee received for management and administrative service	126	126
Fengtai (Dongguan) Technology Development Service Company Limited ("Fengtai") (controlled by Mr. Yiu and Mr. Yiu Tat Sing)	Short-term lease expenses Interest expenses on lease liabilities	92 332	N/A N/A
Mr. Yiu	Interest expenses on lease liabilities	6	19

During the current interim period, the Group entered into several new lease agreements for the use of buildings with Fengtai and Mr. Yiu respectively for fixed term of 2 years (30 June 2020: nil).

At 30 June 2021, the lease liabilities due to Fengtai and Mr. Yiu were HK\$7,533,000 and HK\$1,417,000 (31 December 2020: nil and HK\$315,000), respectively.

Mr. Yiu is the ultimate controlling shareholder and a director of the Company. Mr. Yiu Tat Sing is also 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\$3,199,000 and post-employment benefits of HK\$80,000 (six months ended 30 June 2020: short-term employee benefits of HK\$4,507,000 and post-employment benefits of HK\$69,000).

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE

The Company is committed to establishing and maintaining high standard of corporate governance and believes that good corporate governance system provides a sustainable and solid foundation for the Company to manage business risks, enhance transparency, advance accountability and 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 2021.

At the annual general meeting of the Company held on 31 May 2021, Mr. Yiu Tat Sing, Ms. Law Wai Ping, Mr. Chau Kam Wing Donald and Mr. Carson Wen retired and were re-elected as Directors. As at the date of this report, the Board comprises:

Executive Directors

Mr. Yiu Hon Ming (*Chairman*)

Mr. Yiu Tat Sing (*Deputy Chairman*)

Mr. Li Chin Keung (*Managing Director*)

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 2021 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 its internal audit team. The internal audit team 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 2020 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.

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 2021.

DIRECTORS’ AND CHIEF EXECUTIVE’S INTERESTS IN SECURITIES

As at 30 June 2021, 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	398,040,000	66.34%
Law Wai Ping	2	Beneficial owner, interest in controlled corporation and interest of spouse	398,040,000	66.34%
Yiu Ho Ting	3	Beneficial owner and interest of spouse	6,909,600	1.15%
Au Wai Ming		Beneficial owner	4,531,200	0.76%
Yiu Tat Sing	4	Beneficial owner	1,980,000	0.33%
Li Chin Keung	5	Interest of spouse	964,800	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 396,000,000 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 396,000,000 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 2,040,000 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 5,688,000 shares of the Company. In addition, her husband, Mr. Cheung Justin Chi Yen ("Mr. Cheung"), is directly interested in 1,221,600 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 1,980,000 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 51,000,000 shares of the Company, representing 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 964,800 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 51,000,000 shares of the Company, representing 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 396,000,000 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 396,000,000 shares of the Company, representing 66% of the entire issued share capital of the Company.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Save as disclosed above, as at 30 June 2021, 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 2021, 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	396,000,000	66%
Ming Fung Holdings (Hong Kong) Limited	1	Interest in controlled corporation	396,000,000	66%
Winholme Holdings Limited	2	Beneficial owner	51,000,000	8.5%
Tang Wai Fong	3	Interest in controlled corporation	51,000,000	8.5%
Chan Kai Ming	4	Interest in controlled corporation	51,000,000	8.5%
Leung Wai Yin Edith	5	Interest of spouse	51,000,000	8.5%
Webb David Michael	6	Beneficial owner and interest in controlled corporation	30,004,800	5%

Notes:

1. Ming Fung Holdings (Hong Kong) Limited is interested in approximately 95.45% of the entire issued share capital of Ming Fung Investment Limited.
2. Mr. Li Chin Keung, the Managing Director of the Company and an executive Director, is the legal and beneficial owner of approximately 8.82% of the entire issued share capital of Winholme Holdings Limited. Mr. Yiu Tat Sing, the Deputy Chairman of the Board and an executive Director, is the legal and beneficial owner of approximately 11.77% of the entire issued share capital of Winholme Holdings Limited.
3. Ms. Tang Wai Fong is the legal and beneficial owner of approximately 44.12% of the entire issued share capital of Winholme Holdings Limited.

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 30,004,799 shares of the Company, 11,375,601 shares of the Company were held directly by Mr. David Michael Webb, while 18,629,198 shares of the Company were held through his wholly-owned company, Preferable Situation Assets Limited.

Save as disclosed above, as at 30 June 2021, 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 2021, no share option was granted, outstanding, lapsed or cancelled under the Share Option Scheme, which was adopted by the Board on 25 June 2011 and expired on 24 June 2021.

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

During the six months ended 30 June 2021, 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. HK\$30,000,000 was drawn on 25 June 2014 and was fully repaid on 30 June 2021, 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 was fully repaid on 28 December 2020, and HK\$35,000,000 was drawn on 15 March 2016 and was fully repaid on 15 March 2021.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 the same 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. In 2020, HK\$20,000,000 was drawn on 16 April 2020 and HK\$15,000,000 was drawn on 27 May 2020. In 2021, HK\$20,000,000 was drawn on 22 March 2021 and HK\$10,000,000 was drawn on 7 April 2021. All are repayable by 60 equal monthly instalments, commencing one month after drawdown.

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 2021, the amount of loan outstanding under these loan facilities was approximately HK\$56,821,000 and the unutilised facilities available for drawdown amounted to HK\$2,000,000.

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has declared an interim dividend of HK0.5 cent per ordinary share, totaling HK\$3,000,000, for the six months ended 30 June 2021. The interim dividend will be payable on Monday, 4 October 2021 to shareholders of the Company whose names appear on the Company’s register of members on Thursday, 16 September 2021.

For the purpose of ascertaining the shareholders’ entitlement to the interim dividend, the Company’s register of members will be closed on Thursday, 16 September 2021 on which no transfer of shares of the Company will be registered. In order to be entitled to the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 15 September 2021.

REVIEW OF INTERIM RESULTS

The interim results of the Group for the six months ended 30 June 2021 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 2021 have also been reviewed by the Audit Committee.

INVESTOR RELATIONS

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