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WINOX

## WINOX HOLDINGS LIMITED

盈利時控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 6838)

### 2021 INTERIM RESULTS

#### FINANCIAL HIGHLIGHTS

- The Group's revenue amounted to HK\$536,010,000, representing a corresponding increase of 2.7%.
- The Group's gross profit amounted to HK\$101,803,000, representing a corresponding increase of 6.5%.
- The Group's profit for the period amounted to HK\$16,565,000, representing a corresponding decrease of 53.0%.
- Basic earnings per share amounted to HK2.8 cents, representing a corresponding decrease of 52.5%.
- The Board declared an interim dividend of HK0.5 cent per ordinary share for the six months ended 30 June 2021.

#### 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 decrease of 1.3% to HK\$28,067,000 (2020: HK\$28,428,000) as compared to the same period of last year.

### 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	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Direct materials costs	208,662	225,407
Direct labour costs	151,839	150,168
Manufacturing overhead and other costs	73,706	50,786
	<b>434,207</b>	<b>426,361</b>

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 in last year same period and no such income was received in 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

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

### **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. 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 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.

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.

## **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.

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

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



# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

	Notes	<u>30.6.2021</u> HK\$'000 (unaudited)	<u>31.12.2020</u> HK\$'000 (audited)
Non-current assets			
Property, plant and equipment		560,263	521,480
Right-of-use assets		77,029	68,575
Refundable rental deposit		1,119	-
Deposit for land use rights		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
		<b>689,624</b>	<b>633,560</b>
Current assets			
Inventories		145,452	118,075
Trade and other receivables	8	277,680	303,473
Taxation recoverable		2,010	4,112
Bank balances and cash		161,637	174,638
		<b>586,779</b>	<b>600,298</b>
Current liabilities			
Trade and other payables	9	197,794	251,632
Taxation payable		1,866	6,660
Bank borrowings		156,106	72,493
Lease liabilities		5,001	340
		<b>360,767</b>	<b>331,125</b>
Net current assets		<b>226,012</b>	<b>269,173</b>
Total assets less current liabilities		<b>915,636</b>	<b>902,733</b>
Non-current liability			
Lease liabilities		6,959	2,883
Net assets		<b>908,677</b>	<b>899,850</b>
Capital and reserves			
Share capital		60,000	50,000
Reserves		848,677	849,850
Total equity		<b>908,677</b>	<b>899,850</b>

## NOTES

### 1. Basis of Preparation

The condensed consolidated financial statements have been prepared in accordance with the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and 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.

## **2.1 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.

### 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	
	<u>30.6.2021</u>	<u>30.6.2020</u>
	HK\$'000	HK\$'000
	(unaudited)	(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
	<u>536,010</u>	<u>521,995</u>

#### Geographical information

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

	Six months ended	
	<u>30.6.2021</u>	<u>30.6.2020</u>
	HK\$'000	HK\$'000
	(unaudited)	(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
	<u>536,010</u>	<u>521,995</u>

#### 4. Profit Before Taxation

	Six months ended	
	<u>30.6.2021</u>	<u>30.6.2020</u>
	HK\$'000	HK\$'000
	(unaudited)	(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
	<u>1,662</u>	<u>2,448</u>

#### 5. Taxation

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

##### (i) Hong Kong Profits Tax

Under the two-tiered profits tax rates regime, the first HK\$2 million of assessable profits of a qualifying group entity will be taxed at 8.25%, and assessable profits above HK\$2 million will be taxed at 16.5%. The 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%.

(ii) **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.

**6. 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 and paid to the shareholders of the Company. The aggregate amount of the final dividend declared and paid in the current interim period amounted to HK\$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, totaling 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.

**7. 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	
	<u>30.6.2021</u>	<u>30.6.2020</u>
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Earnings for the purpose of calculating basic earnings per share (profit for the period attributable to owners of the Company)	<u>16,565</u>	<u>35,231</u>

	Number of shares	
	<u>30.6.2021</u>	<u>30.6.2020</u>
Weighted average number of shares for the purpose of calculating basic earnings per share	<b>600,000,000</b>	(restated) 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.

## 8. Trade and Other Receivables

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

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

## 9. Trade and Other Payables

	<u>30.6.2021</u> HK\$'000 (unaudited)	<u>31.12.2020</u> 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
	<u>197,794</u>	<u>251,632</u>

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

	<u>30.6.2021</u> HK\$'000 (unaudited)	<u>31.12.2020</u> 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
	<u>134,678</u>	<u>193,759</u>

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



## **CORPORATE GOVERNANCE AND OTHER INFORMATION**

### **CORPORATE GOVERNANCE**

The Company is committed to establishing and maintaining high standard of corporate governance and believes that good corporate governance system provides a sustainable and solid foundation for the Company to manage business risks, enhance transparency, advance accountability and 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 on The Stock Exchange of Hong Kong Limited ("**Listing Rules**") and complied with all the applicable code provisions of the CG Code throughout the six months ended 30 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.

### **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.

### **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 the HKICPA, 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 of the Company.

### **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 the 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.

## **APPRECIATION**

On behalf of the Board, I would like to express my gratitude to all our customers, suppliers and shareholders for their continuous support to the Group. I would also like to thank our team of dedicated staff for their invaluable services and contributions to the Group throughout the period.

By Order of the Board  
**Yiu Hon Ming**  
*Chairman*

Hong Kong • 30 August 2021

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