



WINOX

WINOX HOLDINGS LIMITED

盈利時控股有限公司

(incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立之有限公司)

Stock Code 股份代號: 6838

INTERIM REPORT

中期報告 2014

CONTENTS

Corporate Information and Key Dates	2
Financial Highlights	3
Management Discussion and Analysis	4
Report on Review of Condensed Consolidated Financial Statements	9
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	10
Condensed Consolidated Statement of Financial Position	11
Condensed Consolidated Statement of Changes in Equity	12
Condensed Consolidated Statement of Cash Flows	13
Notes to the Condensed Consolidated Financial Statements	14
Corporate Governance and Other Information	22

CORPORATE INFORMATION AND KEY DATES

BOARD OF DIRECTORS

Yiu Hon Ming (*Chairman & Managing Director*)

Au Wai Ming[#] (*Deputy Chairman*)

Law Wai Ping

Chau Kam Wing Donald (*Finance Director*)

Ma Weihua^{*}

Carson Wen^{*}

Wong Lung Tak Patrick^{*}

[#] *Non-executive Director*

^{*} *Independent Non-executive Director*

AUDIT COMMITTEE

Wong Lung Tak Patrick (*Chairman*)

Ma Weihua

Carson Wen

REMUNERATION COMMITTEE

Wong Lung Tak Patrick (*Chairman*)

Yiu Hon Ming

Ma Weihua

Carson Wen

NOMINATION COMMITTEE

Yiu Hon Ming (*Chairman*)

Ma Weihua

Carson Wen

Wong Lung Tak Patrick

COMPANY SECRETARY

Huen Lai Chun

AUDITOR

Deloitte Touche Tohmatsu

PRINCIPAL BANK

The Hongkong and Shanghai Banking Corporation Limited

REGISTERED OFFICE

Cricket Square, Hutchins Drive

P.O. Box 2681, Grand Cayman KY1-1111

Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units 2 & 3, 1/F.

Sunray Industrial Centre

610 Cha Kwo Ling Road, Yau Tong

Kowloon, Hong Kong

Telephone: (852) 23493776

Facsimile: (852) 23493780

Website: <http://www.winox.com>

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Codan Trust Company (Cayman) Limited

Cricket Square, Hutchins Drive

P.O. Box 2681, Grand Cayman KY1-1111

Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

Level 22, Hopewell Centre

183 Queen's Road East

Wanchai, Hong Kong

INFORMATION OF SHARES

Place of Listing : Main Board of The Stock Exchange of Hong Kong Limited

Stock Code : 6838

Board Lot : 2,000 shares

Financial Year End : 31 December

Interim dividend : HK2 cents per ordinary share

KEY DATES

Closure of register of : 12 September 2014
members for interim
dividend

Record date for interim: 12 September 2014
dividend

Interim dividend : 25 September 2014
payment date

FINANCIAL HIGHLIGHTS

	Six months ended 30 June 2014 HK\$'000 (unaudited)	Six months ended 30 June 2013 HK\$'000 (unaudited)	Change
RESULTS HIGHLIGHTS			
Turnover	250,212	306,709	(18.4%)
Gross profit	69,083	99,218	(30.4%)
Profit for the period	18,955	41,681	(54.5%)
Basic earnings per share (HK cents)	3.8	8.3	(54.2%)
Dividend per share (HK cents)	2.0	4.0	(50.0%)
	As at 30 June 2014 HK\$'000 (unaudited)	As at 31 December 2013 HK\$'000 (audited)	Change
BALANCE SHEET HIGHLIGHTS			
Total assets	719,597	692,306	3.9%
Total borrowings	132,703	123,915	7.1%
Net assets	513,017	510,568	0.5%
Net assets per share (HK\$)	1.03	1.02	1.0%
Current ratio	1.99	1.98	
Gearing ratio ¹	0.18	0.18	

¹ Gearing ratio = Total borrowings/Total assets

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Due to the adverse effect of the slowdown in China's economy and the slow recovery of the United States and European economies, the first half of 2014 was still filled with challenges. During the six months ended 30 June 2014, Winox Holdings Limited ("Company", together with its subsidiaries "Group") recorded a decline of 18.4% in turnover, which was mainly due to the decrease in sales of watch bracelets and mobile phone cases and parts. The continuous escalated staff and labour costs further affected the Group's profit margin. In order to weather this critical operating environment, we shall remain prudent and implement stringent cost control policy and advance our supply chain management for the sustainable development of the Group.

The principal focus of the Group is on the development and manufacture of premium stainless steel products, and our major business segments are, namely, watch bracelets, costume jewellery, accessories and parts for leather goods and mobile phone cases and parts.

FINANCIAL REVIEW

Turnover

For the six months ended 30 June 2014, the Group's unaudited consolidated turnover decreased by 18.4% to HK\$250,212,000 (2013: HK\$306,709,000) as compared to the same period of last year. Turnover attributable to watch bracelets, costume jewellery, accessories and parts for leather goods and mobile phone cases and parts were 68.7%, 25.2%, 5.5% and 0.6% respectively (2013: 68.1%, 15.4%, 4.5% and 12.0% respectively).

In the last six months, export of Swiss made stainless steel watches slowed down compared to the same period of last year. As a result, turnover of watch bracelets reported a decline of 17.6% to HK\$172,101,000 (2013: HK\$208,973,000) during the period.

Turnover of costume jewellery achieved a growth of 33.5% to HK\$62,997,000 (2013: HK\$47,193,000) compared to the same period of last year which is attributable to the effort we put to maintain our close relationship with existing prominent customers.

Sales of accessories and parts for leather goods amounted to HK\$13,717,000 (2013: HK\$13,665,000), representing a slightly increase of 0.4%.

During the period, sales of mobile phone cases and parts was HK\$1,397,000 (2013: HK\$36,878,000), representing a significant decrease of 96.2%. The significant drop was due to the ongoing screening and selection of customers in order to establish a strong and quality customer base.

Profit

During the period, we encountered major stresses that on one hand the decrease in sales, and on the other hand, the rising labour and raw material costs and production overheads. As a result, gross profit dropped by 30.4% to HK\$69,083,000 (2013: HK\$99,218,000) as compared to the same period of last year. Gross profit margin for the period decreased to 27.6% (2013: 32.3%). Profit for the period decreased by 54.5% to HK\$18,955,000 (2013: HK\$41,681,000) and basic earnings per share for the period decreased by 54.2% to HK3.8 cents (2013: HK8.3 cents).

Cost of sales

Cost of sales included costs of production materials, labour and manufacturing overheads and other costs. The following table sets forth the breakdowns of our cost of sales for the six months ended 30 June 2014:

	Six months ended	
	30 June 2014 HK\$'000 (unaudited)	30 June 2013 HK\$'000 (unaudited)
Direct material costs	61,519	81,383
Direct labour costs	70,922	76,625
Manufacturing overheads and other costs	48,688	49,483
	181,129	207,491

During the six months ended 30 June 2014, direct material costs accounted for about 34.0% (2013: 39.3%) of the total cost of sales.

For the six months ended 30 June 2014, direct labour costs and manufacturing overheads and other costs accounted for about 39.1% and 26.9% (2013: 36.9% and 23.8%) of the total cost of sales respectively.

Other Income

During the first half of 2014, other income amounted to HK\$4,221,000 (2013: HK\$4,161,000) was primarily derived from the gain on disposal of scrapped materials, management fee income, government grants and bank interest income.

Expenses

Selling and distribution expenses dropped by approximately 24.1% to HK\$9,937,000 for the six months ended 30 June 2014 as compared to HK\$13,092,000 for the same period in last year which is in line with the decrease in turnover.

As a result of tightened cost control, administrative expenses decreased by 5.0% to HK\$34,290,000 (2013: HK\$36,076,000) during the period.

During the period, the Group obtained new bank borrowings of HK\$40,027,000 and repaid bank borrowings of HK\$30,986,000. Finance costs for the six months ended 30 June 2014 amounted to HK\$2,065,000 (2013: HK\$2,024,000), representing an increase of 2.0%.

Inventories

	At 30 June 2014 HK\$'000 (unaudited)	At 31 December 2013 HK\$'000 (audited)
Raw materials	16,783	11,859
Work in progress	58,432	51,998
Finished goods	2,200	11,443
	77,415	75,300

As at 30 June 2014, the Group recorded an inventory balance of HK\$77,415,000 (31 December 2013: HK\$75,300,000), representing a slight increase of 2.8%. Inventory turnover for the first half of 2014 was 76.3 days as compared to 71.9 days for the same period of 2013.

Trade Receivables

As at 30 June 2014, the Group recorded trade receivables of HK\$93,081,000 (31 December 2013: HK\$45,375,000). The increase was mainly due to a June 2014 payment from a major customer was received in early July 2014. The credit periods granted to our customers was 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 minimal default risk. The trade receivables turnover of the Group for the period was 50.1 days due to reason as explained above (for the year ended 31 December 2013: 42.2 days).

Trade Payables

As at 30 June 2014, the Group recorded trade payables of HK\$33,313,000 (31 December 2013: HK\$19,581,000). Our trade payables were 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 2014 was 26.4 days (for the year ended 31 December 2013: 27.3 days).

Liquidity, Indebtedness and Charges on Assets

During the period, the Group sustained a satisfactory liquidity position. As at 30 June 2014, net current assets of the Group was HK\$161,937,000 (31 December 2013: HK\$155,535,000). Besides, the Group maintained cash and bank balances of HK\$131,007,000 (31 December 2013: HK\$167,511,000), of which 44.0% was in Hong Kong dollars, 43.4% was in Renminbi, 9.2% was in Swiss Franc and 3.4% was in United State dollars and other currencies.

The Group's outstanding bank borrowings as at 30 June 2014 was HK\$132,703,000 (31 December 2013: HK\$123,915,000), of which 92.5% was in Hong Kong dollars and 7.5% was in Renminbi. All of the Group's bank borrowings were arranged on floating rate basis. Except for certain bank borrowings which were committed loan facilities with specific maturity dates, the Group's borrowings contained repayment on demand clause at any time at the discretion of the bank. Under the Hong Kong Accounting Standards, the Group had separated and classified the bank borrowings as current and non-current liabilities in the consolidated statements of financial position as at 30 June 2014 in accordance with the settlement term. Among the total bank borrowings, HK\$9,994,000 was short-term revolving loans, HK\$44,704,000 was loans repayable within one year and the balancing of HK\$78,005,000 was repayable after one year.

Part of the bank loans was secured by certain of our Group's assets with an aggregate carrying value of HK\$56,159,000 as at 30 June 2014. The charged assets included a piece of land in Dongguan where our factory was situated, certain properties constructed thereon and the deposits for two keyman life insurance policies. The banking facilities were also secured by corporate guarantees in favour of the bank from the Company.

As at 30 June 2014, the Group's gearing ratio was 0.18 (31 December 2013: 0.18), which was calculated on the basis of outstanding borrowings over the total assets of the Group.

Treasury

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

For the six months ended 30 June 2014, a large amount of the Group's sales was denominated in Hong Kong dollars whereas the foreign currency sales were mainly denominated in United States dollars and Swiss Franc that were contributed to the total turnover of 5.3% and 3.2% respectively (for the six months ended 30 June 2013: 4.5% and 1.7% respectively). The expenses of the Group were mainly denominated in Renminbi. As Hong Kong dollar was pegged with United States dollar and the sales denominated in Swiss Franc was not material, 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 overheads were mainly denominated in Renminbi. The appreciation of Renminbi might affect the overall production costs of the Group.

During the period, 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 2014. We would continue to monitor closely the exchange rate risk arising from the Group's existing operations and new investments in future. We would further implement the necessary hedging arrangement to mitigate any significant foreign exchange risk when and if appropriate.

Capital Commitments and Significant Investment

Capital expenditure contracted for by the Group but not yet provided in the unaudited condensed consolidated financial statements as at 30 June 2014 was HK\$30,668,000 (31 December 2013: HK\$30,915,000), which was mainly related to the acquisition of property, plant and equipment. Capital expenditure authorised but not contracted for as at 30 June 2014 amounted to HK\$118,955,000 (31 December 2013: HK\$139,794,000).

Use of Proceeds

The proceeds raised from the initial public offerings of the Company in 2011 ("IPO") was approximately HK\$198,350,000.

On 15 May 2012, the Board of Directors of the Company ("Board") resolved to change the proposed use of the un-utilised net proceeds from the IPO originally allocated for financing the development of the Huzhen Factory (such as defraying the related construction and land costs) in the amount of approximately HK\$46,773,000 to finance the development of the Dongfeng Village Factory (such as defraying the related construction and decoration/renovation costs).

MANAGEMENT DISCUSSION AND ANALYSIS

The usages of net proceeds up to 30 June 2014 were as follows:

Particulars	Planned HK\$'000	Reallocated HK\$'000	Utilised HK\$'000	Un-utilised HK\$'000
Financing the development of the Huzhen Factory	49,588	(46,773)	(2,815)	–
Financing the development of the Dongfeng Village Factory	–	46,773	(46,773)	–
Acquiring equipment and machinery for the Dongfeng Village Factory and Huzhen Factory and for expansion of the production facility of our existing facilities	128,927	N/A	(128,927)	–
General working capital and other general corporate purposes of the Group	19,835	N/A	(19,835)	–
TOTAL	198,350	–	(198,350)	–

During the period, the construction work for the first phase development of our Dongfeng Village Factory was substantially completed and will be gradually equipped for production according to the pace of the business development of the Group.

Contingent Liabilities

As at 30 June 2014, save for the granting of corporate guarantees by the Company to its wholly-owned subsidiaries as described above, the Group did not have any significant contingent liabilities.

Employment and Remuneration Policy

As at 30 June 2014, the total number of employees of the Group was approximately 3,146 (2013: 3,400). During the period under review, staff costs (including Directors' emoluments) amounted to approximately HK\$90,779,000 (2013: HK\$99,245,000). Remuneration of the employees which included salary and discretionary bonus was based on the Group's results and individual performance. Medical and retirement benefits schemes were made available to all levels of personnel.

The Company had adopted a share option scheme to incentivise its senior management and employees. As at 30 June 2014, no options had been granted by the Company pursuant to the share option scheme.

Prospects

In view of the gradual improvements of the United States and European economies and the determination of the Chinese government to transform China into a healthier and consumption driven economy, it is expected that the luxury expenditure will be stabilising and the export volume will pick up eventually. For longer term, we still believe a steady demand on precision stainless steel products. We aim at taking advantage of utilising our strengths and expertise to explore new business opportunities in order to alleviate concentration risk. Meanwhile, we shall keep monitoring closely the potential financial challenges of global economy recovery and take steps to formulate the corresponding counter-measures.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



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 20, which comprise the condensed consolidated statement of financial position as of 30 June 2014 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 Main Board Listing 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

22 August 2014

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	NOTES	Six months ended	
		30.6.2014 HK\$'000 (unaudited)	30.6.2013 HK\$'000 (unaudited)
Turnover	3	250,212	306,709
Cost of sales		(181,129)	(207,491)
Gross profit		69,083	99,218
Other income		4,221	4,161
Other gains and losses		(1,853)	(102)
Selling and distribution expenses		(9,937)	(13,092)
Administrative expenses		(34,290)	(36,076)
Finance costs		(2,065)	(2,024)
Profit before taxation	4	25,159	52,085
Taxation	5	(6,204)	(10,404)
Profit for the period		18,955	41,681
Other comprehensive (expense) income			
Item that may be subsequently reclassified to profit or loss			
Exchange differences on translation of financial statements of foreign operation		(11,506)	7,970
Total comprehensive income for the period attributable to owners of the Company		7,449	49,651
Earnings per share – Basic	7	HK3.8 cents	HK8.3 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2014

	NOTES	30.6.2014 HK\$'000 (unaudited)	31.12.2013 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	8	311,600	300,710
Prepaid lease payments		37,358	38,711
Deposit for land use right		22,683	23,257
Deposits paid for acquisition of property, plant and equipment		17,103	10,839
Deposit and prepayments for a life insurance policy		4,717	4,849
		393,461	378,366
Current assets			
Inventories		77,415	75,300
Trade and other receivables	9	111,392	65,797
Taxation recoverable		6,322	5,332
Bank balances and cash		131,007	167,511
		326,136	313,940
Current liabilities			
Trade and other payables	10	68,685	55,400
Taxation payable		5,192	2,423
Bank borrowings – amount due within one year	11	90,322	100,582
		164,199	158,405
Net current assets		161,937	155,535
Total assets less current liabilities		555,398	533,901
Non-current liability			
Bank borrowings – amount due after one year	11	42,381	23,333
		513,017	510,568
Capital and reserves			
Share capital	12	50,000	50,000
Reserves		463,017	460,568
		513,017	510,568

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Share capital HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2013 (audited)	50,000	213,244	19,734	221,722	504,700
Profit for the period	–	–	–	41,681	41,681
Exchange differences on translation of financial statements of foreign operation	–	–	7,970	–	7,970
Total comprehensive income for the period	–	–	7,970	41,681	49,651
Dividend	–	–	–	(35,000)	(35,000)
At 30 June 2013 (unaudited)	50,000	213,244	27,704	228,403	519,351
At 1 January 2014 (audited)	50,000	213,244	34,276	213,048	510,568
Profit for the period	–	–	–	18,955	18,955
Exchange differences on translation of financial statements of foreign operation	–	–	(11,506)	–	(11,506)
Total comprehensive income for the period	–	–	(11,506)	18,955	7,449
Dividend	–	–	–	(5,000)	(5,000)
At 30 June 2014 (unaudited)	50,000	213,244	22,770	227,003	513,017

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Six months ended	
	30.6.2014 HK\$'000 (unaudited)	30.6.2013 HK\$'000 (unaudited)
Operating cash flows before movements in working capital	42,273	66,860
Increase in inventories	(2,373)	(2,351)
(Increase) decrease in trade and other receivables	(48,685)	7,108
Increase (decrease) in trade and other payables	14,482	(3,100)
Cash generated from operations	5,697	68,517
Hong Kong Profits Tax paid	(3,392)	(3,598)
PRC Enterprise Income Tax paid	(1,029)	(2,736)
Net cash from operating activities	1,276	62,183
Net cash used in investing activities		
Purchases of property, plant and equipment	(20,024)	(46,039)
Deposits paid for acquisition of property, plant and equipment	(17,446)	(14,669)
Placement of time deposits	–	(184,643)
Withdrawal of time deposits	–	170,746
Other investing cash flows	377	(1,757)
	(37,093)	(76,362)
Net cash from (used in) financing activities		
Bank borrowings raised	40,027	34,297
Repayment of bank borrowings	(30,986)	(31,853)
Dividend paid to shareholders	(5,000)	(35,000)
Interest paid	(2,065)	(2,024)
	1,976	(34,580)
Net decrease in cash and cash equivalents	(33,841)	(48,759)
Cash and cash equivalents at beginning of the period	167,511	189,258
Effect of foreign exchange rate changes	(2,663)	1,606
Cash and cash equivalents at end of the period, representing bank balances and cash	131,007	142,105

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

1. BASIS OF PREPARATION

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

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and method of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2013.

In the current interim period, the Group has applied, for the first time, the following new Interpretation and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities;
Amendments to HKAS 32	Offsetting financial assets and financial liabilities;
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets;
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting; and
HK(IFRIC) – Int 21	Leases.

The application of the above new Interpretation and amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

3. TURNOVER AND SEGMENT INFORMATION

The Group's operating activities are attributable to a single reporting segment focusing on manufacture and trading of stainless steel products. This reportable segment has been identified on the basis of internal management reports prepared in accordance with accounting policies that conform to HKFRSs, that are regularly reviewed by the chief operating decision makers (the "CODM"), who are the members of executive directors of the Company. The CODM regularly reviews revenue analysis by products, including watch bracelets, costume jewellery, accessories and parts for leather goods, and mobile phone cases and parts, and by locations of customers, including Switzerland, Liechtenstein, Hong Kong, the People's Republic of China ("PRC") and other countries. However, other than revenue analysis, no operating results and other discrete financial information is available for the assessment of performance by respective products and locations of customers. The CODM reviews the results of the Group as a whole to make decisions. Accordingly, no analysis of this single reporting segment is presented.

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

Turnover by products are as follows:

	Six months ended	
	30.6.2014 HK\$'000 (unaudited)	30.6.2013 HK\$'000 (unaudited)
Watch bracelets	172,101	208,973
Costume jewellery	62,997	47,193
Accessories and parts for leather goods	13,717	13,665
Mobile phone cases and parts	1,397	36,878
	250,212	306,709

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

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

	Six months ended	
	30.6.2014 HK\$'000 (unaudited)	30.6.2013 HK\$'000 (unaudited)
Switzerland	168,305	197,594
Liechtenstein	49,766	39,938
Hong Kong	15,867	17,677
PRC	1,553	36,748
Other countries	14,721	14,752
	250,212	306,709

Turnover from customers of the corresponding period contributing over 10% of the total turnover of the Group are as follows:

	Six months ended	
	30.6.2014 HK\$'000 (unaudited)	30.6.2013 HK\$'000 (unaudited)
Customer A ¹	141,700	180,197
Customer B ²	49,766	39,938
Customer C ³	— ⁴	35,523

Notes:

¹ Turnover from sales of watch bracelets

² Turnover from sales of costume jewellery and accessories and parts for leather goods

³ Turnover from sales of mobile phone cases and parts

⁴ Turnover did not contribute over 10% of total turnover of the Group

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

4. PROFIT BEFORE TAXATION

	Six months ended	
	30.6.2014 HK\$'000 (unaudited)	30.6.2013 HK\$'000 (unaudited)
Profit before taxation has been arrived at after charging:		
Cost of inventories recognised as expenses	174,767	198,835
Depreciation of property, plant and equipment	12,047	10,299
Release of prepaid lease payments	410	410
Bank interest income	256	1,872
Loss on disposal of property, plant and equipment	222	35
Net foreign exchange loss	1,631	58
Write-off of trade receivables	2,494	–

5. TAXATION

	Six months ended	
	30.6.2014 HK\$'000 (unaudited)	30.6.2013 HK\$'000 (unaudited)
The charge comprises:		
Current tax:		
Hong Kong Profits Tax	3,491	8,220
PRC Enterprise Income Tax ("PRC EIT")	2,713	2,184
	6,204	10,404

(i) Hong Kong Profit Tax

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

(ii) PRC EIT

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the group entities in the PRC is 25% from 1 January 2008 onwards.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

6. DIVIDENDS

During the current interim period, a final dividend of HK1 cent per ordinary share in respect of the year ended 31 December 2013 (2013: HK7 cents per ordinary share in respect of the year ended 31 December 2012) was declared and paid to the owners of the Company. The aggregate amount of the final dividend declared and paid in the current interim period amounted to HK\$5,000,000 (2013: HK\$35,000,000).

On 22 August 2014, the board of directors of the Company has resolved to declare an interim dividend of HK2 cents per ordinary share totalling not less than HK\$10,000,000 for the six months ended 30 June 2014 (six months ended 30 June 2013: HK4 cents per ordinary share totalling not less than HK\$20,000,000). The interim dividend is payable on 25 September 2014 to the shareholders of the Company whose names appear on the register of members on 12 September 2014.

7. EARNINGS PER SHARE

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

	Six months ended	
	30.6.2014 HK\$'000 (unaudited)	30.6.2013 HK\$'000 (unaudited)
Earnings for the purposes of calculating basic earnings per share (profit for the period attributable to owners of the Company)	18,955	41,681
	Number of shares	
Number of shares for the purpose of calculating basic earnings per share	500,000,000	500,000,000

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

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group incurred approximately HK\$30,863,000 (six months ended 30 June 2013: HK\$71,101,000) mainly for additions to manufacturing plants in PRC for upgrading and expanding its manufacturing capacity.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

9. TRADE AND OTHER RECEIVABLES

The following is an aging analysis of trade receivables presented based on the invoice date, which approximated the revenue recognition date:

	30.6.2014 HK\$'000 (unaudited)	31.12.2013 HK\$'000 (audited)
0 to 30 days	55,243	35,525
31 to 60 days	37,036	5,672
61 to 90 days	160	212
Over 90 days	642	3,966
	93,081	45,375

The Group allows a credit period ranging from 30 to 90 days to its trade customers. A longer credit period may be granted to large or long-established customers with good payment history.

Included in other receivables is an amount of HK\$818,000 (31 December 2013: HK\$838,000), representing the current portion of the Group's prepaid lease payments.

10. TRADE AND OTHER PAYABLES

The following is an aging analysis of trade payables presented based on the invoice date:

	30.6.2014 HK\$'000 (unaudited)	31.12.2013 HK\$'000 (audited)
0 to 30 days	18,719	9,938
31 to 60 days	10,978	7,590
61 to 90 days	1,793	1,039
Over 90 days	1,823	1,014
	33,313	19,581

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

11. BANK BORROWINGS

During the current interim period, the Group obtained new bank borrowings of HK\$40,027,000 (six months ended 30 June 2013: HK\$34,297,000) and repaid bank borrowings of HK\$30,986,000 (six months ended 30 June 2013: HK\$31,853,000). The new borrowings carry variable interest rates at (i) 3.25% over Hong Kong Interbank Offered Rate, which is repayable up to a period of 7 years based on the repayment schedule and contains a repayment on demand clause at any time after 2 years from the drawdown date at the discretion of the bank; and (ii) 2.7% over the People's Bank of China Standard Loan interest rate, which contains a repayment on demand clause at any time. The proceeds are used to finance the Group's operation and the acquisition of property, plant and equipment.

12. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Authorised:		
At 1 January 2013, 30 June 2013, 1 January 2014 and 30 June 2014		
– ordinary shares of HK\$0.1 each	4,000,000	400,000
Issued and fully paid:		
At 1 January 2013, 30 June 2013, 1 January 2014 and 30 June 2014		
– ordinary shares of HK\$0.1 each	500,000	50,000

13. COMMITMENTS

	30.6.2014 HK\$'000 (unaudited)	31.12.2013 HK\$'000 (audited)
Capital expenditure authorised but not contracted for in respect of:		
– acquisition of property, plant and equipment	92,543	113,421
– acquisition of land use right	26,412	26,373
	118,955	139,794
Capital expenditure contracted for but not provided in respect of:		
– acquisition of property, plant and equipment	30,668	30,915

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

14. RELATED PARTY TRANSACTIONS

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

	Six months ended	
	30.6.2014 HK\$'000 (unaudited)	30.6.2013 HK\$'000 (unaudited)
Management and administrative services fee received from a related company controlled by Mr. Yiu	126	600
Rental expenses fee paid to Mr. Yiu	338	224

Note: Mr. Yiu Hon Ming ("Mr. Yiu") is the ultimate controlling shareholder and a director of the Company.

- (b) The key management personnel are the directors of the Company. During the period, the remuneration of the key management personnel includes short-term employee benefits of HK\$1,370,000 and post-employment benefits of HK\$23,000 (six months ended 30 June 2013: HK\$2,070,000 and HK\$23,000).

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

Winox Holdings Limited ("Company", together with its subsidiaries, "Group") is committed to establish and maintain high standard of corporate governance and believes that good corporate governance system provides a sustainable and solid foundation for the Company to manage business risks, enhance transparency, advance accountability and maximize shareholders' interests.

The Company has applied the principles of the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange") and complied with all the applicable code provisions of the CG Code throughout the six months ended 30 June 2014, save and except for the deviations from code provisions A.2.1, A.2.7 and A.6.7.

Under code provision A.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Yiu Hon Ming is the Chairman and Managing Director (being defined as Chief Executive under the CG Code) who is responsible for overseeing the overall operations of the Group. Mr. Yiu is the founder of the Group who possesses comprehensive knowledge and experience of the industry and has in-depth understanding of the Group's overall operations. The directors of the Company ("Directors") consider this structure is conducive to strong and consistent leadership, effective and efficient planning and implementation of business decisions and strategies of the Company. The board of Directors ("Board") meets regularly to discuss major matters affecting the Group's operations and considers this structure does not impair the balance of power and authority between the Board and the management of the Group.

Under code provision A.2.7, the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. Taking into account Mr. Yiu Hon Ming, the Chairman and Managing Director, is also an Executive Director, no meeting shall therefore be held between the Chairman and Non-executive Directors without the Executive Directors present.

Under code provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. All Independent Non-executive Directors were unable to attend the Company's annual general meeting held on 19 May 2014 due to their other business engagements.

At the annual general meeting of the Company held on 19 May 2014, Mr. Au Wai Ming, Mr. Chau Kam Wing Donald and Professor Wong Lung Tak Patrick retired and were re-elected as Directors. As at the date of this report, the Board comprises:

Executive Directors

Mr. Yiu Hon Ming (*Chairman and Managing Director*)
Ms. Law Wai Ping
Mr. Chau Kam Wing Donald

Non-executive Director

Mr. Au Wai Ming (*Deputy Chairman*)

Independent Non-executive Directors

Mr. Ma Weihua
Mr. Carson Wen
Professor Wong Lung Tak Patrick

The audit committee of the Company ("Audit Committee") was established on 25 June 2011 with written terms of reference specifying its authority and duties which is available on the websites of the Stock Exchange and the Company. The Audit Committee comprised three Independent Non-executive Directors. The Audit Committee has reviewed with the senior management and the external auditor the accounting principles and practices adopted by the Group and also discussed internal controls and financial reporting matters including the review of the unaudited condensed consolidated financial statements of the Company for the six months ended 30 June 2014.

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiry to all Directors, all Directors confirmed that they complied with the required standard of dealings as set out in the Model Code throughout the six months ended 30 June 2014.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2014, 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 ("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 kept by the Company under section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(a) The Company

Director	Note	Capacity	Total number of ordinary shares interested or deemed to be interested (Long positions)	Approximate percentage of total issued share capital of the Company
Yiu Hon Ming	1	Interest in controlled corporation and interest of spouse	331,700,000	66.34%
Law Wai Ping	2	Beneficial owner and interest in controlled corporation	331,700,000	66.34%
Au Wai Ming		Beneficial owner	3,776,000	0.76%

Notes:

1. Mr. Yiu Hon Ming ("Mr. Yiu") is legally and beneficially interested in 60% of the entire issued share capital of Ming Fung Holdings (Hong Kong) Limited, which in turn has an interest of approximately 95.45% of the entire issued share capital of Ming Fung Investment Limited, which in turn is directly interested in 330,000,000 shares of the Company. Mr. Yiu is the husband of Ms. Law Wai Ping ("Ms. Law"). By virtue of the SFO, Mr. Yiu is deemed to be interested in the same block of ordinary shares in which Ms. Law is interested.
2. Ms. Law is legally and beneficially interested in 40% of the entire issued share capital of Ming Fung Holdings (Hong Kong) Limited, which in turn has an interest of approximately 95.45% of the entire issued share capital of Ming Fung Investment Limited, which in turn is directly interested in 330,000,000 shares of the Company. In addition, Ms. Law is directly and beneficially interested in 1,700,000 shares of the Company. Ms. Law is the wife of Mr. Yiu. By virtue of the SFO, Ms. Law is deemed to be interested in the same block of ordinary shares in which Mr. Yiu is interested.

(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 the associated corporation
Yiu Hon Ming	1	Ming Fung Holdings (Hong Kong) Limited	Beneficial owner	60 ordinary shares	60%
		Ming Fung Investment Limited	Interest in controlled corporation	840 ordinary shares	95.45%
Law Wai Ping	2	Ming Fung Holdings (Hong Kong) Limited	Beneficial owner	40 ordinary shares	40%
		Ming Fung Investment Limited	Interest in controlled corporation	840 ordinary shares	95.45%

Notes:

1. Mr. Yiu is legally and beneficially interested in 60% of the entire issued share capital of Ming Fung Holdings (Hong Kong) Limited, which in turn has an interest of approximately 95.45% of the entire issued share capital of Ming Fung Investment Limited, which in turn is directly interested in 330,000,000 shares of the Company.
2. Ms. Law is legally and beneficially interested in 40% of the entire issued share capital of Ming Fung Holdings (Hong Kong) Limited, which in turn has an interest of approximately 95.45% of the entire issued share capital of Ming Fung Investment Limited, which in turn is directly interested in 330,000,000 shares of the Company.

Save as disclosed above, as at 30 June 2014, 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 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 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

As at 30 June 2014, each of the following persons and entities, other than a Director or chief executive of the Company, 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:

Name	Note	Capacity	Total number of ordinary shares interested or deemed to be interested (Long positions)	Approximate percentage of total issued share capital of the Company
Ming Fung Investment Limited	1	Beneficial owner	330,000,000	66%
Ming Fung Holdings (Hong Kong) Limited	1	Interest in controlled corporation	330,000,000	66%
Winholme Holdings Limited		Beneficial owner	42,500,000	8.5%
Tang Wai Fong	2	Interest in controlled corporation	42,500,000	8.5%
Chan Kai Ming	3	Interest in controlled corporation	42,500,000	8.5%
Leung Wai Yin Edith	4	Interest of spouse	42,500,000	8.5%

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. Ms. Tang Wai Fong is the legal and beneficial owner of approximately 44.12% of the entire issued share capital of Winholme Holdings Limited.
3. Mr. Chan Kai Ming is the legal and beneficial owner of approximately 35.29% of the entire issued share capital of Winholme Holdings Limited.
4. 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.

Save as disclosed above, as at 30 June 2014, 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 2014, the Group has no share option being granted, outstanding, lapsed or cancelled pursuant to the share option scheme adopted by the Company on 25 June 2011.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the six months ended 30 June 2014, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

SPECIFIC PERFORMANCE OBLIGATIONS ON THE CONTROLLING SHAREHOLDER

On 24 February 2011, Winox Enterprise Company Limited ("Winox Enterprise"), an indirectly wholly-owned subsidiary of the Company, as borrower, entered into certain revised facilities letters with a financial institution to supersede the then facilities letters in order to facilitate the listing of the Company on the Stock Exchange in July 2011. These loan facilities (a) are interest bearing and secured; (b) are repayable by instalments ranging from a period of three quarters to 80 months commencing on 24 February 2011; and (c) contain repayment on demand clause at the discretion of the financial institution (the repayment on demand clause for certain committed loans was effective after 31 March 2013).

On 15 May 2012, Winox Enterprise, as borrower, entered into another facilities letter with the same financial institution in relation to two 5-year term loans at an aggregate amount of HK\$70,000,000. These loan facilities (a) are interest bearing and secured; (b) are repayable by 60 monthly instalments commencing one month after each drawdown; and (c) contain repayment on demand clause at the discretion of the financial institution. The loans were drawn by 5 instalments on dates ranging from 28 May 2012 to 24 December 2012.

On 21 June 2013, Winox Enterprise, as borrower, entered into another facilities letter with the same 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 will be fully repaid by 30 September 2016) and HK\$60,000,000 (converted to committed loan on 24 March 2014 for the first 2 years from the loan drawdown date and is repayable by 28 equal quarterly instalments) respectively. During the six months ended 30 June 2014, HK\$30,000,000 was drawn from the latter loan on 25 June 2014.

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 2014, the amount of loan outstanding under these loan facilities was approximately HK\$119,209,000 and the unutilised facilities available for drawdown amounted to HK\$32,000,000.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK2 cents per ordinary share for the six months ended 30 June 2014. The interim dividend is payable on Thursday, 25 September 2014 to shareholders of the Company whose names appear on the Company's register of members on Friday, 12 September 2014.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed and no transfer of shares will be registered on Friday, 12 September 2014 for the purpose of determining shareholders' entitlements to the interim dividend for the six months ended 30 June 2014.

To qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 11 September 2014.

REVIEW OF INTERIM RESULTS

The interim results of the Company for the six months ended 30 June 2014 are unaudited, but have been reviewed in accordance with the 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, by Messrs. Deloitte Touche Tohmatsu whose unmodified review report is set out on page 9 of this report. The interim results have also been reviewed by the Audit Committee.

SHAREHOLDERS' COMMUNICATIONS

The Board recognises the importance of maintaining an effective mutual communication with its stakeholders. Designated management staff meets with research analysts and institutional investors on an on-going basis and provides them with the latest and comprehensive information about the corporate developments of the Group. In addition, the Company utilises its website (www.winox.com) as a channel to provide updated information in a timely manner in order to strengthen the communication with its stakeholders.