



CHTC FONG'S INDUSTRIES COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 641)

INTERIM REPORT
2015



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CORPORATE INFORMATION

CHAIRMAN EMERITUS

Mr. Fong Sou Lam

BOARD OF DIRECTORS

Mr. Shi Tinghong (*Chairman*)

Mr. Ye Maoxin* (*Vice-chairman*)

Mr. Ji Xin (*Chief Executive Officer*)

Mr. Wan Wai Yung

Mr. Fong Kwok Leung, Kevin

Mr. Ying Wei**

Dr. Yuen Ming Fai**

Mr. Li Jianxin**

* Non-executive Director

** Independent Non-executive Director

COMPANY SECRETARY

Mr. Lee Che Keung

AUTHORISED REPRESENTATIVES

Mr. Shi Tinghong

Mr. Lee Che Keung

AUDIT COMMITTEE

Mr. Ying Wei (*Committee Chairman*)

Dr. Yuen Ming Fai

Mr. Li Jianxin

REMUNERATION COMMITTEE

Mr. Li Jianxin (*Committee Chairman*)

Mr. Shi Tinghong

Mr. Ji Xin

Mr. Ying Wei

Dr. Yuen Ming Fai

NOMINATION COMMITTEE

Mr. Shi Tinghong (*Committee Chairman*)

Mr. Ji Xin

Mr. Ying Wei

Dr. Yuen Ming Fai

Mr. Li Jianxin

LEGAL ADVISER

Reed Smith Richards Butler

AUDITOR

Baker Tilly Hong Kong Limited

PRINCIPAL BANKERS IN HONG KONG

Hang Seng Bank Limited

DBS Bank (Hong Kong) Limited

Standard Chartered Bank (Hong Kong) Limited

CTBC Bank Co., Limited

The Hongkong and Shanghai Banking

Corporation Limited

Bank of China (Hong Kong) Limited

PRINCIPAL BANKERS IN THE PRC

Bank of China Limited

Bank of Communications Co., Ltd.

Agricultural Bank of China Limited

Industrial and Commercial Bank of China Limited

BERMUDA PRINCIPAL REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited

The Belvedere Building,

69 Pitts Bay Road,

Pembroke HM08, Bermuda

HONG KONG BRANCH REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited

Level 22, Hopewell Centre,

183 Queen's Road East, Hong Kong

Tel : (852) 2980 1333

Fax: (852) 2810 8185

REGISTERED OFFICE

Canon's Court, 22 Victoria Street,

Hamilton HM12, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

8th Floor,

22-28 Cheung Tat Road,

Tsing Yi, Hong Kong

Tel : (852) 2497 3300

Fax: (852) 2432 2552

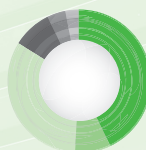
WEBSITE ADDRESS

<http://www.fongs.com>

FINANCIAL HIGHLIGHTS

REVENUE BY BUSINESS SEGMENT (HK\$ MILLION)

Manufacture and Sale of Dyeing and Finishing Machines By geographical region



INTERIM
2015

The PRC	480 (43%)
Hong Kong	89 (8%)
Asia Pacific	367 (33%)
Europe	101 (9%)
North and South America	40 (3%)
Others	47 (4%)
Total:	1,124 (100%)



INTERIM
2014

The PRC	663 (52%)
Hong Kong	106 (8%)
Asia Pacific	243 (19%)
Europe	136 (11%)
North and South America	45 (3%)
Others	95 (7%)
Total:	1,288 (100%)

Trading of Stainless Steel Supplies By geographical region



INTERIM
2015

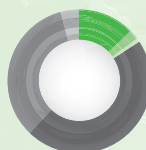
The PRC	64 (32%)
Hong Kong	133 (68%)
Total:	197 (100%)



INTERIM
2014

The PRC	80 (38%)
Hong Kong	129 (62%)
Total:	209 (100%)

Manufacture and Sale of Stainless Steel Casting Products By geographical region



INTERIM
2015

The PRC	34 (13%)
Hong Kong	5 (2%)
Asia Pacific	4 (1%)
Europe	126 (46%)
North and South America	91 (34%)
Others	11 (4%)
Total:	271 (100%)



INTERIM
2014

The PRC	33 (14%)
Hong Kong	3 (1%)
Asia Pacific	5 (2%)
Europe	126 (53%)
North and South America	69 (29%)
Others	2 (1%)
Total:	238 (100%)

The board of directors (the “Board”) of CHTC Fong’s Industries Company Limited (the “Company”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2015 together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

For the six months
ended 30 June

		2015 (unaudited) HK\$'000	2014 (unaudited) HK\$'000
	Notes		
Revenue	4	1,592,365	1,735,688
Cost of sales		(1,099,477)	(1,182,144)
Gross profit		492,888	553,544
Interest income		1,045	683
Other income		2,889	8,167
Other gains and losses	6	(10,421)	(1,043)
Selling and distribution costs		(129,837)	(145,991)
General and administrative expenses		(251,477)	(250,125)
Other expenses		(52,795)	(58,535)
Finance costs	5	(22,197)	(26,805)
Share of results of an associate		–	(3,681)
Profit before tax	6	30,095	76,214
Income tax expense	7	(18,258)	(25,815)
Profit for the period		11,837	50,399
Other comprehensive income (expense), net of tax			
<i>Item that will not be reclassified to profit or loss:</i>			
Increase in share option reserve		656	–
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation		7,906	(38,472)
Other comprehensive income (expense) for the period		8,562	(38,472)
Total comprehensive income for the period		20,399	11,927

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the six months ended 30 June 2015

For the six months
ended 30 June

	Notes	2015 (unaudited) HK\$'000	2014 (unaudited) HK\$'000
Profit (loss) for the period attributable to:			
Equity shareholders of the Company		12,020	50,408
Non-controlling interests		(183)	(9)
		11,837	50,399
Total comprehensive income (expense) for the period attributable to:			
Equity shareholders of the Company		20,581	11,949
Non-controlling interests		(182)	(22)
		20,399	11,927
		HK cents	HK cents (Restated)
Earnings per share			
Basic	8(a)	1.09	4.57
Diluted	8(b)	N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

		At 30 June 2015 (unaudited) HK\$'000	At 31 December 2014 (audited) HK\$'000
	Notes		
Non-current assets			
Property, plant and equipment	10	556,881	564,553
Prepaid lease payments	10	250,131	252,292
Goodwill		533,515	533,515
Intangible assets		96,155	96,531
Deposits for acquisition of property, plant and equipment		1,547	1,499
Deposits for acquisition of leasehold land		8,074	8,047
Deferred tax assets		16,437	16,468
		1,462,740	1,472,905
Current assets			
Inventories		826,851	772,741
Trade and other receivables	11	633,441	540,888
Prepaid lease payments	10	5,714	5,696
Tax recoverable		597	927
Cash and cash equivalents		434,884	495,565
		1,901,487	1,815,817
Asset classified as held for sale		34,751	34,751
		1,936,238	1,850,568
Current liabilities			
Trade and other payables	12	703,001	699,710
Warranty provision		12,574	17,560
Tax liabilities		24,718	28,311
Borrowings	13	1,225,465	1,139,408
		1,965,758	1,884,989
Net current liabilities		(29,520)	(34,421)
Total assets less current liabilities		1,433,220	1,438,484

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2015

		At 30 June 2015 (unaudited) HK\$'000	At 31 December 2014 (audited) HK\$'000
	Note		
Non-current liabilities			
Deferred revenue		4,718	5,077
Deferred tax liabilities		21,321	18,785
Other payable		123,942	124,210
		149,981	148,072
Net assets		1,283,239	1,290,412
Capital and reserves			
Equity attributable to equity shareholders of the Company			
Share capital	14	55,145	55,145
Share premium and reserves		1,227,940	1,234,931
		1,283,085	1,290,076
Non-controlling interests		154	336
Total equity		1,283,239	1,290,412

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015 (unaudited)

	Attributable to equity shareholders of the Company								Non-controlling interests	Total
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Contributed surplus HK\$'000	Share option reserve HK\$'000	Subtotal HK\$'000		
At 1 January 2015	55,145	157,261	2,370	126,871	922,847	25,582	–	1,290,076	336	1,290,412
Profit (loss) for the period	–	–	–	–	12,020	–	–	12,020	(183)	11,837
Other comprehensive income for the period, net of tax	–	–	–	7,905	–	–	656	8,561	1	8,562
Total comprehensive income (expense) for the period	–	–	–	7,905	12,020	–	656	20,581	(182)	20,399
Final dividend for 2014 paid	–	–	–	–	(27,572)	–	–	(27,572)	–	(27,572)
At 30 June 2015	55,145	157,261	2,370	134,776	907,295	25,582	656	1,283,085	154	1,283,239
At 1 January 2014	55,145	157,261	2,370	160,445	845,955	25,582	–	1,246,758	725	1,247,483
Profit (loss) for the period	–	–	–	–	50,408	–	–	50,408	(9)	50,399
Other comprehensive expense for the period, net of tax	–	–	–	(38,459)	–	–	–	(38,459)	(13)	(38,472)
Total comprehensive (expense) income for the period	–	–	–	(38,459)	50,408	–	–	11,949	(22)	11,927
Final dividend for 2013 paid	–	–	–	–	(22,058)	–	–	(22,058)	–	(22,058)
At 30 June 2014	55,145	157,261	2,370	121,986	874,305	25,582	–	1,236,649	703	1,237,352

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

For the six months
ended 30 June

	2015 (unaudited) HK\$'000	2014 (unaudited) HK\$'000
Net cash used in operating activities	(60,076)	(116,443)
Net cash used in investing activities	(39,390)	(20,574)
Net cash generated from financing activities	52,691	85,613
Net decrease in cash and cash equivalents	(46,775)	(51,404)
Cash and cash equivalents at beginning of the period	495,565	469,670
Effect of foreign exchange rate changes	(13,906)	(15,859)
Cash and cash equivalents at end of the period, represented by bank balances and cash	434,884	402,407

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its securities are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company’s parent company is China Hi-Tech Holding Company Limited, a company incorporated in Hong Kong, and its ultimate holding company is China Hi-Tech Group Corporation (中國恒天集團有限公司), a company established in the People’s Republic of China (the “PRC”). China Hi-Tech Group Corporation (中國恒天集團有限公司) is a state-owned enterprise under the direct supervision and administration of, and is beneficially owned by, the State-Owned Assets Supervision and Administration Committee of the State Council of the PRC.

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

The Company acts as an investment holding company. Its subsidiaries are principally engaged in the manufacture and sale of dyeing and finishing machines, trading of stainless steel supplies and the manufacture and sale of stainless steel casting products.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the six months ended 30 June 2015 have been prepared in accordance 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 “Listing Rules”) and the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The condensed consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments which are measured at fair values.

In the current period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 January 2015. HKFRSs comprise HKFRS and HKAS and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

4. REVENUE AND SEGMENT INFORMATION

Information reported to the Executive Directors of the Company, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on the performance of each group company. Specifically, the Group's reportable segments under HKFRS 8 are aggregation of operating segments based on types of goods or services delivered or provided, as follows:

1. Manufacture and sale of dyeing and finishing machines
2. Trading of stainless steel supplies
3. Manufacture and sale of stainless steel casting products

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment revenues and results

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

For the six months ended 30 June 2015 (unaudited)

	Manufacture and sale of dyeing and finishing machines HK\$'000	Trading of stainless steel supplies HK\$'000	Manufacture and sale of stainless steel casting products HK\$'000	Total HK\$'000
Revenue				
External sales	1,124,090	197,073	271,202	1,592,365
Inter-segment sales	3,516	95,692	13,433	112,641
Segment revenue	1,127,606	292,765	284,635	1,705,006
Elimination				(112,641)
Group revenue				1,592,365
Results				
Segment profit	20,878	2,758	27,611	51,247
Interest income				1,045
Finance costs				(22,197)
Profit before tax				30,095

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment revenues and results (Continued)

For the six months ended 30 June 2014 (unaudited)

	Manufacture and sale of dyeing and finishing machines HK\$'000	Trading of stainless steel supplies HK\$'000	Manufacture and sale of stainless steel casting products HK\$'000	Total HK\$'000
Revenue				
External sales	1,287,996	209,205	238,487	1,735,688
Inter-segment sales	11,345	161,080	17,114	189,539
Segment revenue	1,299,341	370,285	255,601	1,925,227
Elimination				(189,539)
Group revenue				1,735,688
Results				
Segment profit	71,834	11,943	22,240	106,017
Interest income				683
Finance costs				(26,805)
Share of results of an associate				(3,681)
Profit before tax				76,214

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent the results of each segment excluding interest income, finance costs and share of results of an associate. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at terms agreed between relevant parties.

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Geographical information

The Group's operations are located mainly in Hong Kong, the PRC and Germany.

The Group's revenue from external customers by location of customers is detailed below:

	For the six months ended 30 June	
	2015 (unaudited) HK\$'000	2014 (unaudited) HK\$'000
The PRC	578,392	775,615
Hong Kong	226,644	238,422
Asia Pacific (other than the PRC and Hong Kong)	371,286	247,805
Europe	227,587	262,226
North and South America	131,243	113,732
Others	57,213	97,888
	1,592,365	1,735,688

5. FINANCE COSTS

	For the six months ended 30 June	
	2015 (unaudited) HK\$'000	2014 (unaudited) HK\$'000
Interest on borrowings wholly repayable within five years	16,400	18,944
Bank charges	5,797	7,861
	22,197	26,805

6. PROFIT BEFORE TAX

For the six months
ended 30 June

	2015 (unaudited) HK\$'000	2014 (unaudited) HK\$'000
Profit before tax has been arrived at after charging (crediting):		
Other gains and losses:		
Loss (gain) on disposal of property, plant and equipment	1,813	(613)
Foreign exchange loss, net	8,608	1,656
Total other gains and losses	10,421	1,043
Depreciation and amortisation:		
Amortisation of intangible assets	376	1,823
Amortisation of prepaid lease payments	2,963	2,731
Depreciation of property, plant and equipment	44,818	46,901
Total depreciation and amortisation	48,157	51,455

7. INCOME TAX EXPENSE

For the six months
ended 30 June

	2015 (unaudited) HK\$'000	2014 (unaudited) HK\$'000
Hong Kong Profits Tax:		
Current period	3,263	4,140
Overprovision in prior years	(3,796)	–
PRC Corporate Income Tax:		
Current period	16,512	16,060
(Over) underprovision in prior years	(1,080)	694
Overseas income tax:		
Current period	823	54
	15,722	20,948
Deferred tax	2,536	4,867
Income tax expense	18,258	25,815

8. EARNINGS PER SHARE

(a) Basic earnings per share:

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

	For the six months ended 30 June	
	2015 (unaudited) HK\$'000	2014 (unaudited) HK\$'000
Profit for the period attributable to equity shareholders of the Company for the purpose of basic earnings per share	12,020	50,408
	'000	'000
Weighted average number of ordinary shares:		
Issued ordinary shares at 1 January	551,446	551,446
Effect of share subdivision	551,446	551,446
Weighted average number of ordinary shares	1,102,892	1,102,892

(b) Diluted earnings per share:

Diluted earnings per share is not shown for the six months ended 30 June 2015 as all the potential ordinary shares (share options) issued during the six months ended 30 June 2015 are anti-dilutive. The computation of diluted earnings per share for the six months ended 30 June 2015 does not assume the exercise of the Company's outstanding share options as the exercise prices were higher than the average market price of the Company's ordinary shares and also the performance conditions for the exercise of the share options were not met.

No adjustment has been made to the basic earnings per share for the six months ended 30 June 2014 in respect of dilution as the Group had no potential dilutive ordinary shares in issue during the six months ended 30 June 2014.

9. DIVIDENDS

- (a) Dividends recognised as distribution during the period:

	For the six months ended 30 June	
	2015 (unaudited) HK\$'000	2014 (unaudited) HK\$'000
2014 final dividend paid – 2.5 HK cents (2013: 2* HK cents) per share	27,572	22,058

- (b) Dividends declared after end of the reporting period:

	For the six months ended 30 June	
	2015 (unaudited) HK\$'000	2014 (unaudited) HK\$'000
Interim dividend declared – Nil (2014: 1.5* HK cents per share)	–	16,543

(Note: * The dividends per share were adjusted for the effect of share subdivision (one into two) effective in May 2015.)

10. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT AND PREPAID LEASE PAYMENTS

During the six months ended 30 June 2015, total cost of additions to property, plant and equipment and prepaid lease payments of the Group were approximately HK\$40,560,000 (2014: HK\$26,019,000) and HK\$Nil (2014: HK\$Nil) respectively.

11. TRADE AND OTHER RECEIVABLES

	At 30 June 2015 (unaudited) HK\$'000	At 31 December 2014 (audited) HK\$'000
Trade receivables	372,565	303,886
Less: Allowance for doubtful debts	(5,972)	(7,423)
	366,593	296,463
Bills receivables	141,259	150,789
	507,852	447,252
Other receivables	125,589	93,636
Total trade and other receivables	633,441	540,888

The Group allows an average credit period of 60 days (2014: 60 days) to its trade customers.

The following is an ageing analysis of trade receivables net of allowance for doubtful debts and bills receivables presented based on the invoice date at the end of the reporting period:

	At 30 June 2015 (unaudited) HK\$'000	At 31 December 2014 (audited) HK\$'000
0-60 days	398,937	356,910
61-90 days	81,771	71,007
Over 90 days	27,144	19,335
	507,852	447,252

12. TRADE AND OTHER PAYABLES

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

	At 30 June 2015 (unaudited) HK\$'000	At 31 December 2014 (audited) HK\$'000
0-90 days	123,648	101,602
91-120 days	17,100	16,859
Over 120 days	10,093	11,906
	150,841	130,367

The average credit period on purchase of goods is 90 days (2014: 90 days). The Group has financial risk management policies in place to ensure that all payables are within the credit time frame.

13. BORROWINGS

	At 30 June 2015 (unaudited) HK\$'000	At 31 December 2014 (audited) HK\$'000
Unsecured bank borrowings comprise the following:		
Bank borrowings	934,105	901,035
Trust receipts loans	159,740	110,700
Discounted bills with recourse	24,642	10,116
	1,118,487	1,021,851
Other borrowings	106,978	117,557
	1,225,465	1,139,408
Carrying amount repayable*:		
Within one year	300,967	243,539
Carrying amount of bank borrowings containing a repayment on demand clause that are repayable (shown under current liabilities)*:		
Within one year	689,185	592,809
More than one year, but not exceeding two years	180,280	190,560
More than two years, but not exceeding five years	55,033	112,500
	924,498	895,869
	1,225,465	1,139,408
Less: Amounts due within one year shown under current liabilities	(1,225,465)	(1,139,408)
Amounts shown under non-current liabilities	–	–

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

14. SHARE CAPITAL

	Note	At 30 June 2015 (unaudited)		At 31 December 2014 (audited)	
		Number of shares	HK\$'000	Number of shares	HK\$'000
Authorised:					
Ordinary shares	(i)	2,000,000,000	100,000	1,000,000,000	100,000
Issued and fully paid:					
At 1 January		551,446,285	55,145	551,446,285	55,145
Share subdivision	(i)	551,446,285	–	–	–
At 30 June/ 31 December		1,102,892,570	55,145	551,446,285	55,145

Note:

- (i) Pursuant to an ordinary resolution passed by the shareholders at the annual general meeting of the Company held on 21 May 2015, each of the existing issued and unissued share of par value of HK\$0.10 in the share capital of the Company has been subdivided into two shares of par value of HK\$0.05 each with effect from 22 May 2015. Upon the share subdivision became effective on 22 May 2015, the authorised share capital of the Company becomes HK\$100,000,000 divided into 2,000,000,000 subdivided shares of HK\$0.05 each, of which 1,102,892,570 subdivided shares were in issue and fully paid.

15. SHARE OPTION SCHEME

On 26 May 2003, the Company adopted a share option scheme (the “Scheme”) which provides incentives to any participants to contribute to the Group and to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group. The Scheme expired on 25 May 2013. No share options were granted since the adoption of the Scheme.

The Company adopted a new share option scheme (the “New Scheme”) at the annual general meeting of the Company held on 21 May 2015 for the purpose of providing incentive to Participants (as defined in the New Scheme) to contribute to the Group and enabling the Group to recruit and retain high-calibre employees and attracting human resources that are valuable to the Group. The New Scheme shall be valid and effective for a period of ten years commencing on the adoption date after which period no further share options shall be offered or granted but the provisions of the New Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any share options granted or exercised prior thereto. The principal terms of the New Scheme were disclosed in the circular of the Company dated 21 April 2015.

15. SHARE OPTION SCHEME (CONTINUED)

A summary of the movements of the share options, which were granted under the New Scheme during the six months ended 30 June 2015, were as follows:

	Number of share options									
	Before share subdivision becoming effective on 22 May 2015					After share subdivision becoming effective on 22 May 2015				
	As at 1 January 2015	Granted	Exercised	Adjustment for the share subdivision		As at 30 June 2015	% of issued share capital	Date of grant	Exercise price (Note ii) HK\$	Note
Grantee (Note i):										
Qi Yuan Investment (Hong Kong) Limited	-	13,750,000	-	13,750,000	-	-	2.49	22 April 2015	1.95	(iii)
Qi Yuan Investment (Hong Kong) Limited	-	13,750,000	-	13,750,000	-	-	2.49	22 April 2015	2.50	(iii)
Total	-	27,500,000	-	27,500,000	-	-	4.98			

Notes:

- (i) The Grantee is a consultant of the Company providing advice on the Group's strategic planning, business expansion and development, and investor relation management. In consideration of motivating the Grantee in its performance of services, the Company granted the share options to the Grantee pursuant to a conditional agreement dated 22 April 2015 (as amended by a supplemental agreement dated 30 April 2015) entered into between the Grantee and the Company, which were approved, ratified and confirmed by the shareholders at the special general meeting of the Company held on 21 May 2015.
- (ii) As a result of the share subdivision, the exercise prices of the share options were adjusted from HK\$3.90 to HK\$1.95 and from HK\$5.00 to HK\$2.50 respectively.
- (iii) The share options are exercisable from 22 April 2015 to 21 April 2018. Vesting of the share options is conditional upon the Grantee assisting the Company to achieve certain performance targets, which were disclosed in the circular of the Company dated 5 May 2015.

15. SHARE OPTION SCHEME (CONTINUED)

The fair values of the shares options granted were calculated using the Black-Scholes option pricing model. The inputs into the model were as follows:

	Options with exercise price of HK\$1.95	Options with exercise price of HK\$2.50
Fair value at measurement date	HK\$0.685	HK\$0.520
Share price	HK\$2.175	HK\$2.175
Expected tenor	3 years	3 years
Expected vesting probability	50%	50%
Expected volatility	47.20%	47.20%
Expected dividend yield	1.97%	1.97%
Risk-free interest rate	0.95%	0.95%

The expected tenor used in the model has been adjusted, based on the management's best estimate. The expected volatility was determined by using the historical volatility of the Company's share prices over the previous years. The expected dividend yield was based on historical dividends. Risk-free interest rate was based on the yield of Hong Kong Exchange Fund Note. Changes in the variables and assumptions may result in changes in the fair values of the share options.

In total, HK\$656,000 of share option expense has been recognised in profit and loss for the six months ended 30 June 2015 and the corresponding amount of which has been credited to share option reserve.

16. CAPITAL COMMITMENTS

	At 30 June 2015 (unaudited) HK\$'000	At 31 December 2014 (audited) HK\$'000
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of the acquisition of:		
Property, plant and equipment	37,203	35,682
Leasehold land	118,699	118,290
	155,902	153,972

17. RELATED PARTY DISCLOSURES

The Group has entered into the following transactions with related parties during the period:

	For the six months ended 30 June	
	2015 (unaudited) HK\$'000	2014 (unaudited) HK\$'000
Related parties in which a close member of a Director of the Company has control		
Management fee received	–	3
Rental paid	5,797	5,797
Fellow subsidiaries		
Sale of goods	955	–
Consultancy fee paid	118	–
Purchase of materials	32	62
Ultimate holding company		
Other income received	299	–
Interest expenses paid	–	422
Compensation of key management personnel		
The remuneration of Directors and other members of key management during the period was as follows:		
Short-term benefits	29,812	25,392
Post-employment benefits	787	730
	30,599	26,122

18. DISCLOSURES PURSUANT TO RULE 13.18 OF THE LISTING RULES

In accordance with the requirements under Rule 13.21 of the Listing Rules, the Board reported below details of loan facilities which exist at any time during the six months ended 30 June 2015 and up to the date of this Interim Report and include conditions relating to specific performance of the controlling shareholder of the Company.

- (i) On 17 March 2012, certain indirect wholly-owned subsidiaries of the Company accepted the renewal of the banking facilities letter offered by a bank in relation to various banking facilities being made available to the Group, such facilities include a new 4-year term fixed loan of US\$40 million. The terms and conditions of the term fixed loan include, inter alia, a condition to the effect that it will be an event of default if China Hi-Tech Group Corporation (中國恒天集團有限公司), the controlling shareholder of the Company, ceases to maintain not less than 51% of shareholding (whether directly or indirectly) of the Company throughout the life of the term fixed loan.

On 11 September 2014, the Group accepted the renewal of the banking facilities (the "Renewed Facilities") offered by the bank. The Renewed Facilities include a new 3-year term fixed loan of HK\$300 million and have been used for refinancing some of the existing banking facilities of the Group and financing the general corporate fund requirements of the Group.

The terms and conditions of the Renewed Facilities include, inter alia, the same condition that it will be an event of default if China Hi-Tech Group Corporation (中國恒天集團有限公司), the controlling shareholder of the Company currently holding approximately 55.8% interest of the Company, ceases to maintain not less than 51% of shareholding (whether directly or indirectly) of the Company throughout the life of the two said term loans.

- (ii) On 5 November 2012, Fong's National Engineering Company, Limited (as borrower), an indirect wholly-owned subsidiary of the Company, the Company (as guarantor) and a bank (as lender) entered into a 3-year term loan facility agreement of up to a principal amount of HK\$75 million. The term fixed loan will be used for capital expenditures and general corporate funding requirements of the Group. The terms and conditions of the term fixed loan include, inter alia, a condition that China Hi-Tech Group Corporation (中國恒天集團有限公司) undertakes it will at all times maintain not less than 51% of shareholding (whether directly or indirectly) of the Company throughout the life of the term fixed loan.

18. DISCLOSURES PURSUANT TO RULE 13.18 OF THE LISTING RULES (CONTINUED)

- (iii) On 13 November 2013, Fong's National Engineering Company, Limited (as borrower) accepted the banking facilities offered by a bank (as lender) in relation to a new 3-year term loan of a principal amount of US\$30 million. The term fixed loan will be used for the construction cost of buildings and facilities as well as purchase of production equipment in respect of the new Zhongshan factory premises. The terms and conditions of the term fixed loan include, inter alia, a condition that China Hi-Tech Group Corporation (中國恒天集團有限公司) undertakes it will at all times maintain not less than 51% of shareholding (whether directly or indirectly) of the Company throughout the life of the term fixed loan.
- (iv) On 28 November 2013, Fong's National Engineering Company, Limited (as borrower) accepted the banking facilities offered by a bank (as lender) in relation to a 3-year term loan facility of a principal amount of HK\$150 million. The term fixed loan will be used for construction cost of buildings and facilities as well as purchase of production equipment in respect of the new Zhongshan factory premises. The terms and conditions of the term fixed loan include, inter alia, a condition that China Hi-Tech Group Corporation (中國恒天集團有限公司) undertakes it will at all times maintain not less than 51% of shareholding (whether directly or indirectly) of the Company throughout the life of the term fixed loan.
- (v) On 24 February 2014, Fong's Steels Supplies Company Limited (as borrower), an indirect wholly-owned subsidiary of the Company, accepted the new banking facilities offered by a bank (as lender) to the extent of HK\$30 million for general working capital purpose. The terms and conditions of the facilities include, inter alia, a condition that China Hi-Tech Group Corporation (中國恒天集團有限公司) undertakes it will at all times maintain not less than 51% of shareholding (whether directly or indirectly) of the Company throughout the life of the term fixed loan.
- (vi) On 29 July 2015, Fong's National Engineering Company, Limited (as borrower) accepted a HK\$100 million three-year term loan facility offered by a bank (as lender). The terms and conditions of the term fixed loan include, inter alia, a condition that China Hi-Tech Group Corporation (中國恒天集團有限公司) undertakes it will at all times maintain not less than 51% of shareholding (whether directly or indirectly) of the Company throughout the life of the term fixed loan.

Save as disclosed above, the Directors are not aware of any circumstances which would give rise to a disclosure obligation pursuant to the requirements under Rule 13.18 of the Listing Rules as at 30 June 2015 and as at the date of this Interim Report.

INTERIM DIVIDEND

The Board resolved not to pay any interim dividend for the six months ended 30 June 2015 (for six months ended 30 June 2014: 1.5* HK cents per share).

Note: * The dividend per share was adjusted for the effect of share subdivision (one into two) effective in May 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Results

In the first half of 2015, the global economy was facing downward pressures and the overall business environment did not see much improvement, the Group recorded a decrease in revenue and profit as compared with the same period of last year. For the six months ended 30 June 2015, the Group recorded revenue of approximately HK\$1,592,000,000, representing a decrease of 8% as compared to approximately HK\$1,736,000,000 in the corresponding period of last year. Profit for the period decreased by 77% from approximately HK\$50,000,000 in the corresponding period of last year to approximately HK\$12,000,000. Basic earnings per share were 1.09 HK cents for the period as compared to basic earnings per share of 4.57 HK cents (restated) for the corresponding period of last year.

Dyeing and Finishing Machine Manufacturing

The first half of 2015 was still full of challenges for the equipment manufacturing sector. Overall, the global macro economy remains volatile and uncertain, which has continued to impact the Chinese export on textiles and apparels. Additionally, as enterprises in mainland China have continued to suffer from financing difficulties and high lending rates while human resources costs keep rising every year, investment confidence levels as well as expansion progress of some enterprises were inevitably impacted, resulting in reduced purchasing of industrial manufacturing equipment, including dyeing and finishing machines. As to the overseas markets, the weakness of the Euro diminished the price competitiveness of the Group's products manufactured in the PRC when entering into the European market. Emerging markets such as India, Brazil and Indonesia were prudent in investing production equipment quoted in US dollars due to the substantial depreciation of their currencies.

For the six months ended 30 June 2015, this business segment recorded revenue of approximately HK\$1,124,000,000, accounting for 71% of the Group's revenue and representing a decrease of 13% from approximately HK\$1,288,000,000 in the corresponding period of last year. In particular, combined sales from Hong Kong and the PRC markets were approximately HK\$569,000,000, representing a decrease of 26% from approximately HK\$769,000,000 recorded in the corresponding period of last year. However, sales from overseas markets were approximately HK\$555,000,000, up by 7% from approximately HK\$519,000,000 in the corresponding period of last year. The segment reported a decrease in operating profit from approximately HK\$72,000,000 in the corresponding period of last year to approximately HK\$21,000,000.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Dyeing and Finishing Machine Manufacturing (Continued)

In response to the severe challenges, the Group will continue to streamline its business process to improve overall operating performance and productivity; maintain its commitment to employing stringent controls over inventory and operating costs, while continuing to develop innovative products and improve service quality to create value for its customers; explore new markets and sales channels to expand the Group's customer base and the market share of its products, all in an effort to maintain leading position in the market and pave way for further business development.

Construction of Phase II of the new production plant of the Group located at Linhai Industrial Park, Tsui Hang New District, Zhongshan City, Guangdong Province is scheduled to be completed in early 2017. The Group's production capacity is expected to double upon full operation of the plant. The new Zhongshan plant will be keen on energy conservation, production efficiency and high efficiency in the design of production processes and will apply more automated processes to reduce manpower requirement and labour costs.

At the mean time, Chinese government has launched various new strategies, including "One Belt and One Road" and "Made in China 2025", which would help drive technology transformation of traditional industries and the economic growth in the long run, while providing new opportunities to the Group's medium to long-term development. The Board believes that the Group has laid a solid foundation for its mission to be "a world-class manufacturer of dyeing and finishing machinery". By exceling ourselves and striving to provide more advanced, efficient, energy-saving and high-quality products and integrated solutions for our customers, we will seize various opportunities in a pragmatic manner to make the Group bigger and stronger.

Stainless Steel Trading

The stainless steel market remained flat over recent years, with a relatively low gross profit margin from stainless steel distribution. Over the recent years, the Group has been cautious in its stainless steel trading business in order to reduce sales risk from fluctuations in stainless steel prices. For the six months ended 30 June 2015, this business segment recorded revenue of approximately HK\$197,000,000, accounting for 12% of the Group's revenue, representing a decrease of 6% compared to approximately HK\$209,000,000 for the corresponding period of last year. Operating profit for the period amounted to approximately HK\$3,000,000 as compared to the profit of approximately HK\$12,000,000 for the corresponding period of last year.

The Group will continue to adopt a prudent approach in running this business. It will take appropriate actions to mitigate market risks, adjust selling prices and the level of inventories appropriately and in a timely manner based on market analysis and its judgment, in order to improve the inventory turnover ratio while minimising the risk on price fluctuations. At the same time, the Group will strengthen the credit management of sales and trade receivables in order to lower the risk of bad debts and improve its cash flow.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Stainless Steel Trading (Continued)

The construction industry in Hong Kong is booming as more major infrastructure projects commenced, which, coupled with the accelerated pace of urbanisation and construction of infrastructure in the PRC, will present opportunities to the stainless steel trading business. Therefore, the Group remains optimistic on the prospect of the stainless steel trading business. The Group will closely monitor and response to market changes to maintain steady growth in this business segment.

Stainless Steel Casting

The products of this business segment are primarily high-quality castings and machined processing parts made of stainless steel, dual-phase steel and nickel-based alloys that are widely used in large industrial facilities, such as valves, pumps, chemical, oil and gas and food processing machines, with customers principally hailing from Europe, the United States and Japan. The stainless steel casting business maintained a steady flow of orders from its major customers thanks to the efforts of the management team, stable supply capacity and good product quality. Meanwhile, the Group continued to optimise cost control, improve workshops and the production processes of certain products, increase automated production equipment, enhance product quality and effectively reduce the scrappage rate of its products. As such, the stainless steel casting business segment recorded improvement in its overall gross profit margin.

For the first half of 2015, this business segment reported satisfactory performance and the results were in line with targets. Revenue for the period amounted to approximately HK\$271,000,000, accounting for 17% of the Group's revenue and representing an increase of 14% compared to approximately HK\$238,000,000 in the corresponding period of last year. Operating profit increased by 27% from approximately HK\$22,000,000 in the corresponding period of last year to approximately HK\$28,000,000.

The management believes that market demand for high-quality stainless steel castings will continue to grow. Given the above measures implemented and the stabilisation of the global economy and market, the management is confident that in the mid to long term, this business segment will maintain steady revenue growth and make good contribution to the Group's profit.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Significant Acquisition or Disposal of Assets

On 31 August 2014, the Group entered into a conditional agreement with Hengtian Real Estate Company Limited (恒天地產有限公司), a company owned as to 47.35% by China Hi-Tech Group Corporation (中國恒天集團有限公司), the controlling shareholder of the Company, to sell its entire 30% equity interest in Foshan East Asia Co., Ltd. (佛山東亞股份有限公司) ("Foshan East Asia") at a consideration of RMB150,000,000 (the "Disposal"). For more details of the Disposal, please refer to the Company's announcement dated 31 August 2014 and the Company's circular dated 31 October 2014. The Disposal constitutes a discloseable and connected transaction for the Company and has been approved by the independent shareholders of the Company at the special general meeting held on 18 November 2014 and by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC. Pursuant to the terms of the agreement, the Disposal shall be completed on or before 18 November 2015. As of the date hereof, the Disposal has not been completed. Upon completion of the Disposal, Foshan East Asia will cease to be an associate of the Company and the Group is expected to record a gain on disposal of approximately RMB115,000,000 (subject to audit), which was determined with reference to the consideration less investment costs, estimated tax payable and certain accounting adjustments.

On 25 June 2015, the Group entered into a conditional agreement with two independent third-parties to acquire 100% of the paid-up registered capital of Foshan City Chanhuae Information Technology Limited (佛山市禪華德信息科技有限公司) (the "Target") at a total consideration of RMB146,139,690 (the "Acquisition"). For more details of the Acquisition, please refer to the Company's announcement dated 25 June 2015 and the Company's circular dated 24 July 2015. The Acquisition constitutes a discloseable and connected transaction for the Company and has been approved by the independent shareholders of the Company at the special general meeting held on 11 August 2015. The Target's major asset is its holding of 13.26% paid-up registered capital of Hengtian Real Estate Company Limited (恒天地產有限公司). Hengtian Real Estate Company Limited (恒天地產有限公司) is a company incorporated in the PRC and is principally engaged in real estate development with a number of property development projects in various provinces and cities in the PRC. The Board feels confident about the overall property market in the PRC. Taking into account the development opportunities and potential of the property development portfolio held by Hengtian Real Estate Company Limited (恒天地產有限公司), the Board believes that the above Acquisition will provide an alternative source of income going forward, hence improving the profitability of the Group. Pursuant to the terms of the agreement, the Acquisition shall be completed within six months after fulfilment of the conditions precedent under the agreement. As of the date hereof, the Acquisition has not yet been completed.

Save as disclosed above, the Group did not have other significant investment, acquisition or disposal during the period under review.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Human Resources

As at 30 June 2015, the Group had a total of approximately 4,620 employees (31 December 2014: approximately 4,540 employees) across mainland China, Hong Kong, Macau, Germany, Switzerland, Austria, Thailand, India, Turkey and Central and South America. In the first half of 2015, staff costs (including Directors' emoluments, employees' remuneration and contribution to retirement benefits scheme) amounted to approximately HK\$186,000,000 (the first half of 2014: HK\$190,000,000), accounting for approximately 12% of our revenue. The Group will continue to monitor the market situation and consolidate its human resource and labour structure in order to utilise manpower more efficiently and enhance operational productivity.

The Group has always placed great importance on human resources and considers that competitive remuneration is an essential factor that motivates employees at all levels to be dedicated to their work and to provide customers with high-quality products and services. The Group's employees are remunerated according to industry benchmarks, prevailing market conditions, their experiences and performance. The Group's remuneration policies and packages are reviewed by the Remuneration Committee of the Company on a regular basis. Discretionary bonus and share options may be awarded to eligible employees with reference to individual performance and the Group's business performance. The Group also provides employees with other benefits including annual leave, medical insurance, education subsidies, retirement benefits scheme or Mandatory Provident Fund Schemes.

The Group recognises the importance of having high caliber employees. Therefore, the Group will continue to offer appropriate training programs to employees at all levels on an ongoing basis so as to improve staff's quality to better cope with the future development of the Group.

Liquidity and Capital Sources

Given continuously increasing cost pressure, the Group strictly implemented prudent cost and cash flow management. During the period, the Group met its funding requirements for its ordinary and normal course of business with cash flow generated from operations and existing banking facilities. The Board believes that the Group is in a healthy financial position and has sufficient resources to support its operation.

During the six months period ended 30 June 2015, the Group's net cash outflow used in operating activities was approximately HK\$60,000,000. As of 30 June 2015, the Group's inventory level increased to approximately HK\$827,000,000 as compared to approximately HK\$773,000,000 as of 31 December 2014.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Liquidity and Capital Sources (Continued)

As at 30 June 2015, bank borrowings of the Group amounted to approximately HK\$1,118,000,000. Most of the bank borrowings were sourced from Hong Kong, with 51% denominated in Hong Kong dollars, 48% in United States dollars and 1% in Euros. The Group's bank borrowings are predominantly subject to floating interest rates.

As at 30 June 2015, the Group's bank balances and cash amounted to approximately HK\$435,000,000, of which 47% was denominated in Renminbi, 34% in United States dollars, 15% in Hong Kong dollars, 3% in Euros and the remaining 1% in other currencies.

The Group continued to maintain prudent financial management policies during the period. As of 30 June 2015, the Group's gearing ratio, defined as net bank borrowings (other than payables in ordinary course of business) over total equity, increased to 53% (31 December 2014: 41%) and its current ratio was 0.99 (31 December 2014: 0.98). The Board considers these ratios to be at healthy and appropriate levels.

The Group's sales were principally denominated in Renminbi, United States dollars or Euros, while purchases were denominated in Renminbi, United States dollars, Euros or Hong Kong dollars. As such, the Group does not foresee significant exposure to exchange rate risks. The Board will continue to monitor the Group's overall exposure to foreign exchange risks and will consider hedging significant foreign currency risks, should the need arise.

DIRECTORS' INTERESTS IN THE SHARES OF THE COMPANY

As at 30 June 2015, the interests of the Directors and their associates in the shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules were as follows:

Long position in shares of HK\$0.05 each of the Company

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Fong Kwok Leung, Kevin	Beneficial owner	3,100,000	0.28%
	Held by spouse	200,000	0.02%
		3,300,000	0.30%
Mr. Wan Wai Yung	Beneficial owner	4,036,000	0.36%
	Corporate interest (<i>Note 1</i>)	2,627,000	0.24%
		6,663,000	0.60%

Note 1: Mr. Wan Wai Yung is deemed to be interested in 2,627,000 shares held by Campbell and Company Limited as he wholly owns Campbell and Company Limited.

Save as disclosed above and other than certain nominee shares in subsidiaries held by the Directors in trust for the Company or its subsidiaries, none of the Directors, chief executive nor their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 June 2015.

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER THE SFO

As at 30 June 2015, the register maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests in the issued share capital of the Company as follows:

Long position in shares of HK\$0.05 each of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
China Hi-Tech Group Corporation	Corporate interests (Note A)	615,408,140	55.80%
Mr. Fong Sou Lam	Beneficial owner	58,800,000	5.33%
	Held by spouse	10,000,000	0.91%
	Corporate interests (Note B)	126,104,220	11.43%
		194,904,220	17.67%

Note A: By virtue of the SFO, China Hi-Tech Group Corporation is deemed to be interested in 615,408,140 shares held by its two wholly-owned subsidiaries as follows:

- (i) Newish Trading Limited – 257,617,640 shares
- (ii) China Hi-Tech Holding Company Limited – 357,790,500 shares

Mr. Shi Tinghong, an Executive Director, and Mr. Ye Maoxin, a Non-executive Director, are the directors of both Newish Trading Limited and China Hi-Tech Holding Company Limited.

Note B: Mr. Fong Sou Lam is deemed to be interested in 126,104,220 shares by virtue of him being beneficially interested in (i) the entire share capital of Loyal Mate Limited which in turn beneficially owns 5,100,000 shares and (ii) the entire issued share capital of GBOGH Assets Limited which in turn beneficially owns the entire share capital of the following companies which in turn beneficially own an aggregate of 121,004,220 shares as follows:

- (i) Bristol Investments Limited – 16,000,000 shares
- (ii) Polar Bear Holdings Limited – 78,000,000 shares
- (iii) Sheffield Holdings Company Limited – 27,004,220 shares

Save as disclosed above, as at 30 June 2015, the Company had not been notified of any person who had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. All the Directors have confirmed, following a specific enquiry by the Company, that they have complied with the required standard as set out in the code of conduct regarding securities transactions by the Directors adopted by the Company during the six months ended 30 June 2015.

CORPORATE GOVERNANCE

During the six months ended 30 June 2015, the Company has complied with all of the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules, save and except for the deviations from the code provision A.6.7.

Under the code provision A.6.7 of the CG Code, the independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Ye Maoxin (a Non-executive Director) was unable to attend the annual general meeting and special general meeting of the Company held on 21 May 2015 as he had other business engagement. Mr. Zhou Yucheng ("Mr. Zhou") (the ex-Independent Non-executive Director), was unable to attend the annual general meeting of the Company held on 21 May 2015 as he had other business engagement.

As disclosed in the previous announcement of the Company dated 21 May 2015, Mr. Zhou retired as an Independent Non-executive Director at the conclusion of the annual general meeting of the Company held on 21 May 2015. Upon his retirement, Mr. Zhou also ceased to be the chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee of the Company. Mr. Li Jianxin, an Independent Non-executive Director, has been appointed as the chairman of the Remuneration Committee of the Company in place of Mr. Zhou with effect from 21 May 2015.

AUDIT COMMITTEE

The Company has set up an Audit Committee with written terms of reference based upon the provisions of the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting system and internal control procedures of the Group. The Audit Committee currently comprises three Independent Non-executive Directors of the Company, namely Mr. Ying Wei (committee chairman), Dr. Yuen Ming Fai and Mr. Li Jianxin.

The Company's unaudited condensed consolidated financial statements for the six months ended 30 June 2015 have been reviewed by the Audit Committee, which is of the opinion that such statements complied with the applicable accounting standards, Listing Rules and legal requirements, and that adequate disclosures have been made.

MEMBERS OF THE BOARD

As at the date of this Interim Report, the Chairman and Executive Director is Mr. Shi Tinghong, the Vice-Chairman and Non-executive Director is Mr. Ye Maoxin, the other Executive Directors are Mr. Ji Xin (Chief Executive Officer), Mr. Wan Wai Yung and Mr. Fong Kwok Leung, Kevin; and the three Independent Non-executive Directors are Mr. Ying Wei, Dr. Yuen Ming Fai and Mr. Li Jianxin.

On behalf of the Board

Shi Tinghong

Chairman

Hong Kong, 28 August 2015