



Wai Chi Holdings Company Limited
偉志控股有限公司

Bring light to life 



Interim Report 2015

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 1305



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FINANCIAL HIGHLIGHTS

	For the six months ended 30 June	
	2015 Unaudited HK\$'000	2014 Audited HK\$'000
Revenue	588,287	571,875
Gross profit	152,082	142,247
Gross profit margin	25.9%	24.9%
Profit for the period	36,130	41,368
Basic and diluted earnings per share	HK\$18 cents	HK\$28 cents
Interim dividend per share	HK\$2 cents	N/A

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Yiu Chi To (*Chairman*)
Mr. Chen Chung Po (*Chief Executive Officer*)
Ms. Yiu Kwan Yu
Mr. Chen Wei Wu
Ms. Yong Jian Hui

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Au Yeung Tin Wah
Mr. Chen Kwok Wang
Mr. Ho Chi Wai

COMPANY SECRETARY

Ms. Lee Ming Yin Faith

AUDIT COMMITTEE

Mr. Au Yeung Tin Wah (*Chairman*)
Mr. Chen Kwok Wang
Mr. Ho Chi Wai

REMUNERATION COMMITTEE

Mr. Ho Chi Wai (*Chairman*)
Mr. Au Yeung Tin Wah
Mr. Chen Kwok Wang

NOMINATION COMMITTEE

Mr. Chen Kwok Wang (*Chairman*)
Mr. Au Yeung Tin Wah
Mr. Ho Chi Wai

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

6th Floor, Liven House
63 King Yip Street
Kwun Tong
Kowloon
Hong Kong

AUDITORS

SHINEWING (HK) CPA Limited
Certified Public Accountants
43/F, Lee Gardens One,
33 Hysan Avenue,
Causeway Bay,
Hong Kong

LEGAL ADVISERS

Keith Lam Lau & Chan (as to Hong Kong law)

STOCK CODE

01305

COMPANY'S WEBSITE

www.waichiholdings.com



PRINCIPAL BANKERS

China Construction Bank (Asia) Corporation
Limited
CCB Tower,
3 Connaught Road Central,
Central,
Hong Kong

Bank of China (Hong Kong) Limited
Bank of China Tower,
1, Garden Road,
Central,
Hong Kong

The Hongkong and Shanghai Banking
Corporation Limited
HSBC Main Building,
1 Queen's Road Central,
Central,
Hong Kong

Standard Chartered Bank (Hong Kong) Limited
Standard Chartered Bank Building,
4-4A Des Voeux Road Central,
Central,
Hong Kong

Cayman Islands principal share registrar and transfer office

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,
Hong Kong

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Review

The overall LED backlight market in China is becoming increasingly mature and saturated during the first half of 2015. In such market conditions, the market for automotive LED backlight products continued to grow steadily. LED technology advancement together with the drop in LED price has spurred automobile on-board display demands for middle to high-end car models, and it is believed that such trend will continue in the foreseeable years.

On the other hand, smartphone LED backlight products experienced a relatively milder growth as Chinese smartphone manufacturers were seen switching their focuses to other Asian countries and have started expanding into overseas markets for larger business opportunities. The slow down of growth was also attributable to the decline in international tablet shipments during 2014 upon the rising penetration rate and diminishing novelty in backlight products. In terms of the market for TV LED backlight products, despite the continuous promotion of "locally-produced" TVs in China, the market for TV LED backlight products remained stable upon the consumption slowdown post economic stimulation.

China LED lighting market has undergone soaring yet difficult development for the first half of 2015. While the LED lighting industry remained segmented and oversupply concerns lingered, price war ignited by large LED companies in 2014 continued, leading to drastic consolidation within the industry where smaller companies were forced to exit or feared closure; this happened on a regional scale affecting most companies across China. Relevant government departments and industrial institutes have stepped in regulating and stipulating higher requirements to standardise market order hoping to stabilise the market consolidation process. The PRC government in particular announced a series of LED stimulation policies including the phasing out of incandescent lamps as well as the targeted 30% industry annual growth rate to make sure LED light is taken as the promising alternative light source in the future. All these supportive measures have managed to give the market a push.

Business Review

Surviving through the market's ups and downs, the Group achieved a stable performance during the period under review, which was mainly attributable to the prudent management and technological advancement and breakthroughs made by the Group. The total revenue was approximately HK\$588,287,000, increased by 2.9% as compared to the same period in 2014. Revenue from sales of LED backlight products was approximately HK\$555,751,000 and revenue from sales of LED lighting products was approximately HK\$32,536,000, increased by 4.3% and decreased by 17.2% respectively as compared to the same period in 2014. The steady growth of sale in LED backlight products was mainly attributable to the increase in demand for smartphone and automotive products and the good relationship maintained by us with our major customers. Decrease of sale in LED lighting products was mainly due to the Group has reduced its effort and input into the market as the profit margin has dramatically dropped as being caused by the price war. The Board has decided to distribute interim dividend of HK\$0.02 per share to share the steady results with our respectable shareholders for their trust and support since our successful listing in 2014.



One of the key successes for the Group's operating philosophy is stringent cost control measure. From production perspective, with production facilities in Shenzhen and Huizhou in Guangdong province and Yichang in Hubei province which produce various sizes of LED backlight products and various kinds of LED lighting products, it is essential to adopt and maintain comprehensive production facilities for the necessary production procedures, which allow the Group to have complete control over the entire production chain for product quality assurance. To achieve better cost control, the Group pursued higher degree of production automation during the period under review to replace labour intensive production line. In addition, from financial cost control perspective, the Group has been in active discussions with various banks regarding onshore and offshore loans restructuring.

LED Backlight Business

The Group's LED backlight products are classified into 4 types, including: 1) smartphones; 2) automobile on-board displays; 3) television displays; and 4) other industrial equipment displays.

During the period under review, revenue derived from LED backlight products related to smartphones, automobile on-board displays, television displays and equipment displays were approximately HK\$333,916,000, HK\$102,967,000, HK\$45,460,000, and HK\$73,408,000, respectively.

The LED backlight product market in China continued to suffer from over-supply and keen market competition during the first half of 2015. According to the International Data Corporation, China's smartphone shipment dropped by 4.3% year on year with 98.9 million mobile units shipped in the first quarter of 2015, this is the first time in six years that the Chinese smartphone market declined year on year as the market continues to mature. This showed that the growth of smartphone backlight market experienced a slow down and the demand for LED backlight products from smartphone manufacturers remained sluggish during the first half of 2015 due to price competition and inventory issues curbing the demand for smartphone backlight products. However, thanks to the satisfactory demand for the Group's automobile on-board displays and other equipment displays backlight products, the revenue of the Group's LED backlight products recorded steady growth during the first half of 2015.

Besides the smartphone backlight products, automobile on-board LED backlights continued to be the Group's key development driver. Due to the drop in LED price over the past year, together with the LED technology advancement for LED backlight products applied in automobile displays, the demands for automobile on-board displays being used in middle to high-end vehicles in China and international markets spurred. The Group believes that this transformational trend in automobile on-board displays will continue in the coming years.

Furthermore, as the Chinese economy has experienced fluctuations in the first half of 2015, consumption slowdown has dragged the demands on TV LED market in China. Nevertheless, growth for TV backlight products is expected to remain steady in the future.

The Group's customers for LED backlight products include manufacturers of smartphones, automobile on-board displays, equipment displays and TV panels. The Group has established long term and stable relationships with its major customers, ranging from 5 to 16 years. It is believed that such long-standing relationship with sizeable customers has set a good foundation for the Group's future development. The Group may also continue to explore new market and secure new customer in order to achieve customer diversification.

LED Lighting Services Business

The Group's LED lighting business is classified into 2 types, including public lighting and commercial lighting. This business provides various services including products, lighting solutions design, installation and maintenance etc. During the period under review, revenue from public lighting and commercial lighting was approximately HK\$16,899,000 and HK\$15,637,000 respectively.

After the PRC government announced a series of LED street lighting stimulation policies, the penetration rate of LED street lights is expected to soar. The PRC government will continue to promote adoption of LED lighting devices in street lighting systems to achieve better energy saving and efficiency.

As a well established LED lighting products manufacturer and lighting management services provider, the Group's environmental-friendly and quality LED lighting products received high recognition and are being recommended by the Guangzhou government authorities in the "Guangdong Province Green Lighting Model City Catalogue of Recommended Products for Procurement". By the first half of 2015, the Group has successfully completed over 200 LED lighting energy management services with major supermarkets in China and it is striving to increase its market share in replacing traditional incandescent lamps with LED lighting devices in various supermarket chain stores.

Due to the current uncertainties for the Chinese economy, business owners are actively seeking all possible solutions to reduce operational costs for its businesses; together with the on-going demand on environmental protection and energy saving, the Group believes that public lighting optimisation and the PRC government's promotion to adopt LED lighting devices will continue to drive the industry's growth in 2015. By leveraging on the Group's extensive experience in governmental and sizable supermarket projects, it is believed that the Group will continue to benefit from the growing LED lighting market.

Quality Control

The Group has established stringent quality control procedures to ensure the quality of the LED products. The Group's quality control procedures start during product design stage and will continue throughout the entire product manufacturing and storage process. Quality control staffs participate in the product design process. There is a set of established procedures in selecting and approving new suppliers and raw materials, and thorough testing of product samples are carried out before mass production of the LED products.

The Group has purchased a series of advanced production and testing equipment for improving quality control. The Group has been awarded various certifications, including ISO 9001: 2008 and ISO 14001: 2004 for quality and environmental management systems, which serve as important assurance of the product quality and reliability.



Research and Development

The Group believes that product innovation and the research and development (“R&D”) capabilities to develop new products are critical in maintaining its competitiveness in the LED backlight and LED lighting industries which are characterised by rapid technological advancements. The Group places great emphasis on developing and improving the LED backlight and LED lighting products in order to remain competitive in the LED industry over the years.

The Group’s R&D centre is located in our production plant in Huizhou. The Group engages in various R&D activities, including (i) concurrent development of new product designs with customers; (ii) improvement of product quality, efficiency and functions of existing products; (iii) in-project calibration and optimization of the production processes and capability of the equipment; (iv) introduction and promotion of the use of new production technologies and new production materials; and (v) assessment of the future prospect and development trend of the LED industry. The Group has achieved a number of technological advancement and breakthroughs by obtaining 26 patents registered in the PRC and 1 patent registered in Hong Kong. Going forward, the Group will continue to enhance its R&D capabilities in order to catch up with the strong demands in both LED backlight and LED lighting products markets.

Prospects

For many LED manufacturers, 2014 has marked the start of a challenging operating period. For the past year, manufacturers recorded diverging results with market sentiments having remained sluggish. Despite the series of supportive measures from the PRC government, many manufacturers were still impacted by the rising inventory and cooling down of market demands. It is worth noting that the emergence of Chinese LED manufacturers leading to sliding LED product prices is expected to continue and it is expected that more severe price cuts are underway. While LED backlight market remains healthy, the industry price competition may pose negative impact on the LED backlight products mid-term growth prospect resulting in some businesses dwindling in the near future.

Given the situation is getting more complicated, our Group will continue strengthening its business sustainability, actively developing energy efficiency management as well as putting extra focus on R&D for technological breakthroughs to stay competitive and steadfast and firm under the storm.

On the other hand, the Group will deploy more stringent cost control measures and pursue business streamlining for further strengthening of its competitive edge.

With over 30 years of experience, industry expertise and wide market recognition received, Wai Chi Holdings Company Limited is in a better position to deal with all the challenges ahead. The Group is always working to develop itself into an integrated industry leader in terms of design, manufacturing and selling of LED backlight and LED lighting products.

Financial Review

Turnover

The Group's turnover was derived from the sales of LED backlight and LED lighting products. During the period under review, the sales of the Group's LED backlight products was approximately HK\$555,751,000, increased by 4.3% from approximately HK\$532,588,000 in the same period of 2014; the increase was attributable to the continuous growth in mid-to-high end automobiles, smartphones and other equipment displays markets. The sales of the Group's LED lighting products was approximately HK\$32,536,000, with a decrease of 17.2% from approximately HK\$39,287,000 in the same period of 2014, which was mainly due to decrease in effort and input into the market as the margin has dramatically dropped as being caused by the price war.

Group Profit and Gross Profit Margin

During the period under review, the Group's gross profit was approximately HK\$152,082,000, increased by 6.9% from approximately HK\$142,247,000 in the same period of 2014. Gross profit margin was 25.9%, slightly increased by 1.0 percentage points from 24.9% in the same period of 2014 due to the Group focus on producing high-end products. The Group will continue to eliminate outdated production procedures actively and upgrade production facilities for more automation as well as to launch new and upgraded products to maintain gross profit margin.

Selling and Distribution Expenses

Labour costs, sales commissions and transportation costs were the Group's major selling and distribution expenses. During the period under review, the Group's selling and distribution expenses was approximately HK\$12,300,000, increased by 6.8% compared with the same period of 2014, which was attributable to the increase in labour cost.

Administrative Expenses

Administrative expenses refer to the general expenses incurred in offices and factories. The Group focuses on effective management, by means of resources consolidation in the Shenzhen and Huizhou factories, as well as moving the purchase departments from Shenzhen to Huizhou. During the period under review, the Group's administrative expenses was approximately HK\$51,395,000, increased by 15.7% as compared with 2014. The increase was mainly due to increase in labour cost.

Research and Development Expenses

R&D expenses are incurred for LED backlight and LED lighting products. During the first half of 2015, the Group's R&D expenses was approximately HK\$31,684,000, increased by 16.9% as compared to the same period of 2014. The increase was attributable to increase in LED product types and labour cost.



Income Tax Expense

Income tax expense comprised current tax and movements in deferred tax assets and liabilities. Two of the Group's subsidiaries, Wai Chi Opto Technology (Shenzhen) Limited and Huizhou Wai Chi Electronics Company Limited, are qualified as a "High-Tech Enterprise" in the PRC and granted certain tax benefit, including a preferential enterprise income tax rate of 15% instead of the statutory rate of 25%. During the period under review, the Group's income tax expense was approximately HK\$8,546,000, decreased by 1.3% as compared to the same period of 2014 due to decrease in taxable profits.

Inventories

As at 30 June 2015, the Group's inventory was approximately HK\$285,810,000, increased by 42.1% as compared to 31 December 2014. The increase in inventory was attributable to the increase of inventory for automotive LED products to meet with the increasing demand.

Trade Receivables

As at 30 June 2015, the Group's net trade receivables was approximately HK\$480,293,000, decreased by 9.8% as compared to 31 December 2014. The Group's major customers are sizeable corporations with long term relationships, including a number of listed companies, hence the risk of trade receivables turning into bad debts is relatively low.

Trade Payables

As at 30 June 2015, the Group's trade payables was approximately HK\$290,429,000, increased by 30.4% as compared to 31 December 2014, the increase was attributable to increase in purchase of materials and longer credit period granted by suppliers.

OTHER DISCLOSURE

Use of Proceeds From the Initial Public Offering

The Company's ordinary shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 18 November 2014. The total net proceeds from the initial public offering amounted to approximately HK\$161.5 million. The Group has, up to the financial period ended 30 June 2015, utilized approximately HK\$9,656,000 to purchase machinery and equipment for producing LED backlight and LED lighting products, approximately HK\$22,500,000 to repay bank loan utilized for purchasing machinery and equipment, approximately HK\$1,968,000 to upgrade and expand our enterprise resources planning system, approximately HK\$36,973,000 for our research and development activities including recruiting technical and expert staff and enhancing our research and development capacity. At the end of the period, net proceeds not yet utilized were deposited with licensed banks in Hong Kong and China.

Interim Dividend

The Board has recommended declaring an interim dividend of HK\$2 cents (2014: Nil) per share for the six months ended 30 June 2015. The interim dividend will be payable on or around Thursday, 15 October 2015 to shareholders whose names appear on the register of members of the Company at the close of business on Wednesday, 30 September 2015.

Closure of Register of Members

The register of members of the Company will be closed from Friday, 25 September 2015 to Wednesday, 30 September 2015 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the aforementioned interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Thursday, 24 September 2015.

Gearing Ratio

As at 30 June 2015, the gearing ratio of the Group, based on total borrowings (including bank borrowing and obligations under finance leases) to the equity (including all capital and reserves) of the Company was 63% (31 December 2014: 54%).

Employees

The Group recognised the importance of maintaining good relationship with its employees and retaining competent staff to ensure operational efficiency and effectiveness. In the six months ended 30 June 2015, the Group had not encountered any significant problems with its employees that might have caused any disruption to the Group's business or operation. The Group has had no difficulty in recruiting and retaining experienced staff. The remuneration of each employee of the Group is determined on the basis of his or her performance and responsibility. The Group provides training to employees.

Foreign Currency Exposure

The Group is exposed to foreign currency risk primarily through sales, purchases, bank balances and cash and bank borrowings that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United State dollars and Renminbi.

The Group is not engaged in the use of any financial instruments for hedging purposes. However, the management monitors foreign exchange exposure from time to time and will consider hedging significant foreign currency exposure when the need arises.

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 period ended 30 June 2015.

Controlling Shareholders and Directors' Interests in Contracts of Significance

Save as disclosed under the "Related Party Transactions and Balances" in note 19 to the Condensed Consolidated Interim Financial Information, no contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party to and in which a Director or a controlling shareholder had a material interest in, whether directly or indirectly, subsisted at the end of the six months ended 30 June 2015 or at any time during the period.

Directors and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company Or Any of Its Associated Corporations

As at 30 June 2015, the interests and short positions of the directors and chief executive personnel 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")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in Appendix 10 to the Listing Rules were as follows:

Name of Director	Capacity/ nature of interest	Number and class of securities (Note 2)	Approximate percentage of shareholding
Mr. Yiu Chi To (Note 1)	Beneficial owner	150,000,000 (L)	75%

Notes:

1. Mr. Yiu Chi To holds 100% of the issued share capital of Rexell Technology Company Limited, which is the controlling shareholder holding 75% of the issued share capital of the Company.
2. The letter "L" denotes the Director's long position in the shares of the Company or the relevant associated corporation.

Save as disclosed above, as at 30 June 2015, none of the Directors and chief executive personnel of the Company had or was deemed to have any interests or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they had taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Interests and Short Positions of Substantial Shareholders and Other Parties in the Shares, Underlying Shares of the Company

As at 30 June 2015, so far as the directors and chief executive officer of the Company were aware, the following persons and corporations (excluding the directors and chief executive officer of the Company) had interests or short positions in any of the shares or underlying shares of the Company which were required to be notified to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who, directly or indirectly, is interested in 10% or more of the nominal value of any class of share capital to vote in all circumstances at general meetings of any other member of the Group:

Name of Shareholder	Capacity/ nature of interest	Number of shares held (Note 2)	Approximate percentage of issued share capital
Rexell Technology Company Limited (Note 1)	Beneficial owner	150,000,000	75%
Mr. Yiu Chi To (Note 2)	Interest of a controlled corporation	150,000,000	75%

Notes:

1. Rexell Technology Company Limited directly holds 150,000,000 shares representing 75% of the issued share capital of the Company.
2. Mr. Yiu Chi To is the legal and beneficial owner of all the issued shares of Rexell Technology Company Limited and is therefore deemed to be interested in all the 150,000,000 shares of the Company held by Rexell Technology Company Limited under the SFO.



Corporate Governance Practices

The Company and its management are committed to maintaining good corporate governance with an emphasis on the principles of transparency, accountability and independence to all shareholders. The Company believes that good corporate governance is an essential for the continual growth and enhancement of shareholder's value. Throughout the period under review, the Company has applied the principles of and complied with the code provisions stipulated in the Corporate Governance Code and Corporate Governance Report (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company periodically reviews its corporate governance practices with reference to the latest development of corporate governance.

All other information on the Code has been disclosed in the corporate governance report contained in the 2014 annual report of the Company issued in March 2015.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as the code of conduct governing Director's securities transactions. All Directors have confirmed, following specific enquiry by the Company, that they had complied with the required standards set out in the Model Code throughout the period under review.

Audit Committee

The Audit Committee has reviewed the unaudited interim financial report for the six months ended 30 June 2015. On 21 August 2015, the Committee met with the management to review the unaudited interim financial statements with the attendance of the external auditor and to consider the significant accounting policies.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Notes	Six months ended 30 June	
		2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Audited)
Turnover	4	588,287	571,875
Cost of sales		(436,205)	(429,628)
Gross profit		152,082	142,247
Other income and other gains	4	5,195	4,556
Selling and distribution expenses		(12,300)	(11,513)
Administrative expenses		(51,395)	(44,418)
Research and development expenses		(31,684)	(27,094)
Finance costs	6	(17,222)	(13,751)
Profit before tax		44,676	50,027
Income tax expense	7	(8,546)	(8,659)
Profit for the period	8	36,130	41,368
Earnings per share			
Basic and diluted (HK\$ cents)	10	18	28
Dividends			
Interim dividend declared after the end of the reporting period	9	4,000	N/A

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Audited)
Profit for the period	36,130	41,368
Other comprehensive income (expense) for the period		
Other comprehensive income (expense) to be reclassified to profit or loss in subsequent periods (net of tax)		
Exchange differences arising on translation of foreign operations	34	(3,633)
Total comprehensive income for the period, net of tax	36,164	37,735

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2015

	Notes	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Non-Current Assets			
Property, plant and equipment	11	324,221	312,335
Prepaid lease payments	12	42,366	42,840
Deferred taxation		1,349	1,349
		367,936	356,524
Current Assets			
Inventories		285,810	201,120
Prepaid lease payments	12	967	967
Trade and bills receivables	13	694,921	625,411
Prepayment, deposits and other receivables		84,056	36,324
Pledged bank deposits	14	165,059	56,715
Bank balances and cash	14	242,272	331,864
		1,473,085	1,252,401
Current Liabilities			
Trade and bills payables	15	626,515	507,096
Other payables and accruals	15	47,399	44,432
Bank borrowings	16	426,134	348,521
Obligations under finance leases – due within one year		2,432	2,252
Income tax payables		13,749	17,141
		1,116,229	919,442
Net Current Assets		356,856	332,959
Total Assets less Current Liabilities		724,792	689,483
Non-Current Liabilities			
Obligations under financial leases – due more than one year		2,603	3,381
Government grants		33,794	33,871
		36,397	37,252
Net Assets		688,395	652,231
Capital and Reserves			
Share capital	17	2,000	2,000
Reserves		686,395	650,231
Total Equity		688,395	652,231

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Share capital HK\$'000	Share premium HK\$'000	Statutory reserve HK\$'000 (Note a)	Translation reserve HK\$'000	Merger reserve HK\$'000 (Note b)	Retained profits HK\$'000	Total HK\$'000
At 1 January 2015 (audited)	2,000	303,321	39,742	25,234	34,561	247,373	652,231
Profit for the period	-	-	-	-	-	36,130	36,130
Other comprehensive income for the period – exchange differences arising from foreign operations	-	-	-	34	-	-	34
Total comprehensive income for the period	-	-	-	34	-	36,130	36,164
At 30 June 2015 (unaudited)	2,000	303,321	39,742	25,268	34,561	283,503	688,395
At 1 January 2014 (audited)	101	134,999	33,503	24,870	34,561	192,419	420,453
Profit for the period	-	-	-	-	-	41,368	41,368
Other comprehensive expense for the period – exchange differences arising from foreign operations	-	-	-	(3,633)	-	-	(3,633)
Total comprehensive (expense) income for the period	-	-	-	(3,633)	-	41,368	37,735
At 30 June 2014 (audited)	101	134,999	33,503	21,237	34,561	233,787	458,188

Notes:

- (a) As stipulated by regulations in the People's Republic of China (the "PRC"), the Company's subsidiaries established and operated in the PRC are required to appropriate 10% of their after-tax profit (after offsetting prior year losses) as determined in accordance with the PRC accounting rules and regulations, to statutory reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to equity owners.
- (b) Merger reserve represented the difference between share capital of the new holding company and the aggregate of the share capital of the then holding company of the Group and the companies comprising the Group.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Net cash flow used in operating activities	(13,119)	(80,593)
Net cash flow used in investing activities	(135,227)	(19,866)
Net cash from financing activities	59,094	110,464
Net (decrease) increase in cash and cash equivalents	(89,252)	10,005
Cash and cash equivalents at 1 January	331,864	100,777
Effect of foreign exchange rates changes	(340)	(506)
Cash and cash equivalents at 30 June, represented by bank balances and cash	242,272	110,276



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2015

1. General

Wai Chi Holdings Company Limited (the “Company”) is a company incorporated in the Cayman Islands as an exempted company with limited liability under Companies Law of the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 18 November 2014. The address of the registered office of the Company is Offshore Incorporations (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, the Cayman Islands and the principal place of business of the Company is 6th Floor, Liven House, 63 King Yip Street, Kwun Tong, Kowloon, Hong Kong.

The Company is principally engaged in investment holding. The principal activities of its subsidiaries are engaged in manufacturing and trading of Light-Emitting Diode (“LED”) backlight and LED lighting products.

The functional currency of the Company and the subsidiaries incorporated in Hong Kong are Hong Kong dollars (“HK\$”) while that of the subsidiaries established in the People’s Republic of China (the “PRC”) are Renminbi (“RMB”). For the purpose of presenting the condensed consolidated interim financial information, the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) adopted HK\$ as its presentation currency which is the same as the functional currency of the Company.

2. Basis of Preparation

The condensed consolidated interim financial information of the Group has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”, issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

3. Principal Accounting Policies

The condensed consolidated interim financial information has been prepared on the historical cost basis.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2014.

3. Principal Accounting Policies (continued)

In the current interim period, the Group has applied, for the first time, the following new standards, amendments and interpretation (“new HKFRSs”) issued by the HKICPA which are effective for the Group’s financial year beginning 1 January 2015.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions

The application of the above new and revised HKFRSs in the current interim period has had no material effect on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these condensed consolidated interim financial information.

4. Turnover, Other Income and Other Gains

Turnover represents the amounts received and receivable for goods sold in the normal course of business, net of discounts and sales related taxes. Analysis of the Group’s turnover, other income and other gains is as follows:

	Six months ended 30 June	
	2015 HK\$’000 (Unaudited)	2014 HK\$’000 (Audited)
Turnover		
Sales of goods	588,287	571,875
Other income and other gains		
Bank interest income	3,431	860
Government grants (note)	77	3,162
Sales of scrapped materials	17	107
Reversal of allowance for trade and other receivables	253	7
Sundry income	1,417	420
	5,195	4,556

Note: Included in the amount of government grants recognised during each of the periods ended 30 June 2015 and 2014 of approximately HK\$77,000 (unaudited) and HK\$3,162,000 (audited) respectively were received in respect of certain research projects and export encouragement scheme, the relevant granting criteria for which have been fulfilled and were immediately recognised as other income for the periods. For the six months ended 30 June 2015 and 2014, government grants of approximately HK\$77,000 (unaudited) and HK\$3,148,000 (audited) were recognised as deferred income utilised during the periods respectively.

5. Segment Information

Segment profit represents the profit earned by each segment without allocation of central administration costs, directors' salaries, share of profit of associates, investment income and finance costs.

Information reported to the Chief Executive Officer of the Group, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. In addition, for both LED backlight and LED lighting operations, the information reported to the chief operating decision maker is further broken down into different type of products and application of products. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

1. LED backlight – Manufacturing and trading of LED backlight products in different sizes and applications
2. LED lighting – Manufacturing and trading of LED lighting products for public and commercial use

Segment revenues and results

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

For the six months ended 30 June 2015 (unaudited)

	LED backlight HK\$'000	LED lighting HK\$'000	Total HK\$'000
REVENUE			
External sales	555,751	32,536	588,287
Segment profit	97,113	7,188	104,301
Unallocated income			4,865
Unallocated expenses			(47,268)
Finance costs			(17,222)
Profit before tax			44,676

5. Segment Information (continued)

Segment revenues and results (continued)

For the six months ended 30 June 2014 (audited)

	LED backlight HK\$'000	LED lighting HK\$'000	Total HK\$'000
REVENUE			
External sales	532,588	39,287	571,875
Segment profit	95,022	11,357	106,379
Unallocated income			1,408
Unallocated expenses			(44,009)
Finance costs			(13,751)
Profit before tax			50,027

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

Segment assets

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
LED backlight	1,082,569	948,263
LED lighting	265,716	234,410
Total segment assets	1,348,285	1,182,673
Unallocated assets	492,736	426,252
Consolidated total assets	1,841,021	1,608,925

5. Segment Information (continued)
Segment assets and liabilities (continued)

Segment liabilities

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
LED backlight	621,676	501,242
LED lighting	84,252	78,754
Total segment liabilities	705,928	579,996
Unallocated liabilities	446,698	376,698
Consolidated total liabilities	1,152,626	956,694

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than deferred tax assets, pledged bank deposits, bank balances and cash and certain unallocated head office assets. Assets used jointly by operating segments are allocated on the basis of the revenues earned by individual reportable segments; and
- all liabilities are allocated to operating segments other than income tax payables, bank borrowings, obligations under finance leases and certain unallocated head office liabilities. Liabilities for which operating segments are jointly liable are allocated in proportion to segment revenue.

5. Segment Information (continued)
For the six months ended 30 June 2015 (unaudited)

	LED backlight HK\$'000	LED lighting HK\$'000	Unallocated HK\$'000	Total HK\$'000
Amounts included in the measure of segment profit or loss or segment assets:				
Additions to non-current assets [#]	30,671	558	-	31,229
Amortisation of prepaid lease payments	-	202	285	487
Depreciation of property, plant and equipment	15,568	3,578	-	19,146
Impairment loss on trade and other receivables	3,627	2,733	-	6,360
Allowance for inventories	229	37	-	266
Net loss on disposal of property, plant and equipment	201	-	44	245
Reversal of allowance for trade and other receivables	(253)	-	-	(253)
Amounts regularly provided to the Chief Executive Officer but not included in the measure of segment profit or loss or segment assets:				
Interest income	-	-	3,431	3,431
Finance costs	-	-	17,222	17,222
Income tax expense	8,533	13	-	8,546

[#] Non-current assets excluded deferred tax assets.

5. Segment Information (continued)
For the six months ended 30 June 2014 (audited)

	LED backlight HK\$'000	LED lighting HK\$'000	Unallocated HK\$'000	Total HK\$'000
Amounts included in the measure of segment profit or loss or segment assets:				
Additions to non-current assets [#]	24,108	13,804	–	37,912
Amortisation of prepaid lease payments	–	201	284	485
Depreciation of property, plant and equipment	20,153	390	–	20,543
Impairment loss on trade and other receivables	409	–	–	409
Allowance for inventories	1,411	27	–	1,438
Net loss on disposal of property, plant and equipment	25	–	–	25
Reversal of allowance for trade and other receivables	(7)	–	–	(7)
Amounts regularly provided to the Chief Executive Officer but not included in the measure of segment profit or loss or segment assets:				
Interest income	–	–	860	860
Finance costs	–	–	13,751	13,751
Income tax expense	7,746	913	–	8,659

[#] Non-current assets excluded deferred tax assets.

5. Segment Information (continued)

Revenue from major products

The following are analyses of the Group's revenue from its major products by:

Analysis by type of products

	Six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Audited)
LED backlight		
– Small dimension	466,544	451,595
– Medium dimension	44,296	19,822
– Large dimension	44,911	61,171
Sub-total	555,751	532,588
LED lighting		
– Indoor lighting	16,798	27,309
– Outdoor lighting	15,738	11,978
Sub-total	32,536	39,287
Total	588,287	571,875

5. Segment Information (continued)

Revenue from major products (continued)

Analysis by application of products

	Six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Audited)
LED backlight		
– Smartphone	333,916	328,304
– Automobile displays	102,967	59,365
– Equipment displays	73,408	83,748
– Televisions	45,460	61,171
Sub-total	555,751	532,588
LED lighting		
– Public lighting	16,899	18,247
– Commercial lighting	15,637	21,040
Sub-total	32,536	39,287
Total	588,287	571,875

Geographical information

The Group's operations are located in Hong Kong and the PRC (country of domicile). The Group's customers are mainly located in Hong Kong and the PRC.

An analysis of the Group's revenue from external customers is presented based on the location of customers as below:

	Six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Audited)
The PRC	527,145	487,097
Hong Kong	45,722	81,739
Others	15,420	3,039
	588,287	571,875

5. Segment Information (continued)

Geographical information (continued)

The Group's information about its non-current assets is presented based on location of the assets as below:

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Hong Kong	875	633
The PRC	365,712	354,542
	366,587	355,175

Non-current assets excluded deferred tax assets.

Information about major customers

Details of the customers accounting for 10% or more of aggregate revenue of the Group are as follows:

	Six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Audited)
Customer A**	262,019	97,896
Customer B**	N/A*	70,178

* The corresponding revenue does not contribute over 10% of the total revenue of the Group in the respective period.

** Revenue from LED backlight.

6. Finance Costs

	Six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Audited)
Interest expenses on:		
– bank borrowings wholly repayable within five years	17,054	13,731
– finance leases	168	20
	17,222	13,751

7. Income Tax Expense

The Group calculates the income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the condensed consolidated statement of profit or loss are:

	Six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Audited)
Current income tax		
– PRC Enterprise Income Tax	8,546	8,721
Deferred taxation	–	(62)
Total income tax expense for the period	8,546	8,659

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the “BVI”), the Group is not subject to any income tax in the Cayman Islands and the BVI.

No provision for Hong Kong Profits Tax has been made as the Group did not have any assessable profits subject to Hong Kong Profits Tax for the six months ended 30 June 2015 and 2014.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC companies is 25% for the six months ended 30 June 2015 and 2014.

Pursuant to the relevant laws and regulation in the PRC, the Group’s subsidiary, Wai Chi Opto Technology (Shenzhen) Limited (偉志光電(深圳)有限公司), was accredited as a high-tech enterprise. It is entitled to the preferential tax rate of 15% for both of the six months ended 30 June 2015 and 2014.

Pursuant to the relevant laws and regulation in the PRC, the Group’s subsidiary, Huizhou Wai Chi Electronics Company Limited (惠州偉志電子有限公司), was accredited as a high-tech enterprise in 2015. It is entitled to the preferential tax rate of 15% for the six months ended 30 June 2015.

8. Profit for the Period

	Six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Audited)
Profit for the period has been arrived at after charging:		
Salaries and allowances (excluding directors' emoluments)	126,735	92,497
Retirement benefit scheme contributions (excluding directors)	5,619	5,908
Total staff costs	132,354	98,405
Amounts of inventories recognised as expenses	435,939	428,190
Impairment loss on inventories (including in cost of sales)	266	1,438
Net loss on disposal of property, plant and equipment	245	25
Impairment loss on trade and other receivables	6,360	409
Depreciation of property, plant and equipment	19,146	20,543
Amortisation of prepaid lease payments	487	485
Operating lease payment on premises	3,815	3,506

9. Dividends

	Six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Audited)
Interim dividend declared and paid after the interim period of HK\$2 cents per share (2014: nil)	4,000	–

The interim dividend has not been recognised as liability at the end of reporting period.

10. Earnings Per Share

	Six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Audited)
Earnings		
Earnings for the purpose of basic earnings per share	36,130	41,368
Number of shares held		
Weighted average number of ordinary shares for the purpose of basic earnings per share (Note)	200,000,000	150,000,000
Basic earnings per share (HK\$ cents per share)	18	28

Note:

The weighted average number of ordinary shares for the purpose of basic earnings per share for the six months ended 30 June 2014 has been retrospectively adjusted for the effects of capitalisation of the ordinary shares of the Company which took place in 2014 as reorganisation for the preparation for the Company's listing.

The dilutive earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares outstanding during the six months ended 30 June 2015 and 2014.

11. Property, Plant and Equipment

During the six months ended 30 June 2015, the Group acquired items of property, plant and equipment with a cost of approximately HK\$31,229,000 (unaudited) (six months ended 30 June 2014 (audited): approximately HK\$37,912,000) for the expansion of production facilities. Items of property, plant and equipment with a carrying amount of approximately HK\$324,000 (unaudited) were disposed of during the six months ended 30 June 2015 (six months ended 30 June 2014 (audited): approximately HK\$128,000), with approximately HK\$245,000 (unaudited) loss on disposal (six months ended 30 June 2014 (audited): approximately HK\$25,000).

12. Prepaid Lease Payments

Prepaid lease payments comprise leasehold land held in the PRC under medium-term lease and are analysed for reporting purposes as follows:

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Current assets	967	967
Non-current assets	42,366	42,840
	43,333	43,807

As at 30 June 2015, leasehold land with carrying values of approximately HK\$24,377,000 (unaudited) (31 December 2014 (audited): approximately HK\$24,662,000) have been pledged to secure banking facilities granted to the Group.

13. Trade and Bills Receivables

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Trade receivables	493,382	540,637
Less: Impairment	(13,089)	(7,980)
	480,293	532,657
Bills receivables	214,628	92,754
	694,921	625,411

The Group generally allows a credit period of 30 to 180 days to its trade customers. The Group does not hold any collateral over these balances.

As at 30 June 2015, trade receivables with carrying amount of approximately HK\$90,502,000 (unaudited) (31 December 2014 (audited): approximately HK\$44,505,000) have been pledged to secure banking facilities granted to the Group.

As at 30 June 2015, no bills receivables (unaudited) (31 December 2014 (audited): approximately HK\$48,875,000) have been pledged to secure banking facilities granted to the Group.

13. Trade and Bills Receivables (continued)

The following is an aging analysis of trade receivables net of accumulated impairment losses presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates.

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
0 to 90 days	412,166	440,920
91 to 180 days	43,982	50,495
181 to 365 days	7,326	33,276
Over 365 days	16,819	7,966
	480,293	532,657

All the bills receivables are aged within 180 days.

14. Pledged Bank Deposits/Bank Balances and Cash

The bank balances and cash comprised cash held by the Group and short-term bank deposits with an original maturity of three months or less. The bank balances as at 30 June 2015 carried interest at the prevailing market rate ranging from 0.001% to 0.5% per annum (unaudited) (31 December 2014 (audited): 0.001% to 0.5% per annum). The pledged deposits carried fixed interest rate of 0.50% per annum (unaudited) (31 December 2014 (audited): 0.50% per annum) as at 30 June 2015.

Pledged bank deposits represented deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to approximately HK\$165,059,000 (unaudited) (31 December 2014 (audited): approximately HK\$56,715,000) as at 30 June 2015 had been pledged to secure bank borrowings and bills falling due within one year and are therefore classified as current assets.

15. Trade, Bills and Other Payables

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Trade payables (Note a)	290,429	222,643
Bills payables (Note b)	336,086	284,453
	626,515	507,096
Receipt in advance	2,332	1,408
Construction cost payables	721	1,557
Other payables	3,733	6,478
Accrued expenses	23,315	24,845
Value added tax payables	17,298	10,144
	47,399	44,432
	673,914	551,528

Notes:

- (a) The ageing analysis of trade payables presented based on the invoice date at the end of the reporting period is as follows:

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
0 to 90 days	238,815	176,595
91 to 180 days	43,344	32,775
181 to 365 days	3,506	6,872
Over 365 days	4,764	6,401
	290,429	222,643

The average credit period on purchase of goods is from 30 days to 90 days. The Group has financial risk management policies or plans for its payables with respect to the credit timeframe.

- (b) The bills payables aged within 180 days.

16. Bank Borrowings

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Secured:		
Trust receipts loans (Note a)	26,582	19,839
Other bank loans (Note b)	162,426	138,537
	189,008	158,376
Unsecured:		
Other bank loans (Note c)	237,126	190,145
	426,134	348,521
Bank borrowings repayable:		
On demand or within one year	407,406	332,907
More than one year but not exceeding two years	9,824	7,460
More than two years but not exceeding five years	7,895	8,154
More than five years	1,009	–
	426,134	348,521
Less: Carrying amount of bank borrowings that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	(18,728)	(15,614)
Less: Amounts due within one year shown under current liabilities	(407,406)	(332,907)
Amount shown under non-current liabilities	–	–

Notes:

- (a) As at 30 June 2015, trust receipts loan with carrying amounts of approximately HK\$26,582,000 (unaudited) (31 December 2014 (audited): approximately HK\$19,839,000) carried fixed rate of interest ranging from 2.73% to 2.98% (30 June 2014 (audited): range from 2.98% to 3.25%) per annum and was due within 3 months.

16. Bank Borrowings (continued)

Notes: (Continued)

- (b) As at 30 June 2015, no other bank loans (unaudited) (31 December 2014 (audited): approximately HK\$64,649,000) bore interest at floating rates. The floating rate borrowings carried interest at 115%–120% of the rate stipulated by the rate offered by the People's Bank of China ("PBOC") per annum during the six months ended 30 June 2014.

As at 30 June 2015, revolving loan with carrying amounts of HK\$23,275,000 (unaudited) (31 December 2014 (audited): nil) bore interest at floating rate and was due within 1 year. The floating rate borrowings carried interest at 3.5%–3.7% per annum during the six months ended 30 June 2015.

As at 30 June 2015, no revolving loan (unaudited) (31 December 2014 (audited): HK\$4,000,000) bore interest at floating rate. The floating rate borrowings carried interest at the Hong Kong dollars best lending rate ("HKD BLR") plus 0.5% per annum during the six months ended 30 June 2014.

As at 30 June 2015, revolving loan with carrying amounts of HK\$10,100,000 (unaudited) (31 December 2014 (audited): HK\$10,101,000) bore interest at floating rate and was due within 1 year. The floating rate borrowings carried interest at the HKD BLR plus 1% per annum during the six months ended 30 June 2015 (30 June 2014 (audited): HKD BLR plus 0.5% per annum).

As at 30 June 2015, machinery loans with initial principal amount of HK\$27,300,000 (unaudited) (31 December 2014 (audited): approximately HK\$27,300,000) carried floating rate ranging from 1 month Hong Kong Interbank Offered Rate ("HIBOR")/London Interbank Borrowing Rate ("LIBOR") plus 3.25% per annum, repayable ranging from 36 to 60 instalments commencing from the day of draw down. The machinery loans are fully repayable by May 2017 to May 2019. As at 30 June 2015, principal amount of approximately HK\$25,478,000 (unaudited) (31 December 2014 (audited): approximately HK\$23,074,000) remains unsettled. The facilities contained a repayment on demand clause.

As at 30 June 2015, other bank loans with principal amount of approximately HK\$99,996,000 (unaudited) (31 December 2014 (audited): approximately HK\$36,713,000) carried floating rate at LIBOR plus 2.38% per annum, repayable within 1 year during the six months ended 30 June 2015 (30 June 2014 (audited): HKD LIBOR plus 2.7% per annum).

As at 30 June 2015, other bank loans with principal amount of approximately HK\$3,577,000 (unaudited) (31 December 2014 (audited): nil) carried floating rate 4.5% per annum during the six months ended 30 June 2015.

- (c) As at 30 June 2015, other bank loans with carrying amounts of approximately HK\$237,126,000 (unaudited) (31 December 2014 (audited): approximately HK\$190,145,000) bore interest at floating rate and was due within 1 year. The floating rate borrowings carried interest at 110%–135% (30 June 2014 (audited): 110%–135%) of the rate offered by PBOC per annum as at 30 June 2015.
- (d) The Group's bank borrowings at the end of each reporting period were guaranteed by the followings:
- (i) As at 30 June 2015 and 31 December 2014, certain banking facilities of the Group were secured by a property held by a related company in which a director of the Company has beneficial interest.
 - (ii) As at 30 June 2015 and 31 December 2014, certain banking facilities of the Group were secured by the Group's pledged bank deposits as set out in note 14 and buildings of the Group as set out in note 12.

17. Share Capital

	Number of shares		Share capital	
	30 June 2015	31 December 2014	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Authorised				
At 1 January (2015: HK\$0.01 each; 2014: US\$1 each)	1,000,000,000	50,000	10,000	390
Increase on 21 October 2014 (Note a)	-	1,000,000,000	-	10,000
Diminution on 21 October 2014 (Note a)	-	(50,000)	-	(390)
At 30 June 2015/31 December 2014 (2015: HK\$0.01 each; 2014: HK\$0.01 each)	1,000,000,000	1,000,000,000	10,000	10,000
Issued and fully paid				
At 1 January (2015: HK\$0.01 each; 2014: US\$1 each)	200,000,000	136	2,000	1
Issue of shares (Note a)	-	106,080	-	1
Issue of shares (Note b)	-	50,000,000	-	500
Repurchase and cancellation of shares (Note a)	-	(136)	-	(1)
Capitalisation issue of shares (Note c)	-	149,893,920	-	1,499
At 30 June 2015/31 December 2014 (2015: HK\$0.01 each; 2014: HK\$0.01 each)	200,000,000	200,000,000	2,000	2,000

Notes:

- (a) On 21 October 2014, the authorised share capital of the Company was increased from HK\$390,000 to HK\$10,390,000 by the creation of 1,000,000,000 new ordinary shares, of HK\$0.01 each, which rank pari passu in all respects.

On the same date, 106,080 nil paid ordinary shares were allotted and issued to the beneficial owner of the Company, Rexell Technology Company Limited, at a price of HK\$0.01 each. The aggregate subscription price was HK\$1,061 (the "Subscription price"). On the same date, the Company repurchased 136 existing issued ordinary shares of US\$1 each at an aggregate repurchase price of US\$136 (equivalent to HK\$1,061) (the "Repurchase price"). The shares were cancelled upon repurchase. The Subscription price was set off against the aggregate Repurchase price and the 106,080 nil paid shares were credited as fully paid.

Following the repurchase, the authorised but unissued share capital of the Company was diminished by the cancellation of all the 50,000 unissued shares of US\$1 each in the capital of the Company.

17. Share Capital (continued)

Notes: (Continued)

- (b) Pursuant to a resolution passed by the Company on 11 November 2014, 50,000,000 new ordinary shares with nominal value HK\$0.01 each were offered at the share offer price of HK\$3.68 each.
- (c) A total of 149,893,920 ordinary shares were credited as fully paid on 18 November 2014 by way of capitalisation of the sum of approximately HK\$1,499,000 standing to the credit of the share premium account of the Company, and the shares be allotted and issued rank pari passu in all respects with the existing issued shares.

18. Operating Leases Commitments

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Within one year	3,610	4,238
In the second to fifth year, inclusive	2,306	392
	5,916	4,630

The Group leases certain of its factory premise offices under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three (2014: one to three) years with fixed rentals as at 30 June 2015.

19. Related Party Transactions and Balances

In addition to the transactions detailed elsewhere in the condensed consolidated interim financial information, the Group has entered into the following significant transactions with related parties.

(a) Compensation of key management personnel

	Six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Audited)
Salaries and other allowances	2,464	1,986
Retirement benefit scheme contributions	33	33
	2,497	2,019

(b) Other related parties transactions

Name of company	Nature of transaction	Six months ended 30 June	
		2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Audited)
Maxtone Electronics Limited ("Maxtone")	Rental expenses	459	408

The director of the Company has beneficial interest in Maxtone. The above transactions were on terms determined and agreed by the Company and the relevant parties.

(c) Other guarantees

During the six months ended 30 June 2015 and 2014, the Company's obligations under a finance lease were guaranteed by Mr. Yiu Chi To, a director of the Company, and a related company. The guarantee provided by Mr. Yiu Chi To has been released on 17 December 2014.