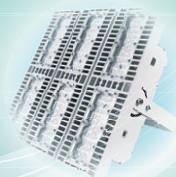




Wai Chi Holdings Company Limited 偉志控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1305



Interim Report 2016





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FINANCIAL HIGHLIGHTS

	For the six months ended 30 June	
	2016 Unaudited HK\$'000	2015 Unaudited HK\$'000
Revenue	432,618	588,287
Gross profit	76,758	152,082
Gross profit margin	17.7%	25.9%
(Loss) Profit for the period	(801)	36,130
Basic and diluted (loss) earnings per share	HK\$(0.39) cents	HK\$18 cents
Interim dividend per share	–	HK\$2 cents



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
Mr. Mr. Peng Jian

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

COMPANY SECRETARY

Mr. Cheung Wai Hung

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

RISK MANAGEMENT COMMITTEE

Mr. Chen Chung Po (*Chairman*)
Mr. Chen Kwok Wang
Mr. Cheung Wai Hung

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

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

China's economic development continued to slow down with GDP growth of 6.7% in first half of 2016. Given the downward economic pressure, the PRC government has been launching more deepened reform and restructuring measures. Under the 'New Normal' theme, Chinese economy is expected to continue shifting away from its traditional manufacturing roots into servicing sectors. Statistics showed that the growth for manufacturing sector slowed to 6.0% in 2015 from 7.3% in 2014, while servicing sector expanded to 8.3% in 2015 from 7.8% in 2014. With the weak data being revealed, it is expected that the PRC government may initiate large scale capacity reduction in various sectors, which could add extra downward pressure on domestic manufacturers in the short to medium run.

LED backlight industry was of no exception under the economic pattern transformation. The overall LED backlight market in China was maturing further and reached close-to-full saturation during the first half of 2016, which may potentially lead to the sluggish growth for the full year. Smartphone LED backlight lost its growth momentum under the intensified market competition across the country, whereas automobile and TV LED backlight managed to maintain a healthy development pace. Market recovery is expected to remain lackluster with higher degree of consolidation, business environment is expected to be more complicated and difficult.

Business Review

During the first half of 2016, the Group underwent business transformation including the restructuring of product mix by lowering the proportion of low margin products and focusing on the production of high margin products to further optimize its profits and business performance.

During the period under review, the total revenue was approximately HK\$432,618,000, decreased by 26.5% as compared to the same period in 2015. Revenue from the sales of LED backlight products and LED lighting products was approximately HK\$403,625,000 and HK\$28,993,000, decreased by 27.4% and 10.9% respectively as compared to the same period in 2015. The significant drop in the sales of LED backlight products was in line with the Group's effort in the change of product mix and focus on high margin products. The decrease of sales in LED lighting products was due to the slowdown of tenders in commercial and government lighting projects in China as well as overseas markets.

During the period under review, the Group continued adopting stringent cost control measures. The Group has fully adopted the ERP system for timely monitoring of its operation process, to promote information exchange between functions and to store and manage operational data, which successfully lowered its operational cost during its manufacturing process. Meanwhile, the system upgrade promoted higher degree of process automation which in turn effectively enhanced its production lines. With resources being better reallocated and utilised, overall financial and work efficiency was greatly improved.



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\$164,855,000, HK\$97,558,000, HK\$69,539,000, and HK\$71,673,000, respectively.

Consumer electronics industry started to slow down after its rapid development for the past 10 years, so did the growth of smartphone backlight market due to oversupply and price wars within the industry. Competition was most severe for low-end handsets bringing devastating impacts onto the overall industry. According to the International Data Corporation's Worldwide Quarterly Mobile Phone Tracker, smartphone shipments are expected to grow 3.1% to 1.48 billion units in 2016, which is a substantial slowdown from the 10.5% growth in 2015 and 27.8% in 2014. According to Strategy Analytics, smartphone shipments in China declined 5% from 109.8 million units in first quarter of 2015 to 104.9 million units in first quarter of 2016. As the Chinese smartphone market continues to mature, price will be hammered to a very competitive level. Together with the switching trend of new technologies, such as the adoption to OLED displays for some international smartphone players, the demand for LED backlight shrank drastically leading to the massive revised downturn of the growth pace of smartphone backlight market.

For the period under review, aligned with the Group's growth strategy to switch its focus on high-margin products, automobile on-board displays and television displays LED backlight became the Group's key revenue drivers. Due to the drop in LED price over the past year and the technological advancement, the demand for automobile on-board displays for middle to high-end vehicles in China and international markets spurred. The Group believes that this transformational trend in automobile onboard displays will continue in the coming years bringing new business opportunities

Furthermore, according to IHS Technology, more than half of the TV sets shipped worldwide in the first quarter of 2016 were smart TVs. Smart TV shipments will reach 109 million units in 2016, and will rise to 134 million units in 2020, among which, China continues to dominate the worldwide smart TV manufacturing market. The Group is optimistic about the growth of TV backlight products in the near future.

Customer loyalty is one of the Group's most valuable intangibles and Wai Chi is proud to have been supported by groups of long-term clients. To attain higher level of business security under the deteriorating domestic consumption market, the Group will continue fine-tuning its product mix by only focusing on high-margin backlight products to keep up the profit margins. The Group is also working on exploring new markets and securing new customers for opening new income source. The team is working to achieve business sustainability by means of product restructuring and customer diversification.



LED Lighting Service Business

The Group's LED lighting business is classified into 2 types, including public lighting and commercial lighting. This business provides various services including lighting products, lighting solutions design, installation and maintenance etc. During the period under review, revenue from public lighting and commercial lighting was approximately HK\$18,846,000 and HK\$10,147,000 respectively.

After the PRC government announced a series of LED street lighting stimulation policies in the past years, the penetration rate of LED street lights was seen soaring. And yet during the period under review, upon the weak consumption sentiment due to economic breakdown, many LED upgrade projects were delayed and postponed which completely changed the demographics of the domestic LED lighting market. Before the collapse, the Group has successfully completed over 200 LED lighting projects with major supermarkets in China. It is striving to win more domestic LED lighting upgrade projects in various supermarket chain stores when the market momentum resumes.

Whereas for U.S. and Europe, the market was a bit more promising during the period under review. The Group managed to report satisfactory sales numbers from these two regions and both U.S. and Europe will remain the temporary sales focus for the coming year.

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 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 characterized 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 29 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

Facing an ever-changing environment of economic transformation into the “new normal” economy, China is expected to accelerate pro-growth service sector reforms and to widen the social safety net to promote consumption and investment in services areas. More supportive policies in terms of encouraging domestic manufacturing and energy saving are also expected which should help mitigating the economic slowdown and bringing new hopes to the industry.

With all the opportunities that may arise within or outside of China, the Group is convinced that it will continue to excel within the LED backlight industry. Given the challenging business environment, the Group is integrating more sustainability principles in its operations including business streamlining, product mix restructuring, operation process upgrading and process automation to attain higher efficiency and better cost benefits.

The Group will continue participating in various global lighting trade shows in different international markets during second half of 2016 to showcase the Group’s unique lighting products to the world. The Group will continue devoting reasonable amount of resources in R&D to keep up with the changing market.

With over 30 years of experience, industry expertise and wide market recognition, 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

Revenue

The Group's revenue was derived from selling LED backlight and LED lighting products. During the period under review, the sales of the Group's LED backlight products was approximately HK\$403,625,000, decreased by 27.4% from approximately HK\$555,751,000 in 2015; the decrease was mainly attributable to the slowdown in growth in mid-to-high end smartphones markets. The sales of the Group's LED lighting products was approximately HK\$28,993,000, with a decrease of 10.9% from approximately HK\$32,536,000 in 2015. The decline was attributable to the decreased spending from commercial customers on related LED lighting projects.

The Group has devoted much effort in restructuring its product mix by increasing the sales contribution from high margin goods, such as automobiles and television LED backlight products. Furthermore, the Group will devote reasonable amount of resources in R&D to catch up with the fast changing LED backlight and LED lighting products markets.

Gross Profit and Gross Profit Margin

During the period under review, the Group's gross profit was approximately HK\$76,758,000, decreased by 49.5% from approximately HK\$152,082,000 in 2015. Gross profit margin was 17.7%, decreased by 8.2 percentage points from 25.9% in 2015, which was mainly attributable to the price war of smartphone LED backlight products. The Group is in the process of actively eliminating outdated production procedures and to pursue higher degree of automation so as to maintain stable margin levels in the future.

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\$12,160,000, decreased by 1.1% compared to the same period of 2015, which was attributable to the scale down of low profit margin operation.

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. During the period under review, the Group's administrative expenses was approximately HK\$50,360,000, decreased by 2.0% as compared to the same period of 2015.



Other Income and Other Gains

During the period under review, other income and gains was approximately HK\$13,521,000, increased by 160.3% as compared to the same period of 2015. The significant increase was mainly due to the reversal of allowance for trade and other receivables of approximately HK\$6,001,000 during the period.

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\$3,182,000, which was mainly attributable to the tax over-provision for Huizhou factory in 2015.

Inventories

As of 30 June 2016, the Group's inventory was approximately HK\$223,126,000, increased by 0.3% as compared to 31 December 2015. The increase in inventory was attributable to the increase of inventory for automotive and television LED products to meet with the increasing demand.

Trade Receivables

As of 30 June 2016, the Group's net trade receivables was approximately HK\$320,574,000, decreased by 7.7% as compared to 31 December 2015. 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 of 30 June 2016, the Group's trade payables was approximately HK\$166,183,000, decreased by 9.7% as compared to 31 December 2015, the decrease was attributable to decrease in purchase of materials.



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 2016, 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\$40,500,000 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 Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2016.

Gearing Ratio

As at 30 June 2016, 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 30% (31 December 2015: 62%).

Employees

As at 30 June 2016, the Group had 2,454 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 2016, the Group had not encountered any significant problems with its employees, and there had not been any dispute between the Group and 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 2016. The controlling shareholder of the Company, Rexell Technology Company Limited, has disposed of 16,925,000 listed shares during the period ended 30 June 2016.

Controlling Shareholders and Directors' Interests in Contracts of Significance

Save as disclosed under the "Related Party Transactions and Balances" in note 20 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 2016 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 2016, 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	113,286,000 (L)	52%



Notes:

1. Mr. Yiu Chi To holds 100% of the issued share capital of Rexell Technology Company Limited, which is the controlling shareholder holding 52% 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 2016, 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 2016, 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	113,286,000	52%
Mr. Yiu Chi To (Note 2)	Interest of a controlled corporation	113,286,000	52%

Notes:

1. Rexell Technology Company Limited directly holds 113,286,000 shares representing 52% 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 113,286,000 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 2015 annual report of the Company issued in March 2016.

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 2016. On 24 August 2016, 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 2016

	Notes	Six months ended 30 June	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Revenue	4	432,618	588,287
Cost of sales		(355,860)	(436,205)
Gross profit		76,758	152,082
Other income and other gains	4	13,521	5,195
Selling and distribution expenses		(12,160)	(12,300)
Administrative expenses		(50,360)	(51,395)
Research and development expenses		(19,490)	(31,684)
Finance costs	6	(12,252)	(17,222)
(Loss) profit before tax		(3,983)	44,676
Income tax credit (expense)	7	3,182	(8,546)
(Loss) profit for the period	8	(801)	36,130
(Loss) earnings per share			
Basic and diluted (HK\$ cents)	10	(0.39)	18
Dividends			
Interim dividend declared after the end of the reporting period	9	–	4,000

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
(Loss) profit for the period	(801)	36,130
Other comprehensive (expense) income for the period		
Other comprehensive (expense) income to be reclassified to profit or loss in subsequent periods, net of tax		
Exchange differences arising on translation of foreign operations	(11,277)	34
Total comprehensive (expense) income for the period, net of tax	(12,078)	36,164

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016

	Notes	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	11	262,975	285,415
Prepaid lease payments	12	37,980	39,364
Deferred taxation		6,096	6,216
		307,051	330,995
Current assets			
Inventories		223,126	222,385
Prepaid lease payments	12	967	967
Trade receivables	13	320,574	347,231
Bills receivables	13	124,996	206,399
Prepayment, deposits and other receivables		54,281	44,822
Amount due from a related company		3,983	477
Pledged bank deposits	14	167,700	225,710
Deposits with bank		–	29,505
Bank balances and cash	14	180,902	240,013
		1,076,529	1,317,509
Current liabilities			
Trade payables	15	166,183	183,936
Bills payables	15	361,515	444,708
Other payables and accruals	15	35,225	43,213
Bank borrowings – due within one year	16	169,496	345,719
Amount due to related companies		5,147	–
Obligations under finance leases			
– due within one year		4,076	4,190
Income tax payables		5,979	10,414
		747,621	1,032,180
Net current assets		328,908	285,329
Total assets less current liabilities		635,959	616,324

	Notes	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Non-current liabilities			
Bank borrowings – due more than one year	16	2,841	3,027
Obligations under financial leases – due more than one year		2,041	4,005
Corporate bond	17	1,759	–
Government grants		32,134	32,854
		38,775	39,886
Net assets			
		597,184	576,438
Capital and reserves			
Share capital	18	2,168	2,000
Share premium		331,977	299,321
Other reserves		58,159	69,436
Retained profits		204,880	205,681
Total equity			
		597,184	576,438

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Share capital HK\$'000	Share premium HK\$'000	Other reserves			Retained profits HK\$'000	Total HK\$'000
			Statutory reserve HK\$'000 (Note a)	Translation reserve HK\$'000	Merger reserve HK\$'000 (Note b)		
At 1 January 2016 (audited)	2,000	299,321	42,667	(7,792)	34,561	205,681	576,438
Loss for the period	-	-	-	-	-	(801)	(801)
Other comprehensive income (expense) for the period							
- exchange differences arising from foreign operations	-	-	-	(11,277)	-	-	(11,277)
- Issue of new shares by way of placing	168	33,482	-	-	-	-	33,650
- Share issue expenses	-	(826)	-	-	-	-	(826)
Total comprehensive income for the period	168	32,656	-	(11,277)	-	(801)	20,746
At 30 June 2016 (unaudited)	2,168	331,977	42,667	(19,069)	34,561	204,880	597,184
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

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 2016

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited) (Restated)
Cash flows from operating activities		
Cash generated from operations	4,865	(1,175)
Tax paid	(1,047)	(11,944)
Net cash flow from (used in) operating activities	3,818	(13,119)
Cash flows from investing activities		
Purchase of property, plant and equipment	(5,016)	(30,614)
Proceeds from disposal of property, plant and equipment	–	281
Other investing cash flow	84,324	(104,894)
Net cash flow from (used in) investing activities	79,308	(135,227)
Cash flows from financing activities		
Repayments of bank borrowings	(282,310)	(273,171)
Proceeds from bank borrowing	117,161	350,700
Proceeds of share issue	32,824	–
Other financing cash flows	(6,092)	(18,435)
Net cash (used in) from financing activities	(138,417)	59,094
Net decrease in cash and cash equivalents	(55,291)	(89,252)
Cash and cash equivalents at 1 January	240,013	331,864
Effect of foreign exchange rates changes	(3,820)	(340)
Cash and cash equivalents at 30 June, represented by bank balances and cash	180,902	242,272



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2016

1. General

Wai Chi Holdings Company Limited (the “Company”) is incorporated in the Cayman Islands as an exempted company with limited liability under Companies Law of the Cayman Islands on 16 August 2013 and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 18 November 2014. Its ultimate controlling party is Mr. Yiu Chi To. 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 Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2016 has been prepared in accordance with the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

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 2015 except as described below.

3. Principal Accounting Policies (continued)

In the current year, 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 2016.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKFRS 15	Clarification to HKFRS 15
Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

Except as described below, the application of the new and revised HKFRSs in the current year 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 financial statements.

Annual Improvements to HKFRSs 2012–2014 Cycle

The Annual Improvements to HKFRSs 2012–2014 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 clarify that changing from one of the disposal methods (i.e. disposal through sale or disposal through distribution to owners) to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in HKFRS 5. Besides, the amendments also clarify that changing the disposal method does not change the date of classification.

3. **Principal Accounting Policies (continued)**

Annual Improvements to HKFRSs 2012–2014 Cycle (continued)

The amendments to HKFRS 7 clarify that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in HKFRS 7 in order to assess whether the additional disclosures for any continuing involvement in a transferred asset that is derecognised in its entirety are required. Besides, the amendments to HKFRS 7 also clarify that disclosures in relation to offsetting financial assets and financial liabilities are not required in the condensed interim financial report, unless the disclosures provide a significant update to the information reported in the most recent annual report.

The amendments to HKAS 19 clarify that the market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligations are located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

HKAS 34 requires entities to disclose information in the notes to the interim financial statements 'if not disclosed elsewhere in the interim financial report'. The amendments to HKAS 34 clarify that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report. The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete.

The application of the amendments included in the Annual Improvements to HKFRSs 2012–2014 Cycle has had no material impact on the disclosures or on the amounts recognised in the Group's condensed consolidated financial statements.

Amendments to HKAS 1 Disclosure Initiative

The amendments clarify that companies should use professional judgement in determining what information as well as where and in what order information is presented in the financial statements. Specifically, an entity should decide, taking into consideration all relevant facts and circumstances, how it aggregates information in the financial statements, which include the notes. An entity does not require to provide a specific disclosure required by a HKFRS if the information resulting from that disclosure is not material. This is the case even if the HKFRS contains a list of specific requirements or describe them as minimum requirements.

Besides, the amendments provide some additional requirements for presenting additional line items, headings and subtotals when their presentation is relevant to an understanding of the entity's financial position and financial performance respectively. Entities, in which they have investments in associates or joint ventures, are required to present the share of other comprehensive income of associates and joint ventures accounted for using the equity method, separated into the share of items that (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

3. **Principal Accounting Policies (continued)**

Amendments to HKAS 1 Disclosure Initiative (continued)

Furthermore, the amendments clarify that:

- (i) an entity should consider the effect on the understandability and comparability of its financial statements when determining the order of the notes; and
- (ii) significant accounting policies are not required to be disclosed in one note, but instead can be included with related information in other notes.

The application of Amendments to HKAS 1 has had no material impact on the disclosures or on the amounts recognised in the Group's condensed consolidated financial statements.

Amendments to HKAS 16 and HKAS 38 Classification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit the use of revenue-based depreciation methods for property, plant and equipment under HKAS 16. The amendments to HKAS 38 introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. This presumption can be rebutted only in the following limited circumstances:

- (i) when the intangible asset is expressed as a measure of revenue;
- (ii) when a high correlation between revenue and the consumption of the economic benefits of the intangible assets could be demonstrated.

As the Group uses straight-line method for depreciation of property, plant and equipment, the application of Amendments to HKAS 16 and HKAS 38 has had no material impact on the disclosures or on the amounts recognised in the Group's condensed consolidated financial statements.



4. Revenue, Other Income and Other Gains

Revenue 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 revenue, other income and other gains is as follows:

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Revenue		
Sales of goods	432,618	588,287
Other income and other gains		
Bank interest income	4,661	3,431
Government grants (note)	1,425	77
Sales of scrapped materials	5	17
Reversal of allowance for trade and other receivables	6,001	253
Sundry income	1,429	1,417
	13,521	5,195

Note: Included in the amount of government grants recognised during each of the periods ended 30 June 2016 and 2015 of approximately HK\$1,353,000 (unaudited) and HK\$nil (unaudited) 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 2016 and 2015, the government grants of approximately HK\$72,000 (unaudited) and HK\$77,000 (unaudited) were recognised as deferred income utilised during the periods respectively.

5. Segment Information

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. The directors of the Company have chosen to organise the Group around differences in product. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

5. Segment Information (continued)

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 2016 (unaudited)

	LED backlight HK\$'000	LED lighting HK\$'000	Total HK\$'000
REVENUE			
External sales	403,625	28,993	432,618
Segment profit	40,602	(3,947)	36,655
Unallocated income			6,151
Unallocated expenses			(34,537)
Finance costs			(12,252)
Loss before tax			(3,983)

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 assets and liabilities

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

Segment assets

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
LED backlight	849,831	890,146
LED lighting	120,787	211,613
Total segment assets	970,618	1,101,759
Unallocated assets	412,962	546,745
Consolidated total assets	1,383,580	1,648,504

Segment liabilities

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
LED backlight	528,996	618,115
LED lighting	65,634	86,161
Total segment liabilities	594,630	704,276
Unallocated liabilities	191,766	367,790
Consolidated total liabilities	786,396	1,072,066

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 2016 (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 [#]	4,796	220	-	5,016
Amortisation of prepaid lease payments	-	190	268	458
Depreciation of property, plant and equipment	19,781	2,295	-	22,076
Impairment loss on trade and other receivables	3,320	7,339	-	10,659
Impairment loss on inventories	2,502	2,411	-	4,913
Net loss on disposal of property, plant and equipment	22	5	-	27
Reversal of allowance for inventories	(3,057)	(701)	-	(3,758)
Reversal of allowance for trade and other receivables	(4,871)	(1,130)	-	(6,001)
Amounts regularly provided to the Chief Executive Officer but not included in the measure of segment profit or loss or segment assets:				
Interest income	-	-	(4,661)	(4,661)
Finance costs	-	-	12,252	12,252
Income tax credit	2,992	190	-	3,182

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



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
Impairment loss on 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)

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	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
LED backlight		
– Small dimension	282,205	466,544
– Medium dimension	55,419	44,296
– Large dimension	66,001	44,911
Sub-total	403,625	555,751
LED lighting		
– Indoor lighting	12,050	16,798
– Outdoor lighting	16,943	15,738
Sub-total	28,993	32,536
Total	432,618	588,287

Analysis by application of products

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
LED backlight		
– Smartphone	164,855	333,916
– Automobile displays	97,558	102,967
– Equipment displays	71,673	73,408
– Televisions	69,539	45,460
Sub-total	403,625	555,751
LED lighting		
– Public lighting	18,846	16,899
– Commercial lighting	10,147	15,637
Sub-total	28,993	32,536
Total	432,618	588,287



5. Segment Information (continued)

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	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
The PRC	396,425	527,145
Hong Kong	10,567	45,722
Others	25,626	15,420
	432,618	588,287

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

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
	Hong Kong	527
The PRC	300,428	324,078
	300,955	324,779

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	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Customer A**	90,288	262,019
Customer B**	126,315	N/A*

* 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	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Interest expenses on:		
– bank borrowings wholly repayable within five years	11,996	17,054
– corporate bond	47	–
– finance leases	209	168
	12,252	17,222

7. Income Tax (Credit) Expense

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

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
PRC Enterprise Income tax		
– Current period	856	8,546
– Over-provision in prior year	(4,038)	–
Total income tax (credit) expense for the period	(3,182)	8,546

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 2016 and 2015.

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 2016 and 2015.

Pursuant to the relevant laws and regulation in the PRC, the Group’s subsidiaries, Wai Chi Opto Technology (Shenzhen) Limited* (偉志光電(深圳)有限公司) and Huizhou Wai Chi Electronics Company Limited* (惠州偉志電子有限公司), was accredited as a high-tech enterprise. They are entitled to the preferential tax rate of 15% for both of the six months ended 30 June 2016 and 2015.

* For translation purpose only



8. (Loss) Profit for the Period

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
(Loss) profit for the period has been arrived at after charging:		
Salaries and allowances (excluding directors' emoluments)	94,669	126,735
Retirement benefit scheme contributions (excluding directors)	6,418	5,619
Total staff costs	101,087	132,354
Amortisation of prepaid lease payments	458	487
Amounts of inventories recognised as expenses	355,860	435,939
Depreciation of property, plant and equipment	22,076	19,146
Impairment loss on inventories (included in cost of sales)	4,913	266
Net loss on disposal of property, plant and equipment	27	245
Impairment loss on trade and other receivables	10,659	6,360
Operating lease payment on premises	3,621	3,815

9. Dividends

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Interim dividend declared and paid after the interim period of HK\$nil cent per share (2015: HK\$2 cents per share)	-	4,000

10. (Loss) Earnings Per Share

	Six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
(Loss)/earnings		
(Loss) earnings for the purpose of basic earnings per share	(801)	36,130
Number of shares hold		
Weighted average number of ordinary shares for the purpose of basic earnings per share (Note)	205,176,923	200,000,000
Basic (loss) earnings per share (HK cents per share)	(0.39)	18

Notes:

Diluted (loss) earnings per share was the same as the basic (loss) earnings per share as there were no dilutive potential ordinary shares outstanding during the six months ended 30 June 2016 and 2015.

11. Property, Plant and Equipment

During the six months ended 30 June 2016, the Group acquired items of property, plant and equipment with a cost of approximately HK\$5,016,000 (unaudited) (six months ended 30 June 2015 (unaudited): approximately HK\$31,229,000) for the expansion of production facilities. Items of property, plant and equipment with a carrying amount of approximately HK\$27,000 (unaudited) were disposed of during the six months ended 30 June 2016 (six months ended 30 June 2015 (unaudited): approximately HK\$324,000), with approximately HK\$27,000 (unaudited) loss on disposal (six months ended 30 June 2015 (unaudited): approximately HK\$245,000).



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 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Current assets	967	967
Non-current assets	37,980	39,364
	38,947	40,331

As at 30 June 2016, leasehold land with carrying values of approximately HK\$21,973,000 (unaudited) (31 December 2015 (audited): approximately HK\$22,685,000) have been pledged to secure banking facilities granted to the Group.

13. Trade and Bills Receivables

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Trade receivables	351,398	371,831
Less: Impairment	(30,824)	(24,600)
	320,574	347,231
Bills receivables	124,996	206,399
	445,570	553,630

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 2016, trade receivables with carrying amount of approximately HK\$99,433,000 (unaudited) (31 December 2015 (audited): approximately HK\$123,832,000) have been pledged to secure banking facilities granted to the Group.

As at 30 June 2016, bills receivables with carrying amount of approximately HK\$18,570,000 (unaudited) (31 December 2015 (audited): approximately HK\$149,226,000) have been pledged to secure banking facilities granted to the Group.

13. Trade and Bills Receivables (continued)

The following is an aged 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 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
0 to 90 days	263,753	253,711
91 to 180 days	4,596	47,772
181 to 365 days	52,225	43,361
Over 365 days	–	2,387
	320,574	347,231

All the bills receivables are aged within 365 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 2016 carried interest at the prevailing market rate ranging from 0.001% to 0.35% per annum (unaudited) (31 December 2015 (audited): 0.048% to 0.057% per annum). The pledged deposits carried fixed interest rate ranging from 0.3% to 2.6% per annum (unaudited) (31 December 2015 (audited): 0.35% to 2.6% per annum) as at 30 June 2016.

Pledged bank deposits represented deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to approximately HK\$167,700,000 (unaudited) (31 December 2015 (audited): approximately HK\$225,710,000) as at 30 June 2016 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 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Trade payables (Note a)	166,183	183,936
Bills payables (Note b)	361,515	444,708
	527,698	628,644
Receipt in advance	2,325	3,142
Construction cost payables	742	1,467
Other payables	12,269	10,378
Accrued expenses	10,648	19,930
Value added tax payables	9,241	8,296
	35,225	43,213
	562,923	671,857

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 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
0 to 90 days	107,984	126,444
91 to 180 days	40,683	44,017
181 to 365 days	6,687	9,862
Over 365 days	10,829	3,613
	166,183	183,936

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 365 days.

16. Bank Borrowings

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Secured:		
Trust receipts loans (Note a)	14,440	15,693
Other bank loans (Note b)	122,796	267,403
	137,236	283,096
Unsecured:		
Other bank loans (Note c)	35,101	65,650
	172,337	348,746
Bank borrowings repayable:		
On demand or within one year	163,068	334,632
More than one year but not exceeding two years	5,140	7,946
More than two years but not exceeding five years	2,754	4,609
More than five years	1,375	1,559
	172,337	348,746
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)	(6,427)	(11,087)
Less: Amounts due within one year shown under current liabilities	(163,069)	(334,632)
Amount shown under current liabilities	(169,496)	(345,719)
Amount shown under non-current liabilities	2,841	3,027



16. Bank Borrowings (continued)

Notes:

- (a) As at 30 June 2016, trust receipts loan with carrying amounts of approximately HK\$14,440,000 (unaudited) (31 December 2015 (audited): approximately HK\$15,693,000) carried fixed rate of interest ranging from 3.38% to 3.40% (31 December 2015 (audited): 2.98%) per annum and was due within 3 months.
- (b) As at 30 June 2016, other bank loans (unaudited) with carrying amounts of approximately HK\$3,208,000 (31 December 2015 (audited): approximately HK\$98,883,000) bore interest at floating rates and due from one to ten years. The floating rate borrowings carried interest at Hong Kong Interbank Offered Rate ("HIBOR") plus 2.25% (31 December 2015 (audited): ranging from HIBOR plus 2.25% to the rate stipulated by the rate offered by the People's Bank of China ("PBOC rate") plus 0% – 0.0485% per annum) during the six months ended 30 June 2016.

As at 30 June 2016, other bank loans (unaudited) with carrying amounts of approximately HK\$81,903,000 (31 December 2015 (audited): approximately HK\$64,456,000) bore interest at fixed rate and due within 1 year. The fixed rate borrowings carried interest ranging from 5.2% to 5.78% (31 December 2015 (audited): Ranging from 5.2% to 7.0% per annum) during the six months ended 30 June 2016.

As at 30 June 2016, revolving loan with carrying amounts of HK\$10,100,000 (unaudited) (31 December 2015 (audited): approximately HK\$20,100,000) bore interest at floating rate and was due within 1 year. The floating rate borrowings carried interest at the Hong Kong dollars best lending rate ("HKD BLR") plus 1% (31 December 2015 (audited): HKD BLR plus 0.5%) per annum during the six months ended 30 June 2016.

As at 30 June 2016, machinery loans with initial principal amount of approximately HK\$33,700,000 (unaudited) (31 December 2015 (audited): approximately HK\$33,700,000) carried floating rate ranging from 1 month Hong Kong Interbank Offered Rate ("HIBOR") plus 3.25% per annum, repayable ranging from 36 to 60 instalments commenced from the day of draw down. The machinery loans are fully repayable by May 2017 to May 2019. As at 30 June 2016, principal amount of approximately HK\$15,885,000 (unaudited) (31 December 2015 (audited): approximately HK\$20,681,000) remain unsettled. The facilities contained a repayment on demand clause.

As at 31 December 2015 (audited), other bank loans with carrying amounts of approximately HK\$63,283,000 (30 June 2016 (unaudited): nil) bore interest at floating rate and due with in 1 year. The floating rate borrowings carried interest at HKD LIBOR plus 2.38% per annum (30 June 2016 (unaudited): nil) for the year ended 31 December 2015.

As at 30 June 2016, other bank loans (unaudited) with carrying amounts of approximately HK\$11,700,000 (31 December 2015 (audited): nil) bore interest at floating rate and due within 1 year. The floating rate borrowings carried interest at Loan Prime Rate ("LPR") plus 1.15% (31 December 2015 (audited): nil) during the six months ended 30 June 2016.

16. Bank Borrowings (continued)

Notes: (continued)

- (c) As at 30 June 2016, other bank loans with carrying amounts of approximately HK\$23,401,000 (unaudited) (31 December 2015 (audited): approximately HK\$65,650,000) bore interest at floating rate and was due within 1 year. The floating rate borrowings carried interest at LPR plus 1.15% (31 December 2015 (audited): ranging from the People's Bank of China ("PBOC rate") plus 0% to 1.7%) per annum during the six months ended 30 June 2016.

As at 30 June 2016, other bank loans with carrying amounts of approximately HK\$11,700,000 (unaudited) (31 December 2015 (audited): nil) bore interest at fixed rate and was due within 1 year. The fixed rate borrowings carried interest rate of 4.71% (31 December 2015 (audited): nil) per annum during the six months ended 30 June 2016.

- (d) The Group's bank borrowings at the end of each reporting period were secured or guaranteed by the followings:

- (i) As at 30 June 2016, secured banking facilities of the Group with outstanding balances of approximately HK\$58,240,000 (unaudited) (31 December 2015 (audited): approximately HK\$56,474,000) were secured by the assignment of life insurance policies covering Mr. Yiu Chi To, the Controlling Shareholder and Mr. Chen Chung Po, the Executive Director and Chief Executive Officer.

The above facilities were also secured by properties held by certain related companies in which either (i) Mr. Yiu Chi To is the common director; or (ii) Ms. Yiu Kwan Yu is the common director.

- (ii) As at 30 June 2016, secured banking facilities of the Group with outstanding balances of approximately HK\$46,802,000 (unaudited) (31 December 2015 (audited): approximately HK\$47,745,000) were secured by the shares of a subsidiary.

The above facilities were also guaranteed by Mr. Yiu Chi To.

- (iii) As at 30 June 2016, a bank loan of the Group with outstanding balances of approximately HK\$11,700,000 (unaudited) (31 December 2015 (audited): nil) were guaranteed by a related company, in which Ms. Yiu Kwan Yu is the common director.

- (iv) As at 30 June 2016, secured banking facilities of the Group with outstanding balances of approximately HK\$35,101,000 (unaudited) (31 December 2015 (audited): approximately HK\$8,355,000) were secured by the trade receivables of a subsidiary and the land of a related company, in which Mr. Yiu Chi To and Ms. Yiu Kwan Yu are the common directors.

- (v) As at 30 June 2016, secured banking facilities of the Group with outstanding balances of approximately HK\$3,210,000 (unaudited) (31 December 2015 (audited): approximately HK\$3,394,000) were secured by properties of a related company, in which Ms. Yiu Kwan Yu is the common director.



16. Bank Borrowings (continued)

Notes: (continued)

- (d) The Group's bank borrowings at the end of each reporting period were secured or guaranteed by the followings: (continued)
 - (vi) As at 30 June 2016, secured banking facilities of the Group with outstanding balances of approximately HK\$11,700,000 (unaudited) (31 December 2015 (audited): nil) were secured by the Group's bills receivables as set out in note 13 and the Group's pledged bank deposits as set out in note 14.
 - (vii) As at 31 December 2015, secured banking facilities of the Group with outstanding balances of approximately HK\$158,773,000 (audited) (30 June 2016 (unaudited): nil) were secured by land and properties of a subsidiary as set out in note 12.
 - (viii) As at 31 December 2015, secured banking facilities of the Group with outstanding balances of approximately HK\$8,355,000 (audited) (30 June 2016 (unaudited): nil) were secured by the Group's bills receivables as set out in note 13.
 - (ix) As at 31 December 2015, a bank loan of the Group with outstanding balances of approximately HK\$38,196,000 (audited) (30 June 2016 (unaudited): nil) were guaranteed by Mr. Yiu Chi To.

17. Corporate Bond

During the six months ended 30 June 2016, the Group issued a 7.5 year corporate bond with principal amount of HK\$2,000,000 to an independent third party, net of direct expenses of HK\$300,000, which will be due in September 2023. The corporate bond carried interest at a fixed rate of 8% per annum with interest payable annually in arrears. The corporate bond is unsecured. The effective interest rate of the corporate bond is approximately 11.05%.

18. Share Capital

	Number of shares		Share capital	
	30 June 2016	31 December 2015	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Authorised				
At 1 January (2016: HK\$0.01 each; 2015: US\$1 each)	1,000,000,000	1,000,000,000	10,000	10,000
At 30 June 2016/31 December 2015 (2016: HK\$0.01 each; 2015: HK\$0.01 each)	1,000,000,000	1,000,000,000	10,000	10,000
Issued and fully paid				
At 1 January (2016: HK\$0.01 each; 2015: HK\$0.01 each)	200,000,000	200,000,000	2,000	2,000
Issue of 16,825,000 new shares of HK\$0.01 at a price of HK\$2.00 each per placing share by way of placing in May 2016 (Note a)	16,825,000	–	168	–
At 30 June 2016/31 December 2015 (2016: HK\$0.01 each; 2015: HK\$0.01 each)	216,825,000	200,000,000	2,168	2,000

Notes:

- (a) On 6 May 2016, an aggregate of 16,825,000 new shares were placed and issued to not less than six places at a placing price of HK\$2.00 per share in accordance with the terms and conditions of the placing agreement entered into between the Company and Kingston Securities Limited and Grand Cartel Securities Company Limited, an independent third parties. The details were set out in the Company's announcement dated 14 April 2016.



19. 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 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Within one year	3,057	3,919
In the second to fifth year, inclusive	912	1,787
Over five years	203	138
	4,172	5,844

The Group leases certain of its factory premise offices under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to six and half (2015: one to three) years with fixed rentals as at 30 June 2016.

20. Related Party Transactions and Balances

In addition to the transactions detailed elsewhere in the consolidated condensed 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	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Salaries and other allowances	2,641	2,464
Retirement benefit scheme contributions	33	33
	2,674	2,497

20. Related Party Transactions and Balances (continued)

(b) *Other related parties transactions*

Name of company	Nature of transaction	Six months ended 30 June	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Maxtone Electronics Limited ("Maxtone")	Rental expenses	510	459

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

(c) *Other guarantees*

During the six months ended 30 June 2016 and 2015, the Company's obligations under a finance lease were guaranteed by a related company.