

IPE Group Limited

(Incorporated in the Cayman Islands with limited liability) (Stock Code: 929)

INTERIM REPORT 2018





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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zeng Guangsheng (*Chairman*)
Mr. Chui Siu On (*Chief Executive Officer*)
Mr. Lau Siu Chung
Ms. Chiu Tak Chun
Mr. Ng Hoi Ping

Non-executive Director

Ms. Zeng Jing

Independent Non-executive Directors

Dr. Cheng Ngok
Mr. Yang Rusheng
Mr. Cheung, Chun Yue Anthony

AUTHORISED REPRESENTATIVES

Mr. Chui Siu On
Mr. Tam Yiu Chung

COMPANY SECRETARY

Mr. Tam Yiu Chung

AUDIT COMMITTEE

Dr. Cheng Ngok (*Chairman*)
Mr. Yang Rusheng
Mr. Cheung, Chun Yue Anthony

REMUNERATION COMMITTEE

Dr. Cheng Ngok (*Chairman*)
Mr. Zeng Guangsheng
Mr. Chui Siu On
Mr. Yang Rusheng
Mr. Cheung, Chun Yue Anthony

NOMINATION COMMITTEE

Mr. Zeng Guangsheng (*Chairman*)
Mr. Chui Siu On
Dr. Cheng Ngok
Mr. Yang Rusheng
Mr. Cheung, Chun Yue Anthony

LEGAL ADVISERS TO THE COMPANY

Michael Li & Co

WEBSITE

<http://www.ipegroup.com>

REGISTERED OFFICE

P.O. Box 10008
Willow House
Cricket Square
Grand Cayman KY1-1001
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

11th Floor, Block E1, Hoi Bun Industrial Building
No. 6 Wing Yip Street, Kwun Tong, Kowloon, Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PRC

Shangwei Shahe Community, Yue Hu Cun
Zengcheng, Guangzhou
Guangdong Province, The PRC
Post code: 511335

PRINCIPAL PLACE OF BUSINESS IN THAILAND

99/1 Mu Phaholyothin Road, Sanubtueb
Wangnoi, Ayutthaya 13170, Thailand

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East, Hong Kong

PRINCIPAL BANKERS

Bangkok Bank
United Overseas Bank Limited

AUDITORS

KPMG
Certified Public Accountants

STOCK CODE

929

LISTING VENUE

Main Board of The Stock Exchange
of Hong Kong Limited

CORPORATE PROFILE

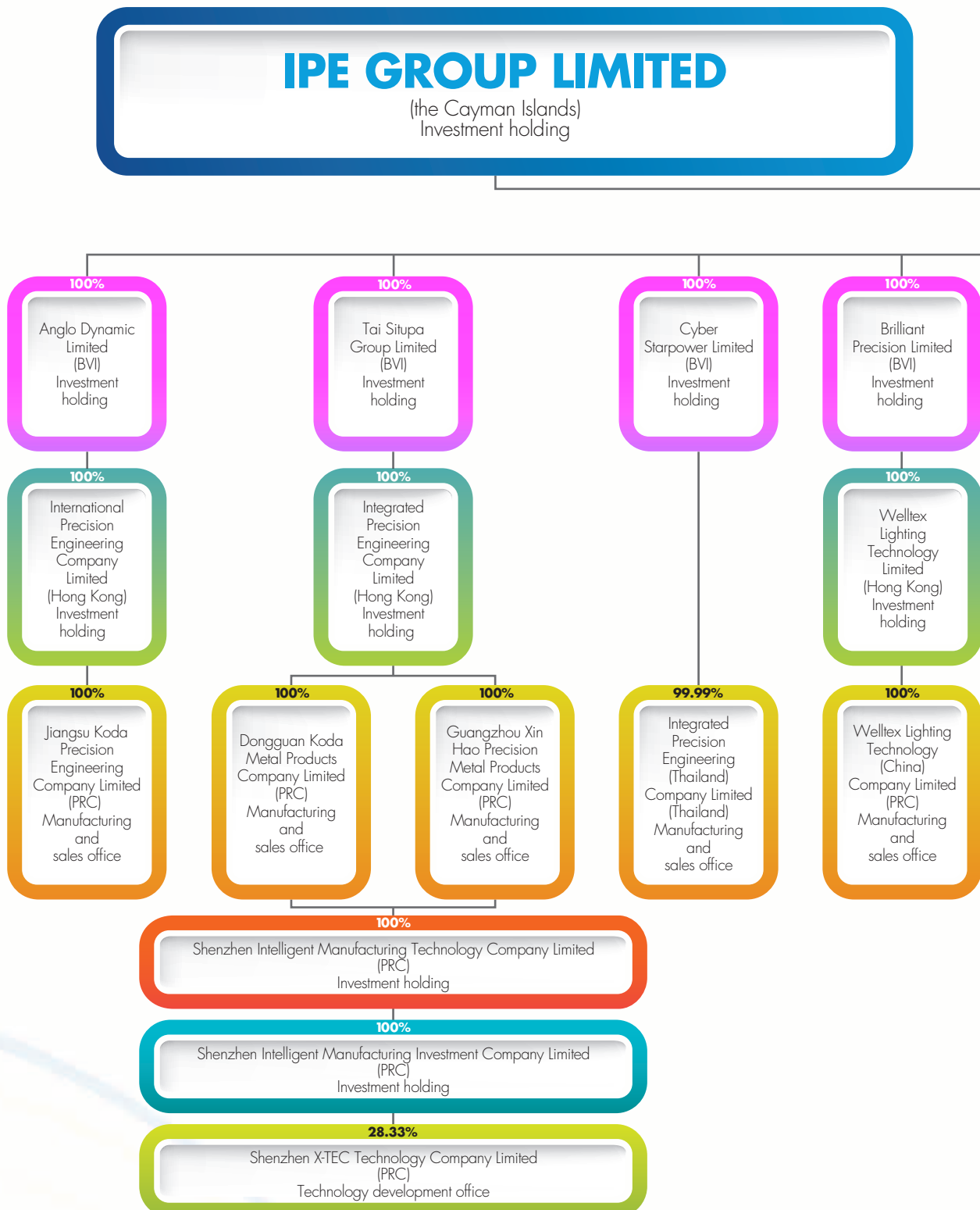
IPE Group Limited (the “Company” or “IPE Group”) was incorporated in the Cayman Islands as an exempted company with limited liability on 10 July 2002. The Company is an investment holding company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in the manufacture and sale of high precision metal components.

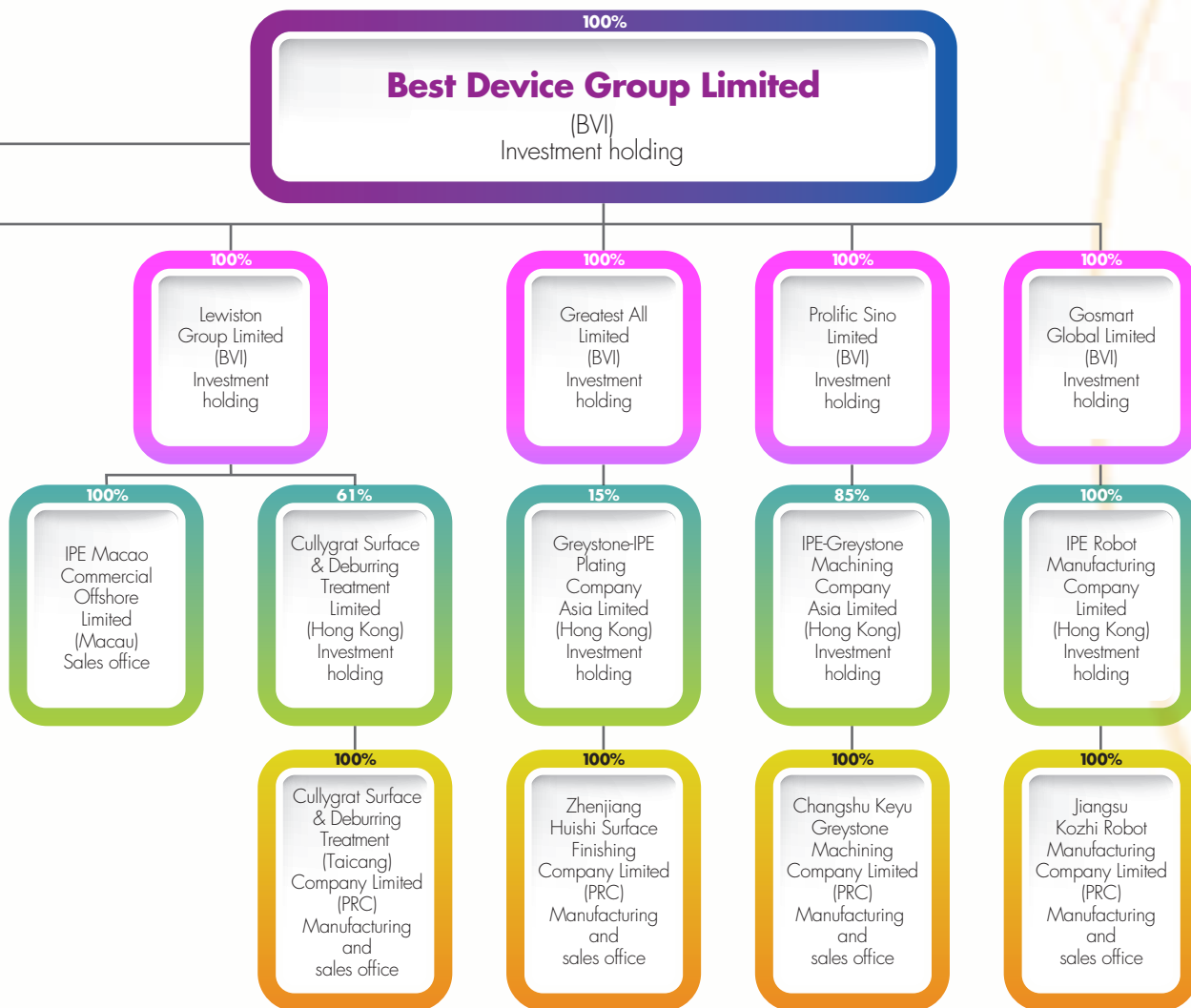
The Group started its high precision components business in 1990 in Singapore and now produces high precision metal components and assembled parts used in automotive parts, hydraulic equipment, hard disk drives (“HDD”), electronic and other devices.

The Group’s highly valued customers are top-tier multinational corporations in the information technology, fluid power, automotive and electronic sectors where optimal precision is vital. Apart from supplying high volume precision components according to customer specifications, we are providing solutions to our global partners and working very closely with them in implementing new projects. Such projects typically take longer time to come to fruition as they involve development of many metal and plastic parts, and electronic circuits and the necessary know-how in final assembly and testing of the assembled device before shipment to the end customers can take place. The Group has developed a team of high caliber engineers which are able to provide solutions to our global partners.

GROUP STRUCTURE

Principal subsidiaries and associate of the Company as at 30 June 2018





CORPORATE MILESTONE

2017

Success setup a Graduate School-Enterprise Education Partnership Base with Graduate School at Shenzhen, Tsinghua University

2015

Success developed own brandname robots

2014

Jiangsu Koda completed construction of Phase 1 of the development of our Changshu site which provided 40,000m² of production area

2011

Established Jiangsu Koda in Jiangsu Province, The PRC, purchased 166,631m² of land in Changshu

2010

Guangzhou Xin Hao was accredited AS9100 certification — aerospace certification

2006

Guangzhou Xin Hao was accredited TS16949 certification — automotive certification

2004

Listed on the Main Board of The Stock Exchange of Hong Kong Limited on 1 November 2004

2002

Established Guangzhou Xin Hao in Guangdong Province, The PRC

1997

Established IPE (Thailand) in Thailand

1994

Established IPE (Hong Kong) in Hong Kong
Established Dongguan Koda in Guangdong Province, The PRC

1990

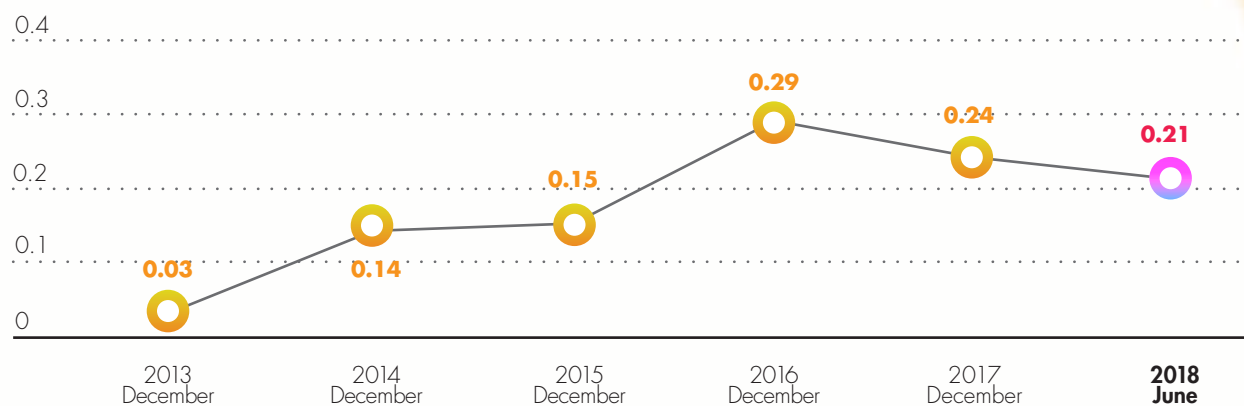
Established IPE (Singapore) in Singapore

FINANCIAL HIGHLIGHTS

RATIO ANALYSIS

	30 June 2018	Year ended 31 December				
		2017	2016	2015	2014	2013
KEY STATISTICS:						
Current ratio	2.38	3.30	3.48	2.02	2.10	2.41
Net cash to equity ratio	0.21	0.24	0.29	0.15	0.14	0.03
Dividend payout ratio	20.8%	34.9%	43.0%	40.6%	49.0%	–
Gross profit margin	31.3%	34.4%	30.8%	27.9%	28.0%	18.7%
Net profit margin	9.4%	12.2%	12.9%	9.8%	9.6%	0.3%
Average days of debtor turnover	104 days	94 days	93 days	101 days	94 days	91 days
Average days of inventory turnover	136 days	122 days	126 days	135 days	116 days	119 days
PER SHARE DATA (HK\$):						
Net asset value per share	1.63	1.62	1.42	1.55	1.60	1.58
Cash per share	0.80	0.87	0.91	0.75	0.81	0.83

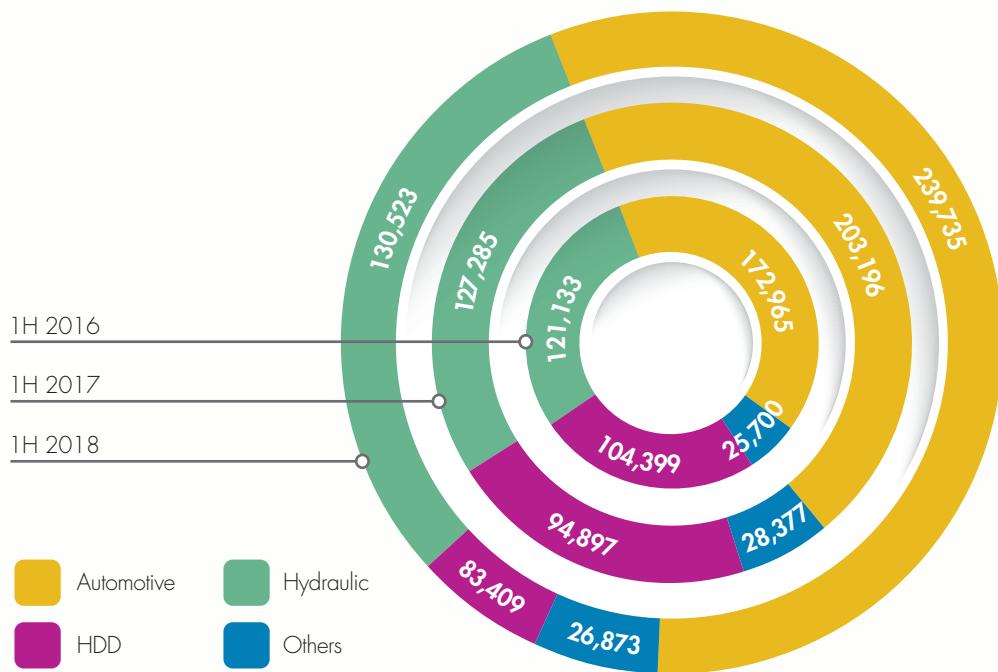
NET CASH TO EQUITY RATIO



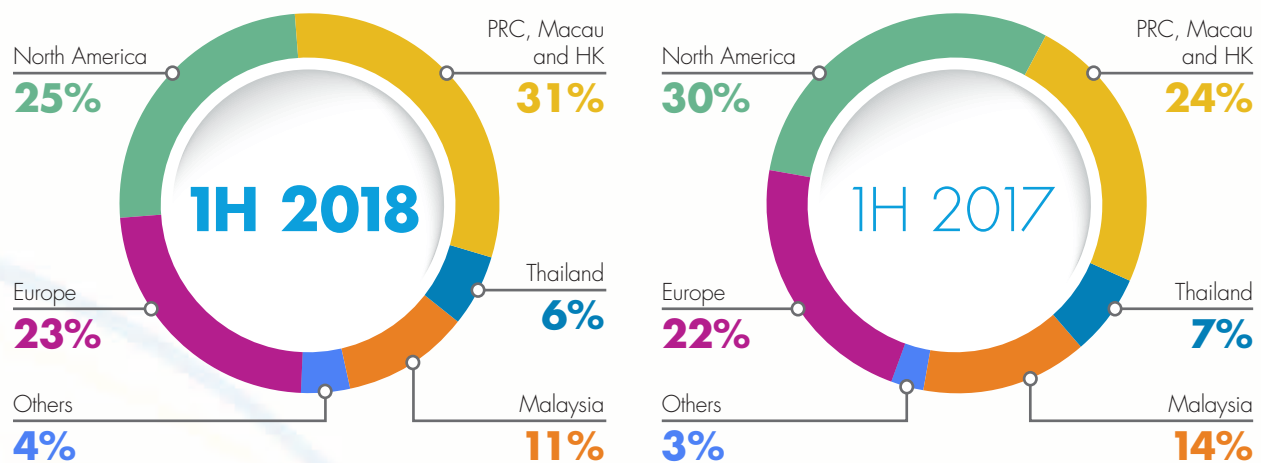
FINANCIAL HIGHLIGHTS

BUSINESS SEGMENTS

(HK\$'000)

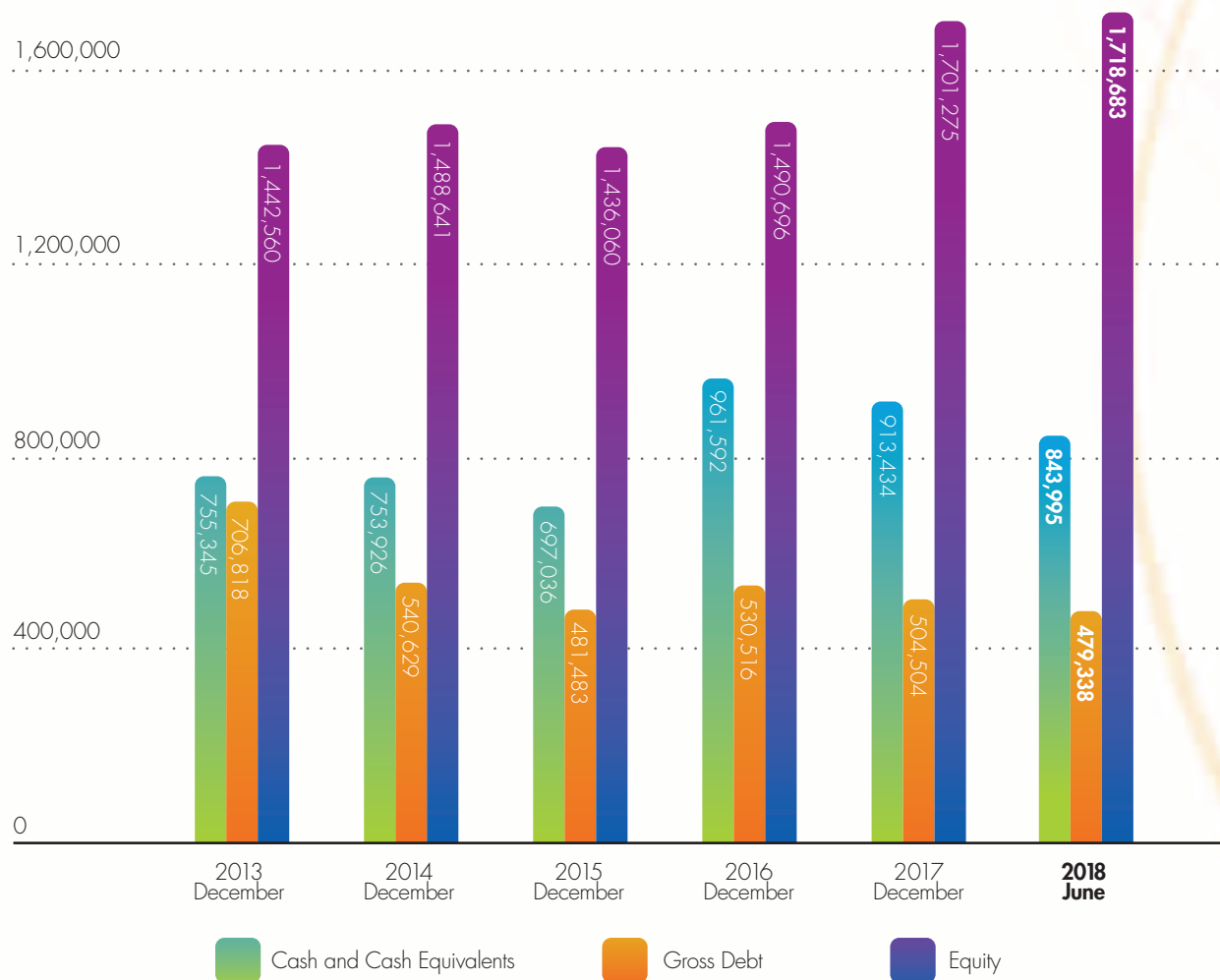


GEOGRAPHICAL COMBINATION



FINANCIAL HIGHLIGHTS

CASH AND CASH EQUIVALENTS, GROSS DEBT AND EQUITY (HK\$'000)



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Driven by the growth of automotive components and hydraulic equipment components, the Group's revenue in the first half of 2018 increased by 5.9% to HK\$480,540,000 (as of the first half of 2017: HK\$453,755,000).

However, the Group's production lines are mainly located in China while the exchange rate of Renminbi stayed at a high position at the beginning of this year, lead to a rise in the Group's production cost. Consequently, the Group's unaudited net profit for the six months ended 30 June 2018 was HK\$45,283,000 as compared to that of HK\$67,842,000 for the same period in 2017, representing a drop of 33.3%.

The Group's turnover by business segments during the interim period is shown below:

	1H 2018		1H 2017		
	HK\$'000	%	HK\$'000	%	% Change
Automotive components	239,735	49.9	203,196	44.8	+18.0
Hydraulic equipment components	130,523	27.2	127,285	28.0	+2.5
HDD components	83,409	17.4	94,897	20.9	-12.1
Others	26,873	5.5	28,377	6.3	-5.3
	480,540	100.0	453,755	100.0	+5.9

Sales of automotive components, the principle business of the Group, accounted for 49.9% of the overall sales as compared to 44.8% for the first half of last year. The Group recorded sales of HK\$239,735,000 in the first half of 2018, an increase of 18.0% over the sales of HK\$203,196,000 in the first half of 2017.

Driven by the recovery of the overall hydraulic equipment market, sales of hydraulic equipment components achieved a sales volume of HK\$130,523,000 in the first half of 2018, an increase of HK\$3,238,000 or 2.5% from the sales of HK\$127,285,000 in the first half of last year.

In respect of the HDD components business, during the first half of this year, sales of our HDD components amounted to HK\$83,409,000 with a decline of HK\$11,488,000 or 12.1% as compared with sales in the first half of 2017.

For the six months ended 30 June 2018, sales of other precision components amounted to HK\$26,873,000, a decrease of HK\$1,504,000 or 5.3% as compared with sales in the same period of 2017.

FINANCIAL REVIEW

The Group mainly provides high precision components to the top-tier multi-national customers. Therefore, the sales business is export-oriented and the income is settled in US dollars. However, the Group's production base is concentrated in China. In light of a rising momentum of Renminbi, the cost incurred in China increased upon settlement. In addition, for the purpose of stable production capacity, the salary of employees is adjusted, thus affecting the profit of the Group. The gross profit as of 30 June 2018 was HK\$150,260,000 and the gross profit margin was 31.3%, compared with the gross profit of HK\$158,734,000 for the same period in 2017, while the gross profit margin was 35.0%, a drop of 3.7 percentage points.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

In addition, selling and distribution expenses amounted to HK\$13,966,000 in the first half of 2018, accounting for 2.9% of the Group's turnover, representing an increase of HK\$2,439,000 compared to the same period in 2017. The increase was mainly due to the increase in sales revenue. Besides, adjustments on salary and increments of headcounts also led to an increase in such expenses.

For the first half of 2018, the Group's administrative expenses amounted to HK\$69,588,000, representing an increase of HK\$14,890,000 over the same period in 2017. The increase was mainly due to an increase in share option expenses of HK\$9,734,000 and the increase in salaries and allowances of HK\$5,641,000.

The finance costs of the first half of 2018 was HK\$8,657,000 as compared to that of HK\$6,900,000 for the same period in 2017, representing an increase of HK\$1,757,000. Although the bank loan balance decreased from HK\$504,504,000 as at 31 December 2017 to HK\$479,338,000 as at 30 June 2018, overall finance costs increased as the cost of borrowings rose in a faster pace.

For the six months ended 30 June 2018, the Group's unaudited net profit amounted to HK\$45,283,000, representing a decrease of HK\$22,559,000 or 33.3% when compared with the unaudited net profit of HK\$67,842,000 for the same period in 2017.

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2018, the Group had total borrowings of HK\$479,338,000 (31 December 2017: HK\$504,504,000) secured by corporate guarantee made by the Company. The Group had no charges on any of its assets for its banking facilities as at 30 June 2018 (31 December 2017: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND FINANCIAL RATIOS

The Group generally finances its operations with internally generated cash flow as well as banking facilities provided by its bankers. As at 30 June 2018, cash per share was HK\$0.80 (31 December 2017: HK\$0.87) and net asset value per share was HK\$1.63 (31 December 2017: HK\$1.62), based on the 1,052,254,135 ordinary shares in issue (31 December 2017: 1,052,254,135 ordinary shares). During the period under review, the Group recorded a net cash inflow from operating activities of HK\$70,422,000 (2017: HK\$58,578,000). With the purchase of property, plant and equipment of HK\$84,626,000, the Group recorded a net cash outflow in investing activities of HK\$84,024,000 (2017: net cash outflow of HK\$47,716,000).

The total bank borrowings as at 30 June 2018 decreased to HK\$479,338,000 (31 December 2017: HK\$504,504,000). The Group is in a net cash position (cash and bank balances less total bank borrowings) of HK\$364,657,000 as at 30 June 2018 (31 December 2017: HK\$408,930,000).

CURRENCY EXPOSURE AND MANAGEMENT

The Group is exposed to fluctuations in foreign exchange rates. Since most of the Group's revenue is denominated in US dollars, whereas most of the Group's expenses, such as costs of major raw materials, machineries and production expenses, are denominated in Japanese Yen, Renminbi, Thai Baht and Hong Kong dollars, fluctuations in exchange rates can materially affect the Group; in particular, the fluctuation of Renminbi will adversely affect the Group's profitability. The management is aware of the possible exchange rate exposure due to the continuing fluctuation of Renminbi and will closely monitor its impact on the performance of the Group and consider appropriate hedging measures in the future when necessary.

MANAGEMENT DISCUSSION AND ANALYSIS

HUMAN RESOURCES

As at 30 June 2018, the Group had 2,565 employees, an increase of 236 employees when compared to 2,329 employees as at 31 December 2017.

The Group has a share option scheme in place for selected participants as incentive and reward for their contribution to the Group. A mandatory provident fund scheme and local retirement benefit schemes are also in effect.

The Group encourages employees to seek training to strengthen their work skills and for personal development. The Group also provides workshops for staff at different levels to enhance their knowledge of work safety and to build team spirit. Staff are rewarded based on performance of the Group as well as on individual performance and contribution.

PROSPECT

The Group expects that its automotive components business will remain the major contributor in its sales volume, and the Group will actively explore quality high-ended customers to stick to its long-term development plans. In recent years, the automotive components business experienced a growth in its purchase orders. Although the Group has invested more resources in the automotive components business, the Group still attaches great importance to the hydraulic equipment components business in order to achieve a balanced development of our business. With the development of the hydraulic equipment components business in the past years, the Group still achieved stable sales under the fierce market competition. Moreover, in light of a recovery trend of the market, it is expected that the hydraulic equipment components business will develop in a steady manner.

In the recent Sino-US trade war, since the Company's automotive components and hydraulic equipment components are mainly produced in China while the major customers are top-tier multi-national companies and the products are sold to Europe and the United States, under the impact of a tariff imposed by the United States, purchase orders for our business are inevitably subject to a certain extent of fluctuations. However, so far only few products of the Company's automotive components and hydraulic equipment components fall into the categories involving tariffs. The Group has been recognized as a quality supplier by our customers in the past. At this stage, the customers also expressed their willingness to discuss with the Group about how to share the tariffs in the future, seek solutions and reduce the impact of tariffs.

Recently, many officials and experts anticipated that the Sino-US trade war is unlikely to end in the foreseeable future. Therefore, the Group is cautious about such trade war while identifying other feasible ways to mitigate its impacts.

Although the sales of HDD components decreased in the first half of 2018 as compared to the same period in 2017, purchase orders in the second half of 2018 were still able to maintain the current level and the HDD components business was not under the direct impact of the Sino-US trade war. Therefore, no sharp reduction in sales volume is expected in the short term. The Group also continued to carry out resource reallocation for production to minimize the impact of dropping sales of HDD components.

Finally, as catering to the needs of the Group's production is still the primary goal of developing the robot business, the Group carried out automation and optimization of its production process to strengthen its production capacity. Once the suitable opportunity emerges, external sales will be made after consolidating the foundation of such business, with a hope to diversify the Group's business portfolio.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Six months ended 30 June	
		2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
REVENUE	4&5	480,540	453,755
Cost of sales		(330,280)	(295,021)
Gross profit		150,260	158,734
Other income and gains	5	6,760	3,481
Selling and distribution expenses		(13,966)	(11,527)
Administrative expenses		(69,588)	(54,698)
Other expenses		(12,795)	(12,296)
Finance costs	6	(8,657)	(6,900)
Share of loss from an associate		(659)	–
PROFIT BEFORE TAX	7	51,355	76,794
Income tax expense	8	(6,072)	(8,952)
PROFIT FOR THE PERIOD		45,283	67,842
Attributable to:			
Owners of the Company		45,618	68,014
Non-controlling interests		(335)	(172)
		45,283	67,842
EARNINGS PER SHARE	9		
Basic		HK4.3 cents	HK6.5 cents
Diluted		N/A	N/A
INTERIM DIVIDEND PER SHARE	10	HK0.9 cent	HK2.2 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Profit for the period	45,283	67,842
Other comprehensive (loss)/income:		
Exchange differences on translation of foreign operations	(22,799)	60,887
Total comprehensive income for the period	22,484	128,729
Attributable to:		
Owners of the Company	22,784	128,820
Non-controlling interests	(300)	(91)
	22,484	128,729

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 30 June 2018 (Unaudited) HK\$'000	At 31 December 2017 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	798,524	775,257
Prepaid land lease payments		80,938	83,101
Investment in an associate		2,173	2,844
Deposits for purchase of non-current assets		10,954	16,414
Deferred tax assets		5,387	5,427
Total non-current assets		897,976	883,043
CURRENT ASSETS			
Inventories	12	264,928	227,809
Trade receivables	13	281,227	266,630
Prepayments, deposits and other receivables		43,776	40,106
Cash and cash equivalents		843,995	913,434
Total current assets		1,433,926	1,447,979
CURRENT LIABILITIES			
Trade and bills payables	14	73,049	60,672
Other payables and accruals		46,098	46,944
Tax payable		3,397	6,232
Interest-bearing bank and other borrowings	16	479,338	325,129
Total current liabilities		601,882	438,977
NET CURRENT ASSETS		832,044	1,009,002
TOTAL ASSETS LESS CURRENT LIABILITIES		1,730,020	1,892,045

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 30 June 2018 (Unaudited) HK\$'000	At 31 December 2017 (Audited) HK\$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	16	–	179,375
Deferred tax liabilities		10,061	10,101
Other payables and accruals		1,276	1,294
Total non-current liabilities		11,337	190,770
Net assets		1,718,683	1,701,275
EQUITY			
Equity attributable to owners of the Company			
Issued capital	15	105,225	105,225
Reserves		1,612,364	1,594,656
		1,717,589	1,699,881
Non-controlling interests		1,094	1,394
Total equity		1,718,683	1,701,275

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Net cash flows from operating activities	70,422	58,578
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(84,626)	(41,793)
Proceeds from disposal of items of property, plant and equipment	602	3,856
Investment in an unlisted equity investment	–	(9,779)
Net cash flows used in investing activities	(84,024)	(47,716)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans and other borrowings	210,665	268,599
Repayment of bank loans and other borrowings	(236,602)	(179,825)
Dividends paid to the shareholders of the Company	(16,836)	(26,306)
Net cash flows (used in)/from financing activities	(42,773)	62,468
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(56,375)	73,330
Cash and cash equivalents at beginning of period	913,434	961,592
Effect of foreign exchange rate changes, net	(13,064)	34,178
CASH AND CASH EQUIVALENTS AT END OF PERIOD	843,995	1,069,100
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	689,399	830,175
Non-pledged time deposits with original maturity of less than three months when acquired	154,596	238,925
Cash and cash equivalents as stated in the consolidated statement of financial position	843,995	1,069,100

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Unaudited)	Attributable to owners of the Company											
	Issued capital	Share premium account	Contributed surplus	Statutory surplus reserve	Statutory public welfare fund	Capital redemption reserve	Share options reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2018	105,225	489,197	(1,116)	45,718	287	7,905	13,720	177,874	861,071	1,699,881	1,394	1,701,275
Profit for the period	-	-	-	92	-	-	-	-	45,526	45,618	(335)	45,283
Other comprehensive expenses for the period: Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(22,834)	-	(22,834)	35	(22,799)
Total comprehensive income for the period	-	-	-	92	-	-	-	(22,834)	45,526	22,784	(300)	22,484
Equity-settled share option	-	-	-	-	-	-	11,760	-	-	11,760	-	11,760
Final 2017 dividend declared	-	-	-	-	-	-	-	-	(16,836)	(16,836)	-	(16,836)
At 30 June 2018	105,225	489,197*	(1,116)*	45,810*	287*	7,905*	25,480*	155,040*	889,761*	1,717,589	1,094	1,718,683
At 1 January 2017	105,225	489,197	(1,116)	42,682	287	7,905	8,452	45,719	790,303	1,488,654	2,042	1,490,696
Profit for the period	-	-	-	-	-	-	-	-	68,014	68,014	(172)	67,842
Other comprehensive income for the period: Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	60,806	-	60,806	81	60,887
Total comprehensive income for the period	-	-	-	-	-	-	-	60,806	68,014	128,820	(91)	128,729
Cancellation of share option arrangement	-	-	-	-	-	-	(8,452)	-	8,452	-	-	-
Equity-settled share option	-	-	-	-	-	-	2,026	-	-	2,026	-	2,026
Final 2016 dividend declared	-	-	-	-	-	-	-	-	(26,306)	(26,306)	-	(26,306)
At 30 June 2017	105,225	489,197*	(1,116)*	42,682*	287*	7,905*	2,026*	106,525*	840,463*	1,593,194	1,951	1,595,145

* These reserve accounts comprise the consolidated reserves of HK\$1,612,364,000 (30 June 2017: HK\$1,487,969,000) in the condensed consolidated statement of financial position.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2018

1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 10 July 2002 under the Companies Law of Cayman Islands. Its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 1 November 2004.

The principal activities of the Group are the manufacture and sale of precision metal components for automotive parts, hydraulic equipment components, hard disk drives ("HDD") and components for other applications.

2. BASIS OF PREPARATION

These unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standards 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). They have been prepared under the historical cost convention, except for derivative financial instruments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest thousand except when otherwise indicated.

3. PRINCIPAL ACCOUNTING POLICIES

The accounting policies applied in the unaudited condensed consolidated financial statements are consistent with those applied in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the group. Of these, the following developments are relevant to the group's financial statements:

- HKFRS 9, Financial instruments
- HKFRS 15, Revenue from contracts with customers
- HK(IFRIC)-int 22, Foreign currency transactions and advance consideration

None of these developments has had a material effect on how the group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The group has not applied any new standard or interpretation that is not yet effective for the current accounting period except for the amendments to HKFRS 9, Prepayment features with negative compensation which have been adopted at the same time as HKFRS 9.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2018

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on the geographical locations of the customers and has six reportable operating segments as follows: (1) Thailand; (2) Malaysia; (3) Mainland China, Macau and Hong Kong; (4) North America; (5) Europe; and (6) Other countries.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment result is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax from continuing operations except that interest income and finance costs are excluded from such measurement.

Inter-segment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

	Six months ended 30 June 2018 (Unaudited)						Total HK\$'000
	Thailand HK\$'000	Malaysia HK\$'000	Mainland China, Macau and Hong Kong HK\$'000	North America HK\$'000	Europe HK\$'000	Other countries HK\$'000	
Segment revenue:							
Sales to external customers	30,357	53,314	149,271	122,352	108,875	16,371	480,540
Inter-segment sales	8,043	-	-	-	-	-	8,043
Other revenue	69	-	4,118	-	-	-	4,187
	38,469	53,314	153,389	122,352	108,875	16,371	492,770
Reconciliation:							
Elimination at inter-segment sales							(8,043)
Revenue							484,727
Segment results	6,449	6,138	16,526	14,411	13,014	1,943	58,481
Reconciliation:							
Elimination at inter-segment results							(1,042)
Interest income							2,573
Finance costs							(8,657)
Profit before tax							51,355
Income tax expense							(6,072)
Profit for the period							45,283

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2018

4. OPERATING SEGMENT INFORMATION (Continued)

	Six months ended 30 June 2017 (Unaudited)						Total HK\$'000
	Thailand HK\$'000	Malaysia HK\$'000	Mainland China, Macau and Hong Kong HK\$'000	North America HK\$'000	Europe HK\$'000	Other countries HK\$'000	
Segment revenue:							
Sales to external customers	31,417	63,303	106,949	137,240	98,812	16,034	453,755
Inter-segment sales	1,601	-	-	-	-	-	1,601
Other revenue	69	-	1,619	-	-	-	1,688
	33,087	63,303	108,568	137,240	98,812	16,034	457,044
Reconciliation:							
Elimination at inter-segment sales							(1,601)
Revenue							455,443
Segment results	7,416	11,043	18,657	24,314	17,712	2,802	81,944
Reconciliation:							
Elimination at inter-segment results							(43)
Interest income							1,793
Finance costs							(6,900)
Profit before tax							76,794
Income tax expense							(8,952)
Profit for the period							67,842

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2018

5. REVENUE AND OTHER INCOME AND GAINS

Revenue, represents the net invoiced value of goods sold, after allowances for returns and trade discounts during the period.

An analysis of the Group's revenue and other income and gains is as follows:

	Six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Revenue		
Sale of goods and materials	480,540	453,755
Other income		
Bank interest income	2,573	1,793
Reversal of impairment of trade receivable	–	415
Others	807	1,273
	3,380	3,481
Gains		
Foreign exchange differences, net	3,380	–
	6,760	3,481

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Interest on bank loans and overdrafts wholly repayable within five years	7,715	5,958
Financial arrangement fees	942	942
	8,657	6,900

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2018

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Cost of inventories sold	330,280	295,021
Depreciation	63,271	54,882
Amortization of land lease payments	1,120	1,032
Equity-settled share option expenses	11,760	2,026
Auditors' remuneration	1,448	1,510
Foreign exchange differences, net	(3,380)	7,477
Loss on disposal of items of property, plant and equipment	903	497
Provision against inventory obsolescence	4,404	–
Impairment of trade receivables	3	–

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (16.5% for the six months ended 30 June 2017) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	Six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Current	6,132	8,692
Deferred	(60)	260
Total tax charge for the period	6,072	8,952

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2018

9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the period attributable to owners of the Company, and the weighted average number of ordinary shares in issue during the period.

The calculation of diluted earnings per share for the six months ended 30 June 2018 is based on the profit attributable to owners of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all the dilutive potential ordinary shares into ordinary shares.

The calculation of basic and diluted earnings per share are based on:

	Six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Earnings		
Profit attributable to owners of the Company used in the basic earnings per share calculation	45,618	68,014
	Number of shares (in thousands)	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	1,052,254	1,052,254
Effect of dilution — weighted average number of ordinary shares:		
Share options	—	—
	1,052,254	1,052,254

10. INTERIM DIVIDEND

	Six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Interim dividend — HK0.9 cent per ordinary share (2017: HK2.2 cents)	9,470	23,150

At the Board meeting held on 27 August 2018, the Board declared an interim dividend of HK0.9 cent per ordinary share (2017: HK2.2 cents).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2018

11. PROPERTY, PLANT AND EQUIPMENT

Unaudited	Land and buildings HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
Cost:							
At 1 January 2018	678,647	16,366	1,556,868	80,260	23,049	43,567	2,398,757
Additions	70,661	712	16,317	1,921	167	6,836	96,614
Disposals	-	-	-	(221)	(2,098)	-	(2,319)
Exchange realignment	(8,826)	(218)	(19,529)	(1,104)	(208)	(837)	(30,722)
At 30 June 2018	740,482	16,860	1,553,656	80,856	20,910	49,566	2,462,330
Accumulated depreciation:							
At 1 January 2018	(265,659)	(8,549)	(1,271,248)	(61,760)	(16,284)	-	(1,623,500)
Depreciation provided during the period	(19,228)	(1,445)	(38,330)	(3,414)	(854)	-	(63,271)
Disposals - accumulated depreciation	-	-	-	215	599	-	814
Exchange realignment	4,177	144	16,726	925	179	-	22,151
At 30 June 2018	(280,710)	(9,850)	(1,292,852)	(64,034)	(16,360)	-	(1,663,806)
At 30 June 2018	740,482	16,860	1,553,656	80,856	20,910	49,566	2,462,330
Cost	740,482	16,860	1,553,656	80,856	20,910	49,566	2,462,330
Accumulated depreciation	(280,710)	(9,850)	(1,292,852)	(64,034)	(16,360)	-	(1,663,806)
Net carrying amount	459,772	7,010	260,804	16,822	4,550	49,566	798,524
At 31 December 2017	678,647	16,366	1,556,868	80,260	23,049	43,567	2,398,757
Cost	678,647	16,366	1,556,868	80,260	23,049	43,567	2,398,757
Accumulated depreciation	(265,659)	(8,549)	(1,271,248)	(61,760)	(16,284)	-	(1,623,500)
Net carrying amount	412,988	7,817	285,620	18,500	6,765	43,567	775,257

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2018

12. INVENTORIES

	At 30 June 2018 (Unaudited) HK\$'000	At 31 December 2017 (Audited) HK\$'000
Raw materials	74,497	82,287
Consumables	46,906	45,383
Work in progress	83,292	65,805
Finished goods	118,000	87,697
	322,695	281,172
Less: Provision against inventory obsolescence	(57,767)	(53,363)
	264,928	227,809

13. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers where payments in advance are normally required. The credit period generally ranges from 30 to 120 days, but longer credit terms will be granted to certain major customers with the approval of the directors. Each customer has a maximum credit limit. The Group maintains strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the end of the reporting period, based on the transaction date, is as follows:

	At 30 June 2018 (Unaudited) HK\$'000	At 31 December 2017 (Audited) HK\$'000
Within 1 month	84,530	100,814
1 to 2 months	81,936	74,986
2 to 3 months	54,117	43,938
3 to 4 months	48,157	32,455
4 to 12 months	12,487	14,437
Over 1 year	6,384	6,461
	287,611	273,091
Less: impairment	(6,384)	(6,461)
	281,227	266,630

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2018

14. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	At 30 June 2018 (Unaudited) HK\$'000	At 31 December 2017 (Audited) HK\$'000
Within 1 month	28,533	25,814
1 to 2 months	26,513	24,414
2 to 3 months	17,028	9,619
Over 3 months	975	825
	73,049	60,672

The trade and bills payables are non-interest-bearing and are normally settled on terms ranging from 30 to 90 days.

15. SHARE CAPITAL

Shares	At 30 June 2018 (Unaudited) HK\$'000	At 31 December 2017 (Audited) HK\$'000
Authorised: 1,500,000,000 (31 December 2017: 1,500,000,000) ordinary shares of HK\$0.1 each	150,000	150,000
Issued and fully paid: 1,052,254,135 (31 December 2017: 1,052,254,135) ordinary shares of HK\$0.1 each	105,225	105,225

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2018

15. SHARE CAPITAL (Continued)

The movements in share capital for the six months ended 30 June 2018 and year ended 31 December 2017 were as follows:

	Note	Number of shares in issue	Issued share capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
At 1 January 2017		1,052,254,135	105,225	489,197	594,422
Share options exercised	(a)	-	-	-	-
At 31 December 2017, 1 January 2018 and 30 June 2018		1,052,254,135	105,225	489,197	594,422

(a) There was no share option exercised during the period.

16. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective contractual interest rate (%)	Maturity	At 30 June 2018 (Unaudited) HK\$'000	At 31 December 2017 (Audited) HK\$'000
Current				
<i>Unsecured</i>				
Bank revolving loans	4.01–4.43	2018	140,000	140,000
US\$ revolving loan	4.19–4.20	2018	117,712	117,233
Short term bank loans	3.48	2018	208,515	58,450
Other bank loans	2.96–3.50	2018	13,111	9,446
			479,338	325,129
Non-current				
<i>Unsecured</i>				
Long term bank loans		2019	-	179,375
			479,338	504,504

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2018

16. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

	At 30 June 2018 (Unaudited) HK\$'000	At 31 December 2017 (Audited) HK\$'000
Analysed into:		
Bank overdrafts, revolving loans, terms loans and long term bank loans repayable:		
Within one year or on demand	466,227	315,683
In the second year	–	179,375
	466,227	495,058
Other bank loans repayable:		
Within one year	13,111	9,446
	479,338	504,504

Notes:

- (a) At 30 June 2018 and 31 December 2017, all the interest-bearing bank and other borrowings were unsecured.
- (b) Except for the US\$15,000,000 unsecured revolving loan (31 December 2017: US\$15,000,000) which is denominated in United States dollars, all borrowings are in Hong Kong dollars.

17. CONTINGENT LIABILITIES

At the end of the reporting period, the Group's contingent liabilities not provided for in the consolidated financial statements were as follows:

	At 30 June 2018 (Unaudited) HK\$'000	At 31 December 2017 (Audited) HK\$'000
Guarantees given to an electricity company	593	601

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2018

18. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	At 30 June 2018 (Unaudited) HK\$'000	At 31 December 2017 (Audited) HK\$'000
Contracted but not provided for:		
Buildings	3,365	67,121
Plant and machinery	5,661	12,577
	9,026	79,698

19. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Short term employee benefits	15,478	10,558
Equity-settled share option expense	11,760	2,026
Post-employment benefits	125	148
	27,363	12,732

20. APPROVAL OF THE FINANCIAL STATEMENTS

The condensed financial statements were approved and authorised for issue by the board of directors on 27 August 2018.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2018, the interests and short positions of the directors, in the share capital and underlying shares of the Company (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules, were as follows:

(A) Long positions in the ordinary shares of the Company:

Name of director	Capacity and nature of interests	Notes	Number of ordinary shares in the Company	Percentage of the Company's issued share capital*
Mr. Chui Siu On	Through controlled corporation	1	167,966,975	15.96%
	Directly beneficially owned		14,576,250	1.39%
	Through spouse	2	125,000	0.01%
			<u>182,668,225</u>	<u>17.36%</u>
Mr. Lau Siu Chung	Directly beneficially owned		7,785,000	0.74%
Ms. Chiu Tak Chun	Directly beneficially owned		4,073,077	0.39%
Dr. Cheng Ngok	Directly beneficially owned		528,846	0.05%

* The percentage represents the number of ordinary shares divided by the number of the Company's issued shares as at 30 June 2018.

Notes:

- These shares were owned by Tottenhill Limited ("Tottenhill"), the entire issued capital of which was owned by Mr. Chui Siu On. By virtue of his 100% shareholding in Tottenhill, Mr. Chui Siu On was deemed to be interested in the 167,966,975 shares of the Company owned by Tottenhill pursuant to Part XV of the SFO.
- These shares held by Ms. Leung Wing Yi, the wife of Mr. Chui Siu On, were also disclosed as Ms. Leung's interests in the section headed "Substantial shareholders' and other persons' interests and short positions in shares and underlying shares" below. Mr. Chui Siu On was deemed to be interested in these 125,000 shares of the Company held by his wife pursuant to Part XV of the SFO.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (Continued)

(B) Long positions in the underlying shares of the Company — physically settled unlisted equity derivatives:

Name of director	Capacity and nature of interests	Number of underlying shares in respect of the share options granted	Percentage of underlying shares over the Company's issued share capital*
Mr. Zeng Guangsheng	Directly beneficially owned	22,000,000	2.09%
Mr. Chui Siu On	Directly beneficially owned	2,000,000	0.19%
Mr. Lau Siu Chung	Directly beneficially owned	2,000,000	0.19%
Ms. Chiu Tak Chun	Directly beneficially owned	2,000,000	0.19%
Mr. Ng Hoi Ping	Directly beneficially owned	10,000,000	0.95%
Ms. Zeng Jing	Directly beneficially owned	8,000,000	0.76%

* The percentage represents the number of underlying shares divided by the number of the Company's issued shares as at 30 June 2018.

Details of the above share options granted by the Company are set out in the section headed "Share option scheme" below.

(C) Long positions in the ordinary shares of associated corporation — China Baoan Group Co., Ltd, the Company's holding company

Name of director	Capacity and nature of interests	Number of ordinary shares in China Baoan Group Co., Ltd	Percentage of China Baoan Group Co., Ltd's issued share capital
Mr. Zeng Guangsheng	Directly beneficially owned	560,755	0.03%
Ms. Zeng Jing	Directly beneficially owned	8,518,819	0.40%

In addition to the above, as at 30 June 2018, certain directors of the Company held shares in certain subsidiaries of the Company in a non-beneficial capacity, solely for the purpose of complying with the previous requirements of a minimum of two shareholders.

Save as disclosed above, as at 30 June 2018, none of the directors or chief executives of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations which were required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

OTHER INFORMATION

SHARE OPTION SCHEME

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

The following table discloses movements in the Company's share options outstanding during the six months ended 30 June 2018:

Name or category of participant	Number of share options					At 30 June 2018	Date of grant of share options ⁽¹⁾	Exercise period of share options	Exercise price of share options ⁽²⁾ HK\$ per share
	At 1 January 2018	Granted during the period	Exercised during the period	Expired/lapsed during the period	Forfeited/cancelled during the period				
Directors									
Mr. Zeng Guangsheng ⁽³⁾	22,000,000	-	-	-	-	22,000,000	06-06-17	01-09-18 to 31-08-22	2.02
Mr. Chui Siu On	2,000,000	-	-	-	-	2,000,000	06-06-17	01-09-18 to 31-08-22	2.02
Mr. Lau Siu Chung	2,000,000	-	-	-	-	2,000,000	06-06-17	01-09-18 to 31-08-22	2.02
Ms. Chiu Tak Chun	2,000,000	-	-	-	-	2,000,000	06-06-17	01-09-18 to 31-08-22	2.02
Mr. Ng Hoi Ping	10,000,000	-	-	-	-	10,000,000	06-06-17	01-09-18 to 31-08-22	2.02
Ms. Zeng Jing	8,000,000	-	-	-	-	8,000,000	06-06-17	01-09-18 to 31-08-22	2.02
	46,000,000	-	-	-	-	46,000,000			
Members of senior management and other employees of the Group									
In aggregate	4,000,000	-	-	-	-	4,000,000	06-06-17	01-09-18 to 31-08-22	2.02
	50,000,000	-	-	-	-	50,000,000			

Notes to the table of share options outstanding during the period:

- (1) The vesting period of the share options is from the date of grant until the commencement of the exercise period.
- (2) The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.
- (3) The grant of share options to Mr. Zeng Guangsheng in June 2017, which exceeded the individual limit, was approved by the independent shareholders at the Company's extraordinary general meeting held on 14 August 2017 pursuant to the Listing Rules.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2018, as far as the directors of the Company are aware, the following parties (not being directors or chief executive of the Company) with interests of more than 5% in the shares and underlying shares of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

(A) Long positions in the ordinary shares of the Company:

Name of substantial shareholder	Capacity and nature of interests	Notes	Number of ordinary shares in the Company	Percentage of the Company's issued share capital*
Tottenhill	Directly beneficially owned	1	167,966,975	15.96%
Ms. Leung Wing Yi	Directly beneficially owned Through spouse	2	125,000	0.01%
			182,543,225	17.35%
			<hr/> 182,668,225	<hr/> 17.36%
Baoan Technology Company Limited	Directly beneficially owned		547,506,250	52.03%
China Baoan Group Co., Ltd	Through controlled corporation	3	547,506,250	52.03%

* The percentage represents the number of ordinary shares divided by the number of the Company's issued shares as at 30 June 2018.

Notes:

- The interests of Tottenhill were also disclosed as the interests of Mr. Chui Siu On in the section headed "Directors' and chief executive's interests and short positions in shares and underlying shares" above.
- These shares were disclosed as the interests of Mr. Chui Siu On, the husband of Ms. Leung Wing Yi, in the section headed "Directors' and chief executive's interests and short positions in shares and underlying shares" above. Ms. Leung Wing Yi was deemed to be interested in these shares owned by her husband pursuant to Part XV of the SFO.
- These shares were held by Baoan Technology Company Limited. Baoan Technology Company Limited is a wholly owned entity of China Baoan Group Co., Ltd. Accordingly, China Baoan Group Co., Ltd was deemed to be interested in the 547,506,250 shares of the Company owned by Baoan Technology Company Limited pursuant to Part XV of the SFO.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (Continued)

(B) Long positions in the underlying shares of the Company — physically settled unlisted equity derivatives:

Name of substantial shareholder	Capacity and nature of interests	Number of underlying shares in respect of the share options granted	Percentage of underlying shares over the Company's issued share capital*
Ms. Leung Wing Yi	Through spouse	2,000,000	0.19%

* The percentage represents the number of underlying shares divided by the number of the Company's issued shares as at 30 June 2018.

Note: These underlying shares were disclosed as the interests of Mr. Chui Siu On, the husband of Ms. Leung Wing Yi, in the section headed "Directors' and chief executive's interests and short positions in shares and underlying shares" above. Ms. Leung Wing Yi was deemed to be interested in these underlying shares held by her husband pursuant to Part XV of the SFO.

Details of the above share options granted by the Company are set out in the section headed "Share option scheme" above.

Save as disclosed above, as at 30 June 2018, no person, other than the directors of the Company, whose interests are set out in the section headed "Directors' and chief executive's interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2018, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's shares on the Stock Exchange (2017: Nil).

INTERIM DIVIDEND

The Board recommends the payment of an interim dividend of HK\$0.009 per share for the six months ended 30 June 2018 (2017: HK\$0.022). The interim dividend will be paid in cash on Friday, 21 September 2018 to the shareholders whose names appear on the Register of Members of the Company as at the close of business on Wednesday, 12 September 2018.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 11 September 2018 to Wednesday, 12 September 2018 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for entitlement to the interim dividend for the six months ended 30 June 2018, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 10 September 2018.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance with a view to enhancing the management of the Company as well as preserving the interests of the shareholders as a whole. The Board is of the view that the Company has met the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules (the "CG Code") during the period under review.

OTHER INFORMATION

AUDIT COMMITTEE

The Audit Committee of the Company, comprising three independent non-executive directors, namely Dr. Cheng Ngok (Chairman of the Audit Committee), Mr. Yang Rusheng and Mr. Cheung, Chun Yue Anthony, has reviewed with senior management of the Group the accounting principles and practices adopted by the Group and discussed risk management, internal control and financial reporting processes including the review of the Company's interim report for the six months ended 30 June 2018.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted its own code of conduct governing directors' dealings in the Company's securities (the "Own Code") on terms no less exacting than the Model Code. Specific enquiry has been made to all directors and all of them have confirmed that they have complied with the Own Code and the Model Code throughout the six months ended 30 June 2018.

COMPLIANCE WITH WRITTEN GUIDELINES FOR SECURITIES TRANSACTIONS BY THE RELEVANT EMPLOYEES

The Company has also established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines") for governing the securities transactions by employees who are likely to possess inside information of the Company or its securities. No incident of non-compliance of the Employees Written Guidelines by the relevant employees was noted by the Company throughout the six months ended 30 June 2018.

In case when the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its directors and relevant employees in advance.

GENERAL DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES

As detailed in the Company's announcement dated 16 May 2016, pursuant to the term loan facility agreement (the "Facility Agreement"), a term loan facility of HK\$300,000,000 (the "Facility Loan") is made available to the Group for the general corporate purposes including, but not limited to financing working capital and refinancing or full repayment of existing indebtedness due under the term and revolving facility made available to the Group in 2013. The Facility Loan is repayable in 10 quarterly instalments commencing nine months from the date of the Facility Agreement.

As common with other syndicated loan facilities, the Facility Agreement imposes a specific performance obligation on Mr. Chui Siu On ("Mr. Chui") who is the Chief Executive Officer, an executive director and a substantial shareholder of the Company. It will be an event of default under the Facility Agreement if: (a) Mr. Chui ceases to be the chairman or chief executive officer; (b) Mr. Chui ceases to be one of the substantial shareholders of the Company with at least 15% voting power/shareholding; or (c) Mr. Chui is not actively involved in, or maintain control in the management and business of the Company, in which event all or any part of the commitments under the Facility Loan may be cancelled and all amounts outstanding under the Facility Loan may immediately become due and payable.

APPRECIATION

The Board would like to take this opportunity to thank our shareholders for their continued support and the fellow directors and our staff for their contributions to the Group.

By order of the Board

Zeng Guangsheng

Chairman

Hong Kong, 27 August 2018

