



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

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1305



2019 INTERIM REPORT



CONTENTS

Financial Highlights	2
Corporate Information	3-4
Management Discussion and Analysis	5-10
Other Disclosure	11-14
Condensed Consolidated Statement of Profit or Loss	15
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	16
Condensed Consolidated Statement of Financial Position	17-18
Condensed Consolidated Statement of Changes in Equity	19-20
Condensed Consolidated Statement of Cash Flows	21
Notes to the Condensed Consolidated Interim Financial Information	22-50



FINANCIAL HIGHLIGHTS

	For the six months ended 30 June	
	2019 Unaudited HK\$'000	2018 Unaudited HK\$'000
Revenue	909,954	1,445,080
Gross profit	94,155	108,407
Gross profit margin	10.3%	7.5%
Profit for the period	11,046	16,929
Basic and diluted earnings per share	HK5.09 cents	HK7.81 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

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

AUTHORISED REPRESENTATIVES

Mr. Chen Chung Po
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 ADVISER**

Guantao & Chow (*as to Hong Kong law*)

STOCK CODE

01305

COMPANY'S WEBSITE

www.waichiholdings.com

PRINCIPAL BANKERS

O-Bank Co., Limited
Suites 3210–3214
32nd Floor, Gateway Tower 6
Harbour City, Tsim Sha Tsui
Kowloon, Hong Kong

Citibank (Hong Kong) Limited
11th Floor, Citi Tower
83 Hoi Bun Road
One Bay East, Kwun Tong
Kowloon, Hong Kong

Bank of China (Hong Kong) Limited
Bank of China Tower
1 Garden Road
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 54
Hopewell Centre
183 Queen's Road East
Hong Kong

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

Subsequent to the unsettling international tensions at the end of 2018, the first half of 2019 began with a global atmosphere of discretion. After a series of back-and-forth China-U.S. tariff orders in 2018, the U.S. maintained 10% tariffs on US\$200 billion of Chinese goods until May 2019, whereas China maintained 5% to 10% tariffs on US\$60 billion of U.S. goods. At mid-year of 2019, talks have been resumed with more actions from both sides expected. Homing in on domestic demand, signs indicating weakening consumption in China are observed as import value and contribution of consumer spending to GDP growth slow down in the second quarter.

For China's LED industry, manufacturers may or may not have seen significant impact on sales orders but are believed to face increasing pressure as secondary impact of U.S. tariffs broaden to other industries. As one of the most representative consumption markers in China, automotive sales appeared to be on a downward trend since the second half of 2018. Sales of LED products supported by the automotive sector therefore project an unfavourable picture.

BUSINESS REVIEW

In the first half of 2019, the Group, as with many manufacturers in China, has been on the receiving end of threats from the China-U.S. trade war. The Group has continued with the focus on specialty products for the six months ended 30 June 2019 ("period under review"), as well as observing sales trends and market information for LED backlight products which have direct relationships with consumer products e.g. automobiles and television displays.

The total revenue for the period under review was approximately HK\$909,954,000, representing a decrease of 37.0% as compared to approximately HK\$1,445,080,000 for the corresponding period in 2018 ("corresponding period"). The revenue from the sales of LED backlight products was approximately HK\$419,607,000 (corresponding period approximately HK\$377,886,000), representing an increase of 11.0%. The rise in the sales of LED backlight products can be explained by the continued growth of sales for automobiles backlight products. The revenue from the sales of LED lighting products was approximately HK\$48,972,000 (corresponding period: approximately HK\$48,336,000), representing a mild increase of 1.3% as compare to that of the corresponding period as some long-term projects contributed to stable sales.

The Group continued with its enterprise resource planning ("ERP") system to implement stringent cost control by timely monitoring of its operation process to promote information exchange between functional departments, storing and managing operational data. The ERP system has been especially effective in moderating operational cost for the Group during the manufacturing process, as well as enhanced financial and work efficiency with a higher level of process automation.

LED Backlight Business

The three types of the Group's LED backlight products are: 1) automobile on-board displays; 2) television displays; and 3) other industrial equipment displays. For the period under review, revenues derived from LED backlight products in automobile on-board displays, television displays and industrial equipment displays were approximately HK\$281,388,000, HK\$48,270,000 and HK\$89,949,000 respectively.

Automobile on-board displays recorded 26.4% increase in sales for the period under review compared to that of the corresponding period. It continued previous year's trend to be the largest contribution to the Group's LED backlight business during the period under review, representing approximately 67.0% of total LED backlight products sales (corresponding period: approximately 58.9%). As more and more hybrid-energy or new energy vehicles went on the market, demand leads to an increase in the quantity and size of automobile on-board displays. They also serve many more functions than those in older vehicles, such as central information displays, GPS, infotainment and dashboards. Thus far, the Group has gained a leading position in the domestic market supply. Still, it will take a more prudential stance moving forward taking into account the current macroeconomic factors.

Apart from the decline in China's automotive sales mentioned above, the domestic television display market had a drop in retail prices of OLED displays. Having seen a drop of 14.5% in LED backlight products for television displays for the period under review, the Group will be closely monitoring market trends to review sales strategies as necessary.

Equipment displays backlight products recorded a decrease of 9% in revenue for the period under review, which is due to the Group's deliberate strategic efforts to reduce the portion of low margin products.

LED Lighting Service Business

The Group's LED lighting business is classified into 2 categories, namely public lighting and commercial lighting. The Group provides various services including products, lighting solutions design, installation and maintenance etc. During the period under review, revenues from public lighting and commercial lighting were approximately HK\$22,202,000 and HK\$26,770,000 respectively, representing an increase in the former of 38.8% and a decrease in the latter of 17.2% (corresponding period: HK\$15,994,000 and HK\$32,342,000).

The Group continued to take on overseas lighting projects for the period under review, as well as searching for project opportunities and cultivating client relationships. The Group's reputation is gradually spreading widely throughout the overseas markets as a result of its endeavors in the past few years. The previously commenced public LED street lighting projects in Mexico continued to progress while agreement with a distributor of light products in Europe was reached.



High-Tech Electronic Components and Products Sourcing Business

The Group launched a non-core line of business in 2016, engaging in sourcing high-tech electronic components and products as a seasoned industry player, to serve as a supportive buffer in the midst of a business restructuring. During the period under review, the revenue from the provision of sourcing services was approximately HK\$441,375,000, representing approximately 48.5% of the total revenue of the period under review (corresponding period: 70.5%).

The Group's business restructuring is expected to be completed in time, meanwhile the revenue growth in the sourcing business helps to smoothen the transition period. Exerting no influence on the future development of core business segments, the Group intends to reduce the contribution from this part of revenue on the basis that it remains a non-core and non-permanent business.



QUALITY CONTROL

The Group has established stringent quality control procedures to ensure the quality of the LED products. From the very beginning of production at the stage of product design, the Group's quality control procedures continue throughout the entire product manufacturing and storage process. Quality control staff participated in the whole process of product design to ensure the products are in excellent quality from the very beginning. 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 owns 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 an important assurance of the product quality and reliability.

RESEARCH AND DEVELOPMENT

In recent years, the Group has secured opportunities in niche markets around the world using its Research and Development ("R&D") capabilities to cater to specialty product demands. As a seasoned and competitive manufacturer, the Group will continue to stay abreast of technological advances and market trends. With the macroeconomic state in mind, the Group will also try its best to exercise flexibility in minimising potential adversities.



The Group's R&D centre is located at our production plant in Huizhou. The Group engages in various R&D activities, including (i) concurrent development of new product designs with our 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 technologies and materials in the production process; 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 over the years and, as of 30 June 2019, the Group holds 93 patents registered in the PRC. Looking forward, the Group will continue to enhance its R&D capabilities and prepare itself for the up-and-coming opportunities.

PROSPECTS

The continuation of China-U.S. trade war leaves all businesses in lingering uncertainties and suppresses market sentiments. In the domestic automotive market, a rebound in sales was present due to stimulated vehicle sales of existing models following the early implementation of "The Sixth Phase of National Light Vehicle Emission Standards" (第六階段國家輕型汽車大氣污染物排放標準). With the country moving onto new energy vehicles at a faster pace, it is, however, still anticipated that sales will decline for the second half year in 2019 due to delayed purchases caused by trade tensions and lack of purchasing power of lower-end customers.

In the first half of 2019, retail prices of OLED televisions have been lowered to gain competitiveness against traditional LED TVs. As such, the Group expects that in the near future, its TV LED backlight sector may experience pressure alongside the slowdown in consumer spending. In spite of the above, the Group believes that its leading position in this segment and strong client relationships will serve as a supportive buffer against future volatility.

Furthermore, the Group is prepared to execute new strategies in the face of various unfavourable factors to increase profit margin such as focusing on larger-sized displays with lower labour cost. In addition, in order to achieve greater liquidity and hereby financial flexibility for necessary adjustment, it aims to reduce debt levels and keep a moderate level of bank balances and cash, which is a common practice among mainland manufacturers. For lighting projects both in China and overseas, the Group will actively bid for tenders as it deems appropriate.

In terms of non-core business, construction of the Group's logistic warehouse in Yichang, Hubei Province has undergone substantial progress during the period under review. It is expected to be an additional source of income through leasing the warehouse to businesses in the region as the city lacks such kind of facilities.

The Group recognises the importance of vigilance as a business amidst uncertainties. Meanwhile, it is determined to operate with a sharp alertness in identifying profitable opportunities and diligently wade through obstacles.

FINANCIAL REVIEW

Revenue

The three revenue streams of the Group are the sales of LED backlight, the sales of LED lighting products and the business of high-tech electronic components and products sourcing. For the period under review, the sales of the Group's LED backlight products amounted to approximately HK\$419,607,000, representing an increase of 11.0% from approximately HK\$377,886,000 in the corresponding period. This was due to the increase of sales of automobile backlight products. The sales of LED lighting products for the period under review increased slightly by 1.3% to approximately HK\$48,972,000 from approximately HK\$48,336,000 in the corresponding period, as some long-term projects contributed to stable sales.

The non-core segment of high-tech electronic components and products sourcing recorded sales of approximately HK\$441,375,000, representing a decrease of approximately 56.7% from approximately \$1,018,858,000 for the corresponding period. The non-core segment served its purpose during the Group's earlier phase of transition and is expected to be diminished as intended.

Gross Profit and Gross Profit Margin

For the period under review, gross profit from the sales of LED backlight and LED lighting products was HK\$85,900,000, representing a decrease of 11.2% from approximately HK\$96,736,000 for the corresponding period, which is in line with the decrease in revenue. Gross profit margin for these two segments decreased by 4.4 percentage points from 22.7% in the corresponding period to 18.3% in the period under review. Gross profit and gross profit margin from high-tech electronic components and products sourcing were HK\$8,255,000 and 1.87% (corresponding period: HK\$11,671,000 and 1.15%) respectively. For the period under review, the Group's overall gross profit was approximately HK\$94,155,000, decreasing by 13.2% from approximately HK\$108,407,000 in the corresponding period, due to the significant decrease in profit from the segments of equipment display backlights, television displays backlight and non-core sourcing business. Overall gross profit margin was 10.3%, increasing by 2.8 percentage points from 7.5% in the corresponding period as the business is in the course of shifting more revenue to high-margin products.

Selling and Distribution Expenses

Labour costs, sales commissions and transportation costs were the Group's major selling and distribution expenses. For the period under review, the Group's selling and distribution expenses was approximately HK\$12,229,000, representing an increase of 3.3% compared to approximately HK\$11,835,000 of the corresponding period.

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. For the period under review, the Group's administrative expenses was approximately HK\$68,616,000, which decreased by 14.2% compared to approximately HK\$80,033,000 of the corresponding period.



Other Income

During the period under review, other income was approximately HK\$9,018,000, representing an increase of 24.8% in comparison with approximately HK\$7,222,000 of the corresponding period mainly due to the increase of government grants.

Taxation

Taxation 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 benefits, including a preferential enterprise income tax rate of 15% instead of the statutory rate of 25%. During the period under review, the Group's tax expenses amounted to approximately HK\$2,286,000 (corresponding period: HK\$3,558,000), which was because of the decrease in sales volume.

Inventories

As at 30 June 2019, the Group's inventory was approximately HK\$192,001,000, which increased by 1.9% as compared to approximately HK\$188,406,000 as at 31 December 2018.

Trade Receivables

As at 30 June 2019, the Group's net trade receivables amounted to approximately HK\$386,134,000 which decreased by 5.7% as compared to approximately HK\$409,549,000 as at 31 December 2018.

Trade Payables

As at 30 June 2019, the Group's trade payables amounted to approximately HK\$206,757,000, which increased by 12.3% as compared to approximately HK\$184,162,000 as at 31 December 2018.

Placing of New Shares and Offer to Acquire the Company's Shares

On 6 May 2016, the Company completed a placing of new shares (the "Placing"), allotted and issued 16,825,000 new shares of the Company to not less than six individuals who are independent third parties at the price of HK\$2.00 per share. Net proceeds from the Placing amounted to approximately HK\$31,134,000, which are intended to be used for financing any potential investment opportunities such as merger acquisition that may arise from time to time. As at 30 June 2019, the net proceeds from the Placing have not yet been utilised and have been deposited with licensed banks in Hong Kong.



OTHER DISCLOSURE

INTERIM DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2019.

GEARING RATIO

As at 30 June 2019, the gearing ratio of the Group, based on total borrowings (including bank borrowings and obligations under finance leases) to the equity (including all capital and reserves) of the Company was 42% (31 December 2018: 48%).

EMPLOYEES

As at 30 June 2019, the Group had 2,580 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 2019, 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 States 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 2019.

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 and in which a Director or a controlling shareholder had a material interest, whether directly or indirectly, subsisted at the end of the six months ended 30 June 2019 or at any time during the period.

DIRECTORS AND CHIEF EXECUTIVE OFFICER'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As at 30 June 2019, the interests and short positions of the directors and chief executive officer 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 Rules Governing the Listing of Securities on the Stock Exchange (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	128,120,000 (L)	59%

Notes:

1. Mr. Yiu Chi To holds 100% of the issued share capital of Rexell Technology Company Limited, which is the controlling shareholder holding 59% 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 2019, none of the Directors and chief executive officer 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 2019, 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	128,120,000	59%
Mr. Yiu Chi To (Note 2)	Interest of a controlled corporation	128,120,000	59%

Notes:

- Rexell Technology Company Limited directly holds 128,120,000 shares representing 59% of the issued share capital of the Company.
- 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 128,120,000 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 essential for the continual growth and enhancement of shareholders' 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 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 2018 annual report of the Company issued in March 2019.

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, pursuant to 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 2019. On 23 August 2019, the Audit 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 2019

	Notes	Six months ended 30 June	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Revenue	5	909,954	1,445,080
Cost of sales		(815,799)	(1,336,673)
Gross profit		94,155	108,407
Other income	5	9,018	7,222
Selling and distribution expenses		(12,229)	(11,835)
Administrative expenses		(48,395)	(45,942)
Other gains and losses		3,351	11,015
Research and development expenses		(20,221)	(34,091)
Finance costs	7	(12,347)	(14,289)
Profit before tax		13,332	20,487
Income tax expense	8	(2,286)	(3,558)
Profit for the period	9	11,046	16,929
Earnings per share	11		
Basic and diluted (HK cents)		5.09	7.81

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Profit for the period	11,046	16,929
Other comprehensive income for the period		
Other comprehensive income that may be reclassified subsequently to profit or loss		
Exchange differences arising on translation of foreign operations	6,337	1,313
Total comprehensive income for the period	17,383	18,242

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	Notes	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	12	255,526	245,008
Prepaid lease payments		–	35,062
Right-of-use assets	13	37,638	–
Deferred taxation		8,257	8,142
Deposits with bank		–	79,891
		301,421	368,103
Current assets			
Inventories		192,001	188,406
Prepaid lease payments		–	874
Trade receivables	14	386,134	409,549
Bills receivables	14	173,913	102,036
Prepayment, deposits and other receivables		273,374	191,614
Financial assets at fair value through profit or loss		–	152,967
Pledged bank deposits	15	278,489	129,785
Deposits with bank		81,019	–
Bank balances and cash	15	102,724	24,213
		1,487,654	1,199,444
Current liabilities			
Trade payables	16	206,757	184,162
Bills payables	16	453,548	252,698
Other payables and accruals	16	28,753	44,547
Contract liabilities		100,294	80,969
Bank borrowings	17	286,123	313,714
Obligations under finance leases – due within one year		–	916
Lease liabilities	13	3,090	–
Income tax payables		10,094	10,042
		1,088,659	887,048
Net current assets		398,995	312,396
Total assets less current liabilities		700,416	680,499

	Notes	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Non-current liabilities			
Obligations under financial leases			
– due more than one year		–	1,183
Corporate bond	18	1,915	1,816
Government grants		18,200	17,947
Lease liabilities	13	3,365	–
Deferred taxation		32	32
		23,512	20,978
Net assets			
		676,904	659,521
Capital and reserves			
Share capital	19	2,168	2,168
Reserves		674,736	657,353
Total equity			
		676,904	659,521

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Reserves						Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Statutory reserve HK\$'000 (Note a)	Translation reserve HK\$'000	Merger reserve HK\$'000 (Note b)	Retained profits HK\$'000	
At 1 January 2019 (audited)	2,168	331,977	56,771	(31,369)	34,561	265,413	659,521
Profit for the period	-	-	-	-	-	11,046	11,046
Other comprehensive income for the period							
– exchange differences arising from foreign operations	-	-	-	6,337	-	-	6,337
Total comprehensive income for the period	-	-	-	6,337	-	11,046	17,383
At 30 June 2019 (unaudited)	2,168	331,977	56,771	(25,032)	34,561	276,459	676,904

	Reserves						Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Statutory reserve HK\$'000 (Note a)	Translation reserve HK\$'000	Merger reserve HK\$'000 (Note b)	Retained profits HK\$'000	
At 1 January 2018 (audited)	2,168	331,977	49,501	225	34,561	227,576	646,008
Profit for the period	-	-	-	-	-	16,929	16,929
Other comprehensive income for the period							
– exchange differences arising from foreign operations	-	-	-	1,313	-	-	1,313
Total comprehensive income for the period	-	-	-	1,313	-	16,929	18,242
At 30 June 2018 (unaudited)	2,168	331,977	49,501	1,538	34,561	244,505	664,250

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 applicable laws and regulations in the PRC, to statutory reserve until the reserve balance reaches 50% of the registered capital of the relevant subsidiaries. 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.

In 2013, as part of the pre-listing reorganisation, the Company issued 135 ordinary shares of HK\$1,000,000 each which, through its subsidiaries, were used to subscribe for new shares issued and allotted by Wai Chi Group (HK) Limited and became the holding company of the Group. The difference between the proceeds from the issuance of shares and the then share capital and capital reserve subscribed was recognised in the merger reserve.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Operating activities		
Cash generated from (used in) operations	112,880	(52,255)
PRC Enterprise Income Tax paid	(2,375)	(3,551)
Net cash from (used in) operating activities	110,505	(55,806)
Investing activities		
Purchase of property, plant and equipment	(26,600)	(14,278)
Proceeds from disposal of property, plant and equipment	321	36
Other investing cash flow	12,138	15,682
Net cash (used in) from investing activities	(14,141)	1,440
Financing activities		
Repayments of bank borrowings	(225,886)	(78,749)
Proceeds from bank borrowings	219,028	147,734
Other financing cash flows	(12,209)	(11,279)
Net cash (used in) from financing activities	(19,067)	57,706
Net increase in cash and cash equivalents	77,297	3,340
Cash and cash equivalents at 1 January	24,213	111,722
Effect of foreign exchange rates changes	1,214	(632)
Cash and cash equivalents at 30 June, represented by bank balances and cash	102,724	114,430

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2019

1. GENERAL

Wai Chi Holdings Company Limited (the “Company”) is incorporated in the Cayman Islands as an exempted company with limited liability under the 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, 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 manufacturing and trading of Light-Emitting Diode (“LED”) backlight, LED lighting products and hightech electronic components and products.

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

2. BASIS OF PREPARATION

The condensed consolidated interim financial information of the Group for the six months ended 30 June 2019 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 except for certain financial instruments, which are measured at fair value at the end of each reporting period.

The accounting policies used in the condensed consolidated interim financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018 except as described below.

In the current interim period, the Group has applied, for the first time, the following new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA which are effective for the Group's financial year beginning 1 January 2019.

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKRSs 2015–2017 Cycle

The adoption of HKFRS 16 resulted in changes in the Group's accounting policies and adjustments to the amounts recognised in the condensed consolidated interim financial information. The new accounting policies are set out in Note 4 below. The application of other new and amendments to HKFRSs in the current interim period has had no material effect on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated interim financial information.

3. **PRINCIPAL ACCOUNTING POLICIES (continued)**

3.1 **Impacts on adoption of HKFRS 16 Leases**

HKFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating lease and finance lease and requiring the recognition of right-of-use asset and a lease liability for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new accounting policies are described in Note 4. The Group has applied HKFRS 16 *Leases* retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of equity, where appropriate, at 1 January 2019, and has not restated comparatives for the 2018 reporting period as permitted under the specific transitional provisions in the standard. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 17 *Leases*.

On transition to HKFRS 16, the Group elected to apply the practical expedient to account for the assessment of which arrangements are, or contain, leases. It applied HKFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

The major impacts of the adoption of HKFRS 16 on the Group's condensed consolidated interim financial information are described below.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

3.1 Impacts on adoption of HKFRS 16 Leases (continued)

The Group as lessee

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 *Leases* (except for lease of low value assets and lease with remaining lease term of twelve months or less). These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.5%.

The Group recognises right-of-use assets and measures them at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The following table summarises the impact of transition to HKFRS 16 at 1 January 2019. Line items that were not affected by the adjustments have not been included.

		As at 31 December 2018	Impact on adoption of HKFRS 16	As at 1 January 2019
	Notes	HK\$'000 (Audited)	HK\$'000	HK\$'000 (Unaudited)
Property, plant and equipment	(c)	245,008	(2,979)	242,029
Right-of-use assets	(a),(b)	–	39,390	39,390
Prepaid lease payments	(b)	35,936	(35,936)	–
Obligations under finance leases	(c)	2,099	(2,099)	–
Lease liabilities	(a),(c)	–	2,574	2,574

Notes:

- As at 1 January 2019, right-of-use assets were measured at an amount equal to the lease liability of approximately HK\$475,000.
- Prepaid lease payments of approximately HK\$35,936,000 which represent the upfront payments for leasehold lands in the PRC of approximately HK\$35,936,000 as at 31 December 2018 were adjusted to right-of-use assets.
- The obligations under finance leases of HK\$2,099,000 as at 31 December 2018 are now included within lease liabilities under HKFRS 16. The carrying amount of the related assets under finance leases amounting to HK\$2,979,000 is reclassified to right-of-use assets.



3. PRINCIPAL ACCOUNTING POLICIES (continued)



3.2 Practical expedients applied

On the date of initial application of HKFRS 16, the Group has used the following practical expedients permitted by the standard:

- not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying HKAS 17 and HK(IFRIC) – 4 to determine whether an arrangement contains a lease,
- reliance on previous assessments on whether leases are onerous by applying HKAS 37 as an alternative to performing an impairment review,
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases, and
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.

4. CHANGE IN ACCOUNTING POLICIES

Leases

Definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities

At the commencement date, the Group measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise fixed lease payments (including in-substance fixed payments).

The lease liability is presented as a separate line in the condensed consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

4. CHANGE IN ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as lessee (continued)

Lease liabilities (continued)

Lease liability is remeasured (and with a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate.
- the lease payments vary due to the changes in an index or rate or changes in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments and using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments and using a revised discount rate.

4. CHANGE IN ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as lessee (continued)

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses. They are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

The Group applies HKAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the "Property, plant and equipment" policy as stated in the Group's annual consolidated financial statements for the year ended 31 December 2018.

Lease modification

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

5. REVENUE AND OTHER INCOME

Disaggregation by major products

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Revenue from contracts with customers	(Unaudited)	(Unaudited)
Sales of goods		
LED backlight	419,607	377,886
LED lighting	48,972	48,336
High-tech electronic components and products	441,375	1,018,858
	909,954	1,445,080
Disaggregation of revenue by timing of recognition		
Timing of revenue recognition		
At a point in time	909,954	1,445,080
Other income		
Bank interest income	2,543	1,913
Net exchange gains	204	–
Government grants (note)	5,518	4,563
Net gain on disposal of property, plant and equipment	35	–
Sales of scrapped materials	19	5
Sundry income	699	741
	9,018	7,222

Note: Included the amount of government grants recognised during each of the periods ended 30 June 2019 and 2018 of approximately HK\$5,518,000 (unaudited) and HK\$4,563,000 (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.

6. SEGMENT INFORMATION

Information which was to the Chief Executive Officer of the Company, being the chief operating decision maker (the “CODM”), for the purposes of resource allocation and assessment of segment performance, focuses on the types of goods or services delivered or provided. In addition, for both LED backlight and LED lighting operations and sourcing business of high-tech electronic components and products, the information reported to the CODM is further broken down into different types of products and application of products. The directors of the Company have chosen to organise the Group around differences in products. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

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

1. LED backlight – Manufacturing and trading of LED backlight products in different sizes and applications
2. LED lighting – Manufacturing and trading of LED lighting products for public and commercial use
3. Sourcing business – Provision of high-tech electronic components and products sourcing business

6. SEGMENT INFORMATION (continued)

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 2019 (unaudited)

	LED backlight HK\$'000	LED lighting HK\$'000	Sourcing business HK\$'000	Total HK\$'000
REVENUE				
External sales	419,607	48,972	441,375	909,954
Segment profit	50,294	5,520	8,255	64,069
Unallocated income				3,446
Unallocated expenses				(41,836)
Finance costs				(12,347)
Profit before tax				13,332

6. SEGMENT INFORMATION (continued)
Segment revenues and results (continued)
For the six months ended 30 June 2018 (unaudited)

	LED backlight HK\$'000	LED lighting HK\$'000	Sourcing business HK\$'000	Total HK\$'000
REVENUE				
External sales	377,886	48,336	1,018,858	1,445,080
Segment profit	57,829	6,211	11,671	75,711
Unallocated income				2,654
Unallocated expenses				(43,589)
Finance costs				(14,289)
Profit before tax				20,487

6. 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 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
LED backlight	990,411	854,972
LED lighting	66,855	72,096
Sourcing business	325,395	190,949
Total segment assets	1,382,661	1,118,017
Unallocated assets	406,414	449,530
Consolidated total assets	1,789,075	1,567,547

6. SEGMENT INFORMATION (continued)

Segment assets and liabilities (continued)

Segment liabilities

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
LED backlight	570,451	444,932
LED lighting	79,369	56,877
Sourcing business	156,651	76,865
Total segment liabilities	806,471	578,674
Unallocated liabilities	305,700	329,352
Consolidated total liabilities	1,112,171	908,026

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

- all assets are allocated to operating segments other than deferred tax assets, financial assets at fair value through profit or loss, pledged bank deposits, deposits with banks, 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, corporate bond, deferred tax liabilities and certain unallocated head office liabilities. Liabilities for which operating segments are jointly liable are allocated in proportion to segment revenue.

6. SEGMENT INFORMATION (continued)

Segment assets and liabilities (continued)

For the six months ended 30 June 2019 (unaudited)

	LED backlight HK\$'000	LED lighting HK\$'000	Sourcing business HK\$'000	Unallocated HK\$'000	Total HK\$'000
Amounts included in the measure of segment profit or loss or segment assets:					
Additions of property, plant and equipment	26,116	484	-	-	26,660
Depreciation of property, plant and equipment	18,475	914	-	-	19,389
Reversal of impairment loss on inventories	1,134	-	-	-	1,134
Net gain on disposal of property, plant and equipment	12	23	-	-	35
Amounts regularly provided to the Chief Executive Officer but not included in the measure of segment profit or loss or segment assets:					
Interest income	-	-	-	2,543	2,543
Finance costs	-	-	-	12,347	12,347

6. SEGMENT INFORMATION (continued)

Segment assets and liabilities (continued)

For the six months ended 30 June 2018 (unaudited)

	LED backlight HK\$'000	LED lighting HK\$'000	Sourcing business HK\$'000	Unallocated HK\$'000	Total HK\$'000
Amounts included in the measure of segment profit or loss or segment assets:					
Additions of property, plant and equipment	13,316	962	–	–	14,278
Amortisation of prepaid lease payments	504	362	–	–	866
Depreciation of property, plant and equipment	16,730	1,015	–	–	17,745
Impairment loss on inventories	4,321	430	–	–	4,751
Net loss on disposal of property, plant and equipment	82	3	–	–	85
Amounts regularly provided to the Chief Executive Officer but not included in the measure of segment profit or loss or segment assets:					
Interest income	–	–	–	1,913	1,913
Finance costs	–	–	–	14,289	14,289

6. SEGMENT INFORMATION (continued)

Revenue from major products

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

Analysis by type of products

	Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
LED backlight		
– Small dimension	134,530	131,578
– Medium dimension	237,693	190,324
– Large dimension	47,384	55,984
Sub-total	419,607	377,886
LED lighting		
– Indoor lighting	26,770	32,342
– Outdoor lighting	22,202	15,994
Sub-total	48,972	48,336
Sourcing business	441,375	1,018,858
Total	909,954	1,445,080

6. SEGMENT INFORMATION (continued)

Revenue from major products (continued)

Analysis by application of products

	Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
LED backlight		
– Automobile on-board displays	281,388	222,558
– Equipment displays	89,949	98,869
– Televisions displays	48,270	56,459
Sub-total	419,607	377,886
LED lighting		
– Public lighting	22,202	15,994
– Commercial lighting	26,770	32,342
Sub-total	48,972	48,336
Sourcing business	441,375	1,018,858
Total	909,954	1,445,080

6. 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	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
The PRC	865,906	1,389,434
Hong Kong	7,586	11,439
Others	36,462	44,207
	909,954	1,445,080

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

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
	Hong Kong	2,216
The PRC	290,948	279,651
	293,164	280,070

Non-current assets excluded deferred tax assets.

6. SEGMENT INFORMATION (continued)

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	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Customer A**	163,364	746,904
Customer B*	175,872	183,405
Customer C**	107,424	172,056

* Revenue from LED backlight.

** Revenue from sourcing business.

7. FINANCE COSTS

	Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Interest expenses on:		
– bank borrowings	12,207	14,172
– finance leases	–	18
– corporate bonds	99	99
– lease liabilities	41	–
	12,347	14,289

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
PRC Enterprise Income tax		
– Current period	2,286	4,187
– Over-provision in prior year	–	(629)
Total income tax expense for the period	2,286	3,558

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 2019 and 2018.

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 2019 and 2018.

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), were accredited as high-tech enterprises. They are entitled to the preferential tax rate of 15% for both of the six months ended 30 June 2019 and 2018.

* The English name is for identification purpose only

9. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Profit for the period has been arrived at after charging (crediting):		
Salaries and allowances (excluding directors' emoluments)	97,124	82,561
Retirement benefit scheme contributions (excluding directors)	10,692	9,222
Total staff costs	107,816	91,783
Amortisation of prepaid lease payments	–	866
Amounts of inventories recognised as expenses	815,799	1,336,673
Depreciation of property, plant and equipment	19,389	17,745
Depreciation of right-of-use assets	1,982	–
Net (gain) loss on disposal of property, plant and equipment	(35)	85
Reversal of impairment loss on inventories (included in other gains and losses)	(1,134)	–
Impairment loss on inventories (included in other gains and losses)	–	4,751
Reversal of impairment loss on trade and other receivables (included in other gains and losses)	(2,217)	–
Operating lease payment on premises	–	2,961

10. DIVIDENDS

	Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Interim dividend declared and paid after the interim period of HK\$nil cent per share (2018: HK\$nil cent per share)	-	-

11. EARNINGS PER SHARE

	Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Earnings		
Earnings for the purpose of basic and diluted earnings per share	11,046	16,929
Number of shares held		
Number of ordinary shares for the purpose of basic and diluted earnings per share (Note)	216,825,000	216,825,000
Basic and diluted earnings per share (HK cents per share)	5.09	7.81

Note: The diluted earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares outstanding during the six months ended 30 June 2019 and 2018.

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group acquired items of property, plant and equipment with a cost of approximately HK\$26,600,000 (unaudited) (six months ended 30 June 2018 (unaudited): approximately HK\$14,246,000) for the expansion of production facilities. Items of property, plant and equipment with a carrying amount of approximately HK\$286,000 (unaudited) were disposed of during the six months ended 30 June 2019 (six months ended 30 June 2018 (unaudited): approximately HK\$125,000), with approximately HK\$35,000 (unaudited) gain on disposal (six months ended 30 June 2018 (unaudited): approximately HK\$85,000 loss on disposal).

13. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(i) Right-of-use assets

Upon adoption of HKFRS 16, on 1 January 2019, the Group recognised right-of-use assets of approximately HK\$39,390,000 in respect of the leased properties (Note 3). As at 30 June 2019, the carrying amounts of right-of-use assets were approximately HK\$37,638,000 in respect of the leased properties.

During the six months ended 30 June 2019, the Group entered into a number of lease agreements for office premises. The leases contain minimum lease payment terms during the contract period. On lease commencement, the Group recognised right-of-use assets of approximately HK\$2,213,000.

(ii) Lease liabilities

Upon adoption of HKFRS 16, on 1 January 2019, the Group recognised lease liabilities of approximately HK\$2,574,000 (Note 3). As at 30 June 2019, the carrying amount of lease liabilities was approximately HK\$6,455,000.

During the six months ended 30 June 2019, the Group entered into a number of new lease agreements for office premises and recognised lease liability of approximately HK\$2,213,000.

(iii) Amount recognised in profit or loss

	For the six months ended 30 June 2019 HK\$'000
Depreciation of right-of-use assets	1,982
Interest expense on lease liabilities	41

14. TRADE AND BILLS RECEIVABLES

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Trade receivables	413,669	439,204
Less: allowance for impairment of trade receivables	(27,535)	(29,655)
	386,134	409,549
Bills receivables	173,913	102,036
	560,047	511,585

As at 30 June 2019, the gross amount of trade receivables arising from contracts with customers amounted to HK\$413,669,000 (31 December 2018: HK\$439,204,000).

The Group allows an average credit period of 15 to 180 days to its trade customers.

The following is an aged analysis of trade receivables net of allowance for impairment of trade receivables presented based on the invoice date which approximates the respective revenue recognition dates, at the end of the reporting period.

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
0 to 90 days	371,345	395,080
91 to 180 days	8,213	11,007
181 to 365 days	5,639	3,462
Over 1 year	937	–
	386,134	409,549

All the bills receivables are aged within 365 days.

15. 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 2019 carried interest at the variable interest rates ranging from 0.01% to 0.35% per annum (unaudited) (31 December 2018 (audited): 0.01% to 0.35% per annum). The pledged deposits carried interest rates ranging from 0.3% to 2% per annum (unaudited) (31 December 2018 (audited): 0.3% to 2% per annum) as at 30 June 2019.

Pledged bank deposits represented deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to approximately HK\$278,489,000 (unaudited) (31 December 2018 (audited): approximately HK\$129,785,000) as at 30 June 2019 had been pledged to secure bank borrowings and bills falling due within one year and are therefore classified as current assets.

16. TRADE, BILLS AND OTHER PAYABLES AND ACCRUALS

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Trade payables (Note a)	206,757	184,162
Bills payables (Note a)	453,548	252,698
	660,305	436,860
Construction cost payables	–	495
Other payables	9,587	2,404
Accrued expenses	17,260	16,969
Value added tax payables	1,906	24,679
	28,753	44,547
	689,058	481,407

16. TRADE, BILLS AND OTHER PAYABLES AND ACCRUALS (continued)

Note:

- (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 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
0 to 90 days	173,439	147,907
91 to 180 days	24,645	27,818
181 to 365 days	2,186	2,946
Over 365 days	6,487	5,491
	206,757	184,162

The average credit period on the 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.

All the bills payables are aged within 365 days.

17. BANK BORROWINGS

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Secured:		
Trust receipts loans	41,899	50,537
Other bank loans	155,103	169,249
	197,002	219,786
Unsecured:		
Other bank loans	89,121	93,928
	286,123	313,714

18. CORPORATE BOND

During the year ended 31 December 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%.

	HK\$'000
At 1 January 2018	1,776
Interest paid during the year	(160)
Effective interest expenses	200
At 31 December 2018 and 1 January 2019	1,816
Effective interest expenses	99
At 30 June 2019	1,915

19. SHARE CAPITAL

	Number of shares		Share capital	
	30 June 2019 (Unaudited)	31 December 2018 (Audited)	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Ordinary shares of HK\$0.01 each Authorised				
At the beginning and end of period/year	1,000,000,000	1,000,000,000	10,000	10,000
Issued and fully paid				
At the beginning and end of period/year	216,825,000	216,825,000	2,168	2,168

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	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Salaries and other allowances	2,791	2,494
Retirement benefit scheme contributions	29	27
	2,820	2,521

(b) Other related party transaction

Name of company	Nature of transaction	Six months ended 30 June	
		2019	2018
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Maxtone Electronics Limited ("Maxtone")	Lease payments	566	540

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.

21. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current period's presentation.