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WONG'S INTERNATIONAL HOLDINGS LIMITED

王氏國際集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 99)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

FINANCIAL HIGHLIGHTS:

- Profit attributable to owners of the Company decreased by approximately HK\$460.0 million due to decrease in fair value gains booked in relation to properties held by a joint venture.
- Profit from EMS division decreased by approximately HK\$29.7 million due to reduction in demand as a result of the current trade tension between Mainland China and the US.
- The transaction of disposal of 6/F, One Harbour Square with consideration of HK\$238.1 million was completed during this interim period.

UNAUDITED INTERIM RESULTS

The board of directors (the “Board” or “Directors”) of Wong’s International Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2019 as follows:

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2019

		Unaudited	
		2019	2018
	<i>Note</i>	HK\$'000	HK\$'000
Revenue	2	2,001,020	1,952,784
Other income		4,344	6,759
Changes in inventories of finished goods and work in progress		(35,164)	(30,032)
Raw materials and consumables used		(1,380,578)	(1,438,119)
Cost of stock of completed properties		(132,015)	–
Employee benefit expenses		(232,613)	(248,587)
Depreciation and amortisation charges		(34,209)	(29,902)
Other operating expenses		(96,842)	(98,607)
Change in fair value of investment properties		62,925	65,001
Other gains – net	3	5,431	8,183
Impairment losses on trade receivables	8	(287)	–
Operating profit		162,012	187,480
Finance income		9,342	5,156
Finance costs		(32,037)	(26,694)
Share of loss of an associate		(1,055)	(1,109)
Share of profits of joint ventures	7	123,071	562,471
Profit before income tax		261,333	727,304
Income tax expense	4	(15,009)	(20,992)
Profit after income tax		246,324	706,312
Profit attributable to owners of the Company		246,324	706,312
Non-controlling interests		-	–
		246,324	706,312
Dividends	5	16,747	19,139
Earnings per share attributable to owners of the Company during the period			
Basic	6	HK\$0.51	HK\$1.48
Diluted	6	HK\$0.51	HK\$1.48

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF
COMPREHENSIVE INCOME**
FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Unaudited	
	2019	2018
	HK\$'000	HK\$'000
Profit for the period	246,324	706,312
Other comprehensive income:		
<i>Items that may be reclassified to profit or loss:</i>		
Cash flow hedge – fair value (losses)/gains for the period	(5,498)	9,418
Cash flow hedge – deferred income tax recognised	907	(1,554)
Currency translation differences		
– Group	(2,778)	(23,149)
– Associates	(76)	(10)
<i>Item that will not be reclassified subsequently to profit or loss:</i>		
Changes in fair value of financial assets at fair value through other comprehensive income	104	444
Other comprehensive loss for the period, net of tax	(7,341)	(14,851)
Total comprehensive income for the period	238,983	691,461
Attributable to:		
Owners of the Company	238,983	691,461
Non-controlling interests	–	–
Total comprehensive income for the period	238,983	691,461

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

		Unaudited As at 30 June 2019 HK\$'000	Audited As at 31 December 2018 HK\$'000
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment		222,341	308,617
Investment properties		2,568,972	2,506,097
Right-of-use assets		96,490	–
Leasehold land and land use rights		–	16,831
Investments in associates		25,604	28,235
Interests in joint ventures	7	2,523,162	2,410,801
Financial assets at fair value through other comprehensive income		4,342	4,195
Deferred income tax assets		23,157	21,179
Deposits and other receivables		19,042	13,607
Restricted cash		26,421	14,652
		<u>5,509,531</u>	<u>5,324,214</u>
Current assets			
Inventories		410,948	500,926
Stock of completed properties		236,350	368,365
Trade receivables	8	858,956	942,014
Prepayments, deposits and other receivables		82,163	94,951
Financial assets at fair value through other comprehensive income		123	166
Amounts due from associates		14	11
Current income tax recoverable		1,558	520
Short-term bank deposits		539,127	500,395
Cash and cash equivalents		609,434	447,737
		<u>2,738,673</u>	<u>2,855,085</u>
Non-current assets classified as held for sale	9	<u>–</u>	<u>88,383</u>
		<u>2,738,673</u>	<u>2,943,468</u>
Total assets		<u><u>8,248,204</u></u>	<u><u>8,267,682</u></u>

		Unaudited As at 30 June 2019 HK\$'000	Audited As at 31 December 2018 HK\$'000
	<i>Note</i>		
EQUITY			
Equity attributable to owners of the Company			
Share capital		47,848	47,848
Other reserves		507,467	504,948
Retained earnings			
– Dividends		16,747	26,317
– Others		4,460,554	4,241,072
		5,032,616	4,820,185
Non-controlling interests		4	4
Total equity		5,032,620	4,820,189
LIABILITIES			
Non-current liabilities			
Derivative financial instruments		7,283	1,801
Accruals and other payables		17,730	11,381
Lease liabilities		7,292	–
Deferred income tax liabilities		71,855	98,671
Borrowings	<i>11</i>	1,310,940	1,422,432
		1,415,100	1,534,285
Current liabilities			
Trade payables	<i>10</i>	624,300	761,875
Accruals and other payables		212,332	227,398
Contract liabilities		125,812	129,993
Lease liabilities		12,066	–
Current income tax liabilities		85,501	55,191
Borrowings	<i>11</i>	740,473	738,751
		1,800,484	1,913,208
Total liabilities		3,215,584	3,447,493
Total equity and liabilities		8,248,204	8,267,682
Net current assets		938,189	1,030,260
Total assets less current liabilities		6,447,720	6,354,474

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Unaudited				
	Attributable to owners of the Company			Non-	
	Share capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000	controlling interests HK\$'000	Total HK\$'000
As at 1 January 2019	47,848	153,025	4,619,312	4	4,820,189
Effect on adoption of HKFRS 16 <i>(Note 1)</i>	<u>–</u>	<u>–</u>	<u>(235)</u>	<u>–</u>	<u>(235)</u>
	47,848	153,025	4,619,077	4	4,819,954
Comprehensive income					
Profit for the period	<u>–</u>	<u>–</u>	<u>246,324</u>	<u>–</u>	<u>246,324</u>
Other comprehensive income					
Currency translation differences	–	–	(2,854)	–	(2,854)
Changes in fair value of financial assets at fair value through other comprehensive income	–	–	104	–	104
Cash flow hedge – fair value losses for the period	–	–	(5,498)	–	(5,498)
Cash flow hedge – deferred income tax recognised	<u>–</u>	<u>–</u>	<u>907</u>	<u>–</u>	<u>907</u>
Total other comprehensive loss	<u>–</u>	<u>–</u>	<u>(7,341)</u>	<u>–</u>	<u>(7,341)</u>
Total comprehensive income	<u>–</u>	<u>–</u>	<u>238,983</u>	<u>–</u>	<u>238,983</u>
Transactions with owners					
Dividend paid to owners of the Company	<u>–</u>	<u>–</u>	<u>(26,317)</u>	<u>–</u>	<u>(26,317)</u>
Total transactions with owners	<u>–</u>	<u>–</u>	<u>(26,317)</u>	<u>–</u>	<u>(26,317)</u>
As at 30 June 2019	<u>47,848</u>	<u>153,025</u>	<u>4,831,743</u>	<u>4</u>	<u>5,032,620</u>

	Unaudited				
	Attributable to owners of the Company			Non-	
	Share	Share	Other	controlling	Total
	capital	premium	reserves	interests	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 1 January 2018	47,848	153,025	3,315,615	4	3,516,492
Comprehensive income					
Profit for the period	–	–	706,312	–	706,312
Other comprehensive income					
Currency translation differences	–	–	(23,159)	–	(23,159)
Changes in fair value of financial assets at fair value through other comprehensive income	–	–	444	–	444
Cash flow hedge – fair value gains for the period	–	–	9,418	–	9,418
Cash flow hedge – deferred income tax recognised	–	–	(1,554)	–	(1,554)
Total other comprehensive loss	–	–	(14,851)	–	(14,851)
Total comprehensive income	–	–	691,461	–	691,461
Transactions with owners					
Dividend paid to owners of the Company	–	–	(16,747)	–	(16,747)
Total transactions with owners	–	–	(16,747)	–	(16,747)
As at 30 June 2018	47,848	153,025	3,990,329	4	4,191,206

NOTES:

1. BASIS OF PREPARATION

This unaudited condensed consolidated interim financial information (“Interim Financial Information”) for the six months ended 30 June 2019 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim financial report” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The Interim Financial Information should be read in conjunction with the annual financial statements for the year ended 31 December 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

This Interim Financial Information has been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss, financial assets at fair value through other comprehensive income and investment properties, which are carried at fair value.

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2018, as described in those annual financial statements.

Amended standards adopted by the Group

The following new standard, amendments to standards and interpretation are mandatory for first time for the financial year beginning 1 January 2019:

Amendments to HKAS 12, HKAS 23, HKFRS 3 and HKFRS 11	Annual Improvements 2015–2017 Cycle
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
HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments

The Group changes its accounting policies and made certain adjustment following the adoption of HKFRS 16 “Leases”. The impact of the adoption of the leasing standard and the new accounting policies are disclosed in below. The other standards did not have any impact on the Group’s accounting policies and did not require retrospective adjustments.

Below explains the impact of the adoption of HKFRS 16 “Leases” on the Group’s financial statements and discloses the new accounting policies that have been applied from 1 January 2019.

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated statement of financial position on 1 January 2019.

(a) Adjustments recognised on the adoption of HKFRS 16

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”. 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 4.45%.

The table below explains the difference between operating lease commitments disclosed at 31 December 2018 by applying HKAS 17 and lease liabilities recognised at 1 January 2019 by applying HKFRS 16:

	<i>HK\$'000</i>
Operating lease commitments disclosed as at 31 December 2018	25,274
Less: short-term leases recognised on a straight-line basis as expense	(494)
Operating lease liabilities before discounting at 31 December 2018	24,780
Effect from discounting at incremental borrowing rate at 1 January 2019	(1,139)
Lease liabilities recognised as at 1 January 2019	<u>23,641</u>
Of which are:	
Current lease liabilities	10,969
Non-current lease liabilities	12,672
	<u>23,641</u>

The associated right-of-use assets were measured on a retrospective basis as if the new rules had always been applied. Right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

For leasehold land and land use rights previously presented as a separate item and leasehold land included in property, plant and equipment on consolidated statement of financial position are grouped as part of right-of-use assets with effect from 1 January 2019. The recognised right-of-use assets upon the adoption of HKFRS 16 are related to land and buildings.

The change in accounting policy affected the following items in the consolidated statement of financial position on 1 January 2019:

Statement of consolidated financial position (Extract)	31 December 2018 As previously reported <i>HK\$'000</i>	Effect of HKFRS 16 <i>HK\$'000</i>	1 January 2019 As restated <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment	308,617	(61,814)	246,803
Right-of-use assets	–	102,051	102,051
Leasehold land and land use rights	16,831	(16,831)	–
LIABILITIES			
Current liabilities			
Lease liabilities	–	10,969	10,969
Non-current liabilities			
Lease liabilities	–	12,672	12,672
EQUITY			
Retained earnings	4,267,389	(235)	4,267,154

(i) *Impact on segment disclosure*

Adjusted operating profit for the period ended 30 June 2019 and segment assets as at 30 June 2019 all increased as a result of the changes in accounting policies. The following segments were affected by the changes in the accounting policies:

	Increase in adjusted operating profit for the six months ended 30 June 2019 HK\$'000	Increase in segment assets as at 30 June 2019 HK\$'000
EMS division	339	18,982
Property holding division	—	—
	<u>339</u>	<u>18,982</u>

(ii) *Practical expedients applied*

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than twelve months as at 1 January 2019 as short-term leases;
- the exemption of operating leases for which the underlying assets are of low value;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected 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 “Leases” and HK(IFRIC)-4, “Determining whether an Arrangement contains a Lease”.

(b) *The Group’s leasing activities and how these are accounted for*

As a lessee

The Group leases various factories, offices and warehouses. Rental contracts are typically made for fixed periods of one to three years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The Group also leases certain land use rights in Mainland China. These land use rights are leased for a period of between ten to fifty years on which plants and buildings of the Group are situated on. The lease agreements do not impose any covenants.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of twelve months or less. Low-value assets comprise IT-equipment and small items of office furniture.

As a lessor

The Group leases out its investment properties under non-cancellable operating lease arrangements. The lease terms are between one and three years. The Group has classified these leases as operating leases.

The accounting policies applicable to the Group as a lessor in the comparative period are not different from HKFRS 16. The Group is not required to make any adjustments on transition to HKFRS 16 for leases in which it acts as a lessor, except for a sub-lease. When the Group is an intermediate lessor, the sub-lease is classified with reference to the underlying asset.

The Group does not have sub-leases during the financial year of 2018. The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "revenue". The Group has accounted for its lease in accordance with HKFRS 16 from the date of initial application.

Standards issued but not yet applied by the Group

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2019 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to HKFRS 3 (Revised)	Definition of a Business	1 January 2020
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020
HKFRS 17	Insurance Contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Directors of the Company are in the process of assessing the financial impact of the adoption of the above new standards and amendments to standards. The Directors of the Company will adopt the new standards and amendments to standards when they become effective.

2. SEGMENT INFORMATION

The Group's senior executive management is considered as the Chief Operating Decision Maker ("CODM"). The Group is currently organised into two operating divisions:

Electronic Manufacturing Service ("EMS") – manufacture and distribution of electronic products for EMS customers.

Property Holding – development, sale and lease of properties.

The CODM reviews the performance of the Group on a regular basis and reviews the Group's internal reporting in order to assess performance and allocate resources. The CODM assesses the performance of the operating segments based on a measure of segment results. This measurement basis includes profit or loss of the operating segments before other income, other gains – net, finance income, finance costs, share of loss of an associate and income tax expense but excludes corporate and unallocated expenses. Other information provided to CODM is measured in a manner consistent with that in the Interim Financial Information.

For the six months ended 30 June 2019	EMS division HK\$'000	Property holding division HK\$'000	Total HK\$'000
External revenue			
Revenue from contracts with customers			
Timing of revenue recognition			
– At a point of time	1,815,066	149,699	1,964,765
Revenue from other sources			
– Rental income	–	36,255	36,255
	<u>64,676</u>	<u>224,263</u>	<u>288,939</u>
Segment results			
	<u>64,676</u>	<u>224,263</u>	<u>288,939</u>
Depreciation and amortisation charges	32,990	21	33,011
Share of profits of joint ventures	–	123,071	123,071
Change in fair value of investment properties	–	62,925	62,925
Capital expenditure	2,645	–	2,645

For the six months ended 30 June 2018	EMS division HK\$'000	Property holding division HK\$'000	Total HK\$'000
External revenue			
Revenue from contracts with customers			
Timing of revenue recognition			
– At a point of time	1,920,568	–	1,920,568
Revenue from other sources			
– Rental income	–	32,216	32,216
Segment results	94,421	650,914	745,335
Depreciation and amortisation charges	28,684	21	28,705
Share of profits of joint ventures	–	562,471	562,471
Change in fair value of investment properties	–	65,001	65,001
Capital expenditure	16,055	–	16,055
	EMS division HK\$'000	Property holding division HK\$'000	Total HK\$'000
As at 30 June 2019			
Segment assets	2,683,309	2,873,236	5,556,545
Interests in joint ventures	–	2,523,162	2,523,162
Total reportable segment assets	2,683,309	5,396,398	8,079,707
As at 31 December 2018			
Segment assets	2,716,844	2,992,209	5,709,053
Interests in joint ventures	–	2,410,801	2,410,801
Total reportable segment assets	2,716,844	5,403,010	8,119,854

Segment assets consist primarily of property, plant and equipment, investment properties, right-of-use assets, leasehold land and land use rights, interests in joint ventures, restricted cash, inventories, stock of completed properties, trade receivables, prepayments, deposits and other receivables, non-current assets classified as held for sale, cash and cash equivalents and short-term bank deposits, but exclude investments in associates, financial assets at fair value through other comprehensive income, deferred income tax assets, amounts due from associates, current income tax recoverable and corporate and unallocated assets.

A reconciliation of reportable segment results to profit before income tax is provided as follows:

	For the six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Reportable segment results	288,939	745,335
Other income	4,344	6,759
Other gains – net	5,431	8,183
Finance costs – net	(22,695)	(21,538)
Share of loss of an associate	(1,055)	(1,109)
Corporate and unallocated expenses	(13,631)	(10,326)
Profit before income tax	261,333	727,304

Reportable segments assets are reconciled to total assets as follows:

	As at 30 June 2019 HK\$'000	As at 31 December 2018 HK\$'000
Reportable segment assets	8,079,707	8,119,854
Investments in associates	25,604	28,235
Financial assets at fair value through other comprehensive income	4,465	4,361
Deferred income tax assets	23,157	21,179
Amounts due from associates	14	11
Current income tax recoverable	1,558	520
Corporate and unallocated assets	113,699	93,522
Total assets per condensed consolidated statement of financial position	8,248,204	8,267,682

Reconciliations of other material items are as follows:

	For the six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Depreciation and amortisation charges		
– Reportable segment total	33,011	28,705
– Corporate headquarters	1,198	1,197
	34,209	29,902
Capital expenditure		
– Reportable segment total	2,645	16,055

The Company is domiciled in Bermuda. Analysis of the Group's revenue by geographical market, which is determined by the destination of the invoices billed, is as follows:

	For the six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
North America	480,449	461,167
Asia (excluding Hong Kong)	739,180	860,819
Europe	299,674	333,604
Hong Kong	481,717	297,194
	2,001,020	1,952,784

For the six months ended 30 June 2019, revenues of approximately HK\$666,032,000, HK\$219,096,000 and HK\$206,926,000 were derived from the top three external customers respectively. For the six months ended 30 June 2018, revenues of approximately HK\$656,345,000 and HK\$248,203,000 were derived from the top two external customers respectively. These customers individually account for 10 percent or more of the Group's revenue. These revenues are attributable to the EMS division.

Analysis of the Group's non-current assets by geographical market is as follows:

	As at 30 June 2019 HK\$'000	As at 31 December 2018 HK\$'000
North America	9	16
Asia (excluding Hong Kong)	296,735	283,515
Europe	23	33
Hong Kong	5,189,607	5,019,471
	5,486,374	5,303,035

Non-current assets comprise property, plant and equipment, investment properties, right-of-use assets, leasehold land and land use rights, investments in associates, interests in joint ventures, financial assets at fair value through other comprehensive income, deposits and other receivables and restricted cash. They exclude deferred income tax assets.

3. OTHER GAINS – NET

	For the six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Gains/(losses) on financial instrument – net		
– Unrealised	16	119
– Realised	(18)	(82)
Gains on disposal of property, plant and equipment	129	104
Exchange gains – net	5,304	5,907
Gain on disposal of financial assets at fair value through profit or loss	–	2,135
	5,431	8,183

4. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Current income tax		
– Hong Kong profits tax	33,074	6,264
– Overseas taxation	11,020	13,767
(Over)/under-provision in prior periods		
– Current income tax	(1,144)	6
Deferred income tax	(27,941)	955
	<u>15,009</u>	<u>20,992</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profit arising in or derived from Hong Kong.

The Group's subsidiaries in Mainland China are subject to the China Corporate Tax ("CIT") at the rate of 25% (2018: 25%) on the estimated profits, except for Welco Technology (Suzhou) Limited ("WTSZ"), a wholly-owned subsidiary of the Group. WTSZ is eligible for preferential CIT rate of 15% under the New and High Technology Enterprises status till 31 December 2020.

5. DIVIDENDS

	For the six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Interim dividend – HK\$0.035 (2018: HK\$0.04) per share	<u>16,747</u>	<u>19,139</u>

On 22 August 2019, the Board has resolved to pay an interim dividend of HK\$0.035 per share (2018: HK\$0.04 per share) which is payable on Thursday, 26 September 2019 to the shareholders whose names appear on the Register of Members of the Company on Thursday, 12 September 2019. This interim dividend, amounting to HK\$16,747,000 (2018: HK\$19,139,000) has not been recognised as a liability in this Interim Financial Information. It will be recognised in shareholders' equity in the year ending 31 December 2019.

6. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	For the six months ended 30 June	
	2019	2018
Profit attributable to owners of the Company (<i>HK\$'000</i>)	246,324	706,312
Weighted average number of ordinary shares in issue (<i>in thousands</i>)	478,484	478,484
Basic earnings per share (<i>HK\$</i>)	0.51	1.48

(b) Diluted

No diluted earnings per share is presented for both periods because there is no dilutive potential ordinary shares outstanding throughout both periods.

7. INTERESTS IN JOINT VENTURES

	As at 30 June 2019 <i>HK\$'000</i>	As at 31 December 2018 <i>HK\$'000</i>
Share of net assets	1,356,360	1,233,289
Loans to joint ventures	1,166,802	1,177,512
	2,523,162	2,410,801

The loans to joint ventures are unsecured, interest-free and will not be repaid in the coming twelve months.

Movements in share of net assets is analysed as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
At 1 January	1,233,289	231,309
Share of profits of joint ventures	123,071	562,471
At 30 June	1,356,360	793,780

Share of profits of joint ventures included the share of fair value gains of investment properties owned by the joint ventures of approximately HK\$127,531,000 (2018: HK\$667,575,000).

8. TRADE RECEIVABLES

	As at 30 June 2019 HK\$'000	As at 31 December 2018 HK\$'000
Trade receivables	861,109	943,880
Less: allowance for impairment of trade receivables	<u>(2,153)</u>	<u>(1,866)</u>
	<u>858,956</u>	<u>942,014</u>

The credit period allowed by the Group to its trade customers mainly ranges from 30 days to 120 days and no interest is charged.

Ageing analysis of the Group's trade receivables by invoice date is as follows:

	As at 30 June 2019 HK\$'000	As at 31 December 2018 HK\$'000
0 – 60 days	528,782	614,518
61 – 90 days	169,165	186,539
Over 90 days	<u>163,162</u>	<u>142,823</u>
	<u>861,109</u>	<u>943,880</u>

9. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	As at 30 June 2019 HK\$'000	As at 31 December 2018 HK\$'000
Assets classified as held for sale		
– Investment properties	<u>–</u>	<u>88,383</u>

On 24 December 2018, the Group entered into a provisional sale and purchase agreement with a third party purchaser whereby, the purchaser agreed to purchase certain investment properties and stock of completed properties at the consideration of HK\$88,383,000 and HK\$149,699,000 respectively. The transaction was completed during this interim period.

10. TRADE PAYABLES

Ageing analysis of the Group's trade payables by invoice date is as follows:

	As at 30 June 2019 HK\$'000	As at 31 December 2018 HK\$'000
0 – 60 days	488,645	612,395
61 – 90 days	97,921	98,102
Over 90 days	37,734	51,378
	<u>624,300</u>	<u>761,875</u>

11. BORROWINGS

	As at 30 June 2019 HK\$'000	As at 31 December 2018 HK\$'000
Trust receipt bank loans, unsecured	340,589	307,417
Short-term bank loans, unsecured	300,000	328,000
Portion of long-term loans due for repayment within one year, secured	92,984	92,984
Portion of long-term loans due for repayment after one year, secured	1,310,940	1,422,432
Portion of a mortgage loan from bank due for repayment within one year	6,900	6,900
Portion of a mortgage loan from bank due for repayment after one year which contains a repayment on demand clause	–	3,450
Total borrowings	<u>2,051,413</u>	<u>2,161,183</u>
Non-current	1,310,940	1,422,432
Current	<u>740,473</u>	<u>738,751</u>
Total borrowings	<u>2,051,413</u>	<u>2,161,183</u>

INTERIM DIVIDEND

On 22 August 2019, the Board has resolved to pay an interim dividend of HK\$0.035 per share (2018: HK\$0.04 per share) which is payable on Thursday, 26 September 2019 to the shareholders whose names appear on the Register of Members of the Company on Thursday, 12 September 2019.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 10 September 2019 to Thursday, 12 September 2019, both days inclusive, during which period no transfer of shares shall be effected. To qualify for the above interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 9 September 2019.

REVIEW OF BUSINESS ACTIVITIES

Review of Results

The profit attributable to owners of the Company for the six months ended 30 June 2019 amounted to HK\$246.3 million, as compared to HK\$706.3 million for the corresponding period last year. The significant decrease was mainly due to decrease in share of profits of joint ventures in the sum of HK\$439.4 million. Earnings per share for the six months were HK\$0.51 as compared to HK\$1.48 for the corresponding period last year.

The Group's revenue for the six months ended 30 June 2019 was HK\$2,001.0 million, as compared to HK\$1,952.8 million for the corresponding period last year. Operating profit for the six months ended 30 June 2019 was HK\$162.0 million or 8.1% of revenue, as compared to HK\$187.5 million or 9.6% of revenue for the corresponding period last year. The decrease in operating profit was driven by reduction in demand as a result of the current trade tension between Mainland China and the US.

Electronic Manufacturing Service ("EMS") Division

Revenue for the EMS Division for the six months ended 30 June 2019 was HK\$1,815.1 million, as compared to HK\$1,920.6 million for the corresponding period last year. The segment profit attributable to the EMS Division was HK\$64.7 million, a 31.5% decrease as compared to HK\$94.4 million for the corresponding period last year. The decrease in the segment net profit was attributable to reduction in demand as a result of the current trade tension between Mainland China and the US.

Property Holding Division

The Property Holding Division reported revenue of HK\$186.0 million, as compared to HK\$32.2 million for the corresponding period last year. The segment profit for the period was HK\$224.3 million as compared to HK\$650.9 million for the corresponding period last year. The decrease was mainly attributable to decrease in share of profit of joint ventures, which mainly comprised of one-off fair value gains between the “development cost” and the “current market value” arising from the leased portion reclassified from stock of completed properties to investment properties.

On 24 December 2018, the Group entered into a provisional sale and purchase agreement with a third party purchaser whereby, the Group agreed to sell 6/F of One Harbour Square at the consideration of HK\$238,082,000. The transaction was completed during this interim period.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2019, the Group had a total of HK\$3,146.6 million of banking facilities. Total bank borrowings were HK\$2,051.4 million (2018 December: HK\$2,161.2 million). Cash and cash equivalents and short-term bank deposits were HK\$1,148.6 million at 30 June 2019 (2018 December: HK\$948.1 million). Cash flow generated from operations for the period was HK\$252.8 million.

As at 30 June 2019, the Group had net bank borrowings of HK\$902.8 million, as compared to HK\$1,213.1 million at 31 December 2018. Sufficient banking facilities and bank balance are available to meet the cash needs of the Group for its manufacturing operations as well as Property Holding Division.

Net gearing ratio for the Group as at 30 June 2019 is 0.18 (2018 December: 0.25). The net gearing ratio was calculated as net debt divided by total equity. Net debt is calculated as total borrowings less cash and cash equivalents and short-term bank deposits.

FOREIGN EXCHANGE AND RISK MANAGEMENT

Most of the Group’s sales are conducted in United States dollars and costs and expenses are mainly in United States dollars, Hong Kong dollars, Japanese Yen and Chinese Renminbi. Consistent with its prudent policy on financial risk management, the Group does not use any foreign exchange hedging products. The Group recognise the currency risk in the fluctuation of Chinese Renminbi and will closely monitor and actively manage the risk involved.

CAPITAL STRUCTURE

There has been no material change in the Group’s capital structure since 31 December 2018 which consists of bank borrowings, cash and cash equivalents, short-term bank deposits and equity attributable to owners of the parent, comprising issued share capital and reserves.

EMPLOYEES

As at 30 June 2019, the Group employed approximately 3,787 employees. The Group adopts a remuneration policy which is commensurate with job nature, qualification and experience of employees. In addition to the provision of annual bonuses and employee related insurance benefits, discretionary bonuses are also rewarded to employees based on individual performance. The remuneration packages and policies are reviewed periodically. The Group also provides in-house and external training programs to its employees.

PROSPECTS

The ongoing Sino-US trade dispute has remained unresolved and no accord is in sight. Increased tariffs coupled with continued uncertainty have adversely affected the demand for the Group's products. Based on current sales orders on hand and forecasts from customers, barring unforeseen circumstances, the Company expects that the result of the EMS business in the second half of 2019 will be lower compared to the corresponding period of 2018. In view of the current situation, the Company is in the process of establishing a manufacturing facility in Hai Duong Province, Vietnam to mainly cater for the needs of US customers, and the facility targets to start small volume production by end of the first quarter of 2020. In the meantime, the Company will continue its efforts to expand customer base, control costs and enhance operating efficiency. It will also endeavor to provide customers with value added services including product design and technology services in order to attract customers.

Most floors of Two Harbour Square, owned by a joint venture between the Company and Sun Hung Kai Properties Limited, and the portion of One Harbour Square owned by the Company have been leased out, and they will provide the Group with a steady source of rental income.

AWARD AND RECOGNITION

The Company and its wholly-owned subsidiary, Wong's Electronics Company Limited, were awarded the Caring Company Logo by The Hong Kong Council of Social Service for the seventh consecutive year. In addition, Wong's F&B Limited, a wholly-owned subsidiary of the Company, was awarded the Caring Company Logo in March 2016. These serve as recognition of the Group's active participation in community activities and good corporate citizenship.

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

During the six months ended 30 June 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2019, the Company has complied with the code provisions under the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”), except for the following deviations:

Code provision A.2.1

Code provision A.2.1 provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Mr. Wong Chung Mat, Ben is the Group’s Chairman and Chief Executive Officer and has occupied these two positions since February 2003. In allowing the two positions to be occupied by the same person, the Company has considered the following:

- (a) Both positions require in-depth knowledge and considerable experience of the Group’s business. Candidates with the suitable knowledge, experience and leadership are difficult to find both within and outside the Group. If either of the positions is occupied by an unqualified person, the Group’s performance could be gravely compromised.
- (b) The Company believes that the supervision of the Board and its Independent Non-executive Directors can provide an effective check and balance mechanism and ensures that the interests of the shareholders are adequately represented.

Code provision A.4.1

Code provision A.4.1 provides that non-executive directors should be appointed for a specific term, subject to re-election.

None of the existing Independent Non-executive Directors of the Company is appointed for a specific term. However, every Director of the Company is now subject to retirement by rotation and re-election under Bye-law 112 of the Bye-laws of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are no less exacting than those in the CG Code.

Code provisions A.5.1 to A.5.4

Code provisions A.5.1 to A.5.4 provide that a nomination committee should be established with specific terms of reference which should be made available on the websites of the Stock Exchange and the listed issuer, and that sufficient resources should be provided to such committee to perform its duties.

The Company does not have present intention to establish a Nomination Committee in view that the Board itself shall discharge all duties expected to be dealt with by a Nomination Committee. In addition, a Policy and Procedure for Nomination of Directors have been set out in writing and adopted by the Board to serve as a guideline in order to ensure that there is a formal, considered and transparent procedure for the appointment of new Directors with suitable experience and capabilities to maintain and improve the competitiveness of the Company.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules. Having made specific enquiry to all Directors, all Directors confirmed that they had complied with the required standard set out in the Model Code during the six months ended 30 June 2019.

AUDIT COMMITTEE

The Audit Committee, which comprises of three Independent Non-executive Directors, has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited interim financial information for the six months ended 30 June 2019.

PUBLICATION OF RESULTS AND INTERIM REPORT

This results announcement is published on the Company’s website at www.wih.com.hk/investor07.asp and the Stock Exchange at www.hkexnews.hk. The 2019 interim report will be dispatched to shareholders of the Company and will be available on the above websites in due course.

By order of the Board
WONG CHUNG MAT, BEN
Chairman and Chief Executive Officer

Hong Kong, 22 August 2019

As at the date of this announcement, the Executive Directors are Mr. Wong Chung Mat, Ben, Ms. Wong Yin Man, Ada, Dr. Chan Tsze Wah, Gabriel, Mr. Wan Man Keung and Mr. Hung Wing Shun, Edmund; and the Independent Non-executive Directors are Dr. Li Ka Cheung, Eric GBS, OBE, JP, Dr. Yu Sun Say GBM, JP, Mr. Alfred Donald Yap JP and Mr. Cheung Chi Chiu, David.

Website: www.wih.com.hk