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WONG'S KONG KING INTERNATIONAL (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 532)

2019 INTERIM RESULTS

The Board of Directors of Wong's Kong King International (Holdings) Limited (the "Company") announces that the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2019 together with comparative figures for the corresponding period in 2018 are as follows:

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

		Six months ended 30 June	
		2019	2018
		(Unaudited)	(Unaudited)
	NOTE	***HK$'000***	*HK$'000*
Revenue	*4*	**2,513,867**	2,532,766
Other gains, net		**2,914**	1,255
Raw materials and consumables used		**(1,419,613)**	(1,307,157)
Purchases of finished goods		**(537,842)**	(718,294)
Changes in inventories of finished goods and work in progress		**(17,762)**	53,291
Employee benefit expenses		**(338,667)**	(338,997)
Depreciation and amortisation		**(34,036)**	(26,930)
Net write-back of impairment loss on financial assets		**3,593**	845
Other expenses		**(116,719)**	(140,833)
Operating profit		**55,735**	55,946
Finance income	*5*	**1,791**	1,645
Finance costs	*5*	**(14,979)**	(8,902)
Finance costs, net	*5*	**(13,188)**	(7,257)

CONDENSED CONSOLIDATED INCOME STATEMENT (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

		Six months ended 30 June	
		2019	2018
		(Unaudited)	(Unaudited)
	NOTE	***HK$'000***	*HK$'000*
Share of profit of a joint venture		**1,018**	512
Profit before income tax	*4*	**43,565**	49,201
Income tax expense	*6*	**(16,036)**	(13,731)
Profit for the period		**27,529**	35,470
Attributable to:			
Owners of the Company		**23,217**	32,614
Non-controlling interests		**4,312**	2,856
		27,529	35,470
Earnings per share for profit attributable to the owners of the Company during the period	*7*		
(expressed in HK cents per share)			
– basic		**3.18**	4.44
– diluted		**3.18**	4.44

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profit for the period	**27,529**	35,470
Other comprehensive loss:		
Items that will not be reclassified to profit or loss		
Fair value losses on equity investments at fair value through other comprehensive income, net of tax	**(373)**	(86)
Items that may be reclassified to profit or loss		
Currency translation differences	**(5,333)**	(14,730)
Total comprehensive income for the period	**21,823**	20,654
Attributable to:		
Owners of the Company	**18,730**	19,239
Non-controlling interests	**3,093**	1,415
	21,823	20,654

CONDENSED CONSOLIDATED BALANCE SHEET
AT 30 JUNE 2019

	NOTE	30 June 2019 (Unaudited) HK$'000	31 December 2018 (Audited) HK$'000
ASSETS			
Non-current assets			
Land use rights		**–**	12,223
Property, plant and equipment		**478,056**	488,550
Right-of-use assets	*3*	**56,705**	–
Deposits and prepayments		**7,381**	7,969
Intangible assets		**517**	566
Interests in joint ventures		**3,360**	2,343
Deferred tax assets		**8,038**	7,361
Financial assets at fair value through other comprehensive income		**58,429**	57,597
Financial assets at fair value through profit or loss		**3,922**	3,632
Club membership and debentures		**14,472**	14,422
Total non-current assets		**630,880**	594,663
Current assets			
Inventories		**988,200**	972,182
Trade and other receivables	*9*	**1,498,305**	1,538,210
Contract assets		**49,267**	25,334
Deposits and prepayments		**53,618**	83,144
Tax recoverable		**1,812**	2,420
Derivative financial instruments		**31**	5
Short-term time deposits		**50,606**	71,027
Cash and cash equivalents		**270,905**	248,923
Total current assets		**2,912,744**	2,941,245
Total assets		**3,543,624**	3,535,908
LIABILITIES			
Non-current liabilities			
Obligations under finance leases – due after one year		**6**	49
Lease liabilities		**25,754**	–
Provision for assets retirement obligations		**1,710**	1,710
Retirement benefit obligations		**7,459**	7,612
Total non-current liabilities		**34,929**	9,371

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

AT 30 JUNE 2019

	NOTE	30 June 2019 (Unaudited) HK$'000	31 December 2018 (Audited) HK$'000
Current liabilities			
Trade, bills and other payables	*10*	**964,225**	882,224
Contract liabilities		**57,733**	75,017
Current income tax liabilities		**15,283**	20,789
Bank borrowings – due within one year		**798,042**	876,307
Lease liabilities		**19,425**	–
Obligations under finance leases – due within one year		**5**	35
Derivative financial instruments		**290**	–
Total current liabilities		**1,855,003**	1,854,372
Total liabilities		**1,889,932**	1,863,743
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	*11*	**72,945**	72,945
Reserves		**1,511,804**	1,529,332
		1,584,749	1,602,277
Non-controlling interests		**68,943**	69,888
Total equity		**1,653,692**	1,672,165
Total equity and liabilities		**3,543,624**	3,535,908

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 30 JUNE 2019

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2019 has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited (The "Hong Kong Stock Exchange") and with Hong Kong Accounting Standard 34 "*Interim Financial Reporting*" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The unaudited condensed consolidated 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").

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial information has been prepared in consistent with those principal accounting policies followed in the Annual Report 2018 except the adoption of the following new/revised Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (hereinafter collectively referred to as "new HKFRSs") which are effective for accounting periods commencing on or after 1 January 2019.

New and amended standards adopted by the Group

The following new and revised standards and a new interpretation were required to be adopted by the Group effective from 1 January 2019:

HKFRSs (Amendment)	Annual Improvements to HKFRSs 2015-2017 Cycle
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

The impact of the adoption of the leasing standard and the new accounting policies are disclosed in Note 3 below. The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

3. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's unaudited condensed consolidated interim financial information and also discloses the new accounting policies that have been applied from 1 January 2019, where they are different to those applied in prior periods.

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 balance sheet on 1 January 2019.

(a) Adjustments recognised on 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 2.72%.

	HK$'000
Operating lease commitments disclosed as at 31 December 2018	57,767
Discounted using the lessee's incremental borrowing rate of at the date of initial application	55,657
Less: short-term leases recognised on a straight-line basis as expense	(2,264)
Lease liabilities recognised as at 1 January 2019	53,393
Of which are:	
Current lease liabilities	18,585
Non-current lease liabilities	34,808
	53,393

The associated right-of-use assets for property leases were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated balance sheet 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. The Group had also reclassified the long-term lease of land from land use rights to right-of-use assets upon adoption of HKFRS 16.

The recognised right-of-use assets relate to property lease and land amounted to HK$64,840,000 as at 1 January 2019 and HK$56,705,000 as at 30 June 2019.

The change in accounting policy affected the following items in the condensed consolidated balance sheet on 1 January 2019:

Consolidated balance sheet (extract)	**31 December 2018 As originally presented**	**HKFRS 16**	**1 January 2019 Restated**
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Land use rights	12,223	(12,223)	–
Right-of-use assets	–	64,840	64,840
Current assets			
Deposits and prepayments	83,144	(46)	83,098
Current liabilities			
Trade, bills and other payables	882,224	(822)	881,402
Lease liabilities	–	18,585	18,585
Non-current liabilities			
Lease liabilities	–	34,808	34,808

There is no significant impact on retained earnings on 1 January 2019.

(i) *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 single discount rate to a portfolio of leases with reasonably similar characteristics
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- 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 of 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.

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

The Group leases various offices and warehouses. Rental contracts are typically made for fixed periods of 1 to 3 years but may have extension options as described in (i) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of offices and warehouses were classified as operating leases. Payments under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use assets and corresponding liabilities at the date at which the leased assets are available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss 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 fixed payment (including in-substance fixed payments), less any lease incentive receivable.

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 the 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 recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

(i) *Extension options*

Extension options are included in a number of property leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor. No lease payments made for the six months ended 30 June 2019 were optional.

Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create and economic incentive to exercise an extension option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The assessment will be reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

4. SEGMENTAL INFORMATION

The Chief Operation Decision-Maker ("CODM") has been identified as directors of the Company. CODM reviews the Group's internal reporting in order to assess performance and allocate resources. It has determined the operating segments based on these reports. The Group is currently organised into two operating segments – trading and manufacturing. These segments are the basis on which the Group reports its principal activities information.

Trading	–	trading and distribution of chemicals, materials and equipment used in the manufacturing of printed circuit boards and electronic products
Manufacturing	–	manufacturing of electrical and electronic products

The segment information for the six months ended 30 June 2019 is as follows:

	Trading *HK$'000*	Manufacturing *HK$'000*	Others *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
Revenue					
External sales	**929,148**	**1,571,665**	**13,054**	**–**	**2,513,867**
Inter-segment sales	**160,604**	**1,567**	**19,591**	**(181,762)**	**–**
Total	**1,089,752**	**1,573,232**	**32,645**	**(181,762)**	**2,513,867**
Timing of revenue recognition					
At a point in time	**1,065,252**	**1,573,232**	**32,160**	**(176,312)**	**2,494,332**
Over time	**24,500**	**–**	**485**	**(5,450)**	**19,535**
	1,089,752	**1,573,232**	**32,645**	**(181,762)**	**2,513,867**
Results					
Segment results	**18,158**	**45,245**	**(7,673)**	**5**	**55,735**
Finance income	**1,532**	**252**	**7**	**–**	**1,791**
Finance costs	**(2,778)**	**(11,829)**	**(372)**	**–**	**(14,979)**
	16,912	**33,668**	**(8,038)**	**5**	**42,547**
Share of profit of a joint venture					**1,018**
Profit before income tax					**43,565**

The segment information for the six months ended 30 June 2018 is as follows:

	Trading *HK$'000*	Manufacturing *HK$'000*	Others *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
Revenue					
External sales	1,111,965	1,408,053	12,748	–	2,532,766
Inter-segment sales	160,026	1,681	7,490	(169,197)	–
Total	1,271,991	1,409,734	20,238	(169,197)	2,532,766
Timing of revenue recognition					
At a point in time	1,247,955	1,409,734	19,762	(163,227)	2,514,224
Over time	24,036	–	476	(5,970)	18,542
	1,271,991	1,409,734	20,238	(169,197)	2,532,766
Results					
Segment results	52,549	13,335	(10,092)	154	55,946
Finance income	1,415	228	2	–	1,645
Finance costs	(1,611)	(7,291)	–	–	(8,902)
	52,353	6,272	(10,090)	154	48,689
Share of profit of a joint venture					512
Profit before income tax					49,201

5. FINANCE COSTS, NET

	Six months ended 30 June **2019** ***HK$'000***	 2018 *HK$'000*
Interest income	**1,791**	1,645
Interest expense	**(14,979)**	(8,902)
Finance costs, net	**(13,188)**	(7,257)

6. INCOME TAX EXPENSE

Hong Kong profits tax has been provided for at 16.5% (2018: 16.5%) on the estimated assessable profit for the period. The subsidiaries established in the People's Republic of China (the "PRC") are subject to corporate income tax rate of 25% (2018: 25%). The subsidiaries in Taiwan are subject to corporate income tax rate of 20% (2018: 20%). Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Current income tax		
Hong Kong profits tax	**6,049**	3,664
Other jurisdictions including PRC corporate income tax	**8,321**	9,340
Withholding tax on dividends declared by subsidiaries	**1,666**	727
	16,036	13,731

7. 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.

	Six months ended 30 June	
	2019	2018
Profit attributable to owners of the Company (Hong Kong thousands dollar)	**23,217**	32,614
Weighted average number of ordinary shares in issue (thousands)	**729,448**	735,367
Basic earnings per share (Hong Kong cents per share)	**3.18**	4.44

(b) Diluted

Diluted earnings per share were the same as the basic earnings per share for the six months ended 30 June 2019 and 2018, as the share options of the Company have an anti-dilutive effect on the basic earnings per share and are ignored in the calculation of diluted earnings per shares (2018: there were no dilutive potential ordinary shares in existence during the period).

8. DIVIDENDS

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Interim dividend – HK$0.01 (2018: HK$0.015) per share	**7,294**	10,942

The Board of Directors has declared an interim dividend of HK$0.01 per share for the six months ended 30 June 2019 (2018: HK$0.015) which will be payable on or about Thursday, 3 October 2019 to the shareholders whose names appear on the Register of Members of the Company on Tuesday, 17 September 2019. This interim dividend, amounting to HK$7,294,000 (2018: HK$10,942,000) has not been recognised as a liability in this unaudited condensed consolidated interim financial information. It will be recognised in shareholders' equity in the year ending 31 December 2019.

9. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables (including amounts due from related parties of trading in nature) of HK$1,473,374,000 (At 31 December 2018: HK$1,508,693,000). The Group allows a credit period ranging from 30 days to 180 days to its trade customers. In addition, for certain customers with long established relationship, a longer credit period may be granted.

The ageing analysis of trade receivables based on invoices dates net of provision for impairment at the end of reporting period is as follows:

	30 June 2019	31 December 2018
	HK$'000	*HK$'000*
0 to 30 days	**492,284**	509,925
31 to 60 days	**353,498**	415,451
61 to 90 days	**190,733**	200,496
Over 90 days	**436,859**	382,821
	1,473,374	1,508,693

10. TRADE, BILLS AND OTHER PAYABLES

Included in trade, bills and other payables are trade and bills payables (including amounts due to related parties of trading in nature) of HK$761,893,000 (At 31 December 2018: HK$652,889,000).

The following is an ageing analysis of trade and bills payables based on goods received dates at the end of reporting period:

	30 June 2019	31 December 2018
	HK$'000	*HK$'000*
0 to 30 days	**503,229**	469,718
31 to 60 days	**148,281**	101,614
61 to 90 days	**33,796**	35,646
Over 90 days	**76,587**	45,911
	761,893	652,889

11. SHARE CAPITAL

	Number of ordinary shares of HK$0.10 each	Nominal value of ordinary shares *HK$'000*	Treasury shares *HK$'000*	Total *HK$'000*
Issued and fully paid:				
At 31 December 2017 and 1 January 2018	738,207,964	73,821	(50)	73,771
Share repurchased *(Note)*	–	–	(826)	(826)
Cancellation of shares *(Note)*	(8,760,000)	(876)	876	–
At 31 December 2018, 1 January 2019 and 30 June 2019	729,447,964	72,945	–	72,945

Note:

During the year ended 31 December 2018, the Company repurchased its own 8,258,000 shares from the Hong Kong Stock Exchange, of which 8,258,000 shares have been cancelled as at year ended 31 December 2018. For those shares repurchased in 2017 which had not been cancelled as at year end, these had been cancelled on 31 January 2018. The total consideration (before expenses) paid to repurchase of these shares was approximately HK$10,107,000 and the transaction costs at HK$59,000, which has been deducted from equity attributable to owners of the Company. Particulars of the repurchases were as follow:

Year ended 31 December 2018:

Month of repurchase	Number of shares repurchased *'000*	Purchase price Highest *HK$*	Purchase price Lowest *HK$*	Aggregate considerations (before expenses) *HK$'000*
January	2,232	1.23	1.18	2,704
February	3,552	1.23	1.20	4,360
April	2,342	1.23	1.23	2,881
May	132	1.23	1.23	162
	8,258			10,107

INTERIM DIVIDEND

The Board of Directors has declared an interim dividend of HK$0.01 (2018: HK$0.015) per share for the six months ended 30 June 2019. The above-mentioned interim dividend will be payable on or about Thursday, 3 October 2019 to the shareholders whose names appear on the Register of Members of the Company on Tuesday, 17 September 2019.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Friday, 13 September 2019 to Tuesday, 17 September 2019, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the 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 not later than 4:30 p.m. on Thursday, 12 September 2019.

BUSINESS REVIEW

The Group's turnover and profit attributable to shareholders for the first half of 2019 was HK$2.5 billion and HK$23.2 million, representing decreases of approximately 1% and 29% respectively compared to the same period last year, mainly due to the continuing US-China trade war.

The turnover of the Group's Industrial Products Trading Division for the first half of 2019 was HK$0.9 billion, representing a decrease of approximately 16% compared to the same period last year. The Division's operating profit was HK$16.9 million, reflecting a decrease of approximately 68% compared to the corresponding period last year. The trading of Printed Circuit Board related products, despite experiencing a reduction of approximately 17% in operating profits, continued to contribute the largest part of the Division's profit. However, the operations in the PRC recorded operating losses due to a drop in demand for industrial products distributed by the Group as a result of the ongoing US-China trade war. The subsidiary in Taiwan registered an increase in operating profits compared to the same period last year.

The turnover of the Group's OEM Manufacturing Division increased by approximately 12% to HK$1.6 billion in the first half of 2019 compared to the same period last year mainly due to increased orders as a result of the Division's continuing efforts to approach new customers.

The Division's operating profits increased to HK$33.7 million for the first half of 2019 from HK$6.3 million for the corresponding period last year.

FINANCE

The Group has committed bank and other financing facilities totaling HK$2,397 million, of which HK$935 million was drawn down as at 30 June 2019. As at 30 June 2019, the Group's consolidated net borrowings amounted to HK$477 million and its total equity amounted to HK$1,654 million, resulting in a net gearing ratio of 28.8%.

Most of the Group's sales were conducted in the same currencies as the corresponding purchase transactions. Foreign exchange contracts were used to hedge exposures where necessary.

HUMAN RESOURCES

As at 30 June 2019, the Group had a total of 5,800 employees, of which 234 were based in Hong Kong, 5,242 in the PRC and 324 overseas. The remuneration of the Group's employees is mainly based on their performance and experience, taking into account current industry practices. Provident fund scheme, medical allowances, and in-house and external training programs are available to employees. Share options and discretionary bonuses may be provided to employees according to the performance of the individual and the Group. The remuneration policy and package of the Group's employees are regularly reviewed.

PROSPECTS

In view of the escalating US-China trade tensions and their impact on the global economy, the demand for the industrial products distributed by the Group's Industrial Products Trading Division is expected to be weak in the second half of this year.

Given the orders on hand, the Group's OEM Manufacturing Division is anticipated to perform better than last year in the absence of unforeseeable circumstances. The Group is in the process of relocating a small part of its manufacturing facilities to Mexico in order to avoid heavy tariffs imposed on products which are exported to the USA from China.

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 has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the six months ended 30 June 2019, with deviations as stated below:

Code Provision A.4.1

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

None of the existing Non-executive directors of the Company is appointed for a specific term. This constitutes a deviation from code provision A.4.1 of the CG Code. In accordance with the provisions of the Bye-laws of the Company, any Director appointed by the Board during the year shall retire and submit themselves for re-election at the next annual general meeting immediately following his/her appointment. Further, at each annual general meeting, one-third of the Directors for the time being, or if their number is not three or a multiple of three, then the number nearest to but not exceeding one-third, shall retire from office. The directors to retire by rotation shall be those who have been longest in office since their last re-election or appointment. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are similar to those in the CG Code.

Code Provision A.4.2

Code Provision A.4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

According to the Bye-laws of the Company, all Directors (except the Executive Chairman or Managing or Joint Managing Director) of the Company are subject to retirement by rotations and re-elections at the annual general meeting of the Company. This constitutes a deviation from the CG Code. As continuation is a key factor to the successful implementation of any long term business plans, the Board believes that the present arrangement is most beneficial to the Company and the shareholders as a whole.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted a code of conduct regarding securities transactions by Directors on no less exacting than the terms and required standard contained in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code"). Having made specific enquiry of all the Directors, the Company had obtained confirmation from all the Directors that they have complied with the required standard set out in the Model Code and the code of conduct for securities transactions by Directors adopted by the Company throughout the six months ended 30 June 2019.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, risk management and internal control systems and financial reporting matters including a review of the unaudited condensed consolidated interim financial information for the six months ended 30 June 2019.

REVIEW OF FINANCIAL INFORMATION

The Company's auditor, PricewaterhouseCoopers, has also reviewed the unaudited condensed consolidated interim financial information for the six months ended 30 June 2019 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

On behalf of the Board, I wish to thank all employees for their loyalty, support and hard work throughout the period.

By Order of the Board
Byron Shu-Chan Ho
Director

Hong Kong, 27 August 2019

As at the date of this announcement, the executive directors of the Company are Mr. Senta Wong, Mr. Edward Ying-Chun Tsui, Mr. Byron Shu-Chan Ho, Mr. Bengie Man-Hang Kwong, Mr. Vinci Wong and Mr. Victor Jui Shum Chang; the non-executive directors are Mr. Hamed Hassan El-Abd and Mr. Hsu Hung Chieh; and the independent non-executive directors are Mr. Philip Wan-Chung Tse, Dr. Leung Kam Fong, Dr. Yip Wai Chun, Mr. Arnold Hin Lin Tse and Mr. Andrew Yiu Wing Lam.