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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 2020

FINANCIAL HIGHLIGHTS:

- The loss attributable to owners of the Company was HK\$613.2 million. This was mainly due to fair value losses of the investment properties held by the Group and its joint ventures of HK\$676.9 million. The fair value losses reflect the commercial property market conditions which were adversely affected by the outbreak of COVID-19.
- Profit from EMS Division decreased by HK\$16.4 million due to reduction in demand as a result of the current trade tension between Mainland China and the US and the outbreak of COVID-19.

UNAUDITED INTERIM RESULTS

The board of directors (the “Board” or “Directors”) of Wong’s International Holdings Limited (the “Company”) hereby announces the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2020 as follows:

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2020

		Unaudited	
		2020	2019
	<i>Note</i>	HK\$'000	HK\$'000
Revenue	2	1,438,904	2,001,020
Other income		9,212	4,344
Changes in inventories of finished goods and work in progress		(41,920)	(35,164)
Raw materials and consumables used		(1,011,007)	(1,380,578)
Cost of stock of completed properties		–	(132,015)
Employee benefit expenses		(208,722)	(232,613)
Depreciation		(35,118)	(34,209)
Other operating expenses		(77,322)	(96,842)
Change in fair value of investment properties		(353,220)	62,925
Other gains – net	3	10,372	5,431
Impairment losses on trade receivables		(920)	(287)
Operating (loss)/profit		(269,741)	162,012
Finance income		10,854	9,342
Finance costs		(31,137)	(32,037)
Share of loss of an associate		(891)	(1,055)
Share of (losses)/profits of joint ventures	7	(303,881)	123,071
(Loss)/profit before income tax		(594,796)	261,333
Income tax expense	4	(18,370)	(15,009)
(Loss)/profit after income tax		(613,166)	246,324
(Loss)/profit attributable to owners of the Company		(613,166)	246,324
Non-controlling interests		–	–
		(613,166)	246,324
Dividends	5	9,570	16,747
(Loss)/earnings per share attributable to owners of the Company during the period			
Basic	6	(HK\$1.28)	HK\$0.51
Diluted	6	(HK\$1.28)	HK\$0.51

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Unaudited	
	2020	2019
	HK\$'000	HK\$'000
(Loss)/profit for the period	(613,166)	246,324
Other comprehensive (loss)/income:		
<i>Items that may be reclassified to profit or loss:</i>		
Cash flow hedge – fair value losses for the period	(23,084)	(5,498)
Cash flow hedge – deferred income tax recognised	3,809	907
Currency translation differences		
– Group	(30,476)	(2,778)
– Associates	(53)	(76)
<i>Item that will not be reclassified to profit or loss:</i>		
Changes in fair value of financial assets at fair value through other comprehensive income	25	104
Other comprehensive loss for the period, net of tax	(49,779)	(7,341)
Total comprehensive (loss)/income for the period	(662,945)	238,983
Attributable to:		
Owners of the Company	(662,945)	238,983
Non-controlling interests	–	–
Total comprehensive (loss)/income for the period	(662,945)	238,983

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

		Unaudited	Audited
		As at	As at
		30 June	31 December
		2020	2019
<i>Note</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS			
Non-current assets			
		238,529	220,157
		2,180,406	2,534,016
		118,572	125,796
		25,117	26,062
7		2,201,131	2,505,012
		4,473	4,349
		29,408	27,642
		12,143	20,537
		–	76
		2,742	14,369
		4,812,521	5,478,016
Current assets			
		384,989	319,234
		236,350	236,350
8		876,020	876,131
		76,373	74,858
		28	126
		14	14
		7,564	1,727
		22,772	11,580
		787,164	641,886
		380,258	543,314
		2,771,532	2,705,220
Total assets			
		7,584,053	8,183,236

		Unaudited As at 30 June 2020 HK\$'000	Audited As at 31 December 2019 HK\$'000
	<i>Note</i>		
EQUITY			
Equity attributable to owners of the Company			
Share capital		47,848	47,848
Other reserves		432,750	481,572
Retained earnings			
– Dividends		9,570	14,355
– Others		3,838,752	4,462,445
		4,328,920	5,006,220
Non-controlling interests		4	4
Total equity		4,328,924	5,006,224
LIABILITIES			
Non-current liabilities			
Derivative financial instruments		27,225	4,217
Accruals and other payables		12,981	15,844
Lease liabilities		31,476	30,583
Deferred income tax liabilities		72,930	72,293
Borrowings	10	1,170,297	1,226,565
		1,314,909	1,349,502
Current liabilities			
Trade payables	9	720,861	673,649
Accruals and other payables		183,729	187,838
Contract liabilities		170,213	147,465
Lease liabilities		12,123	19,756
Current income tax liabilities		85,269	89,181
Borrowings	10	768,025	709,621
		1,940,220	1,827,510
Total liabilities		3,255,129	3,177,012
Total equity and liabilities		7,584,053	8,183,236
Net current assets		831,312	877,710
Total assets less current liabilities		5,643,833	6,355,726

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Unaudited				
	Attributable to owners of the Company			Non-controlling interests	Total
	Share capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000	HK\$'000	HK\$'000
As at 1 January 2020	47,848	153,025	4,805,347	4	5,006,224
Comprehensive income					
Loss for the period	—	—	(613,166)	—	(613,166)
Other comprehensive income					
Currency translation differences	—	—	(30,529)	—	(30,529)
Changes in fair value of financial assets at fair value through other comprehensive income	—	—	25	—	25
Cash flow hedge — fair value losses for the period	—	—	(23,084)	—	(23,084)
Cash flow hedge — deferred income tax recognised	—	—	3,809	—	3,809
Total other comprehensive loss	—	—	(49,779)	—	(49,779)
Total comprehensive loss	—	—	(662,945)	—	(662,945)
Transactions with owners					
Dividend declared to owners of the Company	—	—	(14,355)	—	(14,355)
Total transactions with owners	—	—	(14,355)	—	(14,355)
As at 30 June 2020	47,848	153,025	4,128,047	4	4,328,924

	Unaudited				
	Attributable to owners of the Company				
	Share capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000	Non- 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	–	–	(235)	–	(235)
Restated as at 1 January 2019	47,848	153,025	4,619,077	4	4,819,954
Comprehensive income					
Profit for the period	–	–	246,324	–	246,324
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	–	–	907	–	907
Total other comprehensive loss	–	–	(7,341)	–	(7,341)
Total comprehensive income	–	–	238,983	–	238,983
Transactions with owners					
Dividend paid to owners of the Company	–	–	(26,317)	–	(26,317)
Total transactions with owners	–	–	(26,317)	–	(26,317)
As at 30 June 2019	47,848	153,025	4,831,743	4	5,032,620

NOTES:

1. BASIS OF PREPARATION

This unaudited condensed consolidated interim financial information (“Interim Financial Information”) for the six months ended 30 June 2020 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 2019, 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 2019, as described in those annual financial statements.

Amended standards adopted by the Group

The following amendments to standards and revised conceptual framework are mandatory for first time for the financial year beginning 1 January 2020:

Amendments to HKFRS 3 (Revised)	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Interest Rate Benchmark Reform
Amendments to HKFRS 16	COVID-19-related Rent Concessions

There are no amendments to standards and revised conceptual framework that are effective for the first time for this interim period that could be expected to have a material impact on the Group.

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 2020 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to annual improvements project	Annual Improvements 2018–2020 cycle	1 January 2022
Amendments to HKAS 16	Property, Plant and Equipment	1 January 2022
Amendments to HKAS 37	Onerous Contracts	1 January 2022
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKAS 1	Presentation of financial statements on classification of liabilities	1 January 2023
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 and share of loss of an associate 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 2020	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	1,404,503	–	1,404,503
Revenue from other sources			
– Rental income	–	34,401	34,401
	<u>48,238</u>	<u>(630,387)</u>	<u>(582,149)</u>
Segment results			
	<u>48,238</u>	<u>(630,387)</u>	<u>(582,149)</u>
Depreciation	33,901	20	33,921
Share of losses of joint ventures	–	(303,881)	(303,881)
Change in fair value of investment properties	–	(353,220)	(353,220)
Capital expenditure	48,813	–	48,813

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
Segment results	64,676	224,263	288,939
Depreciation	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
	EMS division HK\$'000	Property holding division HK\$'000	Total HK\$'000
As at 30 June 2020			
Segment assets	2,792,591	2,432,981	5,225,572
Interests in joint ventures	–	2,201,131	2,201,131
Total reportable segment assets	2,792,591	4,634,112	7,426,703
As at 31 December 2019			
Segment assets	2,708,691	2,787,668	5,496,359
Interests in joint ventures	–	2,505,012	2,505,012
Total reportable segment assets	2,708,691	5,292,680	8,001,371

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

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

	For the six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Reportable segment results	(582,149)	288,939
Other income	9,212	4,344
Other gains – net	10,372	5,431
Finance costs – net	(20,283)	(22,695)
Share of loss of an associate	(891)	(1,055)
Corporate and unallocated expenses	(11,057)	(13,631)
(Loss)/profit before income tax	(594,796)	261,333

Reportable segments assets are reconciled to total assets as follows:

	As at	As at
	30 June	31 December
	2020	2019
	HK\$'000	HK\$'000
Reportable segment assets	7,426,703	8,001,371
Investments in associates	25,117	26,062
Financial assets at fair value through other comprehensive income	4,501	4,475
Derivative financial instruments	–	76
Deferred income tax assets	29,408	27,642
Amounts due from associates	14	14
Current income tax recoverable	7,564	1,727
Corporate and unallocated assets	90,746	121,869
Total assets per condensed consolidated statement of financial position	7,584,053	8,183,236

Reconciliations of other material items are as follows:

	For the six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Depreciation		
– Reportable segment total	33,921	33,011
– Corporate headquarters	1,197	1,198
	35,118	34,209
Capital expenditure		
– Reportable segment total	48,813	2,645

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	
	2020	2019
	HK\$'000	HK\$'000
North America	325,098	480,449
Asia (excluding Hong Kong)	682,542	739,180
Europe	224,344	299,674
Hong Kong	206,920	481,717
	<u>1,438,904</u>	<u>2,001,020</u>

For the six months ended 30 June 2020, revenue of approximately HK\$563,184,000 was derived from the top external customer. 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. 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 2020 HK\$'000	As at 31 December 2019 HK\$'000
North America	19	6
Asia (excluding Hong Kong)	305,470	314,735
Europe	7	30
Hong Kong	4,477,617	5,135,603
	<u>4,783,113</u>	<u>5,450,374</u>

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

3. OTHER GAINS – NET

	For the six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Gains/(losses) on financial instrument – net		
– Unrealised	76	16
– Realised	(77)	(18)
Gains on disposal of property, plant and equipment	209	129
Exchange gains – net	10,164	5,304
	<u>10,372</u>	<u>5,431</u>

4. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Current income tax		
– Hong Kong profits tax	5,205	33,074
– Overseas taxation	11,850	11,020
Over-provision in prior periods		
– Current income tax	(919)	(1,144)
Deferred income tax	2,234	(27,941)
	<u>18,370</u>	<u>15,009</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 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% (2019: 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% (2019: 15%) under the New and High Technology Enterprises status till 31 December 2020.

5. DIVIDENDS

	For the six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Interim dividend – HK\$0.02 (2019: HK\$0.035) per share	9,570	16,747

On 25 August 2020, the Board has resolved to pay an interim dividend of HK\$0.02 per share (2019: HK\$0.035 per share) which is payable on Wednesday, 30 September 2020 to the shareholders whose names appear on the Register of Members of the Company on Wednesday, 16 September 2020. This interim dividend, amounting to HK\$9,570,000 (2019: HK\$16,747,000) 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 2020.

6. (LOSS)/EARNINGS PER SHARE

(a) Basic

Basic (loss)/earnings per share is calculated by dividing the (loss)/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	
	2020	2019
(Loss)/profit attributable to owners of the Company (<i>HK\$'000</i>)	<u>(613,166)</u>	<u>246,324</u>
Weighted average number of ordinary shares in issue (<i>in thousands</i>)	<u>478,484</u>	<u>478,484</u>
Basic (loss)/earnings per share (<i>HK\$</i>)	<u>(1.28)</u>	<u>0.51</u>

(b) Diluted

No diluted (loss)/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 2020 <i>HK\$'000</i>	As at 31 December 2019 <i>HK\$'000</i>
Share of net assets	1,034,329	1,338,210
Loans to joint ventures	<u>1,166,802</u>	<u>1,166,802</u>
	<u>2,201,131</u>	<u>2,505,012</u>

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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
At 1 January	1,338,210	1,233,289
Share of (losses)/profits of joint ventures	<u>(303,881)</u>	<u>123,071</u>
At 30 June	<u>1,034,329</u>	<u>1,356,360</u>

Share of (losses)/profits of joint ventures included the share of fair value losses, net of deferred income tax, of investment properties owned by the joint ventures of approximately HK\$323,717,000 (2019: share of fair value gains, net of deferred income tax, of investment properties of HK\$106,489,000).

8. TRADE RECEIVABLES

	As at 30 June 2020 <i>HK\$'000</i>	As at 31 December 2019 <i>HK\$'000</i>
Trade receivables	879,504	878,695
Less: allowance for impairment of trade receivables	(3,484)	(2,564)
	876,020	876,131

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 2020 <i>HK\$'000</i>	As at 31 December 2019 <i>HK\$'000</i>
0 – 60 days	526,162	550,971
61 – 90 days	208,598	154,132
Over 90 days	144,744	173,592
	879,504	878,695

9. TRADE PAYABLES

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

	As at 30 June 2020 <i>HK\$'000</i>	As at 31 December 2019 <i>HK\$'000</i>
0 – 60 days	645,792	520,152
61 – 90 days	46,198	100,299
Over 90 days	28,871	53,198
	720,861	673,649

10. BORROWINGS

	As at 30 June 2020 HK\$'000	As at 31 December 2019 HK\$'000
Trust receipt bank loans, unsecured	260,177	237,773
Short-term bank loans, unsecured	335,000	320,000
Portion of long-term loans due for repayment within one year, secured	172,848	151,848
Portion of long-term loans due for repayment after one year, secured	1,170,297	1,226,565
Total borrowings	<u>1,938,322</u>	<u>1,936,186</u>
Non-current	1,170,297	1,226,565
Current	<u>768,025</u>	<u>709,621</u>
Total borrowings	<u>1,938,322</u>	<u>1,936,186</u>

11. THE COVID-19 PANDEMIC'S IMPACT

The outbreak of the Coronavirus ("COVID-19") had brought unprecedented challenges and added uncertainties to the economy. During the six months ended 30 June 2020, the performance of the Group's EMS division and Property Holding division were materially affected by COVID-19.

Currently, there is no vaccine or specific anti-viral treatment for COVID-19 that is ready for massive usage. Presently, it has remained uncertain when the pandemic will end.

Since the outbreak of COVID-19, the Group kept continuous attention on the situation of the COVID-19 and reacted actively to its impact on the financial position and operating results of the Group. Directors will continue to closely monitor the development of COVID-19 and assess the financial position and operation result of the Group.

INTERIM DIVIDEND

On 25 August 2020, the Board has resolved to pay an interim dividend of HK\$0.02 per share (2019: HK\$0.035 per share) which is payable on Wednesday, 30 September 2020 to the shareholders whose names appear on the Register of Members of the Company on Wednesday, 16 September 2020.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 14 September 2020 to Wednesday, 16 September 2020, 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 Friday, 11 September 2020.

REVIEW OF BUSINESS ACTIVITIES

Review of Results

The loss attributable to owners of the Company for the six months ended 30 June 2020 amounted to HK\$613.2 million, as compared to the profit attributable to owners of the Company of HK\$246.3 million for the corresponding period last year. This was mainly attributable to the fair value losses of the Group's investment properties and share of losses in the Group's joint ventures (the "Joint Ventures") which were due to the fair value losses of investment properties held by the Joint Ventures. The fair value losses of investment properties held by the Group and the Joint Ventures were HK\$676.9 million as compared to the fair value gains of HK\$169.4 million for the corresponding period last year. The fair value losses reflect the commercial property market conditions which were adversely affected by the outbreak of COVID-19. Loss per share for the six months was HK\$1.28 as compared to earnings per share of HK\$0.51 for the corresponding period last year.

The Group's revenue for the six months ended 30 June 2020 was HK\$1,438.9 million, as compared to HK\$2,001.0 million for the corresponding period last year. Operating loss for the six months ended 30 June 2020 was HK\$269.7 million, as compared to operating profit of HK\$162.0 million for the corresponding period last year. The operating loss was driven by fair value losses of investment properties held by the Group and the Joint Ventures.

Electronic Manufacturing Service ("EMS") Division

Revenue for the EMS Division for the six months ended 30 June 2020 was HK\$1,404.5 million, as compared to HK\$1,815.1 million for the corresponding period last year. The segment profit attributable to the EMS Division was HK\$48.2 million, a 25.4% decrease as compared to HK\$64.7 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 and the Group's manufacturing operations in January to March 2020 gravely impacted by the COVID-19.

Property Holding Division

The Property Holding Division reported revenue of HK\$34.4 million, as compared to HK\$186.0 million for the corresponding period last year. The decrease in revenue was mainly due to revenue of HK\$149.7 million recognised from the sale of 6/F of One Harbour Square in the corresponding period last year. The segment loss for the period was HK\$630.4 million as compared to segment profit of HK\$224.3 million for the corresponding period last year. The segment loss was driven by fair value losses of investment properties held by the Group and the Joint Ventures.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2020, the Group had a total of HK\$3,272.8 million of banking facilities. Total bank borrowings were HK\$1,938.3 million (2019 December: HK\$1,936.2 million). Cash and cash equivalents and short-term bank deposits were HK\$1,167.4 million at 30 June 2020 (2019 December: HK\$1,185.2 million). Cash flow generated from operations for the period was HK\$41.3 million.

As at 30 June 2020, the Group had net bank borrowings of HK\$770.9 million, as compared to HK\$751.0 million at 31 December 2019. 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 2020 is 0.19 (2019 December: 0.16). The net gearing ratio was calculated as net debt divided by total equity. Net debt is calculated as total borrowings and lease liabilities 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, Vietnam Dong 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 2019 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 2020, the Group employed approximately 3,983 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

Intense trade tensions between US and China as well as the long-drawn-out COVID-19 pandemic have continued to impact the world market for electronic products, and the Directors expect that such unfavorable conditions will adversely affect the profitability of the EMS business in the second half of 2020.

Strategically, the EMS business has established a manufacturing facility in Hai Duong Province, Vietnam to cater mainly for the needs of US customers. This new facility is also expected to provide an additional alternative to existing customers, and bring in new sales opportunities. Due to widespread pandemic lockdowns in the past few months, certain aspects of the preparation work for the new facility have been delayed, but such delays are expected to be temporary.

The EMS business will continue to place emphasis on customer base expansion, cost control, operating efficiency and enhancement of value added services, including product design and technology services, to customers.

Due to recent political happenings, valuation of commercial property in Hong Kong has been falling and this may necessitate the booking of substantial fair market value losses in future in relation to the investment properties held by the Group. However, losses of this nature are unrealized and do not have any impact on the Group's cash flow. The rental income derived by the Group from the investment properties held has remained stable with no significant changes notwithstanding the drop in the valuation of those properties.

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 eighth consecutive year. 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 2020, 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 2020, 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 2020.

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 2020.

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 2020 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, 25 August 2020

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