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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 2023

FINANCIAL HIGHLIGHTS:

- The profit attributable to owners of the Company was HK\$89.4 million.
- Profit from EMS Division increased by HK\$33.3 million due to increase in sales to external customers, cost efficiency improvement and depreciation of Chinese Renminbi.

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 2023 as follows:

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2023

		Unaudited	
	<i>Note</i>	2023	2022
		HK\$'000	HK\$'000
Revenue	2	1,680,743	1,559,192
Other income		8,879	4,909
Changes in inventories of finished goods and work in progress		(21,737)	5,708
Raw materials and consumables used		(1,244,988)	(1,157,410)
Employee benefit expenses		(209,319)	(235,444)
Depreciation		(34,886)	(35,651)
Other operating expenses		(84,079)	(81,544)
Change in fair value of investment properties		1,562	11,800
Other gains – net	3	8,880	31,989
Provision for impairment losses on trade receivables		(926)	(17)
Operating profit		104,129	103,532
Finance income		11,466	9,743
Finance costs		(44,200)	(21,461)
Share of loss of an associate		–	(2,892)
Share of profits of joint ventures	7	29,836	19,805
Profit before income tax		101,231	108,727
Income tax expense	4	(11,820)	(13,192)
Profit after income tax		89,411	95,535
Profit attributable to owners of the Company		89,411	95,535
Dividends	5	14,354	9,570
Earnings per share attributable to owners of the Company during the period			
Basic	6	HK\$0.19	HK\$0.20
Diluted	6	HK\$0.19	HK\$0.20

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Unaudited	
	2023	2022
	HK\$'000	HK\$'000
Profit for the period	89,411	95,535
Other comprehensive income:		
<i>Items that may be reclassified to consolidated income statement:</i>		
Cash flow hedge – fair value gains for the period	14,646	13,639
Cash flow hedge – deferred income tax recognised	(2,417)	(2,250)
Currency translation differences:		
– Group	(67,391)	(94,044)
– Associates	–	(456)
<i>Items that will not be reclassified subsequently to consolidated income statement:</i>		
Loss on disposal of financial assets		
at fair value through other comprehensive income	(1,705)	–
Changes in fair value of financial assets		
at fair value through other comprehensive income	(36,738)	121
Other comprehensive loss for the period, net of tax	(93,605)	(82,990)
Total comprehensive (loss)/income for the period attributable to the owners of the Company	(4,194)	12,545

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

		Unaudited	Audited
		As at	As at
		30 June	31 December
		2023	2022
	<i>Note</i>	HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		232,089	251,882
Investment properties		1,959,947	1,959,215
Right-of-use assets		108,420	119,677
Interests in joint ventures	7	2,057,603	2,058,112
Financial assets at fair value through other comprehensive income		114,803	158,538
Derivative financial instruments		27,468	21,435
Deferred income tax assets		20,535	19,662
Deposits and other receivables		19,335	18,843
Restricted cash		539	1,055
		<u>4,540,739</u>	<u>4,608,419</u>
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Current assets			
Inventories		400,565	487,189
Stock of completed properties		203,610	203,610
Trade receivables	8	988,102	1,071,437
Prepayments, deposits and other receivables		82,003	90,169
Financial assets at fair value through other comprehensive income		65	78
Current income tax recoverable		1,773	1,356
Restricted cash		118,088	124,702
Short-term bank deposits		351,010	546,736
Cash and cash equivalents		773,365	544,537
		<u>2,918,581</u>	<u>3,069,814</u>
		-----	-----
Total assets		<u><u>7,459,320</u></u>	<u><u>7,678,233</u></u>

		Unaudited	Audited
		As at	As at
		30 June	31 December
		2023	2022
	<i>Note</i>	HK\$'000	HK\$'000
EQUITY			
Equity attributable to owners of the Company			
Share capital		47,848	47,848
Other reserves		426,232	519,291
Retained earnings			
– Dividends		14,354	21,533
– Others		3,898,932	3,824,421
		<u>4,387,366</u>	<u>4,413,093</u>
Total equity		<u>4,387,366</u>	<u>4,413,093</u>
LIABILITIES			
Non-current liabilities			
Derivative financial instruments		–	8,613
Lease liabilities		12,781	19,419
Deferred income tax liabilities		77,232	81,070
Borrowings	<i>10</i>	1,013,417	1,070,294
		<u>1,103,430</u>	<u>1,179,396</u>
Current liabilities			
Trade payables	<i>9</i>	632,032	710,517
Accruals and other payables		237,800	229,258
Contract liabilities		140,097	131,574
Lease liabilities		17,784	18,914
Current income tax liabilities		40,647	42,807
Borrowings	<i>10</i>	900,164	952,674
		<u>1,968,524</u>	<u>2,085,744</u>
Total liabilities		<u>3,071,954</u>	<u>3,265,140</u>
Total equity and liabilities		<u>7,459,320</u>	<u>7,678,233</u>
Net current assets		<u>950,057</u>	<u>984,070</u>
Total assets less current liabilities		<u>5,490,796</u>	<u>5,592,489</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Unaudited			Total HK\$'000
	Attributable to owners of the Company			
	Share capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000	
As at 1 January 2023	47,848	153,025	4,212,220	4,413,093
Comprehensive income				
Profit for the period	–	–	89,411	89,411
Other comprehensive income				
Currency translation differences	–	–	(67,391)	(67,391)
Loss on disposal of financial assets at fair value through other comprehensive income	–	–	(1,705)	(1,705)
Changes in fair value of financial assets at fair value through other comprehensive income	–	–	(36,738)	(36,738)
Cash flow hedge – fair value gains for the period	–	–	14,646	14,646
Cash flow hedge – deferred income tax recognised	–	–	(2,417)	(2,417)
Total other comprehensive loss	–	–	(93,605)	(93,605)
Total comprehensive loss	–	–	(4,194)	(4,194)
Transactions with owners				
Dividend paid to owners of the Company	–	–	(21,533)	(21,533)
Total transactions with owners	–	–	(21,533)	(21,533)
As at 30 June 2023	47,848	153,025	4,186,493	4,387,366
As at 1 January 2022	47,848	153,025	4,277,664	4,478,537
Comprehensive income				
Profit for the period	–	–	95,535	95,535
Other comprehensive income				
Currency translation differences	–	–	(94,500)	(94,500)
Changes in fair value of financial assets at fair value through other comprehensive income	–	–	121	121
Cash flow hedge – fair value gains for the period	–	–	13,639	13,639
Cash flow hedge – deferred income tax recognised	–	–	(2,250)	(2,250)
Total other comprehensive loss	–	–	(82,990)	(82,990)
Total comprehensive income	–	–	12,545	12,545
Transactions with owners				
Dividend paid to owners of the Company	–	–	(11,963)	(11,963)
Total transactions with owners	–	–	(11,963)	(11,963)
As at 30 June 2022	47,848	153,025	4,278,246	4,479,119

NOTES:

1. BASIS OF PREPARATION

This unaudited condensed consolidated interim financial information (“Interim Financial Information”) for the six months ended 30 June 2023 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 2022, 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 2022, as described in those annual financial statements.

New standard and amended standards adopted by the Group

The following new standard and amendments to standards are mandatory for first time for the financial year beginning 1 January 2023:

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules
HKFRS 17	Insurance Contracts
HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information
Amendments to HKFRS 17	Amendments to HKFRS 17

There are no new standard and amendments to standards 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

Certain amendments to standards and interpretations have been published but are not effective for the Group's accounting periods beginning on or after 1 January 2023 and have not been early adopted by the Group. These amendments to standards and interpretations are set out below:

		Effective for annual periods beginning on or after
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to HKFRS 16	Lease Liability in a Sales and Leaseback	1 January 2024
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements	1 January 2024
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 amendments to standards and interpretation. The Directors of the Company will adopt the amendments to standards and interpretation 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 costs – net and share of loss of an associate but excludes corporate and unallocated expenses. Other information provided to the CODM is measured in a manner consistent with that in the Interim Financial Information.

	EMS division HK\$'000	Property Holding division HK\$'000	Total HK\$'000
For the six months ended 30 June 2023			
External revenue			
Revenue from contracts with customers			
Timing of revenue recognition			
– At a point of time	1,649,523	–	1,649,523
Revenue from other sources			
– Rental income	–	31,220	31,220
	<u>74,500</u>	<u>54,559</u>	<u>129,059</u>
Segment results			
Depreciation	33,745	22	33,767
Share of profits of joint ventures	–	29,836	29,836
Change in fair value of investment properties	–	1,562	1,562
Capital expenditure	<u>5,740</u>	<u>–</u>	<u>5,740</u>
	EMS division HK\$'000	Property Holding division HK\$'000	Total HK\$'000
For the six months ended 30 June 2022			
External revenue			
Revenue from contracts with customers			
Timing of revenue recognition			
– At a point of time	1,528,011	–	1,528,011
Revenue from other sources			
– Rental income	–	31,181	31,181
	<u>41,200</u>	<u>54,753</u>	<u>95,953</u>
Segment results			
Depreciation	34,512	22	34,534
Share of profits of joint ventures	–	19,805	19,805
Change in fair value of investment properties	–	11,800	11,800
Capital expenditure	<u>73,444</u>	<u>–</u>	<u>73,444</u>

	EMS division HK\$'000	Property Holding division HK\$'000	Total HK\$'000
As at 30 June 2023			
Segment assets	2,960,535	2,184,448	5,144,983
Interests in joint ventures	–	2,057,603	2,057,603
	<u>2,960,535</u>	<u>4,242,051</u>	<u>7,202,586</u>
Total reportable segment assets			
As at 31 December 2022			
Segment assets	3,147,298	2,186,962	5,334,260
Interests in joint ventures	–	2,058,112	2,058,112
	<u>3,147,298</u>	<u>4,245,074</u>	<u>7,392,372</u>
Total reportable segment assets			

Segment assets consist primarily of property, plant and equipment, investment properties, right-of-use assets, interests in joint ventures, inventories, stock of completed properties, trade receivables, prepayments, deposits and other receivables, restricted cash, short-term bank deposits and cash and cash equivalents, but exclude financial assets at fair value through other comprehensive income, derivative financial instruments, deferred income tax assets, 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	
	2023	2022
	HK\$'000	HK\$'000
Reportable segment results	129,059	95,953
Other income	8,879	4,909
Other gains – net	8,880	31,989
Finance costs – net	(32,734)	(11,718)
Share of loss of an associate	–	(2,892)
Corporate and unallocated expenses	(12,853)	(9,514)
	<u>101,231</u>	<u>108,727</u>
Profit before income tax	101,231	108,727

Reportable segment assets are reconciled to total assets as follows:

	As at 30 June 2023 <i>HK\$'000</i>	As at 31 December 2022 <i>HK\$'000</i>
Reportable segment assets	7,202,586	7,392,372
Financial assets at fair value through other comprehensive income	114,868	158,616
Derivative financial instruments	27,468	21,435
Deferred income tax assets	20,535	19,662
Current income tax recoverable	1,773	1,356
Corporate and unallocated assets	92,090	84,792
	<hr/>	<hr/>
Total assets per condensed consolidated statement of financial position	7,459,320	7,678,233
	<hr/> <hr/>	<hr/> <hr/>

Reconciliations of other material items are as follows:

	For the six months ended 30 June	
	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Depreciation		
– Reportable segment total	33,767	34,534
– Corporate headquarters	1,119	1,117
	<hr/>	<hr/>
	34,886	35,651
	<hr/> <hr/>	<hr/> <hr/>
Capital expenditure		
– Reportable segment total	5,740	73,444
	<hr/> <hr/>	<hr/> <hr/>

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	
	2023	2022
	HK\$'000	HK\$'000
North America	181,881	213,769
Asia (excluding Hong Kong)	949,991	914,850
Europe	429,390	258,790
Hong Kong	119,481	171,783
	<u>1,680,743</u>	<u>1,559,192</u>

For the six months ended 30 June 2023, revenue of approximately HK\$745,646,000, HK\$192,105,000 and HK\$170,805,000 were derived from the top three external customers respectively. For the six months ended 30 June 2022, revenue of approximately HK\$710,383,000 and HK\$208,109,000 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	As at
	30 June	31 December
	2023	2022
	HK\$'000	HK\$'000
North America	–	1
Asia (excluding Hong Kong)	327,970	352,033
Europe	7	14
Hong Kong	4,192,227	4,236,709
	<u>4,520,204</u>	<u>4,588,757</u>

Non-current assets comprise property, plant and equipment, investment properties, right-of-use assets, 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	
	2023	2022
	HK\$'000	HK\$'000
Gains on disposal of property, plant and equipment	595	398
Gains on deemed disposal of an associate	–	14,956
Losses on lease modification	(12)	–
Exchange gains – net	8,297	16,635
	<u>8,880</u>	<u>31,989</u>

4. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Current income tax		
– Hong Kong profits tax	2,308	1,939
– Overseas taxation	11,299	14,988
– Over-provision in prior periods	(1,002)	(3,754)
Dividend withholding tax paid on the distributed retained profits of a PRC incorporated subsidiary	7,090	–
Deferred income tax	(7,875)	19
	<u>11,820</u>	<u>13,192</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 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% (2022: 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% (2022: 15%) under the New and High Technology Enterprises status till 31 December 2023.

5. DIVIDENDS

	For the six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Interim dividend – HK\$0.03 (2022: HK\$0.02) per share	<u>14,354</u>	<u>9,570</u>

On 25 August 2023, the Board has resolved to pay an interim dividend of HK\$0.03 per share (2022: HK\$0.02 per share) which is payable on Friday, 29 September 2023 to the shareholders whose names appear on the Register of Members of the Company on Friday, 15 September 2023. This interim dividend, amounting to HK\$14,354,000 (2022: HK\$9,570,000) 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 2023.

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	
	2023	2022
Profit attributable to owners of the Company (<i>HK\$'000</i>)	<u>89,411</u>	<u>95,535</u>
Weighted average number of ordinary shares in issue (<i>in thousands</i>)	<u>478,484</u>	<u>478,484</u>
Basic earnings per share (<i>HK\$</i>)	<u>0.19</u>	<u>0.20</u>

(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 2023 <i>HK\$'000</i>	As at 31 December 2022 <i>HK\$'000</i>
Share of net assets	1,031,816	1,001,980
Loans to joint ventures	<u>1,025,787</u>	<u>1,056,132</u>
	<u>2,057,603</u>	<u>2,058,112</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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
At 1 January	1,001,980	1,046,053
Share of profits of joint ventures	<u>29,836</u>	<u>19,805</u>
At 30 June	<u>1,031,816</u>	<u>1,065,858</u>

Share of profits of joint ventures included the share of fair value gains, net of deferred income tax, of investment properties owned by the joint ventures of approximately HK\$8,333,000 (2022: share of fair value losses, net of deferred income tax of HK\$2,742,000).

8. TRADE RECEIVABLES

	As at 30 June 2023 <i>HK\$'000</i>	As at 31 December 2022 <i>HK\$'000</i>
Trade receivables	992,496	1,074,905
Less: allowance for impairment of trade receivables	<u>(4,394)</u>	<u>(3,468)</u>
	<u>988,102</u>	<u>1,071,437</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 2023 <i>HK\$'000</i>	As at 31 December 2022 <i>HK\$'000</i>
0 – 60 days	584,178	657,007
61 – 90 days	197,367	204,214
Over 90 days	<u>210,951</u>	<u>213,684</u>
	<u>992,496</u>	<u>1,074,905</u>

9. TRADE PAYABLES

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

	As at 30 June 2023 <i>HK\$'000</i>	As at 31 December 2022 <i>HK\$'000</i>
0 – 60 days	446,437	573,875
61 – 90 days	50,279	61,937
Over 90 days	<u>135,316</u>	<u>74,705</u>
	<u>632,032</u>	<u>710,517</u>

10. BORROWINGS

	As at 30 June 2023 <i>HK\$'000</i>	As at 31 December 2022 <i>HK\$'000</i>
Trust receipt bank loans, unsecured	462,240	443,564
Short-term bank loans, unsecured	162,000	224,000
Short-term bank loans, secured	115,000	115,000
Long-term bank loans which contains a repayment on demand clause, secured	48,272	58,405
Portion of long-term bank loans due for repayment within one year, secured	112,652	111,705
Portion of long-term bank loans due for repayment after one year, secured	<u>1,013,417</u>	<u>1,070,294</u>
 Total borrowings	 <u>1,913,581</u>	 <u>2,022,968</u>
 Non-current	 1,013,417	 1,070,294
Current	<u>900,164</u>	<u>952,674</u>
 Total borrowings	 <u>1,913,581</u>	 <u>2,022,968</u>

INTERIM DIVIDEND

On 25 August 2023, the Board has resolved to pay an interim dividend of HK\$0.03 per share (2022: HK\$0.02 per share) which is payable on Friday, 29 September 2023 to the shareholders whose names appear on the Register of Members of the Company on Friday, 15 September 2023.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 13 September 2023 to Friday, 15 September 2023, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 12 September 2023.

REVIEW OF BUSINESS ACTIVITIES

Review of Results

The profit attributable to owners of the Company for the six months ended 30 June 2023 amounted to HK\$89.4 million, as compared to HK\$95.5 million for the corresponding period last year. This was mainly attributable to increase in the finance costs of HK\$22.7 million and gains on deemed disposal of an associate of HK\$15.0 million recognised in 2022 offsetted the increase in the segment profit of EMS Division of HK\$33.3 million. The Group entered into interest rate swap contracts with notional principal amounts of HK\$1,500 million in order to hedge interest rate risk.

The Group's revenue for the six months ended 30 June 2023 was HK\$1,680.7 million, 7.8% increase as compared to HK\$1,559.2 million for the corresponding period last year. Operating profit for the six months ended 30 June 2023 was HK\$104.1 million, as compared to HK\$103.5 million for the corresponding period last year.

Electronic Manufacturing Service ("EMS") Division

Revenue for the six months ended 30 June 2023 was HK\$1,649.5 million, as compared to HK\$1,528.0 million for the corresponding period last year. The segment profit attributable to the EMS Division was HK\$74.5 million, 80.8% increase as compared to HK\$41.2 million for the corresponding period last year. The increase in the segment net profit was attributable to the increase in sales to external customers, cost efficiency improvement and depreciation of Chinese Renminbi.

Property Holding Division

The Property Holding Division reported revenue of HK\$31.2 million, close to HK\$31.2 million for the corresponding period last year. The segment profit for the period was HK\$54.6 million as compared to HK\$54.8 million for the corresponding period last year.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2023, the Group had a total of HK\$3,296.8 million (2022 December: HK\$3,408.2 million) of banking facilities. Total bank borrowings were HK\$1,913.6 million (2022 December: HK\$2,023.0 million). Cash and cash equivalents, short-term bank deposits and restricted cash were HK\$1,243.0 million at 30 June 2023 (2022 December: HK\$1,217.0 million).

As at 30 June 2023, the Group had net bank borrowings of HK\$670.6 million, as compared to HK\$806.0 million at 31 December 2022. 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 2023 is 0.16 (2022 December: 0.19). 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, short-term bank deposits and restricted cash.

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 2022 which consists of bank borrowings, cash and cash equivalents, short-term bank deposits, restricted cash and equity attributable to owners of the parent, comprising issued share capital and reserves.

EMPLOYEES

As at 30 June 2023, the Group employed approximately 3,000 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 global economy and market conditions are still full of uncertainties. Even though COVID pandemic has largely subsided, and global economic activities are back to normal, US Federal Reserve's interest rate hikes are expected to persist for a while, and the prospect of a recession in the US in the near term together with the Russia-Ukraine war will continue to weigh on economic activities. Cost rising due to global inflation and rising bank interest rates will continue to impact the recovery of the global economy. The above factors, together with geopolitical tension, will impact the profitability of the Group in the second half year, though shortages of semiconductors and components, with the exception of certain key components, have further eased and component lead times much reduced.

In order to counter the difficulties ahead, the Group will continue to implement stringent cost saving and efficiency improvement measures while allowing us to serve our customers in the most efficient manner. Based on current customer orders and forecasts, the Group expects that the EMS business will be stable in the second half year.

Many customers are interested in the Group for having factories in both Mainland China and Vietnam. The Group is taking this advantage to obtain more sales opportunities and expand the customer base of the EMS business. Our new production facility in Hai Duong Province, Vietnam, with a floor area of 30,000 square meters will be an important source of future growth for the Group.

The commercial properties held by the Group, directly or indirectly, have been almost fully leased out, generating stable income to the Group. Loan Interest rates increased in the first half year and are expected to remain at high level in the second half year. The Group has taken measures to hedge against risk of rising interest rates.

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 eleventh 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 2023, 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 2023, the Company has complied with the code provisions of the Corporate Governance Code as set out in Part 2 of Appendix 14 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), except for the following deviations:

Code provision C.2.1

Code provision C.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 D.2.6

Code provision D.2.6 stipulates that the issuer’s whistleblowing policy should permit concerns to be raised in anonymity.

The existing Whistleblowing Policy of the Company does not accept anonymous reporting because the Company believes it will be difficult to follow up and obtain information for an effective investigation. Also, based on experience in the Company’s factories, the Company would expect an abundance of anonymous reporting if anonymous reporting was to be accepted and this would unduly burden the Company’s management resources.

Nevertheless, the Company will make every effort to treat all reporting in a strictly confidential manner. All communications between the investigator and the whistleblowers are strictly protected to ensure that no reprisal or blame would be directed against the whistleblowers. The identity of the whistleblower will not be disclosed without his/her consent, unless the Company is legally obliged to reveal the whistleblower’s identity and other information to any government authorities.

Code provision E.1.2(i)

Code provision E.1.2 sets out the minimum responsibilities that should be included in the terms of reference of the remuneration committee, in which E.1.2(i) refers to the responsibility to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules.

The current Terms of Reference of the Remuneration Committee of the Company do not include the responsibility under code provision E.1.2(i) mentioned above. The existing share option scheme (the “Scheme”) of the Company is a traditional scheme for the benefit of the employees and other eligible participants. Implementation of such Scheme is governed by formal and transparent procedures under the scheme rules adopted by the shareholders of the Company, including the requirements for specific approval from the Board, Independent Non-executive Directors or shareholders where necessary. It is considered that the Board as a whole is more efficient and effective for discharging the responsibility to oversee matters relating to the Scheme. Any share options granted to a Director or senior management will form part of the individual remuneration package and therefore fall under the scope of the Remuneration Committee.

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 2023.

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 2023.

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 2023 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 2023

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. Hung Wing Shun, Edmund and Mr. Chan Wai Ming, Hermes; 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. Lo Wai Ho, Ashley.

Website: www.wih.com.hk