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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 2024

FINANCIAL HIGHLIGHTS:

- The loss attributable to owners of the Company was HK\$388.9 million. This was mainly due to increase in provision for write-down of stock of completed properties and fair value losses of the investment properties held by the Group and its joint ventures of HK\$446.8 million. The fair value losses reflect the weak commercial property market conditions.
- Profit from EMS Division decreased by HK\$10.2 million due to decrease in sales to external customers, impact from decrease in sales was partly offset by the cost efficiency improvement.

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 2024 as follows:

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2024

		Unaudited	
		2024	2023
	<i>Note</i>	HK\$'000	HK\$'000
Revenue	2	1,224,403	1,680,743
Other income		1,564	8,879
Changes in inventories of finished goods and work in progress		(51,128)	(21,737)
Raw materials and consumables used		(826,599)	(1,244,988)
Employee benefit expenses		(176,968)	(209,319)
Depreciation		(26,229)	(34,886)
Other operating expenses		(67,718)	(84,079)
Change in fair value of investment properties		(210,927)	1,562
Other gains – net	3	10,977	8,880
Provision for write-down of stock of completed properties		(21,560)	–
Provision for impairment losses on trade receivables		(20)	(926)
Operating (loss)/profit		(144,205)	104,129
Finance income		10,696	11,466
Finance costs		(37,385)	(44,200)
Share of (losses)/profits of joint ventures	7	(200,847)	29,836
(Loss)/profit before income tax		(371,741)	101,231
Income tax expense	4	(17,175)	(11,820)
(Loss)/profit after income tax		(388,916)	89,411
(Loss)/profit attributable to owners of the Company		(388,916)	89,411
Dividends	5	13,158	14,354
(Losses)/earnings per share attributable to owners of the Company during the period			
Basic	6	(HK\$0.81)	HK\$0.19
Diluted	6	(HK\$0.81)	HK\$0.19

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Unaudited
	2024
	2023
	HK\$'000
	HK\$'000
(Loss)/profit for the period	(388,916)
Other comprehensive income:	
<i>Items that may be reclassified to consolidated income statement:</i>	
Cash flow hedge – fair value gains for the period	14,851
Cash flow hedge – deferred income tax recognised	(2,450)
Currency translation differences:	
– Group	(59,230)
<i>Items that will not be reclassified subsequently to consolidated income statement:</i>	
Gain/(loss) on disposal of financial assets at fair value through other comprehensive income	312
Changes in fair value of financial assets at fair value through other comprehensive income	(12,875)
Other comprehensive loss for the period, net of tax	(59,392)
Total comprehensive loss for the period attributable to the owners of the Company	(448,308)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2024

		Unaudited	Audited
		As at	As at
		30 June	31 December
		2024	2023
	<i>Note</i>	HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		196,159	211,689
Investment properties		1,735,269	1,946,822
Right-of-use assets		88,135	98,072
Interests in joint ventures	7	1,852,463	2,071,517
Financial assets at fair value through other comprehensive income		79,942	100,080
Deferred income tax assets		16,221	19,480
Deposits and other receivables		18,849	24,578
Derivative financial instruments		22,656	11,324
Restricted cash		535	–
		4,010,229	4,483,562
Current assets			
Inventories		287,951	372,296
Stock of completed properties		179,842	201,402
Trade receivables	8	692,273	808,589
Prepayments, deposits and other receivables		80,192	94,613
Financial assets at fair value through other comprehensive income		38	58
Current income tax recoverable		1,041	1,688
Restricted cash		116,597	121,164
Short-term bank deposits		695,827	284,844
Cash and cash equivalents		423,116	942,040
		2,476,877	2,826,694
Total assets		6,487,106	7,310,256

		Unaudited As at 30 June 2024 <i>HK\$'000</i>	Audited As at 31 December 2023 <i>HK\$'000</i>
	<i>Note</i>		
EQUITY			
Equity attributable to owners of the Company			
Share capital		47,848	47,848
Other reserves		405,451	464,843
Retained earnings			
– Dividends		14,355	14,355
– Others		3,543,950	3,947,221
Total equity		4,011,604	4,474,267
LIABILITIES			
Non-current liabilities			
Derivative financial instruments		–	3,519
Accruals and other payables		6,007	6,153
Lease liabilities		673	1,492
Deferred income tax liabilities		74,187	83,250
Borrowings	10	885,885	935,840
		966,752	1,030,254
Current liabilities			
Trade payables	9	462,699	545,647
Accruals and other payables		203,880	219,379
Contract liabilities		147,643	136,502
Lease liabilities		9,045	14,676
Current income tax liabilities		30,450	34,693
Borrowings	10	655,033	854,838
		1,508,750	1,805,735
Total liabilities		2,475,502	2,835,989
Total equity and liabilities		6,487,106	7,310,256
Net current assets		968,127	1,020,959
Total assets less current liabilities		4,978,356	5,504,521

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Unaudited			
	Attributable to owners of the Company			Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000	
As at 1 January 2024	47,848	153,025	4,273,394	4,474,267
Comprehensive income				
Loss for the period	—	—	(388,916)	(388,916)
Other comprehensive income				
Currency translation differences	—	—	(59,230)	(59,230)
Gain on disposal of financial assets at fair value through other comprehensive income	—	—	312	312
Changes in fair value of financial assets at fair value through other comprehensive income	—	—	(12,875)	(12,875)
Cash flow hedge – fair value gains for the period	—	—	14,851	14,851
Cash flow hedge – deferred income tax recognised	—	—	(2,450)	(2,450)
Total other comprehensive loss	—	—	(59,392)	(59,392)
Total comprehensive loss	—	—	(448,308)	(448,308)
Transactions with owners				
Dividend paid to owners of the Company	—	—	(14,355)	(14,355)
Total transactions with owners	—	—	(14,355)	(14,355)
As at 30 June 2024	47,848	153,025	3,810,731	4,011,604
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

NOTES:

1. BASIS OF PREPARATION

This unaudited condensed consolidated interim financial information (“Interim Financial Information”) for the six months ended 30 June 2024 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 2023, 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 derivative financial instrument, 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 2023, as described in those annual financial statements.

Amendments to standards and interpretation adopted by the Group

The following amendments to standards and interpretation are mandatory for first time for the financial year beginning 1 January 2024:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

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

New standards, amendments to standards and interpretation issued but not yet applied by the Group

Certain new standards, amendments to standards and interpretation have been published but are not effective for the Group's accounting periods beginning on or after 1 January 2024 and have not been early adopted by the Group. These new standards, amendments to standards and interpretation are set out below:

		Effective for annual periods beginning on or after
Amendments to HKAS 21 and HKFRS 1	Lack of Exchangeability	1 January 2025
Amendments to HKAS 9 and HKFRS 7	Classification and Measurement of Financial Instruments	1 January 2026
HKFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
HKFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027
Hong Kong Interpretation 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause (amendments)	1 January 2027
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, amendments to standards and interpretation. The Directors of the Company will adopt the new standards, 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 and finance costs – net 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 2024			
External revenue			
Revenue from contracts with customers			
Timing of revenue recognition			
– At a point of time	1,193,142	–	1,193,142
Revenue from other sources			
– Rental income	–	31,261	31,261
Segment results	64,347	(409,914)	(345,567)
Depreciation	25,088	22	25,110
Share of losses of joint ventures	–	(200,847)	(200,847)
Change in fair value of investment properties	–	(210,927)	(210,927)
Provision for write-down of stock of completed properties	–	(21,560)	(21,560)
Capital expenditure	10,347	–	10,347
	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
Segment results	74,500	54,559	129,059
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	5,740	–	5,740

	EMS Division HK\$'000	Property Holding Division HK\$'000	Total HK\$'000
As at 30 June 2024			
Segment assets	2,486,592	1,934,405	4,420,997
Interests in joint ventures	–	1,852,463	1,852,463
	<hr/>	<hr/>	<hr/>
Total reportable segment assets	2,486,592	3,786,868	6,273,460
	<hr/>	<hr/>	<hr/>
As at 31 December 2023			
Segment assets	2,837,849	2,167,230	5,005,079
Interests in joint ventures	–	2,071,517	2,071,517
	<hr/>	<hr/>	<hr/>
Total reportable segment assets	2,837,849	4,238,747	7,076,596
	<hr/>	<hr/>	<hr/>

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	
	2024	2023
	HK\$'000	HK\$'000
Reportable segment results	(345,567)	129,059
Other income	1,564	8,879
Other gains – net	10,977	8,880
Finance costs – net	(26,689)	(32,734)
Corporate and unallocated expenses	(12,026)	(12,853)
	<hr/>	<hr/>
(Loss)/profit before income tax	(371,741)	101,231
	<hr/>	<hr/>

Reportable segment assets are reconciled to total assets as follows:

	As at 30 June 2024 <i>HK\$'000</i>	As at 31 December 2023 <i>HK\$'000</i>
Reportable segment assets	6,273,460	7,076,596
Financial assets at fair value through other comprehensive income	79,980	100,138
Derivative financial instruments	22,656	11,324
Deferred income tax assets	16,221	19,480
Current income tax recoverable	1,041	1,688
Corporate and unallocated assets	93,748	101,030
	<hr/>	<hr/>
Total assets per condensed consolidated statement of financial position	6,487,106	7,310,256
	<hr/> <hr/>	<hr/> <hr/>

Reconciliations of other material items are as follows:

	For the six months ended 30 June 2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Depreciation		
– Reportable segment total	25,110	33,767
– Corporate headquarters	1,119	1,119
	<hr/>	<hr/>
	26,229	34,886
	<hr/> <hr/>	<hr/> <hr/>
Capital expenditure		
– Reportable segment total	10,347	5,740
	<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	
	2024	2023
	HK\$'000	HK\$'000
North America	157,169	181,881
Asia (excluding Hong Kong)	775,133	949,991
Europe	198,497	429,390
Hong Kong	93,604	119,481
	1,224,403	1,680,743

For the six months ended 30 June 2024, revenue of approximately HK\$504,490,000, HK\$133,179,000 and HK\$129,337,000 were derived from the top three external customers respectively. 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. 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 2024 HK\$'000	As at 31 December 2023 HK\$'000
Asia (excluding Hong Kong)	266,035	286,350
Europe	9	8
Hong Kong	3,727,964	4,177,724
	3,994,008	4,464,082

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	
	2024	2023
	HK\$'000	HK\$'000
Gains on disposal of property, plant and equipment	1,288	595
Losses on lease modification	–	(12)
Exchange gains – net	9,689	8,297
	<u>10,977</u>	<u>8,880</u>

4. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Current income tax		
– Hong Kong profits tax	3,498	2,308
– Overseas taxation	13,010	11,299
– Over-provision in prior periods	–	(1,002)
Dividend withholding tax paid on the distributed retained profits of a PRC incorporated subsidiary	8,611	7,090
Deferred income tax	(7,944)	(7,875)
	<u>17,175</u>	<u>11,820</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2023: 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 Income Tax at the rate of 25% (2023: 25%) on the estimated profits, except for Welco Technology (Suzhou) Limited, a wholly-owned subsidiary of the Group, which is subject to a rate of 15% (2023: 15%) on the estimated profits.

5. DIVIDENDS

	For the six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Interim dividend – HK\$0.0275 (2023: HK\$0.0300) per share	<u>13,158</u>	<u>14,354</u>

On 22 August 2024, the Board has resolved to pay an interim dividend of HK\$0.0275 per share (2023: HK\$0.0300 per share) which is payable on Friday, 20 September 2024 to the shareholders whose names appear on the Register of Members of the Company on Tuesday, 10 September 2024. This interim dividend, amounting to HK\$13,158,000 (2023: HK\$14,354,000) 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 2024.

6. (LOSSES)/EARNINGS PER SHARE

(a) Basic

Basic (losses)/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	
	2024	2023
(Loss)/profit attributable to owners of the Company (<i>HK\$'000</i>)	<u>(388,916)</u>	<u>89,411</u>
Weighted average number of ordinary shares in issue (<i>in thousands</i>)	<u>478,484</u>	<u>478,484</u>
Basic (losses)/earnings per share (<i>HK\$</i>)	<u>(0.81)</u>	<u>0.19</u>

(b) Diluted

No diluted (losses)/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 2024 <i>HK\$'000</i>	As at 31 December 2023 <i>HK\$'000</i>
Share of net assets	850,595	1,051,442
Loans to joint ventures	<u>1,001,868</u>	<u>1,020,075</u>
	<u>1,852,463</u>	<u>2,071,517</u>

The loans to joint ventures are unsecured, interest-free and the repayment is subject to the agreement of the joint venture partners.

Movements in share of net assets is analysed as follows:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
At 1 January	1,051,442	1,001,980
Share of (losses)/profits of joint ventures	<u>(200,847)</u>	<u>29,836</u>
At 30 June	<u>850,595</u>	<u>1,031,816</u>

Share of losses 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\$214,327,000 (2023: share of fair value gains, net of deferred income tax of HK\$8,333,000).

8. TRADE RECEIVABLES

	As at 30 June 2024 <i>HK\$'000</i>	As at 31 December 2023 <i>HK\$'000</i>
Trade receivables	694,618	810,914
Less: allowance for impairment of trade receivables	<u>(2,345)</u>	<u>(2,325)</u>
	<u>692,273</u>	<u>808,589</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 2024 <i>HK\$'000</i>	As at 31 December 2023 <i>HK\$'000</i>
0 – 60 days	524,590	531,396
61 – 90 days	84,449	154,137
Over 90 days	<u>85,579</u>	<u>125,381</u>
	<u>694,618</u>	<u>810,914</u>

9. TRADE PAYABLES

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

	As at 30 June 2024 <i>HK\$'000</i>	As at 31 December 2023 <i>HK\$'000</i>
0 – 60 days	272,696	362,364
61 – 90 days	48,289	56,047
Over 90 days	<u>141,714</u>	<u>127,236</u>
	<u>462,699</u>	<u>545,647</u>

10. BORROWINGS

	As at 30 June 2024 <i>HK\$'000</i>	As at 31 December 2023 <i>HK\$'000</i>
Trust receipt bank loans, unsecured	178,118	338,790
Short-term bank loans, unsecured	237,000	275,000
Short-term bank loans, secured	112,000	103,000
Long-term bank loans which contains a repayment on demand clause, secured	28,005	38,138
Portion of long-term loans due for repayment within one year, secured	99,910	99,910
Portion of long-term loans due for repayment after one year, secured	885,885	935,840
	<hr/>	<hr/>
Total borrowings	1,540,918	1,790,678
	<hr/>	<hr/>
Non-current	885,885	935,840
Current	655,033	854,838
	<hr/>	<hr/>
Total borrowings	1,540,918	1,790,678
	<hr/>	<hr/>

INTERIM DIVIDEND

On 22 August 2024, the Board has resolved to pay an interim dividend of HK\$0.0275 per share (2023: HK\$0.0300 per share) which is payable on Friday, 20 September 2024 to the shareholders whose names appear on the Register of Members of the Company on Tuesday, 10 September 2024.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Friday, 6 September 2024 to Tuesday, 10 September 2024, 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 Thursday, 5 September 2024.

REVIEW OF BUSINESS ACTIVITIES

Review of Results

The loss attributable to owners of the Company for the six months ended 30 June 2024 amounted to HK\$388.9 million, as compared to profit attributable to owners of the Company of HK\$89.4 million for the corresponding period last year. This was mainly attributable to decrease in segment profit of EMS Division of HK\$10.2 million, loss arising from change in fair value of investment properties of HK\$210.9 million, increase in provision for write-down of stock of completed properties of HK\$21.6 million and share of losses of joint ventures of HK\$200.8 million, net off by decrease in the finance costs, net of HK\$6.0 million. The Group entered into interest rate swap contracts with notional principal amounts of HK\$1,500 million in order to hedge interest rate hiking.

The Group's revenue for the six months ended 30 June 2024 was HK\$1,224.4 million, 27.2% decrease as compared to HK\$1,680.7 million for the corresponding period last year. Operating loss for the six months ended 30 June 2024 was HK\$144.2 million, as compared to operating profit of HK\$104.1 million for the corresponding period last year.

Electronic Manufacturing Service ("EMS") Division

Revenue for the six months ended 30 June 2024 was HK\$1,193.1 million, as compared to HK\$1,649.5 million for the corresponding period last year. The segment profit attributable to the EMS Division was HK\$64.3 million, 13.6% decrease as compared to HK\$74.5 million for the corresponding period last year. The decrease in the segment net profit was attributable to the decrease in sales to external customers, impact from decrease in sales was partly offset by the cost efficiency improvement and depreciation of Chinese Renminbi.

Property Holding Division

The Property Holding Division reported revenue of HK\$31.3 million, close to HK\$31.2 million for the corresponding period last year. The segment loss for the period was HK\$409.9 million as compared to segment profit of HK\$54.6 million for the corresponding period last year.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2024, the Group had a total of HK\$2,975.4 million (2023 December: HK\$3,071.3 million) of banking facilities. Total bank borrowings were HK\$1,540.9 million (2023 December: HK\$1,790.7 million). Cash and cash equivalents, short-term bank deposits and restricted cash were HK\$1,236.1 million at 30 June 2024 (2023 December: HK\$1,348.0 million).

As at 30 June 2024, the Group had net bank borrowings of HK\$304.8 million, as compared to HK\$442.7 million at 31 December 2023. 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 2024 is 0.08 (2023 December: 0.10). 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, Chinese Renminbi and Vietnam Dong. Consistent with its prudent policy on financial risk management, the Group does not use any foreign exchange hedging products. The Group recognises 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 2023 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 2024, the Group employed approximately 2,600 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 economic environment and market conditions will remain complicated in the second half of Year 2024. The pace of disinflation is slower than expected which has postponed the prospect of interest rates cut. Sino-US trade tension and the geopolitical risks continue to impact global economic growth. The above factors will impact demand from our customers and the profitability of the Group.

Based on current customer orders and forecasts, the Group expects that the revenue of the EMS business in the second half of Year 2024 will recover slightly as compared with the sales orders situation in the first half of Year 2024. Some customers have gradually consumed the overstocking arising from shortage of critical materials in 2023 and ordering from them is expected to resume back to normal. Supplies of semiconductors and components and the lead times are back to normal. The Group will continue to implement stringent cost saving and efficiency improvement measures to ensure that our customers will be served in the most efficient manner.

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. Vietnam factory will be an important source of future growth for the Group. The Group is taking measures to streamline the production operations, strengthen the talents training and enhance the technical capability of the Vietnam factory for future expansion.

The commercial properties held by the Group, directly or indirectly, have been almost fully leased out. Although rental income has been reduced due to weak commercial property market conditions, they will continue to generate stable income to the Group. Loan Interest rates are expected to remain at high level in the second half of Year 2024. 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 twelfth 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 2024, 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 2024, the Company has complied with the code provisions of the Corporate Governance Code as set out in Part 2 of Appendix C1 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 C3 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 2024.

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 2024.

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 2024 interim report will be available on the above websites in due course.

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

Hong Kong, 22 August 2024

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