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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 2022

FINANCIAL HIGHLIGHTS:

- The profit attributable to owners of the Company was HK\$95.5 million.
- Profit from EMS Division increased by HK\$3.1 million due to a slight increase in profit margin.

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 2022 as follows:

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2022

		Unaudited	
		2022	2021
	<i>Note</i>	HK\$'000	HK\$'000
Revenue	2	1,559,192	1,556,820
Other income		4,909	7,795
Changes in inventories of finished goods and work in progress		5,708	(60,562)
Raw materials and consumables used		(1,157,410)	(1,089,386)
Employee benefit expenses		(235,444)	(228,839)
Depreciation		(35,651)	(38,918)
Other operating expenses		(81,544)	(83,355)
Change in fair value of investment properties		11,800	(11,700)
Other gains – net	3	31,989	5,076
Provision of impairment losses on trade receivables		(17)	(1,104)
		<hr/>	<hr/>
Operating profit		103,532	55,827
Finance income		9,743	8,202
Finance costs		(21,461)	(22,553)
Share of (loss)/profit of an associate		(2,892)	297
Share of profits of joint ventures	7	19,805	4,306
		<hr/>	<hr/>
Profit before income tax		108,727	46,079
Income tax expense	4	(13,192)	(18,267)
		<hr/>	<hr/>
Profit after income tax		95,535	27,812
		<hr/>	<hr/>
Profit attributable to owners of the Company		95,535	27,812
Non-controlling interests		–	–
		<hr/>	<hr/>
		95,535	27,812
		<hr/>	<hr/>
Dividends	5	9,570	7,177
		<hr/>	<hr/>
Earnings per share attributable to owners of the Company during the period			
Basic	6	HK\$0.20	HK\$0.06
		<hr/>	<hr/>
Diluted	6	HK\$0.20	HK\$0.06
		<hr/>	<hr/>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Unaudited	
	2022	2021
	HK\$'000	HK\$'000
Profit for the period	95,535	27,812
Other comprehensive income:		
<i>Items that may be reclassified to consolidated income statement:</i>		
Cash flow hedge – fair value gains for the period	13,639	8,016
Cash flow hedge – deferred income tax recognised	(2,250)	(1,323)
Currency translation differences		
– Group	(94,044)	16,075
– Associates	(456)	323
<i>Item that will not be reclassified subsequently to consolidated income statement:</i>		
Changes in fair value of financial assets at fair value through other comprehensive income	121	964
Other comprehensive (loss)/income for the period, net of tax	(82,990)	24,055
Total comprehensive income for the period	12,545	51,867
Attributable to:		
Owners of the Company	12,545	51,867
Non-controlling interests	–	–
Total comprehensive income for the period	12,545	51,867

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

		Unaudited	Audited
		As at	As at
		30 June	31 December
		2022	2021
	<i>Note</i>	HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		262,979	219,598
Investment properties		2,052,231	2,041,508
Right-of-use assets		118,867	131,935
Investments in associates		34,372	26,583
Interests in joint ventures	7	2,141,625	2,141,455
Financial assets at fair value through other comprehensive income		16,365	15,470
Derivative financial instruments		5,666	–
Deferred income tax assets		20,362	21,807
Deposits and other receivables		15,995	20,035
Restricted cash		585	–
		<u>4,669,047</u>	<u>4,618,391</u>
Current assets			
Inventories		549,158	388,487
Stock of completed properties		213,410	213,410
Trade receivables	8	1,032,457	1,003,075
Prepayments, deposits and other receivables		90,841	107,082
Financial assets at fair value through other comprehensive income		109	53
Current income tax recoverable		1,776	1,883
Restricted cash		131,028	136,320
Short-term bank deposits		834,869	877,757
Cash and cash equivalents		406,207	400,818
		<u>3,259,855</u>	<u>3,128,885</u>
Total assets		<u><u>7,928,902</u></u>	<u><u>7,747,276</u></u>

		Unaudited	Audited
		As at	As at
		30 June	31 December
		2022	2021
	<i>Note</i>	HK\$'000	HK\$'000
EQUITY			
Equity attributable to owners of the Company			
Share capital		47,848	47,848
Other reserves		593,292	673,305
Retained earnings			
– Dividends		9,570	11,963
– Others		3,828,409	3,745,421
		<u>4,479,119</u>	<u>4,478,537</u>
Total equity		<u>4,479,119</u>	<u>4,478,537</u>
LIABILITIES			
Non-current liabilities			
Accruals and other payables		2,771	5,788
Lease liabilities		25,709	26,312
Deferred income tax liabilities		73,486	71,809
Borrowings	10	1,295,342	1,301,554
		<u>1,397,308</u>	<u>1,405,463</u>
Current liabilities			
Trade payables	9	792,694	658,995
Accruals and other payables		242,995	229,082
Contract liabilities		123,794	126,291
Derivative financial instruments		570	8,543
Lease liabilities		12,079	20,804
Current income tax liabilities		49,246	45,397
Borrowings	10	831,097	774,164
		<u>2,052,475</u>	<u>1,863,276</u>
Total liabilities		<u>3,449,783</u>	<u>3,268,739</u>
Total equity and liabilities		<u>7,928,902</u>	<u>7,747,276</u>
Net current assets		<u>1,207,380</u>	<u>1,265,609</u>
Total assets less current liabilities		<u>5,876,427</u>	<u>5,884,000</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Unaudited			
	Attributable to owners of the Company			
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Other reserves <i>HK\$'000</i>	Total <i>HK\$'000</i>
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
As at 1 January 2021	47,848	153,025	4,132,901	4,333,774
Comprehensive income				
Profit for the period	–	–	27,812	27,812
Other comprehensive income				
Currency translation differences	–	–	16,398	16,398
Changes in fair value of financial assets at fair value through other comprehensive income	–	–	964	964
Cash flow hedge – fair value gains for the period	–	–	8,016	8,016
Cash flow hedge – deferred income tax recognised	–	–	(1,323)	(1,323)
Total other comprehensive income	–	–	24,055	24,055
Total comprehensive income	–	–	51,867	51,867
Transactions with owners				
Dividend declared to owners of the Company	–	–	(9,570)	(9,570)
Total transactions with owners	–	–	(9,570)	(9,570)
As at 30 June 2021	47,848	153,025	4,175,198	4,376,071

NOTES:

1. BASIS OF PREPARATION

This unaudited condensed consolidated interim financial information (“Interim Financial Information”) for the six months ended 30 June 2022 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 2021, 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 2021, as described in those annual financial statements.

Amended standards adopted by the Group

The following amendments to standards are mandatory for first time for the financial year beginning 1 January 2022:

Amendments to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021
Amendments to Annual Improvements Project	Annual Improvements 2018–2020 Cycle
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contract: Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Revised Accounting Guideline 5	Merger Accounting for Common Control Combination

There are no 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 new standard, amendments to standards and interpretations have been published but are not effective for the Group's accounting periods beginning on or after 1 January 2022 and have not been early adopted by the Group. These new standard, 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 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to HKFRS 4	Extension of the Temporary Exemption from applying HKFRS 9	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	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 standard, amendments to standards and interpretation. The Directors of the Company will adopt the new standard, 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)/profit 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.

	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>
For the six months ended 30 June 2021			
External revenue			
Revenue from contracts with customers			
Timing of revenue recognition			
– At a point of time	1,523,794	–	1,523,794
Revenue from other sources			
– Rental income	–	33,026	33,026
	<u>38,073</u>	<u>17,572</u>	<u>55,645</u>
Segment results			
Depreciation	37,775	21	37,796
Share of profits of joint ventures	–	4,306	4,306
Change in fair value of investment properties	–	(11,700)	(11,700)
Capital expenditure	<u>5,493</u>	<u>13</u>	<u>5,506</u>

	EMS division HK\$'000	Property Holding division HK\$'000	Total HK\$'000
As at 30 June 2022			
Segment assets	3,334,340	2,283,639	5,617,979
Interests in joint ventures	–	2,141,625	2,141,625
	<u>3,334,340</u>	<u>4,425,264</u>	<u>7,759,604</u>
Total reportable segment assets			
As at 31 December 2021			
Segment assets	3,184,951	2,269,129	5,454,080
Interests in joint ventures	–	2,141,455	2,141,455
	<u>3,184,951</u>	<u>4,410,584</u>	<u>7,595,535</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, 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, 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	
	2022	2021
	HK\$'000	HK\$'000
Reportable segment results	95,953	55,645
Other income	4,909	7,795
Other gains – net	31,989	5,076
Finance costs – net	(11,718)	(14,351)
Share of (loss)/profit of an associate	(2,892)	297
Corporate and unallocated expenses	(9,514)	(8,383)
	<u>108,727</u>	<u>46,079</u>
Profit before income tax	108,727	46,079

Reportable segment assets are reconciled to total assets as follows:

	As at 30 June 2022 <i>HK\$'000</i>	As at 31 December 2021 <i>HK\$'000</i>
Reportable segment assets	7,759,604	7,595,535
Investments in associates	34,372	26,583
Financial assets at fair value through other comprehensive income	16,474	15,523
Derivative financial instruments	5,666	–
Deferred income tax assets	20,362	21,807
Current income tax recoverable	1,776	1,883
Corporate and unallocated assets	90,648	85,945
	<hr/>	<hr/>
Total assets per condensed consolidated statement of financial position	7,928,902	7,747,276
	<hr/> <hr/>	<hr/> <hr/>

Reconciliations of other material items are as follows:

	For the six months ended 30 June	
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Depreciation		
– Reportable segment total	34,534	37,796
– Corporate headquarters	1,117	1,122
	<hr/>	<hr/>
	35,651	38,918
	<hr/> <hr/>	<hr/> <hr/>
Capital expenditure		
– Reportable segment total	73,444	5,506
	<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	
	2022	2021
	HK\$'000	HK\$'000
North America	213,769	171,028
Asia (excluding Hong Kong)	914,850	934,519
Europe	258,790	234,205
Hong Kong	171,783	217,068
	<u>1,559,192</u>	<u>1,556,820</u>

For the six months ended 30 June 2022, revenue of approximately HK\$710,383,000 (2021: HK\$652,369,000) and HK\$208,109,000 (2021: HK\$170,192,000) 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
	2022	2021
	HK\$'000	HK\$'000
North America	4	7
Asia (excluding Hong Kong)	343,359	310,621
Europe	21	20
Hong Kong	4,305,301	4,285,936
	<u>4,648,685</u>	<u>4,596,584</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	
	2022	2021
	HK\$'000	HK\$'000
Gains on disposal of property, plant and equipment	398	593
Gains on deemed disposal of an associate	14,956	–
Exchange gains/(losses) – net	16,635	(2,827)
Recovery of amount due from an associate previously written off	–	7,310
	<u>31,989</u>	<u>5,076</u>

4. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Current income tax		
– Hong Kong profits tax	1,939	3,484
– Overseas taxation	14,988	19,660
Over-provision in prior periods		
– Current income tax	(3,754)	(5,025)
Deferred income tax	19	148
	<u>13,192</u>	<u>18,267</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 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% (2021: 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% (2021: 15%) under the New and High Technology Enterprises status till 31 December 2023.

5. DIVIDENDS

	For the six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Interim dividend – HK\$0.02 (2021: HK\$0.015) per share	<u>9,570</u>	<u>7,177</u>

On 30 August 2022, the Board has resolved to pay an interim dividend of HK\$0.02 per share (2021: HK\$0.015 per share) which is payable on Thursday, 6 October 2022 to the shareholders whose names appear on the Register of Members of the Company on Tuesday, 20 September 2022. This interim dividend, amounting to HK\$9,570,000 (2021: HK\$7,177,000) 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 2022.

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	
	2022	2021
Profit attributable to owners of the Company (<i>HK\$'000</i>)	<u>95,535</u>	<u>27,812</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>0.20</u>	<u>0.06</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 2022 <i>HK\$'000</i>	As at 31 December 2021 <i>HK\$'000</i>
Share of net assets	1,065,858	1,046,053
Loans to joint ventures	<u>1,075,767</u>	<u>1,095,402</u>
	<u>2,141,625</u>	<u>2,141,455</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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
At 1 January	1,046,053	1,013,979
Share of profits of joint ventures	<u>19,805</u>	<u>4,306</u>
At 30 June	<u>1,065,858</u>	<u>1,018,285</u>

Share of 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\$2,742,000 (2021: HK\$19,652,000).

8. TRADE RECEIVABLES

	As at 30 June 2022 <i>HK\$'000</i>	As at 31 December 2021 <i>HK\$'000</i>
Trade receivables	1,035,574	1,006,175
Less: allowance for impairment of trade receivables	<u>(3,117)</u>	<u>(3,100)</u>
	<u>1,032,457</u>	<u>1,003,075</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 2022 <i>HK\$'000</i>	As at 31 December 2021 <i>HK\$'000</i>
0 – 60 days	658,947	700,265
61 – 90 days	220,003	175,039
Over 90 days	<u>156,624</u>	<u>130,871</u>
	<u>1,035,574</u>	<u>1,006,175</u>

9. TRADE PAYABLES

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

	As at 30 June 2022 <i>HK\$'000</i>	As at 31 December 2021 <i>HK\$'000</i>
0 – 60 days	651,129	488,570
61 – 90 days	69,481	86,087
Over 90 days	<u>72,084</u>	<u>84,338</u>
	<u>792,694</u>	<u>658,995</u>

10. BORROWINGS

	As at 30 June 2022 <i>HK\$'000</i>	As at 31 December 2021 <i>HK\$'000</i>
Trust receipt bank loans, unsecured	372,126	325,806
Short-term bank loans, unsecured	212,000	226,000
Short-term bank loans, secured	115,000	115,000
Portion of long-term loans due for repayment within one year, secured	131,971	107,358
Portion of long-term loans due for repayment after one year, secured	<u>1,295,342</u>	<u>1,301,554</u>
Total borrowings	<u><u>2,126,439</u></u>	<u><u>2,075,718</u></u>
Non-current	1,295,342	1,301,554
Current	<u>831,097</u>	<u>774,164</u>
Total borrowings	<u><u>2,126,439</u></u>	<u><u>2,075,718</u></u>

INTERIM DIVIDEND

On 30 August 2022, the Board has resolved to pay an interim dividend of HK\$0.02 per share (2021: HK\$0.015 per share) which is payable on Thursday, 6 October 2022 to the shareholders whose names appear on the Register of Members of the Company on Tuesday, 20 September 2022.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Friday, 16 September 2022 to Tuesday, 20 September 2022, 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, 15 September 2022.

REVIEW OF BUSINESS ACTIVITIES

Review of Results

The profit attributable to owners of the Company for the six months ended 30 June 2022 amounted to HK\$95.5 million, as compared to HK\$27.8 million for the corresponding period last year.

This was mainly attributable to the increase in the value of the Group's properties. The net increase in value of properties held by the Group and the Group's joint ventures was HK\$9.1 million as compared to a decrease in value of HK\$31.4 million for the corresponding period last year. In addition, the Group recognised exchange gains of HK\$16.6 million as compared to exchange losses of HK\$2.8 million for the corresponding period last year due to Renminbi depreciation.

The Group's revenue for the six months ended 30 June 2022 was HK\$1,559.2 million, 0.2% increase as compared to HK\$1,556.8 million for the corresponding period last year. Operating profit for the six months ended 30 June 2022 was HK\$103.5 million, as compared to HK\$55.8 million for the corresponding period last year. The improvement in the operating results was mainly due to the fair value change of investment properties held by the Group in sum of HK\$23.5 million and exchange difference in sum of HK\$19.4 million.

Electronic Manufacturing Service ("EMS") Division

The continuous disruption of global supply chain, shortages of semiconductors and other components, and lockdowns in Shenzhen and Shanghai due to the resurgence of the COVID-19 pandemic in China posed significant challenges to operation in the first half of 2022. To mitigate the adverse effects of the tight supply of raw materials, the Group has been closely liaising with its customers for remedial actions and exploring alternative sources of supply of materials. The Group has also been able to pass certain increases in material cost to customers via increase in selling prices. Also, the Group has been continuously striving for cost efficiency improvement. Overall, the Group was able to book a 0.3% increase in the EMS revenue for the six months ended 30 June 2022 as compared to the first half of 2021, from HK\$1,523.8 million to HK\$1,528.0 million. The segment profit attributable to the EMS Division was HK\$41.2 million representing an increase of 8.2% as compared to HK\$38.1 million for the corresponding period last year due to a slight increase in profit margin.

Inventory held at June-end amounted to HK\$549.2 million in comparison with HK\$388.5 million held at 30 June 2021. The increase was mainly due to unbalanced kits of materials accumulated and the need to store up certain critical components amid difficult supply chain conditions.

Property Holding Division

The Property Holding Division reported revenue of HK\$31.2 million, 5.6% decrease as compared to HK\$33.0 million for the corresponding period last year. The segment profit for the period was HK\$54.8 million as compared to HK\$17.6 million for the corresponding period last year. The improvement in the segment results was mainly attributable to the increase in value of properties held by the Group.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2022, the Group had a total of HK\$3,567.7 million (2021 December: HK\$3,621.5 million) of banking facilities. Total bank borrowings were HK\$2,126.4 million (2021 December: HK\$2,075.7 million). Cash and cash equivalents, short-term bank deposits and restricted cash were HK\$1,372.7 million at 30 June 2022 (2021 December: HK\$1,414.9 million).

As at 30 June 2022, the Group had net bank borrowings of HK\$753.7 million, as compared to HK\$660.8 million at 31 December 2021. 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 2022 is 0.18 (2021 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, 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 2021 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 2022, the Group employed approximately 3,500 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

While the effects of COVID-19 pandemic appear to have been easing, the resurgence of COVID-19 in China causing lockdowns, disruption of power supply in the Group's factories in China, general economic downturn, the war between Russia and Ukraine, cost rising due to global inflation, and rising bank interest rates continue to affect us and will impact the profitability of the Group in the second half of 2022. As to supply chain conditions, disruption of the supply chain, shortages of semiconductors and certain components, and various logistic issues will continue to constrain our ability to deliver goods to customers in the near future.

To deal with the materials shortages and supply chain issues, the Group will closely liaise with its customers and provide them with prompt feedback and proposed remedial actions, and will also work closely with customers to explore alternative sources of supply of materials, such as Chinese and Asian semiconductors and passive components sources. As to the rising cost issue, the Group will continue to work with the customers to adjust selling price to absorb increase in cost. We shall implement severe cost saving measures and continue our endeavor to improve operating efficiency. On a brighter note, current customer orders and forecast have remained buoyant and the Group is confident that the EMS business will resume growth once the material shortages and supply chain issues are alleviated.

Currently, the COVID-19 pandemic appears to have been under control in Vietnam and customer visits to qualify the Group's factory in Vietnam have resumed and increased, and are bringing more sales opportunities to the Group. The progress of construction of the new production facility in Hai Duong Province, Vietnam, with a floor area of 30,000 square meters, is on schedule, and it is expected to be completed in 2022. The Directors believe that the factory in Vietnam will enhance the customer base of the EMS business and is an important source of future growth for the Group.

Market conditions for commercial properties in Hong Kong have stabilized, and 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 are expected to rise and the Group has been taking measures to hedge against such risk.

The Group will continue to do its best to deal with the pandemic situation, putting the health of our employees, the interests of our customers and partners and our corporate social responsibilities as our top priorities.

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 tenth 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 2022, 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 2022, 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 on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"), except for the following deviation:

Code provision C.2.1

Code provision C.2.1 (which has been re-numbered from the former code provision A.2.1 since 1 January 2022) 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.

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 2022.

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 2022.

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 2022 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, 30 August 2022

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. Cheung Chi Chiu, David.

Website: www.wih.com.hk