



**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 REPORT FOR 2017**



## UNAUDITED INTERIM RESULTS

The board of directors (the “Board” or “Directors”) of Wong’s International Holdings Limited (the “Company”) is pleased to present the unaudited condensed consolidated interim financial information of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2017 as follows:

### CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2017

		Unaudited	
		2017	2016
	Note	HK\$'000	HK\$'000
<b>Revenue</b>	6	<b>1,798,259</b>	1,625,209
Other income	7	<b>5,089</b>	5,544
Changes in inventories of finished goods and work in progress		<b>26,594</b>	16,030
Raw materials and consumables used		<b>(1,353,559)</b>	(1,249,992)
Employee benefit expenses		<b>(222,289)</b>	(210,444)
Depreciation and amortisation charges	8	<b>(23,670)</b>	(20,474)
Other operating expenses	8	<b>(99,176)</b>	(75,103)
Change in fair value of investment properties	14	<b>52,642</b>	–
Other losses – net	9	<b>(16,119)</b>	(8,912)
Operating profit		<b>167,771</b>	81,858
Finance income	10	<b>4,717</b>	2,995
Finance costs	10	<b>(20,429)</b>	(8,276)
Share of loss of an associate		<b>(1,255)</b>	–
Share of (loss)/profit of joint ventures	15	<b>(184)</b>	148,362
<b>Profit before income tax</b>		<b>150,620</b>	224,939
Income tax expense	11	<b>(21,370)</b>	(21,974)
<b>Profit after income tax</b>		<b>129,250</b>	202,965
<b>Profit attributable to owners of the Company</b>		<b>129,250</b>	202,965
<b>Non-controlling interests</b>		<b>–</b>	–
		<b>129,250</b>	202,965
Dividends	12	<b>19,139</b>	14,355
<b>Earnings per share attributable to the owners of the Company during the period</b>			
Basic earnings per share	13	<b>HK\$0.27</b>	HK\$0.42
Diluted earnings per share	13	<b>HK\$0.27</b>	HK\$0.42

The notes on pages 7 to 28 are an integral part of this condensed consolidated interim financial information.

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	<b>Unaudited</b>	
	<b>2017</b>	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Profit for the period</b>	<b>129,250</b>	202,965
<b>Other comprehensive income:</b>		
<b>Items that may be reclassified to profit or loss:</b>		
Currency translation differences	35,430	(16,988)
Changes in fair value of available-for-sale financial assets	(405)	(10,875)
Reclassification adjustment on impairment of available-for-sale financial assets	397	10,855
Cash flow hedge – fair value loss for the period	(13,271)	–
Cash flow hedge – deferred income tax recognised	2,190	–
	<hr/>	<hr/>
<b>Other comprehensive income/(loss) for the period, net of tax</b>	<b>24,341</b>	(17,008)
	<hr/> <hr/>	<hr/> <hr/>
<b>Total comprehensive income for the period</b>	<b>153,591</b>	185,957
	<hr/> <hr/>	<hr/> <hr/>
<b>Attributable to:</b>		
Owners of the Company	153,591	185,957
Non-controlling interests	–	–
	<hr/>	<hr/>
<b>Total comprehensive income for the period</b>	<b>153,591</b>	185,957
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The notes on pages 7 to 28 are an integral part of this condensed consolidated interim financial information.

**CONDENSED CONSOLIDATED INTERIM BALANCE SHEET**  
AS AT 30 JUNE 2017

		Unaudited As at <b>30 June 2017</b> <i>HK\$'000</i>	Audited As at 31 December 2016 <i>HK\$'000</i>
	<i>Note</i>		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	299,889	282,000
Investment properties	14	1,944,676	1,891,536
Leasehold land and land use rights	14	17,880	17,720
Investments in associates		32,541	33,796
Interests in joint ventures	15	951,642	951,826
Available-for-sale financial assets		23	31
Deferred income tax assets		15,659	12,656
Deposits and other receivables		16,274	11,526
Restricted cash		3,448	3,362
		<b>3,282,032</b>	3,204,453
		<b>3,282,032</b>	3,204,453
<b>Current assets</b>			
Inventories		531,507	396,528
Stock of completed properties		732,310	732,310
Trade receivables	16	861,010	830,844
Prepayments, deposits and other receivables		73,437	70,332
Available-for-sale financial assets		725	1,122
Amounts due from associates		9	9
Current income tax recoverable		7,706	7,706
Short-term bank deposits		464,481	469,657
Cash and cash equivalents		482,775	594,606
		<b>3,153,960</b>	3,103,114
		<b>3,153,960</b>	3,103,114
<b>Total assets</b>		<b>6,435,992</b>	6,307,567
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	19	47,848	47,848
Other reserves		486,935	460,693
Retained earnings			
– Dividends		19,139	23,924
– Others		2,561,036	2,452,826
		<b>3,114,958</b>	2,985,291
<b>Non-controlling interests</b>		<b>4</b>	4
<b>Total equity</b>		<b>3,114,962</b>	2,985,295

# CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

AS AT 30 JUNE 2017

(continued)

		Unaudited As at 30 June 2017 HK\$'000	Audited As at 31 December 2016 HK\$'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
		13,589	234
		94,834	94,815
	18	951,973	1,312,500
		1,060,396	1,407,549
<b>Current liabilities</b>			
	17	797,881	724,438
		317,199	329,375
		–	11,622
		51,189	213,131
	18	1,094,365	636,157
		2,260,634	1,914,723
<b>Total liabilities</b>		3,321,030	3,322,272
<b>Total equity and liabilities</b>		6,435,992	6,307,567
<b>Net current assets</b>		893,326	1,188,391
<b>Total assets less current liabilities</b>		4,175,358	4,392,844

The notes on pages 7 to 28 are an integral part of this condensed consolidated interim financial information.

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Unaudited				Total HK\$'000
	Attributable to owners of the Company			Non- controlling interests HK\$'000	
	Share capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000		
<b>As at 1 January 2017</b>	<b>47,848</b>	<b>153,025</b>	<b>2,784,418</b>	<b>4</b>	<b>2,985,295</b>
<b>Comprehensive income</b>					
Profit for the period	-	-	129,250	-	129,250
<b>Other comprehensive income</b>					
Currency translation differences	-	-	35,430	-	35,430
Changes in fair value of available-for-sale financial assets	-	-	(405)	-	(405)
Reclassification adjustment on impairment of available-for-sale financial assets	-	-	397	-	397
Cash flow hedge – fair value loss for the period	-	-	(13,271)	-	(13,271)
Cash flow hedge – deferred income tax recognised	-	-	2,190	-	2,190
Total other comprehensive income	-	-	24,341	-	24,341
Total comprehensive income	-	-	153,591	-	153,591
<b>Transactions with owners</b>					
Dividend paid to owners of the Company	-	-	(23,924)	-	(23,924)
Total transactions with owners	-	-	(23,924)	-	(23,924)
<b>As at 30 June 2017</b>	<b>47,848</b>	<b>153,025</b>	<b>2,914,085</b>	<b>4</b>	<b>3,114,962</b>
<b>As at 1 January 2016</b>	<b>47,848</b>	<b>153,025</b>	<b>2,433,733</b>	<b>4</b>	<b>2,634,610</b>
<b>Comprehensive income</b>					
Profit for the period	-	-	202,965	-	202,965
<b>Other comprehensive income</b>					
Currency translation differences	-	-	(16,988)	-	(16,988)
Changes in fair value of available-for-sale financial assets	-	-	(10,875)	-	(10,875)
Reclassification adjustment on impairment of available-for-sale financial assets	-	-	10,855	-	10,855
Total other comprehensive loss	-	-	(17,008)	-	(17,008)
Total comprehensive income	-	-	185,957	-	185,957
<b>Transactions with owners</b>					
Dividend paid to owners of the Company	-	-	(21,532)	-	(21,532)
Total transactions with owners	-	-	(21,532)	-	(21,532)
<b>As at 30 June 2016</b>	<b>47,848</b>	<b>153,025</b>	<b>2,598,158</b>	<b>4</b>	<b>2,799,035</b>

The notes on pages 7 to 28 are an integral part of this condensed consolidated interim financial information.

# CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	<b>Unaudited</b>	
	<b>For the six months</b>	
	<b>ended 30 June</b>	
	<b>2017</b>	<b>2016</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Cash flows from operating activities</b>		
<b>Net cash (used in)/generated from operating activities</b>	<b>(165,028)</b>	<b>69,191</b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(36,503)	(25,346)
Proceeds from disposal of property, plant and equipment	464	1,475
Net proceeds from disposal of nil-paid rights shares of an available-for-sale financial asset	–	789
Additional investment in an associate	(11,622)	–
Decrease in amounts due from associates	–	(3)
Decrease/(increase) in short-term bank deposits	17,046	(148,264)
Loans to joint ventures	–	(40,830)
Interest received	4,717	2,995
<b>Net cash used in investing activities</b>	<b>(25,898)</b>	<b>(209,184)</b>
<b>Cash flows from financing activities</b>		
Decrease in trust receipt bank loans – net	(40,571)	(74,917)
New bank loans	270,000	122,770
Repayment of bank loans	(131,748)	(53,450)
Dividends paid	(23,924)	(21,532)
<b>Net cash generated from/(used in) in financing activities</b>	<b>73,757</b>	<b>(27,129)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(117,169)</b>	<b>(167,122)</b>
<b>Cash and cash equivalents, beginning of the period</b>	<b>594,606</b>	<b>807,973</b>
Exchange differences	5,338	(24,200)
<b>Cash and cash equivalents, end of the period</b>	<b>482,775</b>	<b>616,651</b>
<b>Analysis of cash and cash equivalents:</b>		
Cash on hand	293	318
Cash at bank	482,482	616,333
<b>Cash and cash equivalents, end of the period</b>	<b>482,775</b>	<b>616,651</b>

The notes on pages 7 to 28 are an integral part of this condensed consolidated interim financial information.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 1 GENERAL INFORMATION

Wong's International Holdings Limited (the "Company") and its subsidiaries (together the "Group") are principally engaged in the development, manufacture, marketing and distribution of electronics products as well as property investment.

This condensed consolidated interim financial information has not been audited.

## 2 BASIS OF PREPARATION

This unaudited condensed consolidated interim financial information ("Interim Financial Information") for the six months ended 30 June 2017 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 unaudited Condensed Consolidated Interim Financial Information should be read in conjunction with the annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

## 3 SIGNIFICANT ACCOUNTING POLICIES

This Interim Financial Information has been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss 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 2016, as described in those annual financial statements.

### Amended standards adopted by the Group

HKAS 7 (Amendment)	Disclosure Initiative
HKAS 12 (Amendment)	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements Project (Amendment)	Annual Improvements 2014–2016 Cycle

These amended standards have not had a significant impact on the Group's condensed consolidated interim financial information for the six months ended 30 June 2017.

There are no other amended standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on the Group.



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

### Impact of standards issued but not yet applied by the Group

(a) *HKFRS 9, "Financial instruments"*

HKFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Group has decided not to adopt HKFRS 9 until it becomes mandatory on 1 January 2018.

The Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets for the following reason:

- Equity investments currently measured at fair value through profit or loss (FVPL) will likely continue to be measured on the same basis under HKFRS 9.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income (FVOCI), contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

Management is still assessing the financial impact. The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

### Impact of standards issued but not yet applied by the Group (continued)

#### (b) HKFRS 15, "Revenue from contracts with customers"

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers revenue arising from the sale of goods and the rendering of services and HKAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption. The new standard is effective for first interim periods within annual reporting periods beginning on or after 1 January 2018. The Group will adopt the new standard from 1 January 2018.

Management has identified the following areas that are likely to be affected:

- accounting for costs incurred in fulfilling a contract – certain costs which are currently expensed may need to be recognised as an asset under HKFRS 15, and
- rights of return – HKFRS 15 requires separate presentation on the consolidated statement of financial position of the right to recover the goods from the customer and the refund obligation.

Management is still assessing the financial impact. The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

#### (c) HKFRS 16, "Leases"

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the consolidated statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK\$13,592,000 (Note 20). However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 4 ESTIMATES

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2016.

## 5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

### 5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and cash flow interest rate risk), credit risk and liquidity risk.

The condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2016.

The Group has entered into an interest rate swap contract to partially hedge against the risk of interest increase from the Group's variable rate borrowings.

There has been no changes in the risk management department since 31 December 2016.

### 5.2 Fair value estimation

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

### 5.2 Fair value estimation (continued)

The following table presents the Group's financial assets and liabilities that are measured at fair value at 30 June 2017.

	Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Assets</b>				
Available-for-sale financial assets	<u>748</u>	<u>-</u>	<u>-</u>	<u>748</u>
<b>Liabilities</b>				
Derivative financial instrument	<u>-</u>	<u>13,589</u>	<u>-</u>	<u>13,589</u>

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2016.

	Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Assets</b>				
Available-for-sale financial assets	<u>1,153</u>	<u>-</u>	<u>-</u>	<u>1,153</u>
<b>Liabilities</b>				
Derivative financial instrument	<u>-</u>	<u>234</u>	<u>-</u>	<u>234</u>

There were no transfers among Level 1, Level 2 and Level 3 during the period.

There were no other changes in valuation techniques during the period.

### 5.3 Valuation techniques used to derive Level 2 fair values

Level 2 derivative financial instruments comprise interest rate swaps. The fair value of interest rate swaps is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

### 5.4 Group's valuation processes

The Group's finance team performs the valuations of financial assets required for financial reporting purposes. This team reports directly to the management. Discussions of valuation processes and results are held between the management and the team at least once bi-annually, in line with the Group's reporting dates.

The fair value of the following financial assets and liabilities approximate their carrying amounts:

- Trade and other receivables
- Short-term bank deposits
- Cash and cash equivalents
- Trade and other payables

## 6 SEGMENT INFORMATION

The Group's senior executive management is considered as the Chief Operating Decision Maker ("CODM"). The Group has changed the composition of the reportable segments by the inclusion of the activities of the previous "Original Design and Manufacturing" segment in the "Electronic Manufacturing Service" segment. The comparative segment information as at 31 December 2016 has been reclassified to align with the presentation of the latest segment information disclosure. The Group is currently organised into two operating divisions:

Electronic Manufacturing Service ("EMS") – manufacture and distribution of electronic products for EMS customers.

Property Investment – 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 losses – net, interest income, finance costs, share of loss of an associate and income tax expense 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.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 6 SEGMENT INFORMATION (continued)

<b>For the six months ended 30 June 2017</b>	<b>EMS division HK\$'000</b>	<b>Property investment division HK\$'000</b>	<b>Total HK\$'000</b>
External revenue	<u>1,770,947</u>	<u>27,312</u>	<u>1,798,259</u>
Segment results	<u>118,418</u>	<u>72,406</u>	<u>190,824</u>
Depreciation and amortisation charges	22,465	–	22,465
Share of loss of joint ventures	–	(184)	(184)
Change in fair value of investment properties	<u>–</u>	<u>52,642</u>	<u>52,642</u>
Capital expenditure	<u>36,503</u>	<u>–</u>	<u>36,503</u>
Loans to joint ventures	<u>–</u>	<u>–</u>	<u>–</u>
<b>For the six months ended 30 June 2016</b>	<b>EMS division HK\$'000</b>	<b>Property investment division HK\$'000</b>	<b>Total HK\$'000</b>
External revenue	<u>1,625,209</u>	<u>–</u>	<u>1,625,209</u>
Segment results	<u>97,603</u>	<u>147,886</u>	<u>245,489</u>
Depreciation and amortisation charges	19,255	–	19,255
Share of profit of joint ventures	–	148,362	148,362
Change in fair value of investment properties	<u>–</u>	<u>–</u>	<u>–</u>
Rental income	<u>–</u>	<u>603</u>	<u>603</u>
Capital expenditure	<u>25,346</u>	<u>–</u>	<u>25,346</u>
Loans to joint ventures	<u>–</u>	<u>40,830</u>	<u>40,830</u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 6 SEGMENT INFORMATION (continued)

	EMS division <i>HK\$'000</i>	Property investment division <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>As at 30 June 2017</b>			
Segment assets	2,627,393	2,702,702	5,330,095
Interests in joint ventures	–	951,642	951,642
	<b>2,627,393</b>	<b>3,654,344</b>	<b>6,281,737</b>
	<b>2,627,393</b>	<b>3,654,344</b>	<b>6,281,737</b>
<b>As at 31 December 2016</b>			
Segment assets	2,537,186	2,663,054	5,200,240
Interests in joint ventures	–	951,826	951,826
	2,537,186	3,614,880	6,152,066
	2,537,186	3,614,880	6,152,066

Segment assets consist primarily of property, plant and equipment, investment properties, leasehold land and land use rights, interests in joint ventures, restricted cash, inventories, stock of completed properties, trade receivables, prepayments, deposits and other receivables, short-term bank deposits and cash and cash equivalents, but exclude investments in associates, available-for-sale financial assets, deferred income tax assets, amounts due from associates and corporate and unallocated assets.

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

	<b>For the six months ended 30 June</b>	
	<b>2017</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Reportable segment results</b>	<b>190,824</b>	245,489
Other income	<b>5,089</b>	5,544
Other losses – net	<b>(16,119)</b>	(8,912)
Finance costs – net	<b>(15,712)</b>	(5,281)
Share of loss of an associate	<b>(1,255)</b>	–
Corporate and unallocated expenses	<b>(12,207)</b>	(11,901)
	<b>150,620</b>	224,939
	<b>150,620</b>	224,939

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 6 SEGMENT INFORMATION (continued)

Reportable segments assets are reconciled to total assets as follows:

	As at <b>30 June</b> <b>2017</b> <i>HK\$'000</i>	As at 31 December 2016 <i>HK\$'000</i>
<b>Reportable segment assets</b>	<b>6,281,737</b>	6,152,066
Investment in associates	<b>32,541</b>	33,796
Available-for-sale financial assets	<b>748</b>	1,153
Deferred income tax assets	<b>15,659</b>	12,656
Amounts due from associates	<b>9</b>	9
Corporate and unallocated assets	<b>105,298</b>	107,887
	<hr/>	<hr/>
<b>Total assets per condensed consolidated balance sheet</b>	<b>6,435,992</b>	6,307,567
	<hr/> <hr/>	<hr/> <hr/>

Reconciliations of other material items are as follows:

	For the six months ended 30 June <b>2017</b> <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Depreciation and amortisation charges		
– Reportable segment total	<b>22,465</b>	19,255
– Corporate headquarters	<b>1,205</b>	1,219
	<hr/>	<hr/>
	<b>23,670</b>	20,474
	<hr/> <hr/>	<hr/> <hr/>
Capital expenditure		
– Reportable segment total	<b>36,503</b>	25,346
	<hr/> <hr/>	<hr/> <hr/>



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 6 SEGMENT INFORMATION (continued)

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	
	2017	2016
	HK\$'000	HK\$'000
North America	419,476	319,937
Asia (excluding Hong Kong)	775,225	713,885
Europe	281,964	257,140
Hong Kong	321,594	334,247
	<u>1,798,259</u>	<u>1,625,209</u>

For the six months ended 30 June 2017, revenues of approximately HK\$531,589,000 (2016: HK\$475,406,000), HK\$345,206,000 (2016: HK\$376,295,000), HK\$204,292,000 (2016: HK\$155,157,000) and HK\$184,688,000 (2016: HK\$236,162,000) were derived from the top four 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
	2017	2016
	HK\$'000	HK\$'000
North America	25	23
Asia (excluding Hong Kong)	295,554	271,884
Europe	24	31
Hong Kong	2,970,770	2,919,859
	<u>3,266,373</u>	<u>3,191,797</u>

Non-current assets comprise property, plant and equipment, investment properties, leasehold land and land use rights, investments in associates, interests in joint ventures, available-for-sale financial assets, deposits and other receivables and restricted cash. They exclude deferred income tax assets.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 7 OTHER INCOME

	For the six months ended 30 June	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Rental income	–	603
Others	<b>5,089</b>	4,941
	<u><b>5,089</b></u>	<u>5,544</u>

## 8 PROFIT BEFORE INCOME TAX

Profit before income tax is analysed as follows:

	For the six months ended 30 June	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation of property, plant and equipment	<b>23,380</b>	20,170
Amortisation on leasehold land and land use rights	<b>290</b>	304
	<u><b>23,670</b></u>	<u>20,474</u>
Depreciation and amortisation charges	<b>23,670</b>	20,474
Operating lease rental in respect of land and buildings	<b>5,776</b>	5,926
Utility expense	<b>12,025</b>	12,505
Transportation	<b>17,845</b>	12,977
Chemicals and consumables	<b>16,050</b>	13,232
Others	<b>47,480</b>	30,463
	<u><b>99,176</b></u>	<u>75,103</u>
Other operating expenses	<b>99,176</b>	75,103
	<u><b>99,176</b></u>	<u>75,103</u>
Total depreciation, amortisation and other operating expenses	<u><b>122,846</b></u>	<u>95,577</u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 9 OTHER LOSSES – NET

	<b>For the six months ended 30 June</b>	
	<b>2017</b>	<b>2016</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Losses on financial instrument – net		
– Unrealised	(84)	(83)
– Realised	(177)	(270)
Gains on disposal of property, plant and equipment	438	1,117
Exchange losses – net	(15,899)	(224)
Write-back of trade and other payables	–	328
Write-back of trade receivables previously written-off	–	286
Impairment on available-for-sale financial assets	(397)	(10,855)
Gain on disposal of nil-paid rights shares of an available-for-sale financial asset	–	789
	(16,119)	(8,912)
	(16,119)	(8,912)

## 10 FINANCE COSTS – NET

	<b>For the six months ended 30 June</b>	
	<b>2017</b>	<b>2016</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Finance income		
Interest income on short-term bank deposits	4,717	2,995
	4,717	2,995
Finance costs		
Interest expenses on bank borrowings	(17,953)	(8,276)
Interest expenses on interest rate swap	(2,476)	–
	(20,429)	(8,276)
	(20,429)	(8,276)
Finance costs – net	(15,712)	(5,281)

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 11 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 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% (2016: 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% under the New and High Technology Enterprises status.

The amount of income tax charged to the condensed consolidated interim income statement represents:

	<b>For the six months ended 30 June</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Current income tax		
– Hong Kong profits tax	<b>6,359</b>	–
– Overseas taxation	<b>15,056</b>	21,768
Deferred income tax	<b>(447)</b>	209
Under/(over)-provision in prior periods		
– Current income tax	<b>402</b>	(3)
	<b>21,370</b>	21,974

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year.

## 12 DIVIDENDS

	<b>For the six months ended 30 June</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Interim dividend – HK\$0.04 (2016: HK\$0.03) per share	<b>19,139</b>	14,355

On 24 August 2017, the Board has resolved to pay an interim dividend of HK\$0.04 per share (2016: HK\$0.03 per share) which is payable on Thursday, 28 September 2017 to the shareholders whose names appear on the Register of Members of the Company on Thursday, 14 September 2017. This interim dividend, amounting to HK\$19,139,000 (2016: HK\$14,355,000) 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 2017.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 13 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	
	2017	2016
Profit attributable to owners of the Company ( <i>HK\$'000</i> )	<u>129,250</u>	<u>202,965</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>0.27</u>	<u>0.42</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.

## 14 CAPITAL EXPENDITURE

	Property, plant and equipment <i>HK\$'000</i>	Investment properties <i>HK\$'000</i>	Leasehold land and land use rights <i>HK\$'000</i>
For the six months ended 30 June 2017			
Opening net book amount as at 1 January 2017	282,000	1,891,536	17,720
Additions	36,503	-	-
Fair value gains	-	52,642	-
Disposals	(26)	-	-
Depreciation/amortisation	(23,380)	-	(290)
Currency translation differences	<u>4,792</u>	<u>498</u>	<u>450</u>
<b>Closing net book amount as at 30 June 2017</b>	<u><u>299,889</u></u>	<u><u>1,944,676</u></u>	<u><u>17,880</u></u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 14 CAPITAL EXPENDITURE (continued)

	Property, plant and equipment <i>HK\$'000</i>	Investment properties <i>HK\$'000</i>	Leasehold land and land use rights <i>HK\$'000</i>
For the six months ended 30 June 2016			
Opening net book amount as at 1 January 2016	280,237	27,471	19,367
Additions	25,346	–	–
Disposals	(358)	–	–
Depreciation/amortisation	(20,170)	–	(304)
Currency translation differences	(2,822)	(233)	(218)
	<u>282,233</u>	<u>27,238</u>	<u>18,845</u>
Closing net book amount as at 30 June 2016	<u><u>282,233</u></u>	<u><u>27,238</u></u>	<u><u>18,845</u></u>

The valuations of the investment properties at 30 June 2017 were carried out by an independent firm of surveyors, Roma Appraisals Limited, who is a fellow member of the Hong Kong Institute of Surveyors. The fair value measurement information for these investment properties in accordance with HKFRS 13 is given below.

	<b>Fair value measurements</b>		
	<b>Quoted prices in active markets for identical assets (Level 1) <i>HK\$'000</i></b>	<b>Significant other observable inputs (Level 2) <i>HK\$'000</i></b>	<b>Significant unobservable inputs (Level 3) <i>HK\$'000</i></b>
<b>As at 30 June 2017</b>			
<b>Recurring fair value measurements</b>			
<b>Investment properties</b>	–	–	<b>1,944,676</b>
	<u>–</u>	<u>–</u>	<u><u>1,944,676</u></u>
<b>As at 31 December 2016</b>			
<b>Recurring fair value measurements</b>			
<b>Investment properties</b>	–	–	<b>1,891,536</b>
	<u>–</u>	<u>–</u>	<u><u>1,891,536</u></u>

There were no transfers among Level 1, Level 2 and Level 3 during the period.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 14 CAPITAL EXPENDITURE (continued)

### Fair value measurements using significant unobservable inputs (Level 3)

	Investment properties		
	Hong Kong <i>HK\$'000</i>	Outside Hong Kong <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2017	1,924,450	19,728	1,944,178
Currency translation differences	–	498	498
At 30 June 2017	1,924,450	20,226	1,944,676
<b>Total unrealised gains for the period included in the condensed consolidated income statement for assets held at the end of the period, under 'Change in fair value of investment properties'</b>	<b>52,300</b>	<b>342</b>	<b>52,642</b>
At 1 January 2016	7,300	20,171	27,471
Currency translation differences	–	(233)	(233)
At 30 June 2016	7,300	19,938	27,238
<b>Total unrealised gains for the period included in the condensed consolidated income statement for assets held at the end of the period, under 'Change in fair value of investment properties'</b>	<b>–</b>	<b>–</b>	<b>–</b>

Fair values of completed investment properties have been valued by the direct comparison approach assuming sale of the properties in their existing states with the benefit of vacant possession and by making reference to comparable sales transactions as available in the relevant market and also considered the basis of capitalisation of the net income receivable, if necessary.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 14 CAPITAL EXPENDITURE (continued)

### Fair value measurements using significant unobservable inputs (Level 3) (continued)

The valuation have been made on the assumption that the owners sell the properties in the open market without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to increase the values of such properties. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the properties and no allowance has been made for the properties to be sold in one lot or to a single purchaser.

There were no changes in valuation techniques during the period.

As at 30 June 2017, certain bank borrowings are secured on land and buildings with a carrying amount of approximately HK\$2,003,908,000 (31 December 2016 HK\$1,953,027,000) (Note 18).

## 15 INTERESTS IN JOINT VENTURES

	As at <b>30 June</b> 2017 <i>HK\$'000</i>	As at 31 December 2016 <i>HK\$'000</i>
Share of net liabilities	(954)	(770)
Loans to joint ventures	<u>952,596</u>	<u>952,596</u>
	<u><b>951,642</b></u>	<u>951,826</u>

The loans to joint ventures are unsecured, interest-free and will not be repaid in the coming 12 months.

Movements in share of net (liabilities)/assets is analysed as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
At 1 January	(770)	846,310
Share of (loss)/profit of joint ventures	<u>(184)</u>	<u>148,362</u>
At 30 June	<u><b>(954)</b></u>	<u>994,672</u>

Share of (loss)/profit of joint ventures included the share of fair value gain of investment properties owned by the joint ventures of approximately HK\$nil (2016: HK\$141,368,000).



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 15 INTERESTS IN JOINT VENTURES (continued)

As at 30 June 2017, the Group had interests in the following principal joint ventures, which are unlisted:

Name of company	Place of incorporation	Proportion of ownership interest %	Principal activities	Nature of the relationship	Measurement method
Talent Chain Investments Limited	BVI	35.70	Investment holding	<i>Note</i>	Equity
Crown Opal Investment Limited	Hong Kong	35.70	Property development	<i>Note</i>	Equity
Open Vantage Limited	BVI	35.70	Property investment	<i>N/A</i>	Equity

*Note:* Crown Opal Investment Limited, a subsidiary of Talent Chain Investments Limited, is engaged in the business of property development.

The loans to joint ventures are unsecured, interest-free and will not be repaid in the coming twelve months. The Directors consider that the carrying amounts of the loans to the joint ventures approximate their fair values. The amounts are denominated in Hong Kong dollars.

## 16 TRADE RECEIVABLES

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:

	<b>As at 30 June 2017 <i>HK\$'000</i></b>	As at 31 December 2016 <i>HK\$'000</i>
0 – 60 days	<b>639,355</b>	703,808
61 – 90 days	<b>169,072</b>	100,336
Over 90 days	<b>52,583</b>	26,700
	<b><u>861,010</u></b>	<u>830,844</u>

The carrying amounts of the Group's trade receivables approximated their fair values as at 30 June 2017.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 17 TRADE PAYABLES

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

	As at <b>30 June</b> 2017 <i>HK\$'000</i>	As at 31 December 2016 <i>HK\$'000</i>
0 – 60 days	<b>680,404</b>	613,632
61 – 90 days	<b>60,000</b>	98,044
Over 90 days	<b>57,477</b>	12,762
	<b>797,881</b>	724,438

The carrying amounts of the Group's trade payables approximated their fair values as at 30 June 2017.

## 18 BORROWINGS

	As at <b>30 June</b> 2017 <i>HK\$'000</i>	As at 31 December 2016 <i>HK\$'000</i>
Trust receipt bank loans, unsecured	<b>377,611</b>	418,182
Short-term bank loans, unsecured	<b>210,000</b>	127,771
Portion of long-term loans due for repayment within one year, secured	<b>486,054</b>	66,054
Portion of long-term loans due for repayment after one year, secured	<b>951,973</b>	1,312,500
Portion of a mortgage loan from bank due for repayment within one year	<b>6,900</b>	6,900
Portion of a mortgage loan from bank due for repayment after one year which contains a repayment on demand clause	<b>13,800</b>	17,250
Total borrowings	<b>2,046,338</b>	1,948,657
Non-current	<b>951,973</b>	1,312,500
Current	<b>1,094,365</b>	636,157
Total borrowings	<b>2,046,338</b>	1,948,657

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 18 BORROWINGS (continued)

As at 30 June 2017, mortgage loan of approximately HK\$20,700,000 (31 December 2016: HK\$24,150,000) was secured by the land and buildings of the Group with a carrying amount of HK\$87,258,000 (31 December 2016: HK\$88,377,000).

As at 30 June 2017, the long-term bank loans of HK\$951,973,000 (31 December 2016: HK\$1,312,500,000) were secured by the following:

- A guarantee limited to HK\$760,000,000 from Easywise Limited supported by charge over investment properties with carrying amount of approximately HK\$992,650,000 (31 December 2016: HK\$962,650,000) and stock of completed properties with carrying amount of approximately HK\$732,310,000 (31 December 2016: HK\$732,310,000) owned by Easywise Limited;
- Some storeys of investment properties with carrying amount of HK\$924,000,000 (31 December 2016: HK\$902,000,000) owned by Easywise Limited; and
- A share mortgage over the Group's entire interest in Talent Chain Investments Limited, a joint venture of the Group.

## 19 SHARE CAPITAL

	Number of shares	Nominal value <i>HK\$'000</i>
<b>Ordinary shares of HK\$0.10 each</b>		
Authorised:		
At 1 January 2016 and 30 June 2016	<u>700,000,000</u>	<u>70,000</u>
<b>At 1 January 2017 and 30 June 2017</b>	<b><u>700,000,000</u></b>	<b><u>70,000</u></b>
Issued and fully paid:		
At 1 January 2016 and 30 June 2016	<u>478,483,794</u>	<u>47,848</u>
<b>At 1 January 2017 and 30 June 2017</b>	<b><u>478,483,794</u></b>	<b><u>47,848</u></b>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 20 COMMITMENTS

- (a) Capital commitments in respect of property, plant and equipment are as follows:

	<b>As at 30 June 2017 HK\$'000</b>	As at 31 December 2016 HK\$'000
Contracted but not provided for	<u><b>17,726</b></u>	<u>6,008</u>

- (b) The Group's future aggregate minimum lease payments under various non-cancellable operating lease agreements in respect of rented premises are analysed as follows:

	<b>As at 30 June 2017 HK\$'000</b>	As at 31 December 2016 HK\$'000
Within 1 year	<b>12,693</b>	12,183
In the 2nd to 5th year inclusive	<u><b>899</b></u>	<u>6,572</u>
	<u><b>13,592</b></u>	<u>18,755</u>

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases and rentals are negotiated and fixed for an average of 2 years.

- (c) The Group's future rental income receivables under various non-cancellable operating leases in respect of rented premises are analysed as follows:

	<b>As at 30 June 2017 HK\$'000</b>	As at 31 December 2016 HK\$'000
Within 1 year	<b>45,351</b>	46,610
In the 2nd to 5th year inclusive	<u><b>73,093</b></u>	<u>71,140</u>
	<u><b>118,444</b></u>	<u>117,750</u>

Operating lease income represents rentals receivable by the Group for leasing its investment properties. Leases and rentals are negotiated and fixed for an average of 2.4 years.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 21 RELATED PARTY TRANSACTIONS

The Group was controlled by Mr. Wong Chung Mat, Ben (personally and via Salop Investment Limited, a company wholly-owned and controlled by him) and W. S. Wong & Sons Company Limited (a company controlled by the Wong's family). As at 30 June 2017, Mr. Wong Chung Mat, Ben (together with Salop Investment Limited) and W. S. Wong & Sons Company Limited beneficially owned 28.59% and 19.66% of the issued shares of the Company respectively.

### (a) Balances with related parties

The amounts due from associates are repayable on demand, unsecured, interest-free and without pre-determined repayment terms.

The loans to joint ventures are set out in note 15 to the condensed consolidated interim financial information.

### (b) Key management compensation

	For the six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Salaries and allowances	8,322	9,118
Bonus	3,650	6,445
Pension costs – defined contribution schemes	27	62
	<u>11,999</u>	<u>15,625</u>

## **INTERIM DIVIDEND**

On 24 August 2017, the Board has resolved to pay an interim dividend of HK\$0.04 per share (2016: HK\$0.03 per share) which is payable on Thursday, 28 September 2017 to the shareholders whose names appear on the Register of Members of the Company on Thursday, 14 September 2017.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from Tuesday, 12 September 2017 to Thursday, 14 September 2017, both days inclusive, during which period no transfer of shares shall be effected. To qualify for the above interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 11 September 2017.

## **REVIEW OF BUSINESS ACTIVITIES**

### **Review of Results**

The profit attributable to owners of the Company for the six months ended 30 June 2017 amounted to HK\$129.3 million, as compared to HK\$203.0 million for the corresponding period last year. The significant decrease was mainly due to reduction in share of profit of joint ventures in the sum of HK\$148.2 million offsetting by the "change in fair value of investment properties" in the sum of HK\$52.6 million. Earnings per share for the six months were HK\$0.27 as compared to HK\$0.42 for the corresponding period last year.

The Group's revenue for the six months ended 30 June 2017 was HK\$1,798.3 million, as compared to HK\$1,625.2 million for the corresponding period last year. Operating profit for the six months ended 30 June 2017 was HK\$167.8 million or 9.3% of revenue, as compared to HK\$81.9 million or 5.0% of revenue for the corresponding period last year. The increase in operating profit was driven by a growth in the sales revenue, a slight improvement in gross profit percentage, cost control measures and the booking of "change in fair value of investment properties" in the sum of HK\$52.6 million as an operating item following the termination of the joint venture for One Harbour Square in September, last year.

## **REVIEW OF BUSINESS ACTIVITIES (continued)**

### **Electronic Manufacturing Service (“EMS”) Division**

Revenue for the EMS Division for the six months ended 30 June 2017 was HK\$1,770.9 million, as compared to HK\$1,625.2 million for the corresponding period last year. The segment profit attributable to the EMS Division was HK\$118.4 million, a 21.3% increase as compared to HK\$97.6 million for the corresponding period last year. The increase in the segment net profit was attributable to a growth of sales, a slight improvement in gross profit percentage and cost control measures.

As the tablet sales market has plateaued with not much growth opportunity, the Group has decided to merge the Original Design and Manufacturing (“ODM”) Division with the EMS Division. It is envisaged that the merger will heighten the focus on research and development efforts and technological innovations and enable the Group to enhance its value-added services to EMS customers.

### **Property Investment Division**

The Property Investment Division reported revenue of HK\$27.3 million. The segment profit for the period was HK\$72.4 million as compared to HK\$147.9 million for the corresponding period last year. The significant decrease was mainly attributable to the less fair value gain from the investment properties during the period as compared to the Group’s share of profit from the property development joint venture for One Harbour Square, which mainly comprised of fair value gain from units held as investment property in the corresponding period last year. The joint venture was terminated in September last year and the Group retained 11 office floors and a number of parking spaces which are held for leasing purpose.

The construction work for the second development project, namely Two Harbour Square, has completed and occupation permit was obtained in July 2017.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 June 2017, the Group had a total of HK\$3,566.9 million of banking facilities. Total bank borrowings were HK\$2,046.3 million (2016 December: HK\$1,948.7 million). Cash and cash equivalents and short-term bank deposits were HK\$947.3 million at 30 June 2017 (2016 December: HK\$1,064.3 million). Cash flow used in operations for the period was HK\$165.0 million.

As at 30 June 2017, the Group had net bank borrowings of HK\$1,099.1 million (2016 December: HK\$884.4 million). Sufficient facilities from financial institutions and bank balance are available to meet the cash needs of the Group for its manufacturing operations as well as property development activities.

Net gearing ratio for the Group as at 30 June 2017 is 0.35 (2016 December: 0.30). The net gearing ratio was calculated as net debt divided by total equity. Net debt is calculated as total borrowings less cash and cash equivalents and short-term bank deposits.

## **FOREIGN EXCHANGE AND RISK MANAGEMENT**

Most of the Group's sales are conducted in United States dollars and costs and expenses are mainly in United States dollars, Hong Kong dollars, Japanese Yen and Chinese Renminbi. The Group has decided not to engage in any foreign exchange hedging products, but will closely monitor and actively manage the currency risk involved in its business.

## **CAPITAL STRUCTURE**

There has been no material change in the Group's capital structure since 31 December 2016 which consists of bank borrowings, cash and cash equivalents, short-term bank deposits and equity attributable to owners of the parent, comprising issued share capital and reserves.

## **EMPLOYEES**

The Group employed approximately 4,600 employees as at 30 June 2017. 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**

Based on the current orders and forecasts received from our customers, the Company anticipates that sales with the EMS business in the second half of 2017 will be comparable to result of the first half. Various trade indicators also showed that global trade is expanding moderately. Nevertheless, the Company will continue to keep close attention to market condition changes including any changes in the US trade policy, interest rate increases, etc., which are capable of impacting our EMS business significantly in terms of customer demands and price competitiveness. The Company shall take various measures to expand the customer base, strengthen our value-added services to the customers and improve operation efficiency to meet the industry needs.

The construction of Two Harbour Square has completed and it has been decided that it will be held by the joint venture for leasing purpose.

## **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 fifth consecutive year. In addition, Wong's F&B Limited, a wholly-owned subsidiary of the Company, was awarded the Caring Company Logo in March 2016. These serve as recognition of the Group's active participation in community activities and good corporate citizenship.

## INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

As at 30 June 2017, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”), were as follows:

### Long positions in shares of the Company

Name of Directors	Capacity	Number of ordinary shares	Approximate percentage of the issued shares
Wong Chung Mat, Ben	Beneficial owner and interest of controlled corporation ( <i>Note</i> )	136,828,569	28.59%
Wong Yin Man, Ada	Beneficial owner	1,000,000	0.21%
Chan Tsze Wah, Gabriel	Beneficial owner	1,837,500	0.38%
Wan Man Keung	Beneficial owner	1,000,000	0.21%
Yu Sun Say	Beneficial owner	500,000	0.10%

#### *Note:*

Mr. Wong Chung Mat, Ben was deemed (by virtue of the SFO) to be interested in 136,828,569 shares in the Company. These shares were held in the following capacity:

- (a) 1,000,000 shares were held by Mr. Wong Chung Mat, Ben personally.
- (b) 135,828,569 shares were held by Salop Investment Limited, which was wholly-owned and controlled by Mr. Wong Chung Mat, Ben.

Save as disclosed herein, as at 30 June 2017, none of the Directors or chief executives of the Company or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## INTERESTS OF SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors or chief executives of the Company, as at 30 June 2017, persons (other than the Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

### Long positions in shares of the Company

Name of substantial shareholders	Capacity	Number of ordinary shares	Approximate percentage of the issued shares
Salop Investment Limited	Beneficial owner ( <i>Note 1</i> )	135,828,569	28.38%
W. S. Wong & Sons Company Limited	Beneficial owner ( <i>Note 2</i> )	94,052,019	19.66%
Wong Chung Yin, Michael	Beneficial owner, joint interest and interest of controlled corporation ( <i>Note 3</i> )	78,658,001	16.43%
Woo Sin Ming	Joint interest and interest of spouse ( <i>Note 3</i> )	78,658,001	16.43%
Levy Investment Limited	Beneficial owner ( <i>Note 3(c)</i> )	45,820,212	9.58%
Wong Chung Ah, Johnny	Beneficial owner, interest of spouse and founder of a discretionary trust ( <i>Note 4</i> )	44,343,317	9.26%
Kong King International Limited	Beneficial owner ( <i>Note 4(c)</i> )	42,108,317	8.80%
Mountainview International Limited	Trustee ( <i>Note 4(c)</i> )	42,108,317	8.80%
HSBC International Trustee Limited	Trustee ( <i>Note 5</i> )	46,123,753	9.63%

## INTERESTS OF SUBSTANTIAL SHAREHOLDERS (continued)

### Long positions in shares of the Company (continued)

#### Notes:

1. Salop Investment Limited was a company wholly-owned and controlled by Mr. Wong Chung Mat, Ben. Please refer to the Note under the section headed “Interests of Directors and chief executives”.
2. W. S. Wong & Sons Company Limited was a company controlled by the Wong’s family.
3. Mr. Wong Chung Yin, Michael and his wife, Ms. Woo Sin Ming, were deemed (by virtue of the SFO) to be interested in the same block of 78,658,001 shares in the Company. These shares were held in the following capacity:
  - (a) 4,449,829 shares were held by Mr. Wong Chung Yin, Michael personally.
  - (b) 28,387,960 shares were held by Mr. Wong Chung Yin, Michael and Ms. Woo Sin Ming jointly.
  - (c) 45,820,212 shares were held by Levy Investment Limited, which was wholly-owned and controlled by Mr. Wong Chung Yin, Michael. Each of Mr. Wong Chung Yin, Michael, Ms. Woo Sin Ming and Levy Investment Limited was deemed to be interested in the same block of 45,820,212 shares.
4. Mr. Wong Chung Ah, Johnny was deemed (by virtue of the SFO) to be interested in 44,343,317 shares in the Company. These shares were held in the following capacity:
  - (a) 1,000,000 shares were held by Mr. Wong Chung Ah, Johnny personally.
  - (b) 1,235,000 shares were held by Ms. Luk Kit Ching, wife of Mr. Wong Chung Ah, Johnny.
  - (c) 42,108,317 shares were held by Kong King International Limited under a discretionary trust, of which Mr. Wong Chung Ah, Johnny was regarded as the founder (by virtue of the SFO) and HSBC International Trustee Limited was the trustee. Kong King International Limited was wholly-owned by Mountainview International Limited, which was wholly-owned by HSBC International Trustee Limited. Each of Mr. Wong Chung Ah, Johnny, Kong King International Limited, Mountainview International Limited and HSBC International Trustee Limited was deemed to be interested in the same block of 42,108,317 shares. Please refer to Note 5(a) below.
5. HSBC International Trustee Limited was deemed (by virtue of the SFO) to be interested in 46,123,753 shares in the Company. These shares were held in the following capacity:
  - (a) 42,108,317 shares were held by Kong King International Limited under a discretionary trust, of which HSBC International Trustee Limited was the trustee. Please refer to Note 4(c) above.
  - (b) 4,015,436 shares were held by Sycamore Assets Limited under a discretionary trust, of which HSBC International Trustee Limited was the trustee.

Save as disclosed herein, the Directors are not aware of any other persons who, as at 30 June 2017, had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

## **SHARE OPTIONS**

The Company has adopted a share option scheme (the “Scheme”) on 2 June 2010. No option has been granted under the Scheme since its adoption date and up to 30 June 2017.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

During the six months ended 30 June 2017, 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 2017, the Company has complied with the code provisions under the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), except for the following deviations:

### **Code provision A.2.1**

Code provision A.2.1 provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Mr. Wong Chung Mat, Ben is the Group’s Chairman and Chief Executive Officer and has occupied these two positions since February 2003. In allowing the two positions to be occupied by the same person, the Company has considered the following:

- (a) Both positions require in-depth knowledge and considerable experience of the Group’s business. Candidates with the suitable knowledge, experience and leadership are difficult to find both within and outside the Group. If either of the positions is occupied by an unqualified person, the Group’s performance could be gravely compromised.
- (b) The Company believes that the supervision of the Board and its Independent Non-executive Directors can provide an effective check and balance mechanism and ensures that the interests of the shareholders are adequately represented.

## **CORPORATE GOVERNANCE CODE (continued)**

### **Code provision A.4.1**

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

None of the existing Independent Non-executive Directors of the Company is appointed for a specific term. However, every Director of the Company is now subject to retirement by rotation and re-election under Bye-law 112 of the Bye-laws of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

### **Code provisions A.5.1 to A.5.4**

Code provisions A.5.1 to A.5.4 provide that a nomination committee should be established with specific terms of reference which should be made available on the websites of the Stock Exchange and the listed issuer, and that sufficient resources should be provided to such committee to perform its duties.

The Company does not have present intention to establish a Nomination Committee in view that the Board itself shall discharge all duties expected to be dealt with by a Nomination Committee. In addition, a Policy and Procedure for Nomination of Directors have been set out in writing and adopted by the Board to serve as a guideline in order to ensure that there is a formal, considered and transparent procedure for the appointment of new Directors with suitable experience and capabilities to maintain and improve the competitiveness of the Company.

## **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS**

The Company has adopted the Model Code 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 2017.

## 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 2017.

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

Hong Kong, 24 August 2017

## BOARD OF DIRECTORS

### *Executive Directors:*

Mr. Wong Chung Mat, Ben  
*(Chairman and Chief Executive Officer)*  
Ms. Wong Yin Man, Ada  
Dr. Chan Tsze Wah, Gabriel  
Mr. Wan Man Keung  
Mr. Hung Wing Shun, Edmund

### *Independent Non-executive Directors:*

Dr. Li Ka Cheung, Eric GBS, OBE, JP  
Dr. Yu Sun Say GBM, JP  
Mr. Alfred Donald Yap JP  
Mr. Cheung Chi Chiu, David