



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 2018





This interim report is printed on environmentally friendly paper

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 2018 as follows:

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

		Unaudited 2018	2017
	<i>Note</i>	HK\$’000	HK\$’000
Revenue	6	1,952,784	1,798,259
Other income		6,759	5,089
Changes in inventories of finished goods and work in progress		(30,032)	26,594
Raw materials and consumables used		(1,438,119)	(1,353,559)
Employee benefit expenses		(248,587)	(222,289)
Depreciation and amortisation charges	7	(29,902)	(23,670)
Other operating expenses	7	(98,607)	(99,176)
Change in fair value of investment properties	13	65,001	52,642
Other gains/(losses) – net	8	8,183	(16,119)
Operating profit		187,480	167,771
Finance income	9	5,156	4,717
Finance costs	9	(26,694)	(20,429)
Share of loss of an associate		(1,109)	(1,255)
Share of profit/(loss) of joint ventures	14	562,471	(184)
Profit before income tax		727,304	150,620
Income tax expense	10	(20,992)	(21,370)
Profit after income tax		706,312	129,250
Profit attributable to owners of the Company		706,312	129,250
Non-controlling interests		–	–
		706,312	129,250
Dividends	11	19,139	19,139
Earnings per share attributable to owners of the Company during the period			
Basic	12	HK\$1.48	HK\$0.27
Diluted	12	HK\$1.48	HK\$0.27

The notes on pages 7 to 32 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 2018

	Unaudited	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period	706,312	129,250
Other comprehensive income:		
<i>Items that may be reclassified to profit or loss:</i>		
Changes in fair value of available-for-sale financial assets	–	(405)
Impairment for available-for-sale financial assets to income statement	–	397
Cash flow hedge – fair value gain/(loss) for the period	9,418	(13,271)
Cash flow hedge – deferred income tax recognised	(1,554)	2,190
Currency translation differences		
– The Group	(23,149)	35,430
– Associates	(10)	–
<i>Item that will not be reclassified subsequently to profit or loss:</i>		
Changes in fair value of financial assets at fair value through other comprehensive income	444	–
Other comprehensive (loss)/income for the period, net of tax	(14,851)	24,341
Total comprehensive income for the period	691,461	153,591
Attributable to:		
Owners of the Company	691,461	153,591
Non-controlling interests	–	–
Total comprehensive income for the period	691,461	153,591

The notes on pages 7 to 32 are an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

		Unaudited As at 30 June 2018	Audited As at 31 December 2017
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment	13	331,498	348,348
Investment properties	13	2,421,329	2,355,251
Leasehold land and land use rights	13	17,777	18,298
Investments in associates		29,377	30,495
Interests in joint ventures	14	1,949,492	1,183,905
Financial assets at fair value through other comprehensive income		3,079	–
Available-for-sale financial assets		–	2,531
Deferred income tax assets		14,715	15,758
Deposits and other receivables		40,864	24,446
Derivative financial instrument		5,317	–
		<u>4,813,448</u>	<u>3,979,032</u>
Current assets			
Inventories		529,209	514,474
Stock of completed properties		368,365	369,715
Trade receivables	15	953,617	910,284
Prepayments, deposits and other receivables		62,160	99,704
Amounts due from associates		11	2,009
Financial assets at fair value through other comprehensive income		554	–
Available-for-sale financial assets		–	658
Short-term bank deposits		425,471	373,630
Cash and cash equivalents		563,066	470,457
		<u>2,902,453</u>	<u>2,740,931</u>
Total assets		<u><u>7,715,901</u></u>	<u><u>6,719,963</u></u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	18	47,848	47,848
Other reserves		559,426	565,791
Retained earnings			
– Dividends		19,139	16,747
– Others		3,564,789	2,886,102
		<u>4,191,202</u>	3,516,488
Non-controlling interests		<u>4</u>	4
Total equity		<u><u>4,191,206</u></u>	<u><u>3,516,492</u></u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

(continued)

		Unaudited As at 30 June 2018 HK\$'000	Audited As at 31 December 2017 HK\$'000
	<i>Note</i>		
LIABILITIES			
Non-current liabilities			
Derivative financial instrument		1	4,221
Deferred income tax liabilities		96,885	95,233
Borrowings	17	<u>1,426,752</u>	<u>1,346,446</u>
		<u>1,523,638</u>	<u>1,445,900</u>
Current liabilities			
Trade payables	16	761,810	693,654
Contract liabilities		120,839	–
Accruals and other payables		201,320	361,594
Current income tax liabilities		55,965	40,665
Borrowings	17	<u>861,123</u>	<u>661,658</u>
		<u>2,001,057</u>	<u>1,757,571</u>
Total liabilities		<u>3,524,695</u>	<u>3,203,471</u>
Total equity and liabilities		<u>7,715,901</u>	<u>6,719,963</u>
Net current assets		<u>901,396</u>	<u>983,360</u>
Total assets less current liabilities		<u>5,714,844</u>	<u>4,962,392</u>

The notes on pages 7 to 32 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 2018

	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		
As at 1 January 2018	47,848	153,025	3,315,615	4	3,516,492
Comprehensive income					
Profit for the period	-	-	706,312	-	706,312
Other comprehensive income					
Currency translation differences	-	-	(23,159)	-	(23,159)
Changes in fair value of financial assets at fair value through other comprehensive income	-	-	444	-	444
Cash flow hedge – fair value gain for the period	-	-	9,418	-	9,418
Cash flow hedge – deferred income tax recognised	-	-	(1,554)	-	(1,554)
Total other comprehensive loss	-	-	(14,851)	-	(14,851)
Total comprehensive income	-	-	691,461	-	691,461
Transactions with owners					
Dividend paid to owners of the Company	-	-	(16,747)	-	(16,747)
Total transactions with owners	-	-	(16,747)	-	(16,747)
As at 30 June 2018	47,848	153,025	3,990,329	4	4,191,206
As at 1 January 2017	47,848	153,025	2,784,418	4	2,985,295
Comprehensive income					
Profit for the period	-	-	129,250	-	129,250
Other comprehensive income					
Currency translation differences	-	-	35,430	-	35,430
Changes in fair value of available-for-sale financial assets	-	-	(405)	-	(405)
Impairment for available-for-sale financial assets to income statement	-	-	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
Transactions with owners					
Dividend paid to owners of the Company	-	-	(23,924)	-	(23,924)
Total transactions with owners	-	-	(23,924)	-	(23,924)
As at 30 June 2017	47,848	153,025	2,914,085	4	3,114,962

The notes on pages 7 to 32 are an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Unaudited	
	For the six months	
	ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
Cash flows from operating activities		
Net cash generated from/(used in) operating activities	102,220	(165,028)
Cash flows from investing activities		
Acquisition of property, plant and equipment	(16,055)	(36,503)
Proceeds from disposal of property, plant and equipment	866	464
Dividend received from an associate	2,000	–
Additional investment in an associate	–	(11,622)
(Increase)/decrease in short-term bank deposits	(51,765)	17,046
Loans to joint ventures	(203,116)	–
Interest received	5,156	4,717
Net cash used in investing activities	(262,914)	(25,898)
Cash flows from financing activities		
Increase/(decrease) in trust receipt bank loans – net	77,915	(40,571)
New bank loans	610,000	270,000
Repayment of bank loans	(408,144)	(131,748)
Dividends paid	(16,747)	(23,924)
Net cash generated from financing activities	263,024	73,757
Net increase/(decrease) in cash and cash equivalents	102,330	(117,169)
Cash and cash equivalents, beginning of the period	470,457	594,606
Exchange differences	(9,721)	5,338
Cash and cash equivalents, end of the period	563,066	482,775
Analysis of cash and cash equivalents:		
Cash on hand	401	293
Cash at bank	562,665	482,482
Cash and cash equivalents, end of the period	563,066	482,775

The notes on pages 7 to 32 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 electronic 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 2018 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 2017, 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 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 2017, as described in those annual financial statements.

Amended standards adopted by the Group

Amendments to HKFRS 1 and HKAS 28	Annual Improvements 2014 – 2016 Cycle
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Clarifications to HKFRS 15
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

Apart from HKFRS 9 and HKFRS 15, there are no other new standards or 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Amended standards adopted by the Group (continued)

Below explains the impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers on the Group's financial statements.

The Group elected to adopt HKFRS 9 and HKFRS 15 without restating comparative. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the consolidated statement of financial position as at 31 December 2017, but are recognised in the opening statement of financial position on 1 January 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below:

Statement of financial position (extract)	31 December 2017			1 January 2018	
	as originally presented <i>HK\$'000</i>	HKFRS 9 <i>HK\$'000</i>	HKFRS 15 <i>HK\$'000</i>	Restated <i>HK\$'000</i>	
Non-current assets					
Available-for-sale financial assets	2,531	(2,531)	-	-	
Financial assets at fair value through other comprehensive income	-	2,531	-	2,531	
Current assets					
Available-for-sale financial assets	658	(658)	-	-	
Financial assets at fair value through other comprehensive income	-	658	-	658	
Current liabilities					
Accruals and other payables	120,780	-	(120,780)	-	
Contract liabilities	-	-	120,780	120,780	

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Amended standards adopted by the Group (continued)

(a) HKFRS 9 Financial Instruments – Impact of adoption

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in (b) below. In accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated.

HKFRS 9 does not fundamentally change the requirements relating to measuring and recognising ineffectiveness under HKAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting. The Group's existing hedging relationships were eligible to be treated as continuing hedging relationships. Therefore, the adoption of the hedge accounting requirements of HKFRS 9 does not have significant impact on the Group's financial statements.

There is no impact on the Group's retained earnings as at 1 January 2018.

(i) *Classification and measurement*

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group. The Group elected to present changes in the fair value of all its previously classified as available-for-sale investments in other comprehensive income ("OCI") as they are strategic investments. As a result, available-for-sale investments with aggregated fair value of approximately HK\$3,189,000 were reclassified to financial assets at fair value through other comprehensive income on 1 January 2018. The classification of other financial assets and liabilities remained unchanged.

Gains or losses realised in the sale of the financial assets at fair value through other comprehensive income will no longer be transferred to income statement on sale, but instead reclassified from other reserve to retained earnings.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Amended standards adopted by the Group (continued)

(a) HKFRS 9 Financial Instruments – Impact of adoption (continued)

(ii) *Impairment of financial assets*

The Group has three types of financial assets that are subject to HKFRS 9's new expected credit loss model:

- trade receivables;
- amounts due from associates; and
- deposits and other receivables.

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The Group makes estimates and assumption concerning the futures which are discussed below.

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the customers' post settlement pattern, existing market conditions as well as forward looking estimates at the end of each reporting period.

By using the expected credit losses model, management concluded that there is no significant effect on the Group's retained earnings as at 1 January 2018.

(b) HKFRS 9 Financial Instruments – Accounting policies

(i) *Classification*

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Amended standards adopted by the Group (continued)

(b) HKFRS 9 Financial Instruments – Accounting policies (continued)

(i) Classification (continued)

For assets measured at fair value, gains and losses will either be recorded in income statement or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (“FVOCI”).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (“FVPL”), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in income statement.

Debt instruments

Subsequent measurement of debt instruments depends on the Group’s business model for managing the asset and the cash flow characteristics of the asset.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) – net, together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the income statement.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Amended standards adopted by the Group (continued)

(b) HKFRS 9 Financial Instruments – Accounting policies (continued)

(ii) *Measurement (continued)*

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investments. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established. Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) – net in the income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iii) *Impairment*

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(c) HKFRS 15 Revenue from Contracts with Customers – Impact of adoption

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies and reclassification to the amounts recognised in the financial statements as mentioned above.

Except for the reclassification of deposits and advances received from customers of approximately HK\$120,780,000 which is included in accrual and other payables to contract liabilities as at 1 January 2018, the management concluded there is no effect on the Group's retained earnings as at 1 January 2018.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Amended standards adopted by the Group (continued)

(d) HKFRS 15 Revenue from Contracts with Customers – Accounting policies

Sales of goods

Sales of goods are recognised when a group entity has transferred the control of products to the customers, being when the products are transferred to the customers and collectability of the related receivables is reasonably assured.

Standards issued but not yet applied by the Group

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2018 and have not been early adopted by the Group:

Amendments to HKFRS 9	Prepayment Features with Negative Compensation	1 January 2019
HKFRS 16	Leases	1 January 2019
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to HKFRS19	Employee Benefits: Plan Amendment, Curtailment or Settlement	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

HKFRS 16 Leases

Nature of change

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 accounting for lessors will not significantly change.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

HKFRS 16 Leases (continued)

Impact

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\$32,876,000 (Note 19).

The Group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

Date of adoption by the Group

It is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Apart from aforementioned HKFRS 16, the Directors of the Company are in the process of assessing the financial impact of the adoption of the above new standards and amendments to standards. The Directors of the Company will adopt the new standards and amendments to standards when they become effective.

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 2017.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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 does 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 2017.

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 have been no changes in the risk management department since 31 December 2017.

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).

The following table presents the Group's financial assets and liabilities that are measured at fair value at 30 June 2018.

	Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
Assets				
Derivative financial instrument	-	5,317	-	5,317
Financial assets at fair value through other comprehensive income	<u>601</u>	<u>-</u>	<u>3,032</u>	<u>3,633</u>
	<u>601</u>	<u>5,317</u>	<u>3,032</u>	<u>8,950</u>
Liabilities				
Derivative financial instrument	<u>-</u>	<u>1</u>	<u>-</u>	<u>1</u>

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 31 December 2017.

	Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
Assets				
Available-for-sale financial assets	689	–	2,500	3,189
	<u>689</u>	<u>–</u>	<u>2,500</u>	<u>3,189</u>
Liabilities				
Derivative financial instrument	–	4,221	–	4,221
	<u>–</u>	<u>4,221</u>	<u>–</u>	<u>4,221</u>

There were no transfers between Levels 1, 2 and 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.

5.4 Valuation techniques used to derive Level 3 fair values

Level 3 financial assets at fair value through other comprehensive income and available-for-sale financial assets comprise unquoted investment fund, which consists of investment in several unlisted entities. The valuation was mainly provided by fund manager and based on market conditions existing at each period end. Valuation techniques used include the use of comparable recent arm's length transactions and other techniques commonly used by market participants making the maximum use of market inputs.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

5.4 Valuation techniques used to derive Level 3 fair values (continued)

The following table presents the changes in level 3 instruments:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
At 1 January	2,500	–
Changes in fair value of financial assets at fair value through other comprehensive income	<u>532</u>	<u>–</u>
At 30 June	<u><u>3,032</u></u>	<u><u>–</u></u>

5.5 The 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; and
- Trade and other payables.

6 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 Investment – development, sale and lease of properties.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 SEGMENT INFORMATION (continued)

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/(losses) – net, interest income, interest expense, 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.

For the six months ended 30 June 2018	EMS division HK\$'000	Property investment division HK\$'000	Total HK\$'000
External revenue	1,920,568	32,216	1,952,784
Segment results	94,421	650,914	745,335
Depreciation and amortisation charges	28,684	21	28,705
Share of profit of joint ventures	–	562,471	562,471
Change in fair value of investment properties	–	65,001	65,001
Capital expenditure	16,055	–	16,055
Loans to joint ventures	–	203,116	203,116
For the six months ended 30 June 2017	EMS division HK\$'000	Property investment division HK\$'000	Total HK\$'000
External revenue	1,770,947	27,312	1,798,259
Segment results	118,418	72,406	190,824
Depreciation and amortisation charges	22,465	–	22,465
Share of loss of joint ventures	–	(184)	(184)
Change in fair value of investment properties	–	52,642	52,642
Capital expenditure	36,503	–	36,503
Loans to joint ventures	–	–	–

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>
As at 30 June 2018			
Segment assets	2,809,286	2,806,047	5,615,333
Interests in joint ventures	–	1,949,492	1,949,492
Total reportable segment assets	2,809,286	4,755,539	7,564,825
As at 31 December 2017			
Segment assets	2,648,660	2,741,063	5,389,723
Interests in joint ventures	–	1,183,905	1,183,905
Total reportable segment assets	2,648,660	3,924,968	6,573,628

Total reportable segment assets consist primarily of property, plant and equipment, investment properties, leasehold land and land use rights, interests in joint ventures, inventories, stock of completed properties, trade receivables, prepayments, deposits and other receivables, cash and cash equivalents and short-term bank deposits, but exclude investments in associates, derivative financial instrument, financial assets at fair value through other comprehensive income, 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:

	For the six months ended 30 June	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Reportable segment results	745,335	190,824
Other income	6,759	5,089
Other gains/(losses) – net	8,183	(16,119)
Finance costs – net	(21,538)	(15,712)
Share of loss of an associate	(1,109)	(1,255)
Corporate and unallocated expenses	(10,326)	(12,207)
Profit before income tax	727,304	150,620

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 SEGMENT INFORMATION (continued)

Reportable segments assets are reconciled to total assets as follows:

	As at 30 June 2018 HK\$'000	As at 31 December 2017 HK\$'000
Reportable segment assets	7,564,825	6,573,628
Investment in associates	29,377	30,495
Financial assets at fair value through other comprehensive income	3,633	–
Available-for-sale financial assets	–	3,189
Derivative financial instrument	5,317	–
Deferred income tax assets	14,715	15,758
Amounts due from associates	11	2,009
Corporate and unallocated assets	<u>98,023</u>	<u>94,884</u>
Total assets per condensed consolidated statement of financial position	<u>7,715,901</u>	<u>6,719,963</u>

Reconciliations of other material items are as follows:

	For the six months ended 30 June	
	2018 HK\$'000	2017 HK\$'000
Depreciation and amortisation charges		
– Reportable segment total	28,705	22,465
– Corporate headquarters	<u>1,197</u>	<u>1,205</u>
	<u>29,902</u>	<u>23,670</u>
Capital expenditure		
– Reportable segment total	<u>16,055</u>	<u>36,503</u>

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	
	2018	2017
	HK\$'000	HK\$'000
North America	461,167	419,476
Asia (excluding Hong Kong)	860,819	775,225
Europe	333,604	281,964
Hong Kong	297,194	321,594
	<u>1,952,784</u>	<u>1,798,259</u>

For the six months ended 30 June 2018, revenues of approximately HK\$656,345,000 and HK\$248,203,000 were derived from the top two external customers respectively. For the six months ended 30 June 2017, revenues of approximately HK\$531,589,000, HK\$345,206,000, HK\$204,292,000 and HK\$184,688,000 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 30 June 2018	As at 31 December 2017
	HK\$'000	HK\$'000
North America	22	23
Asia (excluding Hong Kong)	323,834	318,401
Europe	47	31
Hong Kong	4,474,830	3,644,819
	<u>4,798,733</u>	<u>3,963,274</u>

Non-current assets comprise property, plant and equipment, investment properties, leasehold land and land use rights, investments in associates, interests in joint ventures, financial assets at fair value through other comprehensive income, available-for-sale financial assets, derivative financial instrument and deposits and other receivables. They exclude deferred income tax assets.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

7 PROFIT BEFORE INCOME TAX

Profit before income tax is analysed as follows:

	For the six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	29,589	23,380
Amortisation on leasehold land and land use rights	313	290
	<u>29,902</u>	<u>23,670</u>
Depreciation and amortisation charges	29,902	23,670
Operating lease rental in respect of land and buildings	7,062	5,776
Utility expense	12,926	12,025
Transportation	16,705	17,845
Chemicals and consumables	15,445	16,050
Others	46,469	47,480
	<u>98,607</u>	<u>99,176</u>
Other operating expenses	98,607	99,176
Total depreciation, amortisation and other operating expenses	<u>128,509</u>	<u>122,846</u>

8 OTHER GAINS/(LOSSES) – NET

	For the six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
Gains/(losses) on financial instrument – net		
– Unrealised	119	(84)
– Realised	(82)	(177)
Gains on disposal of property, plant and equipment	104	438
Exchange gains/(losses) – net	5,907	(15,899)
Impairment on available-for-sale financial assets	–	(397)
Gain on disposal of financial assets at fair value through profit or loss	2,135	–
	<u>8,183</u>	<u>(16,119)</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

9 FINANCE COSTS – NET

	For the six months ended 30 June	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Finance income		
Interest income on short-term bank deposits	5,156	4,717
Finance costs		
Interest expenses on bank borrowings	(23,794)	(17,953)
Interest expenses on interest rate swap	(2,900)	(2,476)
	<u>(26,694)</u>	<u>(20,429)</u>
Finance costs – net	<u>(21,538)</u>	<u>(15,712)</u>

10 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 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% (2017: 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:

	For the six months ended 30 June	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current income tax		
– Hong Kong profits tax	6,264	6,359
– Overseas taxation	13,767	15,056
Deferred income tax	955	(447)
Under-provision in prior periods		
– Current income tax	6	402
	<u>20,992</u>	<u>21,370</u>

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

11 DIVIDENDS

	For the six months ended 30 June	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividend – HK\$0.04 (2017: HK\$0.04) per share	<u><u>19,139</u></u>	<u><u>19,139</u></u>

On 23 August 2018, the Board has resolved to pay an interim dividend of HK\$0.04 per share (2017: HK\$0.04 per share) which is payable on Thursday, 27 September 2018 to the shareholders whose names appear on the Register of Members of the Company on Thursday, 13 September 2018. This interim dividend, amounting to HK\$19,139,000 (2017: HK\$19,139,000) 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 2018.

12 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	
	2018	2017
Profit attributable to owners of the Company (<i>HK\$'000</i>)	<u><u>706,312</u></u>	<u><u>129,250</u></u>
Weighted average number of ordinary shares in issue (<i>in thousands</i>)	<u><u>478,484</u></u>	<u><u>478,484</u></u>
Basic earnings per share (<i>HK\$</i>)	<u><u>1.48</u></u>	<u><u>0.27</u></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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

13 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 2018			
Opening net book amount as at 1 January 2018	348,348	2,355,251	18,298
Additions	16,055	-	-
Transfer from stock of completed properties upon commencement of lease	-	1,350	-
Fair value gains	-	65,001	-
Disposals	(762)	-	-
Depreciation/amortisation	(29,589)	-	(313)
Currency translation differences	(2,554)	(273)	(208)
Closing net book amount as at 30 June 2018	331,498	2,421,329	17,777
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	4,792	498	450
Closing net book amount as at 30 June 2017	299,889	1,944,676	17,880

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

13 CAPITAL EXPENDITURE (continued)

The valuations of the investment properties at 30 June 2018 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.

	Fair value measurements		
	Quoted prices in active markets for identical assets (Level 1) <i>HK\$'000</i>	Significant other observable inputs (Level 2) <i>HK\$'000</i>	Significant unobservable inputs (Level 3) <i>HK\$'000</i>
As at 30 June 2018			
Recurring fair value measurements			
Investment properties	-	-	2,421,329
As at 31 December 2017			
Recurring fair value measurements			
Investment properties	-	-	2,355,251

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

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 2018	2,333,013	22,238	2,355,251
Transfer from stock of completed properties upon commencement of lease	1,350	-	1,350
Fair value gains	64,878	123	65,001
Currency translation differences	-	(273)	(273)
At 30 June 2018	2,399,241	22,088	2,421,329
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'	64,878	123	65,001

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

13 CAPITAL EXPENDITURE (continued)

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

	Investment properties		
	Hong Kong <i>HK\$'000</i>	Outside Hong Kong <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2017	1,872,150	19,386	1,891,536
Fair value gains	52,300	342	52,642
Currency translation differences	–	498	498
	<hr/>	<hr/>	<hr/>
At 30 June 2017	1,924,450	20,226	1,944,676
	<hr/>	<hr/>	<hr/>
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'	<u>52,300</u>	<u>342</u>	<u>52,642</u>

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.

The valuation has 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 2018, certain bank borrowings are secured on land and buildings with a carrying amount of approximately HK\$2,842,926,000 (31 December 2017: HK\$2,780,467,000) (Note 17).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

14 INTERESTS IN JOINT VENTURES

	As at 30 June 2018 HK\$'000	As at 31 December 2017 HK\$'000
Share of net assets	793,780	231,309
Loans to joint ventures	1,155,712	952,596
	<u>1,949,492</u>	<u>1,183,905</u>

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

	2018 HK\$'000	2017 HK\$'000
At 1 January	231,309	(770)
Share of profit/(loss) of joint ventures	562,471	(184)
At 30 June	<u>793,780</u>	<u>(954)</u>

Share of profit/(loss) of joint ventures included the share of fair value gain of investment properties owned by the joint ventures of approximately HK\$667,575,000 (2017: HK\$Nil).

As at 30 June 2018, 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

15 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:

	As at 30 June 2018 HK\$'000	As at 31 December 2017 HK\$'000
0 – 60 days	692,919	634,295
61 – 90 days	198,746	195,052
Over 90 days	61,952	80,937
	<u>953,617</u>	<u>910,284</u>

The carrying amounts of the Group's trade receivables approximated their fair values as at 30 June 2018.

16 TRADE PAYABLES

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

	As at 30 June 2018 HK\$'000	As at 31 December 2017 HK\$'000
0 – 60 days	700,420	546,198
61 – 90 days	30,402	104,018
Over 90 days	30,988	43,438
	<u>761,810</u>	<u>693,654</u>

The carrying amounts of the Group's trade payables approximated their fair values as at 30 June 2018.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

17 BORROWINGS

	As at 30 June 2018 HK\$'000	As at 31 December 2017 HK\$'000
Trust receipt bank loans, unsecured	366,269	288,354
Short-term bank loans, unsecured	390,000	290,000
Portion of long-term loans due for repayment within one year, secured	91,054	66,054
Portion of long-term loans due for repayment after one year, secured	1,426,752	1,346,446
Portion of a mortgage loan from bank due for repayment within one year	6,900	6,900
Portion of a mortgage loan from bank due for repayment after one year which contains a repayment on demand clause	6,900	10,350
	<u>2,287,875</u>	<u>2,008,104</u>
Total borrowings		
Non-current	1,426,752	1,346,446
Current	861,123	661,658
	<u>2,287,875</u>	<u>2,008,104</u>
Total borrowings		

As at 30 June 2018, mortgage loan of approximately HK\$13,800,000 (31 December 2017: HK\$17,250,000) was secured by the land and buildings of the Group with a carrying amount of HK\$85,020,000 (31 December 2017: HK\$86,139,000).

As at 30 June 2018, the long-term bank loans of HK\$1,426,752,000 (31 December 2017: HK\$1,346,446,000) were secured by the following:

- Charges over investment properties with carrying amount of approximately HK\$2,389,541,000 (31 December 2017: HK\$2,324,613,000) and stock of completed properties with carrying amount of approximately HK\$368,365,000 (31 December 2017: HK\$369,715,000) owned by Easywise Limited;
- A share charge over the Group's entire interest in Talent Chain Investments Limited, a joint venture of the Group; and
- A guarantee limited to HK\$760,000,000 from Easywise Limited, an indirect wholly-owned subsidiary of the Company.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

18 SHARE CAPITAL

	Number of shares	Nominal value <i>HK\$'000</i>
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1 January 2017 and 30 June 2017	700,000,000	70,000
At 1 January 2018 and 30 June 2018	700,000,000	70,000
Issued and fully paid:		
At 1 January 2017 and 30 June 2017	478,483,794	47,848
At 1 January 2018 and 30 June 2018	478,483,794	47,848

19 COMMITMENTS

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

	As at 30 June 2018 <i>HK\$'000</i>	As at 31 December 2017 <i>HK\$'000</i>
Contracted but not provided for	9,661	15,682

- (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:

	As at 30 June 2018 <i>HK\$'000</i>	As at 31 December 2017 <i>HK\$'000</i>
Within 1 year	11,794	7,396
In the 2nd to 5th year inclusive	21,082	33
	32,876	7,429

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

19 COMMITMENTS (continued)

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

	As at 30 June 2018 HK\$'000	As at 31 December 2017 HK\$'000
Within 1 year	54,256	52,704
In the 2nd to 5th year inclusive	101,830	124,572
	156,086	177,276

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.

20 RELATED PARTY TRANSACTIONS

As at 30 June 2018, the largest shareholder of the Company was Mr. Wong Chung Mat, Ben (personally and via Salop Investment Limited, a company wholly-owned and controlled by him).

(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 14 to the condensed consolidated interim financial information.

(b) Key management compensation

	For the six months ended 30 June	
	2018 HK\$'000	2017 HK\$'000
Salaries and allowances	8,017	8,322
Bonus	2,165	3,650
Pension costs – defined contribution schemes	27	27
	10,209	11,999

INTERIM DIVIDEND

On 23 August 2018, the Board has resolved to pay an interim dividend of HK\$0.04 per share (2017: HK\$0.04 per share) which is payable on Thursday, 27 September 2018 to the shareholders whose names appear on the Register of Members of the Company on Thursday, 13 September 2018.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 11 September 2018 to Thursday, 13 September 2018, 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, 10 September 2018.

REVIEW OF BUSINESS ACTIVITIES

Review of Results

The profit attributable to owners of the Company for the six months ended 30 June 2018 amounted to HK\$706.3 million, as compared to HK\$129.3 million for the corresponding period last year. The significant increase was mainly due to increase in share of profit of joint ventures in the sum of HK\$562.7 million and the "change in fair value of investment properties" in the sum of HK\$12.4 million. Earnings per share for the six months were HK\$1.48 as compared to HK\$0.27 for the corresponding period last year.

The Group's revenue for the six months ended 30 June 2018 was HK\$1,952.8 million, as compared to HK\$1,798.3 million for the corresponding period last year. Operating profit for the six months ended 30 June 2018 was HK\$187.5 million or 9.6% of revenue, as compared to HK\$167.8 million or 9.3% of revenue for the corresponding period last year. The increase in operating profit was driven by "change in fair value of investment properties".

Electronic Manufacturing Service ("EMS") Division

Revenue for the EMS Division for the six months ended 30 June 2018 was HK\$1,920.6 million, as compared to HK\$1,770.9 million for the corresponding period last year. The segment profit attributable to the EMS Division was HK\$94.4 million, a 20.3% decrease as compared to HK\$118.4 million for the corresponding period last year. The decrease in the segment net profit was attributable to increases of wage and slight reduction in profit margin.

REVIEW OF BUSINESS ACTIVITIES (continued)

Property Investment Division

The Property Investment Division reported revenue of HK\$32.2 million, as compared to HK\$27.3 million for the corresponding period last year. The segment profit for the period was HK\$650.9 million as compared to HK\$72.4 million for the corresponding period last year. The significant increase was mainly attributable to increase in share of profit of joint ventures, which mainly comprised of fair value gain from units held as investment properties, in the sum of HK\$562.7 million and the “change in fair value of investment properties” in the sum of HK\$12.4 million.

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 2018, the Group had a total of HK\$3,496.5 million of banking facilities. Total bank borrowings were HK\$2,287.9 million (2017 December: HK\$2,008.1 million) and no borrowing was arranged by an overseas subsidiary. Cash and cash equivalents and short-term bank deposits were HK\$988.5 million at 30 June 2018 (2017 December: HK\$844.1 million). Cash flow generated from operations for the period was HK\$102.2 million.

As at 30 June 2018, the Group had net bank borrowings of HK\$1,299.4 million (2017 December: HK\$1,164.0 million). The increase in net bank borrowings of HK\$135.4 million was mainly attributable to loans to joint ventures of HK\$203.1 million, capital expenditure of HK\$16.1 million and dividends paid of HK\$16.7 million offsetting cash flow generated from operations of HK\$102.2 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 2018 is 0.31 (2017 December: 0.33). 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 2017 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 4,300 employees as at 30 June 2018. 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 programmes to its employees.

PROSPECTS

Looking ahead to the second half of 2018, cost competitiveness due to the increases of component prices, wage, inflation and interest rate will remain the major challenge to the business. We will continue to expand our customer base and to improve operation efficiency through automation, lean, energy conservation and stringent cost control measures. We strive to provide customers more value added services through new product design, new technology development and improvements. We will also look for other business opportunities through strategic investments. Given the current sales orders on hand and forecasts from customers, barring unforeseen circumstances, the Company expects that the result of the EMS business in the second half of 2018 may be comparable with the first half of 2018. Trade tensions between United States and China escalated recently. It will trigger cost increases to the importers and exporters, exchange rates fluctuation and economy slow down. The Company is watching it carefully and will respond proactively depending on the outturn of the events.

The second phase of the property development project in Kwun Tong, namely Two Harbour Square, was completed in 2017. By 30 June 2018, most floors had been leased out. We expect contribution to profit from rental income will increase. It is the Group's preference to hold its interest in its attributable share of the property development project as much as possible for leasing purposes after taking into account the Group's financial requirements. As a result, the Group does not expect to generate a significant increase in cash from its interest in the property development project in the near future.

According to current market expectations, interest rates will continue to increase in 2018. The Group is taking actions to mitigate its impact.

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 sixth 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 2018, 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	28.60%
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.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES (continued)

Long positions in shares of the Company (continued)

Save as disclosed herein, as at 30 June 2018, 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 2018, 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	28.39%
HSBC International Trustee Limited	Trustee (<i>Note 2</i>)	116,059,870	24.26%
Wong Chung Ah, Johnny	Beneficial owner, interest of spouse and founder of a discretionary trust (<i>Note 3</i>)	90,163,532	18.84%
Kong King International Limited	Beneficial owner (<i>Note 3(c)</i>)	87,928,532	18.38%
Mountainview International Limited	Trustee (<i>Note 3(c)</i>)	87,928,532	18.38%
Wong Chung Yin, Michael	Beneficial owner, joint interest and interest of controlled corporation (<i>Note 4</i>)	78,658,001	16.44%
Woo Sin Ming	Joint interest and interest of spouse (<i>Note 4</i>)	78,658,001	16.44%

INTERESTS OF SUBSTANTIAL SHAREHOLDERS (continued)

Long positions in shares of the Company (continued)

Name of substantial shareholders	Capacity	Number of ordinary shares	Approximate percentage of the issued shares
Levy Investment Limited	Beneficial owner (<i>Note 4(c)</i>)	45,820,212	9.58%
Wong Chung Yan, Claudia	Beneficial owner and interest of controlled corporation (<i>Note 5</i>)	38,320,881	8.01%
Floral Inc.	Beneficial owner (<i>Note 5(b)</i>)	35,073,052	7.33%
Everitt, Chung Chui	Beneficial owner and founder of a discretionary trust (<i>Note 6</i>)	31,379,167	6.56%
Sycamore Assets Limited	Beneficial owner (<i>Note 6(b)</i>)	28,131,338	5.88%

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. HSBC International Trustee Limited was deemed (by virtue of the SFO) to be interested in 116,059,870 shares in the Company. These shares were held in the following capacity:
 - (a) 87,928,532 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 3(c) below.
 - (b) 28,131,338 shares were held by Sycamore Assets Limited under a discretionary trust, of which HSBC International Trustee Limited was the trustee. Please refer to Note 6(b) below.
3. Mr. Wong Chung Ah, Johnny was deemed (by virtue of the SFO) to be interested in 90,163,532 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) 87,928,532 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 87,928,532 shares. Please refer to Note 2(a) above.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS (continued)

Long positions in shares of the Company (continued)

Notes: (continued)

4. 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.
5. Ms. Wong Chung Yan, Claudia was deemed (by virtue of the SFO) to be interested in 38,320,881 shares in the Company. These shares were held in the following capacity:
 - (a) 3,247,829 shares were held by Ms. Wong Chung Yan, Claudia personally.
 - (b) 35,073,052 shares were held by Floral Inc., which was wholly-owned and controlled by Ms. Wong Chung Yan, Claudia. Each of Ms. Wong Chung Yan, Claudia and Floral Inc. was deemed to be interested in the same block of 35,073,052 shares.
6. Mrs. Everitt, Chung Chui was deemed (by virtue of the SFO) to be interested in 31,379,167 shares in the Company. These shares were held in the following capacity:
 - (a) 3,247,829 shares were held by Mrs. Everitt, Chung Chui personally.
 - (b) 28,131,338 shares were held by Sycamore Assets Limited under a discretionary trust, of which Mrs. Everitt, Chung Chui was regarded as the founder (by virtue of the SFO) and HSBC International Trustee Limited was the trustee. Sycamore Assets Limited was wholly-owned by HSBC International Trustee Limited. Each of Mrs. Everitt, Chung Chui, Sycamore Assets Limited and HSBC International Trustee Limited was deemed to be interested in the same block of 28,131,338 shares. Please refer to Note 2(b) above.

Save as disclosed herein, the Directors are not aware of any other persons who, as at 30 June 2018, 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 2018.

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

During the six months ended 30 June 2018, 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 2018, 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 2018.

UPDATE ON DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Directors' relationship with substantial shareholders

Mr. Wong Chung Mat, Ben, Chairman and Chief Executive Officer of the Company, is the brother of Mrs. Everitt, Chung Chui and Ms. Wong Chung Yan, Claudia, both of them became substantial shareholders of the Company in April 2018. Ms. Wong Yin Man, Ada, Executive Director of the Company, is a niece of Mrs. Everitt, Chung Chui and Ms. Wong Chung Yan, Claudia.

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 2018.

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

Hong Kong, 23 August 2018

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