



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 2021





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 2021 as follows:

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

		Unaudited	
		2021	2020
	Note	HK\$'000	HK\$'000
Revenue	6	1,556,820	1,438,904
Other income		7,795	9,212
Changes in inventories of finished goods and work in progress		(60,562)	(41,920)
Raw materials and consumables used		(1,089,386)	(1,011,007)
Employee benefit expenses		(228,839)	(208,722)
Depreciation	7	(38,918)	(35,118)
Other operating expenses	7	(83,355)	(77,322)
Change in fair value of investment properties	13	(11,700)	(353,220)
Other gains – net	8	5,076	10,372
Provision of impairment losses on trade receivables	7,15	(1,104)	(920)
Operating profit/(loss)		55,827	(269,741)
Finance income	9	8,202	10,854
Finance costs	9	(22,553)	(31,137)
Share of profit/(loss) of an associate		297	(891)
Share of profits/(losses) of joint ventures	14	4,306	(303,881)
Profit/(loss) before income tax		46,079	(594,796)
Income tax expense	10	(18,267)	(18,370)
Profit/(loss) after income tax		27,812	(613,166)
Profit/(loss) attributable to owners of the Company		27,812	(613,166)
Non-controlling interests		–	–
		27,812	(613,166)
Dividends	11	7,177	9,570
Earnings/(loss) per share attributable to owners of the Company during the period			
Basic	12	HK\$0.06	(HK\$1.28)
Diluted	12	HK\$0.06	(HK\$1.28)

The notes on pages 7 to 29 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 2021

	Unaudited	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(loss) for the period	27,812	(613,166)
Other comprehensive income:		
<i>Items that may be reclassified to consolidated income statement:</i>		
Cash flow hedge – fair value gains/(losses) for the period	8,016	(23,084)
Cash flow hedge – deferred income tax recognised	(1,323)	3,809
Currency translation differences		
– Group	16,075	(30,476)
– Associates	323	(53)
<i>Item that will not be reclassified subsequently to consolidated income statement:</i>		
Changes in fair value of financial assets at fair value through other comprehensive income	964	25
Other comprehensive income/(loss) for the period, net of tax	24,055	(49,779)
Total comprehensive income/(loss) for the period	51,867	(662,945)
Attributable to:		
Owners of the Company	51,867	(662,945)
Non-controlling interests	–	–
Total comprehensive income/(loss) for the period	51,867	(662,945)

The notes on pages 7 to 29 are an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

		Unaudited As at 30 June 2021 <i>HK\$'000</i>	Audited As at 31 December 2020 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment	13	229,802	249,956
Investment properties	13	2,041,057	2,052,585
Right-of-use assets		142,104	110,176
Investments in associates		26,339	25,719
Interests in joint ventures	14	2,138,677	2,148,651
Financial assets at fair value through other comprehensive income		8,400	7,454
Deferred income tax assets		26,821	27,301
Deposits and other receivables		12,338	12,107
Restricted cash		3,002	2,981
		<u>4,628,540</u>	<u>4,636,930</u>
Current assets			
Inventories		384,473	313,566
Stock of completed properties		213,410	213,410
Trade receivables	15	904,602	912,141
Prepayments, deposits and other receivables		72,606	89,366
Financial assets at fair value through other comprehensive income		46	28
Current income tax recoverable		1,108	1,372
Restricted cash		130,887	–
Short-term bank deposits		834,770	738,916
Cash and cash equivalents		532,783	680,202
		<u>3,074,685</u>	<u>2,949,001</u>
Total assets		<u><u>7,703,225</u></u>	<u><u>7,585,931</u></u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

(continued)

		Unaudited As at 30 June 2021 HK\$'000	Audited As at 31 December 2020 HK\$'000
	<i>Note</i>		
EQUITY			
Equity attributable to owners of the Company			
Share capital	18	47,848	47,848
Other reserves		623,637	598,884
Retained earnings			
– Dividends		7,177	9,570
– Others		3,697,409	3,677,472
Total equity		4,376,071	4,333,774
LIABILITIES			
Non-current liabilities			
Derivative financial instruments		11,081	26,592
Accruals and other payables		8,527	11,290
Lease liabilities		37,093	27,946
Deferred income tax liabilities		70,972	70,136
Borrowings	17	1,343,313	1,184,662
		1,470,986	1,320,626
Current liabilities			
Trade payables	16	664,240	668,278
Accruals and other payables		185,091	192,077
Contract liabilities		164,714	164,190
Derivative financial instruments		7,495	–
Lease liabilities		20,580	5,147
Current income tax liabilities		47,566	47,831
Borrowings	17	766,482	854,008
		1,856,168	1,931,531
Total liabilities		3,327,154	3,252,157
Total equity and liabilities		7,703,225	7,585,931
Net current assets		1,218,517	1,017,470
Total assets less current liabilities		5,847,057	5,654,400

The notes on pages 7 to 29 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 2021

	Unaudited				
	Attributable to owners of the Company			Non-controlling interests	Total
	Share capital	Share premium	Other reserves		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 January 2021	47,848	153,025	4,132,901	–	4,333,774
Comprehensive income					
Profit for the period	–	–	27,812	–	27,812
Other comprehensive income					
Currency translation differences	–	–	16,398	–	16,398
Changes in fair value of financial assets at fair value through other comprehensive income	–	–	964	–	964
Cash flow hedge – fair value gains for the period	–	–	8,016	–	8,016
Cash flow hedge – deferred income tax recognised	–	–	(1,323)	–	(1,323)
Total other comprehensive income	–	–	24,055	–	24,055
Total comprehensive income	–	–	51,867	–	51,867
Transactions with owners					
Dividend declared to owners of the Company	–	–	(9,570)	–	(9,570)
Total transactions with owners	–	–	(9,570)	–	(9,570)
As at 30 June 2021	47,848	153,025	4,175,198	–	4,376,071
As at 1 January 2020	47,848	153,025	4,805,347	4	5,006,224
Comprehensive income					
Loss for the period	–	–	(613,166)	–	(613,166)
Other comprehensive income					
Currency translation differences	–	–	(30,529)	–	(30,529)
Changes in fair value of financial assets at fair value through other comprehensive income	–	–	25	–	25
Cash flow hedge – fair value losses for the period	–	–	(23,084)	–	(23,084)
Cash flow hedge – deferred income tax recognised	–	–	3,809	–	3,809
Total other comprehensive loss	–	–	(49,779)	–	(49,779)
Total comprehensive loss	–	–	(662,945)	–	(662,945)
Transactions with owners					
Dividend declared to owners of the Company	–	–	(14,355)	–	(14,355)
Total transactions with owners	–	–	(14,355)	–	(14,355)
As at 30 June 2020	47,848	153,025	4,128,047	4	4,328,924

The notes on pages 7 to 29 are an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Unaudited	
	For the six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Cash flows from operating activities		
Net cash (used in)/generated from operating activities	(404)	41,298
Cash flows from investing activities		
Purchase of property, plant and equipment	(5,506)	(48,813)
Acquisition of right-of-use assets	(10,464)	–
Proceeds from disposal of property, plant and equipment	602	210
Increase in short-term bank deposits	(93,691)	(148,303)
(Increase)/decrease in restricted cash	(130,908)	435
Repayment from joint ventures	14,280	–
Interest received	8,202	10,854
Net cash used in investing activities	(217,485)	(185,617)
Cash flows from financing activities		
(Decrease)/increase in trust receipt bank loans – net	(8,501)	22,404
New bank loans	745,000	445,000
Repayment of bank loans	(665,374)	(465,268)
Payment of lease payments	(9,781)	(5,489)
Net cash generated from/(used in) financing activities	61,344	(3,353)
Net decrease in cash and cash equivalents	(156,545)	(147,672)
Cash and cash equivalents at beginning of the period	680,202	543,314
Currency translation differences	9,126	(15,384)
Cash and cash equivalents at end of the period	532,783	380,258
Analysis of cash and cash equivalents:		
Cash on hand	348	313
Cash at bank	532,435	379,945
Cash and cash equivalents at end of the period	532,783	380,258

The notes on pages 7 to 29 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 holding.

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 2021 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 2020, 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 2020, as described in those annual financial statements.

Amended standards adopted by the Group

The following amendments to standards are mandatory for first time for the financial year beginning 1 January 2021:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
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There are no amendments to standards that are effective for the first time for this interim period that could be expected to have a material impact on the Group.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet applied by the Group

Certain new standard, amendments to existing standards, interpretations and annual improvements have been published but are not effective for the Group's accounting periods beginning on or after 1 January 2021 and have not been early adopted by the Group. These new standard, amendments to existing standards, interpretations and annual improvements are set out below:

		Effective for annual periods beginning on or after
Amendments to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021	1 April 2021
Annual Improvements to HKFRS Standards 2018-2020	Annual Improvements to HKFRS Standards 2018-2020	1 January 2022
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37	Onerous Contract: Cost of Fulfilling a Contract	1 January 2022
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Revised Accounting Guideline 5	Merger Accounting for Common Control Combination	1 January 2022
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Directors of the Company are in the process of assessing the financial impact of the adoption of the above new standard, amendments to standards, interpretation and annual improvements. The Directors of the Company will adopt the new standard, amendments to standards, interpretation and annual improvements when they become effective.

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 2020.

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 2020.

The Group has entered into interest rate swap contracts 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 year end.

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 2021.

	Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
Assets				
Financial assets at fair value through other comprehensive income	78	–	8,368	8,446
Liabilities				
Derivative financial instrument	–	18,576	–	18,576

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2020.

	Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
Assets				
Financial assets at fair value through other comprehensive income	42	–	7,440	7,482
Liabilities				
Derivative financial instrument	–	26,592	–	26,592

There were no transfers between 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 Valuation techniques used to derive Level 3 fair values

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

The following table presents the changes in Level 3 instruments:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At 1 January	7,440	4,319
Changes in fair value of financial assets at fair value through other comprehensive income	928	153
At 30 June	8,368	4,472

5.5 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;
- Restricted cash;
- Short-term bank deposits;
- Cash and cash equivalents;
- Trade and other payables;
- Lease liabilities; and
- Borrowings.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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 Holding – development, sale and lease of properties.

The CODM reviews the performance of the Group on a regular basis and reviews the Group's internal reporting in order to assess performance and allocate resources. The CODM assesses the performance of the operating segments based on a measure of segment results. This measurement basis includes profit or loss of the operating segments before other income, other gains – net, finance costs – net and share of profit/(loss) of an associate but excludes corporate and unallocated expenses. Other information provided to the CODM is measured in a manner consistent with that in the Interim Financial Information.

For the six months ended 30 June 2021	EMS division HK\$'000	Property Holding division HK\$'000	Total HK\$'000
External revenue			
Revenue from contracts with customers			
Timing of revenue recognition			
– At a point of time	1,523,794	–	1,523,794
Revenue from other sources			
– Rental income	–	33,026	33,026
	<u>38,073</u>	<u>17,572</u>	<u>55,645</u>
Segment results			
Depreciation	37,775	21	37,796
Share of profits of joint ventures	–	4,306	4,306
Change in fair value of investment properties	–	(11,700)	(11,700)
Capital expenditure	5,493	13	5,506

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 SEGMENT INFORMATION (continued)

	EMS division <i>HK\$'000</i>	Property Holding division <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the six months ended 30 June 2020			
External revenue			
Revenue from contracts with customers			
Timing of revenue recognition			
– At a point of time	1,404,503	–	1,404,503
Revenue from other sources			
– Rental income	–	34,401	34,401
	<u>48,238</u>	<u>(630,387)</u>	<u>(582,149)</u>
Segment results	48,238	(630,387)	(582,149)
Depreciation	33,901	20	33,921
Share of losses of joint ventures	–	(303,881)	(303,881)
Change in fair value of investment properties	–	(353,220)	(353,220)
Capital expenditure	48,813	–	48,813
	<u>48,813</u>	<u>–</u>	<u>48,813</u>
	EMS division <i>HK\$'000</i>	Property Holding division <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 30 June 2021			
Segment assets	3,125,082	2,273,148	5,398,230
Interests in joint ventures	–	2,138,677	2,138,677
Total reportable segment assets	<u>3,125,082</u>	<u>4,411,825</u>	<u>7,536,907</u>
As at 31 December 2020			
Segment assets	3,005,529	2,280,684	5,286,213
Interests in joint ventures	–	2,148,651	2,148,651
Total reportable segment assets	<u>3,005,529</u>	<u>4,429,335</u>	<u>7,434,864</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 SEGMENT INFORMATION (continued)

Segment assets consist primarily of property, plant and equipment, investment properties, right-of-use assets, interests in joint ventures, restricted cash, 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, financial assets at fair value through other comprehensive income, deferred income tax assets, current income tax recoverable and corporate and unallocated assets.

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

	For the six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Reportable segment results	55,645	(582,149)
Other income	7,795	9,212
Other gains – net	5,076	10,372
Finance costs – net	(14,351)	(20,283)
Share of profit/(loss) of an associate	297	(891)
Corporate and unallocated expenses	(8,383)	(11,057)
	<u>46,079</u>	<u>(594,796)</u>
Profit/(loss) before income tax	<u>46,079</u>	<u>(594,796)</u>

Reportable segments assets are reconciled to total assets as follows:

	As at	As at
	30 June	31 December
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Reportable segment assets	7,536,907	7,434,864
Investments in associates	26,339	25,719
Financial assets at fair value through other comprehensive income	8,446	7,482
Deferred income tax assets	26,821	27,301
Current income tax recoverable	1,108	1,372
Corporate and unallocated assets	103,604	89,193
	<u>7,703,225</u>	<u>7,585,931</u>
Total assets per condensed consolidated statement of financial position	<u>7,703,225</u>	<u>7,585,931</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 SEGMENT INFORMATION (continued)

Reconciliations of other material items are as follows:

	For the six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation		
– Reportable segment total	37,796	33,921
– Corporate headquarters	1,122	1,197
	<u>38,918</u>	<u>35,118</u>
Capital expenditure		
– Reportable segment total	<u>5,506</u>	<u>48,813</u>

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	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
North America	171,028	325,098
Asia (excluding Hong Kong)	934,519	682,542
Europe	234,205	224,344
Hong Kong	217,068	206,920
	<u>1,556,820</u>	<u>1,438,904</u>

For the six months ended 30 June 2021, revenue of approximately HK\$652,369,000 and HK\$170,192,000 were derived from the top two external customers respectively. For the six months ended 30 June 2020, revenue of approximately HK\$563,184,000 was derived from the top external customer. These customers individually account for 10 percent or more of the Group's revenue. These revenues are attributable to the EMS division.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 SEGMENT INFORMATION (continued)

Analysis of the Group's non-current assets by geographical market is as follows:

	As at 30 June 2021 HK\$'000	As at 31 December 2020 HK\$'000
North America	10	14
Asia (excluding Hong Kong)	325,335	311,930
Europe	37	20
Hong Kong	4,276,337	4,297,665
	<u>4,601,719</u>	<u>4,609,629</u>

Non-current assets comprise property, plant and equipment, investment properties, right-of-use assets, investments in associates, interests in joint ventures, financial assets at fair value through other comprehensive income, deposits and other receivables and restricted cash. They exclude deferred income tax assets.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

7 PROFIT/(LOSS) BEFORE INCOME TAX

Profit/(loss) before income tax is analysed as follows:

	For the six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation of property, plant and equipment	27,235	24,824
Depreciation of right-of-use assets	<u>11,683</u>	<u>10,294</u>
Depreciation	<u>38,918</u>	<u>35,118</u>
Auditor's remuneration	1,161	980
Bank charges	1,543	805
Building management fees	6,896	6,946
Chemicals and consumables	13,214	11,671
Cleaning expenses	1,777	1,772
Entertainment expenses	456	214
Government rent and rates	1,502	1,556
Government surcharges	3,202	3,184
Insurance charges	976	1,084
Legal and professional fees	2,866	2,006
Motor vehicle expenses	2,282	2,108
Office and factories expenses	1,962	1,892
Operating lease rental in respect of short-term lease	1,707	616
Recruitment, training and other staff welfares expenses	2,312	5,241
Repairs and maintenances	7,872	6,591
Security expenses	1,215	1,587
Travelling expenses	356	1,207
Transportation	14,550	15,126
Utility expense	10,867	8,917
Others	<u>6,639</u>	<u>3,819</u>
Other operating expenses	<u>83,355</u>	<u>77,322</u>
Provision of impairment losses on trade receivables	<u>1,104</u>	<u>920</u>
Total	<u>123,377</u>	<u>113,360</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

8 OTHER GAINS – NET

	For the six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gains/(losses) on financial instrument – net		
– Unrealised	–	76
– Realised	–	(77)
Gains on disposal of property, plant and equipment	593	209
Exchange (losses)/gains – net	(2,827)	10,164
Reversal of impairment losses of amounts due from an associate	7,310	–
	5,076	10,372
	<u>5,076</u>	<u>10,372</u>

9 FINANCE COSTS – NET

	For the six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Finance income		
– Interest income on short-term bank deposits and restricted cash	8,202	10,854
Finance costs		
– Interest expenses on bank borrowings	(11,958)	(28,252)
– Interest expenses on interest rate swap	(9,063)	(1,641)
– Interest expenses on lease liabilities	(1,532)	(1,244)
Total finance costs	(22,553)	(31,137)
Finance costs – net	(14,351)	(20,283)
	<u>(14,351)</u>	<u>(20,283)</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

10 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 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% (2020: 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% (2020:15%) under the New and High Technology Enterprises status till 31 December 2021.

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

	For the six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Current income tax		
– Hong Kong profits tax	3,484	5,205
– Overseas taxation	19,660	11,850
Over-provision in prior periods		
– Current income tax	(5,025)	(919)
Deferred income tax	148	2,234
	<u>18,267</u>	<u>18,370</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.

11 DIVIDENDS

	For the six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Interim dividend – HK\$0.015 (2020: HK\$0.02) per share	<u>7,177</u>	<u>9,570</u>

On 26 August 2021, the Board has resolved to pay an interim dividend of HK\$0.015 per share (2020: HK\$0.02 per share) which is payable on Thursday, 30 September 2021 to the shareholders whose names appear on the Register of Members of the Company on Thursday, 16 September 2021. This interim dividend, amounting to HK\$7,177,000 (2020: HK\$9,570,000) has not been recognised as a liability in this Interim Financial Information. It will be recognised in shareholders' equity in the year ending 31 December 2021.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

12 EARNINGS/(LOSS) PER SHARE

(a) Basic

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) 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	
	2021	2020
Profit/(loss) attributable to owners of the Company (<i>HK\$'000</i>)	<u>27,812</u>	<u>(613,166)</u>
Weighted average number of ordinary shares in issue (<i>in thousands</i>)	<u>478,484</u>	<u>478,484</u>
Basic earnings/(loss) per share (<i>HK\$</i>)	<u>0.06</u>	<u>(1.28)</u>

(b) Diluted

No diluted earnings/(loss) per share is presented for both periods because there is no dilutive potential ordinary shares outstanding throughout both periods.

13 CAPITAL EXPENDITURE

For the six months ended 30 June 2021	Property, plant and equipment <i>HK\$'000</i>	Investment properties <i>HK\$'000</i>
Opening net book amount as at 1 January 2021	249,956	2,052,585
Additions	5,506	–
Fair value losses	–	(11,700)
Disposals	(9)	–
Depreciation	(27,235)	–
Currency translation differences	<u>1,584</u>	<u>172</u>
Closing net book amount as at 30 June 2021	<u>229,802</u>	<u>2,041,057</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

13 CAPITAL EXPENDITURE (continued)

For the six months ended 30 June 2020	Property, plant and equipment <i>HK\$'000</i>	Investment properties <i>HK\$'000</i>
Opening net book amount as at 1 January 2020	220,157	2,534,016
Additions	48,813	–
Fair value losses	–	(353,220)
Disposals	(1)	–
Depreciation	(24,824)	–
Currency translation differences	(5,616)	(390)
	<u>238,529</u>	<u>2,180,406</u>
Closing net book amount as at 30 June 2020	<u>238,529</u>	<u>2,180,406</u>

The valuations of the investment properties at 30 June 2021 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.

	<u>Fair value measurements</u>		
	<u>Quoted prices in active markets for identical assets (Level 1) <i>HK\$'000</i></u>	<u>Significant other observable inputs (Level 2) <i>HK\$'000</i></u>	<u>Significant unobservable inputs (Level 3) <i>HK\$'000</i></u>
As at 30 June 2021			
Recurring fair value measurements			
Investment properties	<u>–</u>	<u>–</u>	<u>2,041,057</u>
As at 31 December 2020			
Recurring fair value measurements			
Investment properties	<u>–</u>	<u>–</u>	<u>2,052,585</u>

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

13 CAPITAL EXPENDITURE (continued)

Fair value measurements using significant unobservable inputs (Level 3)

	Investment properties		
	Hong Kong	Outside	Total
	Hong Kong	Hong Kong	Total
	HK\$'000	HK\$'000	HK\$'000
At 1 January 2021	2,027,900	24,685	2,052,585
Fair value losses	(11,700)	–	(11,700)
Currency translation differences	–	172	172
	<u>–</u>	<u>172</u>	<u>172</u>
At 30 June 2021	<u>2,016,200</u>	<u>24,857</u>	<u>2,041,057</u>
Total unrealised losses 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>(11,700)</u>	<u>–</u>	<u>(11,700)</u>
At 1 January 2020	2,510,700	23,316	2,534,016
Fair value losses	(353,000)	(220)	(353,220)
Currency translation differences	–	(390)	(390)
	<u>–</u>	<u>(390)</u>	<u>(390)</u>
At 30 June 2020	<u>2,157,700</u>	<u>22,706</u>	<u>2,180,406</u>
Total unrealised losses 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>(353,000)</u>	<u>(220)</u>	<u>(353,220)</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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

13 CAPITAL EXPENDITURE (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 2021, certain bank borrowings are secured by property, plant and equipment, right-of-use assets, investment properties and stock of completed properties with a carrying amount of approximately HK\$2,297,721,000 (31 December 2020: HK\$1,871,839,000) (Note 17).

14 INTERESTS IN JOINT VENTURES

	As at 30 June 2021 <i>HK\$'000</i>	As at 31 December 2020 <i>HK\$'000</i>
Share of net assets	1,018,285	1,013,979
Loans to joint ventures	1,120,392	1,134,672
	<u>2,138,677</u>	<u>2,148,651</u>

Movements in share of net assets is analysed as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At 1 January	1,013,979	1,338,210
Share of profits/(losses) of joint ventures	4,306	(303,881)
At 30 June	<u>1,018,285</u>	<u>1,034,329</u>

Share of profits/(losses) of joint ventures included the share of fair value losses, net of deferred income tax, of investment properties owned by the joint ventures of approximately HK\$19,652,000 (2020: HK\$323,717,000).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

14 INTERESTS IN JOINT VENTURES (continued)

As at 30 June 2021, 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	35.7	Investment holding	Note	Equity
Crown Opal Investment Limited	Hong Kong	35.7	Property holding	Note	Equity
Open Vantage Limited	BVI	35.7	Property investment	N/A	Equity

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

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.

Talent Chain Investments Limited, Crown Opal Investment Limited and Open Vantage Limited are private companies and there is no quoted market price available for their shares.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

15 TRADE RECEIVABLES

	As at 30 June 2021 <i>HK\$'000</i>	As at 31 December 2020 <i>HK\$'000</i>
Trade receivables	907,680	914,115
Less: allowance for impairment of trade receivables	<u>(3,078)</u>	<u>(1,974)</u>
	<u>904,602</u>	<u>912,141</u>

The credit period allowed by the Group to its trade customers mainly ranges from 30 days to 120 days and no interest is charged.

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

	As at 30 June 2021 <i>HK\$'000</i>	As at 31 December 2020 <i>HK\$'000</i>
0 – 60 days	565,319	572,521
61 – 90 days	202,706	186,848
Over 90 days	<u>139,655</u>	<u>154,746</u>
	<u>907,680</u>	<u>914,115</u>

The movement of loss allowance for trade receivables is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At 1 January	1,974	2,564
Increase in loss allowance	<u>1,104</u>	<u>920</u>
At 30 June	<u>3,078</u>	<u>3,484</u>

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The carrying amounts of the Group's trade receivables approximated their fair values as at 30 June 2021.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

16 TRADE PAYABLES

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

	As at 30 June 2021 <i>HK\$'000</i>	As at 31 December 2020 <i>HK\$'000</i>
0 – 60 days	553,546	586,833
61 – 90 days	60,106	40,407
Over 90 days	50,588	41,038
	<u>664,240</u>	<u>668,278</u>

The carrying amounts of the Group's trade payables approximated their fair values as at 30 June 2021.

17 BORROWINGS

	As at 30 June 2021 <i>HK\$'000</i>	As at 31 December 2020 <i>HK\$'000</i>
Trust receipt bank loans, unsecured	316,442	324,943
Short-term bank loans, unsecured	319,000	410,000
Portion of long-term loans due for repayment within one year, secured	131,040	119,065
Portion of long-term loans due for repayment after one year, secured	<u>1,343,313</u>	<u>1,184,662</u>
Total borrowings	<u>2,109,795</u>	<u>2,038,670</u>
Non-current	1,343,313	1,184,662
Current	<u>766,482</u>	<u>854,008</u>
Total borrowings	<u>2,109,795</u>	<u>2,038,670</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

17 BORROWINGS (continued)

As at 30 June 2021, the long-term bank loans of HK\$1,474,353,000 (31 December 2020: HK\$1,303,727,000) were secured by the following:

- Charges over property, plant and equipment with carrying amount of approximately HK\$20,617,000 (31 December 2020: HK\$20,911,000), right-of-use assets with carrying amount of approximately HK\$57,694,000 (31 December 2020: HK\$58,518,000), investment properties with carrying amount of approximately HK\$2,006,000,000 (31 December 2020: HK\$1,579,000,000) and stock of completed properties with carrying amount of approximately HK\$213,410,000 (31 December 2020: HK\$213,410,000);
- A share charge over the Group's 25.7% share of Talent Chain Investments Limited, a joint venture of the Group;
- A guarantee limited to HK\$760,000,000 from an indirect wholly-owned subsidiary of the Company.

18 SHARE CAPITAL

	Number of shares	Nominal value <i>HK\$'000</i>
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1 January 2020 and 30 June 2020	700,000,000	70,000
At 1 January 2021 and 30 June 2021	700,000,000	70,000
Issued and fully paid:		
At 1 January 2020 and 30 June 2020	478,483,794	47,848
At 1 January 2021 and 30 June 2021	478,483,794	47,848

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

19 COMMITMENTS

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

	As at 30 June 2021 HK\$'000	As at 31 December 2020 HK\$'000
Contracted but not provided for	401	9,457
Auhthorised but not contracted for	<u>–</u>	<u>–</u>
	<u>401</u>	<u>9,457</u>

- (b) 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 2021 HK\$'000	As at 31 December 2020 HK\$'000
Within one year	36,698	26,024
In the second to fifth year inclusive	<u>53,288</u>	<u>5,605</u>
	<u>89,986</u>	<u>31,629</u>

Operating lease receipts represents rentals receivable by the Group for leasing its investment properties. Leases and rentals are negotiated and fixed for an average of 2.3 years (2020: 2.3 years).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

20 RELATED PARTY TRANSACTIONS

As at 30 June 2021, the largest shareholder of the Company was Mr. Wong Chung Mat, Ben (personally and via Salop Hong Kong 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	
	2021	2020
	HK\$'000	HK\$'000
Salaries and allowances	7,503	8,374
Bonus	4,016	5,585
Pension costs		
– defined contribution schemes	27	18
	<u>11,546</u>	<u>13,977</u>

21 EVENT OCCURRING AFTER THE DATE OF STATEMENT OF FINANCIAL POSITION

On 30 July 2021, Welco Technology Vietnam Company Limited, a wholly-owned subsidiary of the Company, signed a Letter of Acceptance confirming that they accepted a tender submitted by Investcorp Group Joint Stock Company, a company incorporated in Vietnam with limited liability, for the provision of construction and related services for a new factory in Hai Duong Province of Vietnam for expansion of the Group's current manufacturing capability in Vietnam with an accepted contract amount of VND230,391,944,379 (equivalent to approximately HK\$78,766,477).

INTERIM DIVIDEND

On 26 August 2021, the Board has resolved to pay an interim dividend of HK\$0.015 per share (2020: HK\$0.02 per share) which is payable on Thursday, 30 September 2021 to the shareholders whose names appear on the Register of Members of the Company on Thursday, 16 September 2021.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 14 September 2021 to Thursday, 16 September 2021, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 13 September 2021.

REVIEW OF BUSINESS ACTIVITIES

Review of Results

The profit attributable to owners of the Company for the six months ended 30 June 2021 amounted to HK\$27.8 million, as compared to the loss attributable to owners of the Company of HK\$613.2 million for the corresponding period last year. This was mainly attributable to the decrease in fair value losses of investment properties held by the Group and the Group's joint ventures (the "Joint Ventures"). The fair value losses of investment properties held by the Group and the Joint Ventures was HK\$31.4 million as compared to the fair value losses of HK\$676.9 million for the corresponding period last year. The fair value losses reflect the commercial property market conditions which were adversely affected by the outbreak of COVID-19. Earnings per share for the six months were HK\$0.06 as compared to loss per share of HK\$1.28 for the corresponding period last year.

The Group's revenue for the six months ended 30 June 2021 was HK\$1,556.8 million, as compared to HK\$1,438.9 million for the corresponding period last year. Operating profit for the six months ended 30 June 2021 was HK\$55.8 million, as compared to operating loss of HK\$269.7 million for the corresponding period last year. The improvement in the operating results was mainly due to the significant decrease in the fair value losses of investment properties held by the Group.

Electronic Manufacturing Service ("EMS") Division

Revenue for the EMS Division for the six months ended 30 June 2021 was HK\$1,523.8 million, as compared to HK\$1,404.5 million for the corresponding period last year. The segment profit attributable to the EMS Division was HK\$38.0 million, a 21.0% decrease as compared to HK\$48.2 million for the corresponding period last year. The decrease in the segment profit was attributable to slightly reduction in profit margin and change in product mix.

REVIEW OF BUSINESS ACTIVITIES (continued)

Property Holding Division

The Property Holding Division reported revenue of HK\$33.0 million, as compared to HK\$34.4 million for the corresponding period last year. The segment profit for the period was HK\$17.6 million as compared to segment loss of HK\$630.4 million for the corresponding period last year. The improvement in the segment results was mainly attributable to the decrease in fair value losses of investment properties held by the Group and the Joint Ventures.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2021, the Group had a total of HK\$3,559.1 million (2020 December: HK\$3,221.7 million) of banking facilities. Total bank borrowings were HK\$2,109.8 million (2020 December: HK\$2,038.7 million). Cash and cash equivalents, short-term bank deposits and restricted cash were HK\$1,501.4 million at 30 June 2021 (2020 December: HK\$1,422.1 million).

As at 30 June 2021, the Group had net bank borrowings of HK\$608.4 million, as compared to HK\$616.6 million at 31 December 2020. Sufficient banking facilities and bank balance are available to meet the cash needs of the Group for its manufacturing operations as well as Property Holding Division.

Net gearing ratio for the Group as at 30 June 2021 is 0.15 (2020 December: 0.15). The net gearing ratio was calculated as net debt divided by total equity. Net debt is calculated as total borrowings and lease liabilities less cash and cash equivalents, short-term bank deposits and restricted cash.

FOREIGN EXCHANGE AND RISK MANAGEMENT

Most of the Group's sales are conducted in United States dollars and costs and expenses are mainly in United States dollars, Hong Kong dollars, Japanese Yen, Vietnam Dong and Chinese Renminbi. Consistent with its prudent policy on financial risk management, the Group does not use any foreign exchange hedging products. The Group recognise the currency risk in the fluctuation of Chinese Renminbi and will closely monitor and actively manage the risk involved.

CAPITAL STRUCTURE

There has been no material change in the Group's capital structure since 31 December 2020 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

As at 30 June 2021, the Group employed approximately 3,700 employees. The Group adopts a remuneration policy which is commensurate with job nature, qualification and experience of employees. In addition to the provision of annual bonuses and employee related insurance benefits, discretionary bonuses are also rewarded to employees based on individual performance. The remuneration packages and policies are reviewed periodically. The Group also provides in-house and external training programs to its employees.

PROSPECTS

Following the gradual recovery of the global economy, customer demand for the EMS business has significantly increased. On the other hand, worldwide supply chain bottlenecks caused by the COVID global pandemic, which have resulted in unpredictable demand and supply, raw material shortages, longer logistics time, lockdowns and material price increases etc., continue to affect delivery to customers and gross margin. On balance, the Directors are cautiously optimistic about the performance of the EMS business for the second half of the year. The Directors will observe the development of the pandemic closely, especially the COVID Delta variant, putting the health of our employees and benefits of our business partners in the first priority.

Presently, a main focus of the EMS business is the development of the manufacturing facility in Hai Duong Province, Vietnam. The Directors believe that the facility will meet the needs of global customers, bring in new sales opportunities, enhance cost competitiveness and assist to cope with the US tariff issue. Responses from customers and potential customers regarding the new facility in Vietnam have been very enthusiastic though progress of development has been somewhat hampered by COVID lockdowns. Recently, the EMS business has contracted to lease a new site of about 17,000 square meters near the present facility for the construction of a new facility with a floor area of 30,000 square meters for expansion purpose. Construction of the new factory building is expected to complete in the first quarter of 2022.

The EMS business will continue to focus on customer base expansion, cost control, operating efficiency and value-added services to customers, including product design and technology services, to drive to enhance competitiveness.

Market conditions for commercial properties in Hong Kong have somewhat stabilized, and in view of the current pandemic and economic situation, the Directors do not expect the valuation of the commercial properties held by the Group or the joint venture with Sun Hung Kai Properties to have substantial fluctuations in the second half of 2021. Presently, the commercial properties held by the Group, directly or indirectly, have been almost fully leased out.

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 ninth consecutive year. 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 2021, 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%
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 Hong Kong Limited, which was wholly-owned and controlled by Mr. Wong Chung Mat, Ben.

Save as disclosed herein, as at 30 June 2021, 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 2021, 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 Hong Kong Limited	Beneficial owner (<i>Note 1</i>)	135,828,569	28.39%
HSBC International Trustee Limited	Trustee (<i>Note 2</i>)	119,452,699	24.96%
Wong Chung Ah, Johnny	Beneficial owner, interest of spouse and founder of a discretionary trust (<i>Note 3</i>)	90,308,532	18.87%
Kong King International Limited	Beneficial owner (<i>Note 3(c)</i>)	88,073,532	18.41%
Mountainview International Limited	Trustee (<i>Note 3(c)</i>)	88,073,532	18.41%
Wong Chung Yin, Michael	Beneficial owner and joint interest (<i>Note 4</i>)	78,526,001	16.41%
Woo Sin Ming	Joint interest and interest of spouse (<i>Note 4</i>)	78,526,001	16.41%
Wong Chung Yan, Claudia	Beneficial owner and interest of controlled corporation (<i>Note 5</i>)	38,224,881	7.99%
Floral Inc.	Beneficial owner (<i>Note 5(b)</i>)	35,073,052	7.33%
Everitt, Chung Chui	Founder of a discretionary trust (<i>Note 6</i>)	31,379,167	6.56%
Sycamore Assets Limited	Beneficial owner (<i>Note 6</i>)	31,379,167	6.56%

INTERESTS OF SUBSTANTIAL SHAREHOLDERS (continued)

Long positions in shares of the Company (continued)

Notes:

1. Salop Hong Kong 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 119,452,699 shares in the Company. These shares were held in the following capacity:
 - (a) 88,073,532 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) 31,379,167 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 below.
3. Mr. Wong Chung Ah, Johnny was deemed (by virtue of the SFO) to be interested in 90,308,532 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) 88,073,532 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 88,073,532 shares. Please refer to Note 2(a) above.
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 78,526,001 shares in the Company. These shares were held in the following capacity:
 - (a) 50,458,041 shares were held by Mr. Wong Chung Yin, Michael personally.
 - (b) 28,067,960 shares were held by Mr. Wong Chung Yin, Michael and Ms. Woo Sin Ming jointly.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS (continued)

Long positions in shares of the Company (continued)

Notes: (continued)

5. Ms. Wong Chung Yan, Claudia was deemed (by virtue of the SFO) to be interested in 38,224,881 shares in the Company. These shares were held in the following capacity:
 - (a) 3,151,829 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 which 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 31,379,167 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 2021, 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 26 June 2020. No option has been granted under the Scheme since its adoption date and up to 30 June 2021.

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

During the six months ended 30 June 2021, 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 2021, 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:

CORPORATE GOVERNANCE CODE (continued)

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.

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 2021.

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

Dr. Li Ka Cheung, Eric, Independent Non-executive Director of the Company, retired as an independent non-executive director of Hang Seng Bank Limited on 27 May 2021.

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 2021.

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

Hong Kong, 26 August 2021

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. Hung Wing Shun, Edmund
Mr. Chan Wai Ming, Hermes

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