WKK

WONG'S KONG KING INTERNATIONAL (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0532)

INTERIM REPORT 2018

pwc 羅兵咸永道

TO THE BOARD OF DIRECTORS OF WONG'S KONG KING INTERNATIONAL (HOLDINGS) LIMITED
(incorporated in Bermuda with limited liability)

We have reviewed the interim financial information set out on pages 3 to 41, which comprises the condensed consolidated balance sheet of Wong's Kong King International (Holdings) Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2018 and the related condensed consolidated income statement, condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

Other matters

The comparative information for the interim condensed consolidated balance sheet is based on the audited consolidated financial statements as at 31 December 2017. The comparative information for the interim condensed consolidated income statements, statements of comprehensive income, changes in equity and cash flows, and related explanatory notes, for the period ended 30 June 2017 has not been audited or reviewed.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 August 2018

The Board of Directors of Wong's Kong King International (Holdings) Limited (the "Company") announces that the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2018 together with comparative figures for the corresponding period in 2017 are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Note	Six months ended 30 June 2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000
Revenue	7	**2,532,766**	2,262,713
Other gains, net		**1,255**	–
Raw materials and consumables used		**(1,307,157)**	(1,193,441)
Purchases of finished goods		**(718,294)**	(642,197)
Changes in inventories of finished goods and work in progress		**53,291**	66,857
Employee benefit expenses		**(338,997)**	(304,187)
Depreciation and amortisation		**(26,930)**	(24,904)
Other expenses		**(139,988)**	(120,841)
Operating profit		**55,946**	44,000
Finance income	8	**1,645**	1,436
Finance costs	8	**(8,902)**	(3,365)
Finance costs, net	8	**(7,257)**	(1,929)
Share of profit of a joint venture		**512**	1,147
Write-back of impairment on amount due from a joint venture		**–**	305
Profit before income tax	7	**49,201**	43,523
Income tax expense	9	**(13,731)**	(20,273)
Profit for the period		**35,470**	23,250
Attributable to:			
Owners of the Company		**32,614**	21,376
Non-controlling interests		**2,856**	1,874
		35,470	23,250
Earnings per share for profit attributable to the owners of the Company during the period	10		
(expressed in HK cents per share)			
– basic		**4.44**	2.84
– diluted		**4.44**	2.84

The above condensed consolidated income statement should be read in conjunction with the accompanying notes.

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

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Profit for the period	**35,470**	23,250
Other comprehensive (loss)/income:		
Item that will not be reclassified subsequently to profit or loss		
Fair value losses on equity investments at fair value through other comprehensive income, net of tax	**(86)**	–
Items that may be reclassified to profit or loss		
Currency translation differences	**(14,730)**	22,319
Fair value losses on available-for-sale financial assets, net of tax	**–**	(326)
Total comprehensive income for the period	**20,654**	45,243
Attributable to:		
Owners of the Company	**19,239**	38,606
Non-controlling interests	**1,415**	6,637
	20,654	45,243

The above condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED BALANCE SHEET
AT 30 JUNE 2018

	Note	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
ASSETS			
NON-CURRENT ASSETS			
Land use rights		12,359	12,584
Property, plant and equipment		498,317	519,077
Deposits and prepayments		7,576	7,557
Intangible assets		1,875	3,185
Interests in joint ventures		1,918	1,405
Deferred tax assets		4,282	4,424
Available-for-sale financial assets		–	43,881
Financial assets at fair value through other comprehensive income	11	48,929	–
Financial assets at fair value through profit or loss		3,375	–
Club membership and debentures		14,422	14,422
TOTAL NON-CURRENT ASSETS		593,053	606,535
CURRENT ASSETS			
Inventories		1,040,219	811,652
Trade and other receivables	13	1,414,525	1,402,954
Contract assets		32,640	–
Deposits and prepayments		166,408	72,877
Tax recoverable		1,593	1,397
Derivative financial instruments		544	–
Short-term time deposits		62,498	78,489
Cash and cash equivalents		527,217	536,568
TOTAL CURRENT ASSETS		3,245,644	2,903,937
TOTAL ASSETS		3,838,697	3,510,472
LIABILITIES			
NON-CURRENT LIABILITIES			
Obligations under finance leases – due after one year		66	78
Provision for assets retirement obligations		1,710	1,710
Deferred tax liabilities		208	416
Retirement benefit obligations		8,578	8,797
TOTAL NON-CURRENT LIABILITIES		10,562	11,001

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

AT 30 JUNE 2018

	Note	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
CURRENT LIABILITIES			
Trade, bills and other payables	14	1,050,331	1,085,855
Contract liabilities		197,868	–
Current income tax liabilities		18,081	22,443
Bank borrowings			
– due within one year	16	930,957	711,078
Obligations under finance leases			
– due within one year		35	34
Derivative financial instruments		113	667
TOTAL CURRENT LIABILITIES		2,197,385	1,820,077
TOTAL LIABILITIES		2,207,947	1,831,078
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	15	72,945	73,771
Reserves		1,488,603	1,513,353
		1,561,548	1,587,124
Non-controlling interests		69,202	92,270
TOTAL EQUITY		1,630,750	1,679,394
TOTAL EQUITY AND LIABILITIES		3,838,697	3,510,472

The above condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

The condensed consolidated interim financial information on page 3 to 41 were approved by the Board of Directors on 30 August 2018 and were signed on its behalf.

Senta Wong
Director

Byron Shu-Chan Ho
Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2018

	(Unaudited)												
	Attributable to owners of the Company											Non-controlling interests	Total equity
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Special reserve HK$'000	Available-for-sale financial assets revaluation reserve HK$'000	Financial assets at fair value through other comprehensive income revaluation reserve HK$'000	Translation reserve HK$'000	Capital reserve HK$'000	Retained earnings HK$'000	Total HK$'000	HK$'000	HK$'000
Balance at 31 December 2017 as originally presented	73,771	80,272	1,610	26,624	5,008	735	–	8,468	240	1,390,396	1,587,124	92,270	1,679,394
Change in accounting policy (note 4)	–	–	–	–	–	(735)	8,907	–	–	834	9,006	19	9,025
Restated balance at 1 January 2018	73,771	80,272	1,610	26,624	5,008	–	8,907	8,468	240	1,391,230	1,596,130	92,289	1,688,419
Comprehensive income													
Profit for the period	–	–	–	–	–	–	–	–	–	32,614	32,614	2,856	35,470
Other comprehensive income													
Fair value losses on equity investments at fair value through other comprehensive income, net of tax	–	–	–	–	–	–	(58)	–	–	–	(58)	(28)	(86)
Currency translation differences	–	–	–	–	–	–	–	(13,317)	–	–	(13,317)	(1,413)	(14,730)
Total comprehensive income for the period ended 30 June 2018	–	–	–	–	–	–	(58)	(13,317)	–	32,614	19,239	1,415	20,654
Transactions with owners													
Repurchases of shares	(826)	(9,340)	–	–	–	–	–	–	–	–	(10,166)	–	(10,166)
Dividends payable to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(1,672)	(1,672)
2017 final dividend	–	–	–	–	–	–	–	–	–	(43,767)	(43,767)	–	(43,767)
Transfer from retained earnings to special reserve	–	–	–	–	2,030	–	–	–	–	(2,030)	–	–	–
Acquisition of additional interest in subsidiaries	–	–	–	–	–	–	–	–	112	–	112	(22,830)	(22,718)
Balance at 30 June 2018	72,945	70,932	1,610	26,624	7,038	–	8,849	(4,849)	352	1,378,047	1,561,548	69,202	1,630,750

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	(Unaudited)											
	Attributable to owners of the Company										Non-controlling interests	Total equity
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Special reserve HK$'000	Available-for-sale financial assets revaluation reserve HK$'000	Translation reserve HK$'000	Capital reserve HK$'000	Retained earnings HK$'000	Total HK$'000	HK$'000	HK$'000
Balance at 1 January 2017	75,224	96,083	1,610	26,624	5,008	1,302	(26,274)	240	1,313,318	1,493,135	91,281	1,584,416
Comprehensive income												
Profit for the period	–	–	–	–	–	–	–	–	21,376	21,376	1,874	23,250
Other comprehensive income												
Currency translation differences	–	–	–	–	–	–	17,450	–	–	17,450	4,869	22,319
Fair value losses of available-for-sale financial assets, net of tax	–	–	–	–	–	(220)	–	–	–	(220)	(106)	(326)
Total comprehensive income for the period ended 30 June 2017	–	–	–	–	–	(220)	17,450	–	21,376	38,606	6,637	45,243
Transactions with owners												
Dividends payable to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(7,905)	(7,905)
2016 final dividend	–	–	–	–	–	–	–	–	(26,328)	(26,328)	–	(26,328)
Transaction with non-controlling interests	–	–	–	–	–	–	–	–	(68)	(68)	68	–
Balance at 30 June 2017	75,224	96,083	1,610	26,624	5,008	1,082	(8,824)	240	1,308,298	1,505,345	90,081	1,595,426

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
NET CASH USED IN OPERATING ACTIVITIES	**(193,205)**	(82,868)
NET CASH USED IN INVESTING ACTIVITIES	**(11,390)**	(254,119)
NET CASH GENERATED FROM FINANCING ACTIVITIES	**200,799**	400,381
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(3,796)**	63,394
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**536,568**	229,238
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(5,555)**	6,882
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**527,217**	299,514
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank balances and cash (excluding short-term time deposits)	**527,217**	299,514

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018

1. GENERAL INFORMATION

Wong's Kong King International (Holdings) Limited (the "Company") and its subsidiaries (together, the "Group") are principally engaged in the trading and distribution of chemicals, materials and equipment used in the manufacture of printed circuit boards and electronic products and the manufacture of electrical and electronic products for original equipment manufacturer ("OEM") customers.

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11 Bermuda and its principal place of business is 17/F, Octa Tower, No.8 Lam Chak Street, Kowloon Bay, Hong Kong.

The unaudited condensed consolidated interim financial information are presented in Hong Kong dollars ("HK$"), unless otherwise stated.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2018 has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") and with Hong Kong Accounting Standard 34 "*Interim Financial Reporting*" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2017 and any public announcements made by the Company during the interim reporting period.

3. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial information has been prepared in consistent with those principal accounting policies followed in the Annual Report 2017 except the adoption of the following new/revised Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (hereinafter collectively referred to as "new HKFRSs") which are effective for accounting periods commencing on or after 1 January 2018.

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies and make adjustments as a result of adopting the following standards:

HKFRS 15	Revenue from Contracts from Customers
HKFRS 9	Financial Instruments

The impact of the adoption of these standards and the new accounting policies are disclosed in Note 4 below. The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

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

HKFRS 16 Leases

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, 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.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(b) Impact of standards issued but not yet applied by the (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$49,440,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

Date of adoption

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The Group expects to adopt HKFRS 16 on 1 January 2019 and is currently assessing the impact of HKFRS 16 upon adoption.

The Group has commenced an assessment of the impact of the other new and amended standards and interpretations, but is not yet in a position to state whether they would have significant impacts on its results of operations and financial position.

4. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers on the Group's condensed consolidated interim financial information and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

(a) Impact on the financial statements

As a result of the changes in the Group's accounting policies, prior year consolidated financial statements had to be restated. As explained in Note 4(b) below, HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustment arising from new impairment rules are therefore not reflected in the restated condensed consolidated balance sheet as at 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018. As explained in Note 4(d) below, the Group has adopted HKFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under HKAS 18 and related interpretations.

4. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) Impact on the financial statements (Continued)

The following tables shows the adjustments recognised for each individual item. The adjustments are explained in more detail by standard below.

Condensed consolidated balance sheet (extract)	31 December 2017 As originally presented HK$'000	HKFRS 15 HK$'000	HKFRS 9 HK$'000	1 January 2018 Restated HK$'000
Non-current assets				
Deferred tax assets	4,424	–	(15)	4,409
Available-for-sales financial assets	43,881	–	(43,881)	–
Financial assets at fair value through other comprehensive income ("FVOCI")	–	–	49,266	49,266
Financial assets at fair value through profit or loss ("FVPL")	–	–	3,655	3,655
Current assets				
Trade and other receivables	1,402,954	(50,321)	–	1,352,633
Contract assets	–	50,321	–	50,321
Current liabilities				
Trade, bills and other payables	1,085,855	(107,198)	–	978,657
Contract liabilities	–	107,198	–	107,198
Equity				
Reserves	1,513,353	–	9,006	1,522,359
Non-controlling interests	92,270	–	19	92,289

4. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) HKFRS 9 Financial Instruments – Impact of adoption

HKFRS 9 replaces the provision 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 adjustment to the amounts recognised in the financial statements. The new accounting policies are set out in Note 4(c) below. In accordance with the transitional provisions in HKFRS 9 (7.2.15), comparative figures have not been restated.

The total impact on the Group's retained earnings as at 1 January 2018 is as follows:

	Note	HK$'000
Closing retained earnings 31 December 2017 – HKAS 39		1,390,396
Reclassify investments from available-for-sales financial assets ("AFS") to FVPL	(i)	834
Opening retained earnings 1 January 2018 – HKFRS 9		1,391,230

4. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) HKFRS 9 Financial Instruments – Impact of adoption (Continued)

(i) Classification and measurements

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, classified its financial instruments into the appropriate HKFRS 9 categories and remeasured its financial instruments at fair value. The main effects resulting from this reclassification and remeasurement are as follows:

	Note	**FVOCI (AFS 2017)** HK$'000	**FVPL** HK$'000
Closing balance 31 December 2017 – HKAS 39		43,881	–
Reclassify investments from AFS to FVPL	(a)	(3,655)	3,655
Remeasure unlisted equity securities at fair value	(b)	9,040	–
Opening balance 1 January 2018 – HKFRS 9		49,266	3,655

4. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) HKFRS 9 Financial Instruments – Impact of adoption (Continued)

(i) Classification and measurements (Continued)

The impact of these changes on the Group's equity is as follows:

	Note	Effect on AFS reserves HK$'000	Effect on FVOCI reserve HK$'000	Effect on retained earnings HK$'000	Effect on non-controlling interest HK$'000
Closing balance 31 December 2017 – HKAS 39		735	–	1,390,396	92,270
Reclassify investments from AFS to FVPL	(a)	(834)	–	834	–
Reclassify unlisted equity securities from AFS to FVOCI	(b)	99	(99)	–	–
Remeasure unlisted equity securities at fair value	(b)	–	9,006	–	19
Opening balance 1 January 2018 – HKFRS 9		–	8,907	1,391,230	92,289

(a) Reclassification from AFS to FVPL

Certain investments in listed equity securities were reclassified from AFS to FVPL. Related fair value gains of HK$834,000 were transferred from AFS revaluation reserve to retained earnings on 1 January 2018. In the six months to 30 June 2018, net fair value losses of HK$193,000 relating to these investments were recognised in profit or loss.

4. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) HKFRS 9 Financial Instruments – Impact of adoption (Continued)

(i) Classification and measurements (Continued)

(b) Equity investments previously classified as AFS

The Group elected to present in other comprehensive income changes in the fair value of its investments in unlisted equity securities previously classified as AFS, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, assets with a fair value of HK$40,226,000 were reclassified from AFS to FVOCI and fair value losses of HK$99,000 were reclassified from the AFS revaluation reserve to the FVOCI revaluation reserve before remeasurement at fair value on 1 January 2018. The Group remeasured these investments at fair value. As a result, fair value gains of HK$9,006,000 were recognised in FVOCI revaluation reserve on 1 January 2018. In the six months to 30 June 2018, net fair value losses of HK$107,000 relating to these investments were recognised in other comprehensive income, along with deferred tax credit of HK$21,000.

4. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) HKFRS 9 Financial Instruments – Impact of adoption (Continued)

(ii) Impairment of financial assets

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

- Trade receivables for sales of goods and from provision of services

- Contract assets relating to sales of goods and from provision of services

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the Group's retained earnings and equity is disclosed in the table in Note 4(b) above.

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Trade receivables and contract assets
The Group applies HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled sales of goods and from provision of services and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

4. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) HKFRS 9 Financial Instruments – Impact of adoption (Continued)

(ii) Impairment of financial assets (Continued)

Trade receivables and contract assets (Continued)

The Group has assessed the expected credit loss model applied to the trade receivables and contract assets as at 1 January 2018 and the change in impairment methodologies has no significant impact of the Group's condensed consolidated interim financial information and the opening loss allowance is not restated in this respect.

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

Significant estimates and judgements

Impairment of financial assets

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 Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in above.

4. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) HKFRS 9 Financial Instruments –Accounting policies applied from 1 January 2018

(i) Investments and other financial assets

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 other comprehensive income, or through profit or loss), and

- those to be measured at amortised cost

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

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. 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).

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 profit or loss.

4. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) HKFRS 9 Financial Instruments –Accounting policies applied from 1 January 2018 (Continued)

(i) Investments and other financial assets (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 other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. 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) in the consolidated 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.

Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its 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 application of the receivables.

4. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(d) HKFRS 15 Revenue from Contract 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 adjustments to the amounts recognised in this condensed consolidated interim financial information. In accordance with the transition provisions in HKFRS 15, the Group has adopted the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under HKAS 18, HKAS 11 and related interpretations.

The adoption of HKFRS 15 did not result in any significant impact on the Group's financial position, results of operations and accounting policies based on the current business model.

(i) Presentation of contract assets and contract liabilities

The Group has changed the presentation of certain amounts in the condensed consolidated balance sheet to reflect the terminology of HKFRS 15:

- Contract assets recognised in relation to sales of goods and provision of service were previously presented as part of trade and other receivables (HK$50,321,000 as at 1 January 2018, net of impairment allowance). The contract assets primarily relate to the Group's rights to consideration for goods delivered but not billed at the reporting date. The contract assets are transferred to receivables when the Group issues an invoice to the customer.

- Contract liabilities primarily relate to the advance consideration received from customers for sales of goods and provision of service were previously presented as other payables (HK$107,198,000 as at 1 January 2018).

4. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(e) HKFRS 15 Revenue from Contract with Customers – Accounting policies applied from 1 January 2018

(i) Sales of goods

Revenue is recognised when control of the products transferred, being when the products are delivered to the customers. The customers have full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customers, and either the customers have accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Customers obtain control when the goods are delivered. Invoices are generated and revenue is recognised at that point in time.

(ii) Commission income

Commission income is recognised when the Group satisfied the performance obligation in accordance with the substance of relevant agreements. Invoices are generated and revenue is recognised at that point in time.

(iii) Service fee income

Revenue is recognised over time as those services are provided.

4. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(e) HKFRS 15 Revenue from Contract with Customers – Accounting policies applied from 1 January 2018 (Continued)

(iv) Ticketing and touring income

Revenue from tour and travel services and other travel related services are recognised over time as those services are provided. Revenue from the sales of tickets are recognised when the tickets are delivered. Invoices are generated and revenue is recognised at that point in time.

5. ESTIMATES

The preparation of condensed consolidated interim financial information 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 financial statements as at 31 December 2017.

6. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

(a) Financial risk factors

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

The condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2017.

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

(b) Liquidity risk

Compared to the year ended 31 December 2017, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

(c) Fair value estimation

The carrying amounts of the Group's current financial assets, including cash and cash equivalents, short-term time deposits, trade and other receivables, and the Group's current financial liabilities, including trade and other payables and borrowings, approximate their fair values due to their short maturities. The nominal value less estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

6. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value estimation (Continued)

The financial instruments measured at fair value are disclosed by the following measurement hierarchy:

(i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

(ii) 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).

(iii) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

At the end of the reporting period, listed investment classified as financial assets at fair value through profit or loss, derivative financial instruments and unlisted investment classified as financial assets at fair value through other comprehensive income that are measured at fair value are classified under level 1, level 2 and level 3 respectively.

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

6. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value estimation (Continued)

(i) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

(ii) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) 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. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

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

6. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value estimation (Continued)

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.

- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.

- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

All the resulting fair value estimates of the Group's forward foreign currency contracts are included in level 2 except for the unlisted investment are included in level 3.

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

7. SEGMENT INFORMATION

The Chief Operation Decision-Maker ("CODM") has been identified as directors of the Company. CODM reviews the Group's internal reporting in order to assess performance and allocate resources. It has determined the operating segments based on these reports. The Group is currently organised into two operating segments – trading and manufacturing. These segments are the basis on which the Group reports its principal activities information.

Trading	–	trading and distribution of chemicals, materials and equipment used in the manufacturing of printed circuit boards and electronic products
Manufacturing	–	manufacturing of electrical and electronic products

The segment information for the six months ended 30 June 2018 is as follows:

	Trading HK$'000	Manufacturing HK$'000	Others HK$'000	Eliminations HK$'000	Consolidated HK$'000
Revenue					
External sales	1,111,965	1,408,053	12,748	–	2,532,766
Inter-segment sales	160,026	1,681	7,490	(169,197)	–
Total	1,271,991	1,409,734	20,238	(169,197)	2,532,766
Timing of revenue recognition					
At a point in time	1,247,955	1,409,734	19,762	(163,227)	2,514,224
Over time	24,036	–	476	(5,970)	18,542
	1,271,991	1,409,734	20,238	(169,197)	2,532,766
Results					
Segment results	52,549	13,335	(10,092)	154	55,946
Finance income	1,415	228	2	–	1,645
Finance costs	(1,611)	(7,291)	–	–	(8,902)
	52,353	6,272	(10,090)	154	48,689
Share of profit of a joint venture					512
Profit before income tax					49,201

7. SEGMENT INFORMATION (CONTINUED)

The segment information for the six months ended 30 June 2017 is as follows:

	Trading HK$'000	Manufacturing HK$'000	Others HK$'000	Eliminations HK$'000	Consolidated HK$'000
Revenue					
External sales	937,043	1,309,973	15,697	–	2,262,713
Inter-segment sales	83,258	1,546	8,601	(93,405)	–
Total	1,020,301	1,311,519	24,298	(93,405)	2,262,713
Timing of revenue recognition					
At a point in time	989,972	1,311,519	23,337	(88,543)	2,236,285
Over time	30,329	–	961	(4,862)	26,428
	1,020,301	1,311,519	24,298	(93,405)	2,262,713
Results					
Segment results	20,264	34,200	(10,855)	391	44,000
Finance income	1,208	208	20	–	1,436
Finance costs	(324)	(3,041)	–	–	(3,365)
	21,148	31,367	(10,835)	391	42,071
Share of profit of a joint venture					1,147
Write-back of impairment on amount due from a joint venture					305
Profit before income tax					43,523

8. FINANCE COSTS, NET

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Interest income	**1,645**	1,436
Interest expense	**(8,902)**	(3,365)
Finance costs, net	**(7,257)**	(1,929)

9. INCOME TAX EXPENSE

Hong Kong profits tax has been provided for at 16.5% (2017: 16.5%) on the estimated assessable profit for the period. The subsidiaries established in the People's Republic of China (the "PRC") are subject to corporate income tax rate of 25% (2017: 25%). The subsidiaries in Taiwan are subject to corporate income tax rate of 20% (2017: 17%). Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Current income tax		
Hong Kong profits tax	**3,664**	5,568
Other jurisdictions including PRC corporate income tax	**9,340**	12,403
Withholding tax on dividends declared by subsidiaries	**727**	2,302
	13,731	20,273

10. 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.

	Six months ended 30 June	
	2018	2017
Profit attributable to owners of the Company (Hong Kong thousands dollar)	**32,614**	21,376
Weighted average number of ordinary shares in issue (thousands)	**735,367**	752,236
Basic earnings per share (Hong Kong cents per share)	**4.44**	2.84

(b) Diluted

Diluted earnings per share were the same as the basic earnings per share for the six months ended 30 June 2018 and 2017 as there were no dilutive potential ordinary shares in existence during both periods.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

FVOCI include the following:

	As at 30 June 2018 HK$'000
Financial instruments level 3:	
Equity investments in unlisted entity securities	48,929

Movement of FVOCI is analysed as follows:

	As at 30 June 2018 HK$'000
At beginning of period	–
Reclassification from available-for-sale financial assets on adoption of HKFRS 9	49,266
Fair value loss on FVOCI	(107)
Exchange loss	(230)
	48,929

12. DIVIDENDS

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Interim dividend – HK$0.015 (2017: HK$0.01) per share	**10,942**	7,522

The Board of Directors has declared an interim dividend of HK$0.015 per share for the six months ended 30 June 2018 (2017: HK$0.01) which will be payable on or about Wednesday, 3 October 2018 to the shareholders whose names appear on the Register of Members of the Company on Wednesday, 19 September 2018. This interim dividend, amounting to HK$10,942,000 (2017: HK$7,522,000) has not been recognised as a liability in this unaudited condensed consolidated interim financial information. It will be recognised in shareholders' equity in the year ending 31 December 2018.

13. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables (including amounts due from related parties of trading in nature) of HK$1,388,947,000 (At 31 December 2017: HK$1,369,890,000). The Group allows a credit period ranging from 30 days to 180 days to its trade customers. In addition, for certain customers with long established relationship, a longer credit period may be granted.

The ageing analysis of trade receivables based on invoices dates net of provision for impairment at the end of reporting period is as follows:

	30 June 2018 HK$'000	31 December 2017 HK$'000
0 to 30 days	**433,602**	444,620
31 to 60 days	**292,296**	348,588
61 to 90 days	**231,488**	207,432
Over 90 days	**431,561**	369,250
	1,388,947	1,369,890

14. TRADE, BILLS AND OTHER PAYABLES

Included in trade, bills and other payables are trade and bills payables (including amounts due to related parties of trading in nature) of HK$801,141,000 (At 31 December 2017: HK$766,897,000).

The following is an ageing analysis of trade and bills payables based on goods received dates at the end of reporting period:

	30 June 2018 HK$'000	31 December 2017 HK$'000
0 to 30 days	**670,366**	480,040
31 to 60 days	**107,420**	149,074
61 to 90 days	**20,397**	88,447
Over 90 days	**2,958**	49,336
	801,141	766,897

15. SHARE CAPITAL

	Number of ordinary shares of HK$0.10 each	Nominal value of ordinary shares HK$'000	Treasury shares HK$'000	Group total HK$'000
Issued and fully paid:				
At 1 January 2016, 31 December 2016 and 1 January 2017	752,235,964	75,224	–	75,224
Share repurchased	–	–	(1,453)	(1,453)
Cancellation of shares	(14,028,000)	(1,403)	1,403	–
At 31 December 2017	738,207,964	73,821	(50)	73,771
Issued and fully paid:				
At 1 January 2018	**738,207,964**	**73,821**	**(50)**	**73,771**
Share repurchased *(Note (a))*	**–**	**–**	**(826)**	**(826)**
Cancellation of shares *(Note (a))*	**(8,760,000)**	**(876)**	**876**	**–**
At 30 June 2018	**729,447,964**	**72,945**	**–**	**72,945**

15. SHARE CAPITAL (CONTINUED)

(a) During the period ended 30 June 2018, the Company repurchased its own shares on Hong Kong Stock Exchange. Particulars of the repurchases are as follow:

Month of repurchase	Number of shares repurchased '000	Purchase price Highest HK$	Purchase price Lowest HK$	Aggregate considerations (before expenses) HK$'000
January	2,232	1.23	1.18	2,704
February	3,552	1.23	1.20	4,360
April	2,342	1.23	1.23	2,881
May	132	1.23	1.23	162
	8,258			10,107

During the period ended 30 June 2018, the Company repurchased its own 8,258,000 shares, of which 8,258,000 shares had been cancelled as at 30 June 2018. The total consideration (before expenses) paid to repurchase of these shares was approximately HK$10,107,000 and the transaction costs at HK$59,000, which has been deducted from equity attributable to owners of the Company.

During the year ended 31 December 2017, the Company repurchased its own 14,530,000 shares, of which 14,028,000 shares had been cancelled as at 31 December 2017. The total consideration (before expenses) paid to repurchase of these shares was approximately HK$17,167,000 and the transaction costs at HK$97,000, which had been deducted from equity attributable to owners of the Company. The remaining shares had been cancelled on 31 January 2018.

16. BANK BORROWINGS

	HK$'000
Six months ended 30 June 2017:	
Opening amount at 1 January 2017	372,175
Proceeds from new bank borrowings	1,563,961
Repayment of bank borrowings	(1,160,209)
Closing amount at 30 June 2017	775,927
Six months ended 30 June 2018:	
Opening amount at 1 January 2018	711,078
Proceeds from new bank borrowings	2,209,725
Repayment of bank borrowings	(1,989,846)
Closing amount at 30 June 2018	930,957

17. CAPITAL COMMITMENTS

	30 June 2018 HK$'000	31 December 2017 HK$'000
Capital expenditure contracted for but not yet incurred:		
Acquisition of property, plant and equipment	868	619

18. RELATED PARTY TRANSACTIONS

Related parties refer to entities in which the Company has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or directors or officers of the Company and its subsidiaries.

The Group is ultimately controlled by Mr. Senta Wong, chairman of the board of directors.

(a) During the period, the Group entered into the following transactions with its related parties:

	Six months ended 30 June		Amounts due from related parties	
			30 June	31 December
	2018	2017	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000
Ticketing and touring income (Notes i and iv)	165	355	–	10
Ticketing and touring income (Notes ii and iv)	440	129	39	79
Service fee income (Notes iii and iv)	59	59	–	–
Rental expense (Notes i and iv)	498	498	–	–

18. RELATED PARTY TRANSACTIONS

(a) (Continued)

Notes:

(i) Related party is a company of which Mr. Senta Wong is a director having control or significant influence over that company.

(ii) Related party is Mr. Edward Tsui, Mr. Vinci Wong and Mr. Victor Chang's close family members.

(iii) Related party is Wesi Technology Limited, a joint venture of the Group.

(iv) All of the transactions were carried out in the normal course of the Group's business and the terms as agreed between the transacting parties.

(b) Key management remuneration

The remuneration of key management during the period was as follows:

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Salaries, wages, commission and allowances	**26,848**	28,053
Post-employment benefits	**1,039**	1,111
	27,887	29,164

INTERIM DIVIDEND

The Board of Directors has declared an interim dividend of HK$0.015 (2017: HK$0.01) per share for the six months ended 30 June 2018. The above-mentioned interim dividend will be payable on or about Wednesday, 3 October 2018 to the shareholders whose names appear on the Register of Members of the Company on Wednesday, 19 September 2018.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 17 September 2018 to Wednesday, 19 September 2018, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the 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 not later than 4:30 p.m. on Friday, 14 September 2018.

BUSINESS REVIEW

The Group's turnover and profit attributable to shareholders for the first half of 2018 was HK$2.5 billion and HK$32.6 million, representing increases of approximately 12% and 53% respectively compared to the same period last year.

The turnover of the Group's Industrial Products Trading Division for the first half of 2018 was HK$1.1 billion, representing an improvement of approximately 19% compared to the same period last year. The Division's operating profit was HK$52.4 million, reflecting an increase of approximately 148% compared to the corresponding period last year. While the trading of Printed Circuit Board related products continued to contribute the largest part of the Division's profit, the operations in the PRC recorded a significant improvement in operating profits over the same period last year. All other operations in the Division experienced increases in operating profits with the exception of a subsidiary in Taiwan which continued to contribute a lower operating profit compared to the same period last year, mainly due to a change in products.

The turnover of the Group's OEM Manufacturing Division increased by approximately 7% to HK$1.4 billion in the first half of 2018 compared to the same period last year. However, the Division's operating profit decreased to HK$6.3 million for the first half of 2018 from HK$31.4 million for the corresponding period last year mainly due to the tightening component environment and escalating wages' costs and overheads in the PRC resulting partly from the appreciation of the Renminbi.

FINANCE

The Group has committed bank and other financing facilities totaling HK$2,586 million, of which HK$1,343 million was drawn down as at 30 June 2018. As at 30 June 2018, the Group's consolidated net borrowings amounted to HK$341 million and its total equity amounted to HK$1,631 million, resulting in a net gearing ratio of 20.9%.

Most of the Group's sales were conducted in the same currencies as the corresponding purchase transactions. Foreign exchange contracts were used to hedge exposures where necessary.

HUMAN RESOURCES

As at 30 June 2018, the Group had a total of 5,698 employees, of whom 247 were based in Hong Kong, 5,134 in the PRC and 317 overseas. The remuneration of the Group's employees is mainly based on their performance and experience, taking into account current industry practices. Provident fund scheme, medical allowances, and in-house and external training programs are available to employees. Share options and discretionary bonuses may be provided to employees according to the performance of the individual and the Group. The remuneration policy and packages of the Group's employees are regularly reviewed.

PROSPECTS

In view of the rising tension from the recent Sino-US trade war and the difficulty in assessing the impact on the global economy, it is expected that demand for the products of the Group's Industrial Products Trade Division will soften in the second half of this year.

Given the orders on hand, the Directors are confident that, in the absence of unforeseeable circumstances, the Group's OEM Manufacturing Division will maintain a comparable level of turnover in 2018 as compared to 2017. However, the operating profit will be affected by the continuing shortage of components and the increase in labour costs and overheads in the PRC.

On behalf of the Board, I wish to thank all employees for their loyalty, support and hard work throughout the period.

By Order of the Board
Byron Shu-Chan Ho
Director

Hong Kong, 30 August 2018

As at the date of this report, the executive directors of the Company are Messrs. Senta Wong, Edward Ying-Chun Tsui, Byron Shu-Chan Ho, Bengie Man-Hang Kwong, Vinci Wong and Victor Jui-Shum Chang; the non-executive directors are Messrs. Hamed Hassan El-Abd and Hsu Hung Chieh; and the independent non-executive directors are Messrs. Philip Wan-Chung Tse, Dr. Leung Kam Fong, Dr. Yip Wai Chun and Mr. Arnold Hin Lin Tse.

INTERESTS OF DIRECTORS

As at 30 June 2018, the interests or short positions of the Directors and chief executive 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 Companies, were as follows:

(I) The Company

Name	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total Interests	Total Interests as % of the issued share capital %	Underlying shares (share options)	Total Interests (including underlying shares) as % of the share capital %
Senta Wong	4,750,000	1,572,000	122,012,723 (Note 1)	207,800,000 (Note 2)	336,134,723	46.08	–	46.08
Edward Ying-Chun Tsui	7,577,920	–	–	–	7,577,920	1.04	–	1.04
Byron Shu-Chan Ho	3,470,000	360,000	–	–	3,830,000	0.53	–	0.53
Bengie Man-Hang Kwong	5,400,000	–	–	–	5,400,000	0.74	–	0.74
Vinci Wong	–	–	23,572,028 (Note 3)	207,800,000 (Note 4)	231,372,028	31.72	–	31.72
Victor Jui Shum Chang	–	154,000	23,572,028 (Note 5)	207,800,000 (Note 6)	231,526,028	31.74	–	31.74
Hamed Hassan El-Abd	3,000,000	–	–	–	3,000,000	0.41	–	0.41
Hsu Hung-Chieh	2,314,000	–	–	–	2,314,000	0.32	–	0.32
Leung Kam Fong	–	–	–	180,000 (Note 7)	180,000	0.02	–	0.02

(II) The Company's associated corporation – Taiwan Kong King Co., Ltd.

Name	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total Interests	Total Interests as % of the issued share capital %	Underlying shares (share options)	Total Interests (including underlying shares) as % of the share capital %
Hsu Hung-Chieh	178,615	4,716	–	–	183,331	0.51	–	0.51

Notes:

1. 122,012,723 shares were registered in the name of Wonder Luck International Limited, which was wholly owned by Senta Wong (BVI) Limited. The entire issued share capital of which was 50.25% owned by Mr. Senta Wong and 49.75% owned by his wife, Mrs. Wong Wu Lai Ming Lily. The references to 122,012,723 shares deemed to be interested by Mr. Senta Wong (as disclosed herein) and Senta Wong (BVI) Limited (as disclosed in the section headed "Interests of substantial shareholders") relate to the same block of shares.

2. 207,800,000 shares were registered in the name of Rewarding Limited, which was wholly owned by Greatfamily Inc. (which was in turn wholly owned by Greatguy (PTC) Inc. (formerly known as Greatguy Inc.)) for a discretionary trust, of which Mr. Senta Wong was regarded as the founder (by virtue of the SFO). The references to 207,800,000 shares deemed to be interested by Mr. Senta Wong (as disclosed herein), Mr. Vinci Wong and Mr. Victor Jui Shum Chang (as disclosed in Notes 4 and 6 below respectively), Greatfamily Inc. and Greatguy (PTC) Inc. (formerly known as Greatguy Inc.)) (as disclosed in the section headed "Interests of substantial shareholders") relate to the same block of shares.

3. 23,572,028 shares were held by Max Return Group Limited, of which Mr. Vinci Wong owns 33.33% shares. The references to these 23,572,028 shares deemed to be interested by Mr. Vinci Wong (as disclosed herein) and Mr. Victor Jui Shum Chang (as disclosed in Note 5 below) relate to the same block of shares.

4. Mr. Vinci Wong was deemed (by virtue of the SFO) to be interested in 207,800,000 shares in the Company by virtue of him being a beneficiary of a discretionary trust.

5. Mr. Victor Jui Shum Chang was deemed (by virtue of the SFO) to be interested in 23,572,028 shares in the Company, which were held by Max Return Group Limited, of which his spouse owns 33.33% shares.

6. Mr. Victor Jui Shum Chang was deemed (by virtue of the SFO) to be interested in 207,800,000 shares in the Company by virtue of his spouse being a beneficiary of a discretionary trust.

7. These 180,000 shares were jointly held by Dr. Leung Kam Fong and his spouse.

Certain Directors held qualifying shares in certain subsidiaries of the Group on trust for the Company or other subsidiaries of the Group.

Save as disclosed herein, as at 30 June 2018, none of the Directors of the Company or his 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 for Securities Transactions by Directors of Listed Companies.

DISCLOSURE OF INTERESTS

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

The Company has been notified that, as at 30 June 2018, the following persons (other than Directors or chief executive of the Company) 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 shares held	Percentage of total issued shares %
Greatfamily Inc.	Interest of controlled corporation (Note 1)	207,800,000	28.49%
Greatguy (PTC) Inc. (formerly known as "Greatguy Inc.")	Trustee (Note 1)	207,800,000	28.49%
Senta Wong (BVI) Limited	Interest of controlled corporation (Note 2)	122,012,723	16.73%
HSBC International Trustee Limited	Trustee	45,689,735	6.26%
Wong Chung Yin	Beneficial owner, interest of child or spouse and interest of controlled corporations (Note 3)	43,495,701	5.96%

Notes:

1. Please see Note 2 under the section headed "Interests of Directors".

2. Please see Note 1 under the section headed "Interests of Directors".

3. Mr. Wong Chung Yin was deemed (by virtue of the SFO) to be interested in 43,495,701 shares in the Company. These shares were held in the following capacity:

   (a) 2,000,000 shares were held by Mr. Wong Chung Yin personally.

   (b) 450 shares were held under the name of Ms. Woo Sin Ming, the wife of Mr. Wong Chung Yin.

   (c) 25,613,332 shares were held by Levy Investment Limited. The entire issued share capital of which was 100% owned by Mr. Wong Chung Yin.

   (d) 15,881,919 shares were jointly held by Mr. Wong Chung Yin and his wife, Ms. Woo Sin Ming.

Save as disclosed, 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 OPTION SCHEME

A share option scheme (the "Scheme") has been adopted by the shareholders of the Company on 22 June 2016. No option has been granted under the Scheme since its adoption date and up to 30 June 2018.

CORPORATE GOVERNANCE

The Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the six months ended 30 June 2018, with deviations as stated below:

Code Provision A.4.1

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

None of the existing Non-executive directors of the Company is appointed for a specific term. This constitutes a deviation from code provision A.4.1 of the CG Code. In accordance with the provisions of the Bye-laws of the Company, any Director appointed by the Board during the year shall retire and submit themselves for re-election at the next annual general meeting immediately following his/her appointment. Further, at each annual general meeting, one-third of the Directors for the time being, or if their number is not three or a multiple of three, then the number nearest to but not exceeding one-third, shall retire from office. The directors to retire by rotation shall be those who have been longest in office since their last re-election or appointment. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are similar to those in the CG Code.

Code Provision A.4.2

Code Provision A.4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

According to the Bye-laws of the Company, all Directors (except the Executive Chairman or Managing or Joint Managing Director) of the Company are subject to retirement by rotations and re-elections at the annual general meeting of the Company. This constitutes a deviation from the CG Code. As continuation is a key factor to the successful implementation of any long term business plans, the Board believes that the present arrangement is most beneficial to the Company and the shareholders as a whole.

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

During the six months ended 30 June 2018, the Company repurchased a total of 8,258,000 shares on the Hong Kong Stock Exchange at an aggregate consideration (before expenses) of HK$10,107,380. All the repurchased shares were cancelled during the six months ended 30 June 2018.

Particulars of the repurchases are as follows:

Month	Number of shares repurchased	Purchase price Highest (HK$)	Purchase price Lowest (HK$)	Aggregate consideration (before expenses) (HK$)
January	2,232,000	1.23	1.18	2,704,060
February	3,552,000	1.23	1.20	4,360,300
April	2,342,000	1.23	1.23	2,880,660
May	132,000	1.23	1.23	162,360
	8,258,000			10,107,380

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities during the six months ended 30 June 2018.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted a code of conduct regarding securities transactions by Directors on no less exacting than the terms and required standard contained in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code"). Having made specific enquiry of all the Directors, the Company had obtained confirmation from all the Directors that they have complied with the required standard set out in the Model Code and the code of conduct for securities transactions by Directors adopted by the Company throughout the six months ended 30 June 2018.

CHANGES IN THE INFORMATION OF DIRECTOR

Pursuant to Rule 13.51B(1) of the Listing Rules, change in the information of Director of the Company required to be disclosed is shown as follows:

Mr. Vinci Wong, an executive director of the Company, has been appointed as the Chairman of Tung Wah Group of Hospitals with effect from 1 April 2018. The term of office of the Chairman shall be one year from 1 April 2018 to 31 March 2019.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, risk management and internal control systems and financial reporting matters including a review of the unaudited condensed consolidated interim financial information for the six months ended 30 June 2018.

REVIEW OF FINANCIAL INFORMATION

The Company's auditor, PricewaterhouseCoopers, has also reviewed the unaudited condensed consolidated interim financial information for the six months ended 30 June 2018 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.