



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 2019





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 2019 as follows:

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

		Unaudited 2019	2018
	<i>Note</i>	HK\$'000	HK\$'000
Revenue	6	2,001,020	1,952,784
Other income		4,344	6,759
Changes in inventories of finished goods and work in progress		(35,164)	(30,032)
Raw materials and consumables used		(1,380,578)	(1,438,119)
Cost of stock of completed properties		(132,015)	–
Employee benefit expenses		(232,613)	(248,587)
Depreciation and amortisation charges	7	(34,209)	(29,902)
Other operating expenses	7	(96,842)	(98,607)
Change in fair value of investment properties	13	62,925	65,001
Other gains – net	8	5,431	8,183
Impairment losses on trade receivables	16	(287)	–
Operating profit		162,012	187,480
Finance income	9	9,342	5,156
Finance costs	9	(32,037)	(26,694)
Share of loss of an associate		(1,055)	(1,109)
Share of profits of joint ventures	15	123,071	562,471
Profit before income tax		261,333	727,304
Income tax expense	10	(15,009)	(20,992)
Profit after income tax		246,324	706,312
Profit attributable to owners of the Company		246,324	706,312
Non-controlling interests		–	–
		246,324	706,312
Dividends	11	16,747	19,139
Earnings per share attributable to owners of the Company during the period			
Basic	12	HK\$0.51	HK\$1.48
Diluted	12	HK\$0.51	HK\$1.48

The notes on pages 7 to 33 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 2019

	Unaudited	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period	246,324	706,312
Other comprehensive income:		
<i>Items that may be reclassified to profit or loss:</i>		
Cash flow hedge – fair value (losses)/gains for the period	(5,498)	9,418
Cash flow hedge – deferred income tax recognised	907	(1,554)
Currency translation differences		
– Group	(2,778)	(23,149)
– Associates	(76)	(10)
<i>Item that will not be reclassified subsequently to profit or loss:</i>		
Changes in fair value of financial assets at fair value through other comprehensive income	104	444
Other comprehensive loss for the period, net of tax	(7,341)	(14,851)
Total comprehensive income for the period	238,983	691,461
Attributable to:		
Owners of the Company	238,983	691,461
Non-controlling interests	–	–
Total comprehensive income for the period	238,983	691,461

The notes on pages 7 to 33 are an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	<i>Note</i>	Unaudited As at 30 June 2019 HK\$'000	Audited As at 31 December 2018 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	222,341	308,617
Investment properties	13	2,568,972	2,506,097
Right-of-use assets	14	96,490	–
Leasehold land and land use rights	13	–	16,831
Investments in associates		25,604	28,235
Interests in joint ventures	15	2,523,162	2,410,801
Financial assets at fair value through other comprehensive income		4,342	4,195
Deferred income tax assets		23,157	21,179
Deposits and other receivables		19,042	13,607
Restricted cash		26,421	14,652
		<u>5,509,531</u>	<u>5,324,214</u>
Current assets			
Inventories		410,948	500,926
Stock of completed properties		236,350	368,365
Trade receivables	16	858,956	942,014
Prepayments, deposits and other receivables		82,163	94,951
Financial assets at fair value through other comprehensive income		123	166
Amounts due from associates		14	11
Current income tax recoverable		1,558	520
Short-term bank deposits		539,127	500,395
Cash and cash equivalents		609,434	447,737
		<u>2,738,673</u>	<u>2,855,085</u>
Non-current assets classified as held for sale	17	–	88,383
		<u>2,738,673</u>	<u>2,943,468</u>
Total assets		<u><u>8,248,204</u></u>	<u><u>8,267,682</u></u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	20	47,848	47,848
Other reserves		507,467	504,948
Retained earnings			
– Dividends		16,747	26,317
– Others		4,460,554	4,241,072
		<u>5,032,616</u>	<u>4,820,185</u>
Non-controlling interests		<u>4</u>	<u>4</u>
Total equity		<u><u>5,032,620</u></u>	<u><u>4,820,189</u></u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

(continued)

		Unaudited As at 30 June 2019 <i>HK\$'000</i>	Audited As at 31 December 2018 <i>HK\$'000</i>
	<i>Note</i>		
LIABILITIES			
Non-current liabilities			
Derivative financial instruments		7,283	1,801
Accruals and other payables		17,730	11,381
Lease liabilities		7,292	–
Deferred income tax liabilities		71,855	98,671
Borrowings	19	1,310,940	1,422,432
		<u>1,415,100</u>	<u>1,534,285</u>
Current liabilities			
Trade payables	18	624,300	761,875
Accruals and other payables		212,332	227,398
Contract liabilities		125,812	129,993
Lease liabilities		12,066	–
Current income tax liabilities		85,501	55,191
Borrowings	19	740,473	738,751
		<u>1,800,484</u>	<u>1,913,208</u>
Total liabilities		<u>3,215,584</u>	<u>3,447,493</u>
Total equity and liabilities		<u>8,248,204</u>	<u>8,267,682</u>
Net current assets		<u>938,189</u>	<u>1,030,260</u>
Total assets less current liabilities		<u>6,447,720</u>	<u>6,354,474</u>

The notes on pages 7 to 33 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 2019

	Unaudited				
	Attributable to owners of the Company			Non-Controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000		
As at 1 January 2019	47,848	153,025	4,619,312	4	4,820,189
Effect on adoption of HKFRS 16 (Note 3)	-	-	(235)	-	(235)
	47,848	153,025	4,619,077	4	4,819,954
Comprehensive income					
Profit for the period	-	-	246,324	-	246,324
Other comprehensive income					
Currency translation differences	-	-	(2,854)	-	(2,854)
Changes in fair value of financial assets at fair value through other comprehensive income	-	-	104	-	104
Cash flow hedge – fair value losses for the period	-	-	(5,498)	-	(5,498)
Cash flow hedge – deferred income tax recognised	-	-	907	-	907
Total other comprehensive loss	-	-	(7,341)	-	(7,341)
Total comprehensive income	-	-	238,983	-	238,983
Transactions with owners					
Dividend paid to owners of the Company	-	-	(26,317)	-	(26,317)
Total transactions with owners	-	-	(26,317)	-	(26,317)
As at 30 June 2019	47,848	153,025	4,831,743	4	5,032,620
As at 1 January 2018	47,848	153,025	3,315,615	4	3,516,492
Comprehensive income					
Profit for the period	-	-	706,312	-	706,312
Other comprehensive income					
Currency translation differences	-	-	(23,159)	-	(23,159)
Changes in fair value of financial assets at fair value through other comprehensive income	-	-	444	-	444
Cash flow hedge – fair value gains for the period	-	-	9,418	-	9,418
Cash flow hedge – deferred income tax recognised	-	-	(1,554)	-	(1,554)
Total other comprehensive loss	-	-	(14,851)	-	(14,851)
Total comprehensive income	-	-	691,461	-	691,461
Transactions with owners					
Dividend paid to owners of the Company	-	-	(16,747)	-	(16,747)
Total transactions with owners	-	-	(16,747)	-	(16,747)
As at 30 June 2018	47,848	153,025	3,990,329	4	4,191,206

The notes on pages 7 to 33 are an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Unaudited For the six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Cash flows from operating activities		
Net cash generated from operating activities	252,722	102,220
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,645)	(16,055)
Proceeds from disposal of property, plant and equipment	193	866
Dividend received from an associate	1,500	2,000
Increase in amounts due from associates	(3)	–
Increase in short-term bank deposits	(40,347)	(51,765)
Increase in restricted cash	(11,769)	–
Proceeds from disposal of non-current assets classified as held for sale	88,383	–
Loans to joint ventures	–	(203,116)
Repayment from joint ventures	10,710	–
Interest received	9,342	5,156
Net cash generated from/(used in) investing activities	55,364	(262,914)
Cash flows from financing activities		
Increase in trust receipt bank loans – net	33,172	77,915
New bank loans	693,000	610,000
Repayment of bank loans	(835,942)	(408,144)
Payment of lease liabilities	(5,796)	–
Dividends paid	(26,317)	(16,747)
Net cash (used in)/generated from financing activities	(141,883)	263,024
Net increase in cash and cash equivalents	166,203	102,330
Cash and cash equivalents at beginning of the period	447,737	470,457
Currency translation differences	(4,506)	(9,721)
Cash and cash equivalents, end of the period	609,434	563,066
Analysis of cash and cash equivalents:		
Cash on hand	304	401
Cash at bank	609,130	562,665
Cash and cash equivalents, end of the period	609,434	563,066

The notes on pages 7 to 33 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 2019 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 2018, 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 2018, as described in those annual financial statements.

Amended standards adopted by the Group

The following new standard, amendments to standards and interpretation are mandatory for first time for the financial year beginning 1 January 2019:

Amendments to HKAS 12, HKAS 23, HKFRS 3 and HKFRS 11	Annual Improvements 2015-2017 Cycle
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments

The Group changes its accounting policies and made certain adjustment following the adoption of HKFRS 16 "Leases". The impact of the adoption of the leasing standard and the new accounting policies are disclosed in below. The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Amended standards adopted by the Group (continued)

Below explains the impact of the adoption of HKFRS 16 “Leases” on the Group’s financial statements and discloses the new accounting policies that have been applied from 1 January 2019.

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated statement of financial position on 1 January 2019.

(a) Adjustments recognised on the adoption of HKFRS 16

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as “operating leases” under the principles of HKAS 17 “Leases”. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.45%.

The table below explains the difference between operating lease commitments disclosed at 31 December 2018 by applying HKAS 17 and lease liabilities recognised at 1 January 2019 by applying HKFRS 16:

	<i>HK\$’000</i>
Operating lease commitments disclosed as at 31 December 2018	25,274
Less: short-term leases recognised on a straight-line basis as expense	<u>(494)</u>
Operating lease liabilities before discounting at 31 December 2018	24,780
Effect from discounting at incremental borrowing rate at 1 January 2019	<u>(1,139)</u>
Lease liabilities recognised as at 1 January 2019	<u><u>23,641</u></u>
Of which are:	
Current lease liabilities	10,969
Non-current lease liabilities	<u>12,672</u>
	<u><u>23,641</u></u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Amended standards adopted by the Group (continued)

(a) Adjustments recognised on the adoption of HKFRS 16 (continued)

The associated right-of-use assets were measured on a retrospective basis as if the new rules had always been applied. Right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

For leasehold land and land use rights previously presented as a separate item and leasehold land included in property, plant and equipment on consolidated statement of financial position are grouped as part of right-of-use assets with effect from 1 January 2019. The recognised right-of-use assets upon the adoption of HKFRS 16 are related to land and buildings.

The change in accounting policy affected the following items in the consolidated statement of financial position on 1 January 2019:

Statement of consolidated financial position (Extract)	31 December 2018		1 January 2019 As restated HK\$'000
	As previously reported HK\$'000	Effect of HKFRS 16 HK\$'000	
ASSETS			
Non-current assets			
Property, plant and equipment	308,617	(61,814)	246,803
Right-of-use assets	–	102,051	102,051
Leasehold land and land use rights	16,831	(16,831)	–
LIABILITIES			
Current liabilities			
Lease liabilities	–	10,969	10,969
Non-current liabilities			
Lease liabilities	–	12,672	12,672
EQUITY			
Retained earnings	4,267,389	(235)	4,267,154

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Amended standards adopted by the Group (continued)

(a) Adjustments recognised on the adoption of HKFRS 16 (continued)

(i) Impact on segment disclosure

Adjusted operating profit for the period ended 30 June 2019 and segment assets as at 30 June 2019 all increased as a result of the changes in accounting policies. The following segments were affected by the changes in the accounting policies:

	Increase in adjusted operating profit for the six months ended 30 June 2019 HK\$'000	Increase in segment assets as at 30 June 2019 HK\$'000
EMS division	339	18,982
Property holding division	—	—
	<u>339</u>	<u>18,982</u>

(ii) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than twelve months as at 1 January 2019 as short-term leases;
- the exemption of operating leases for which the underlying assets are of low value;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Amended standards adopted by the Group (continued)

(a) Adjustments recognised on the adoption of HKFRS 16 (continued)

(ii) *Practical expedients applied (continued)*

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 “Leases” and HK(IFRIC)-4 “Determining whether an Arrangement contains a Lease”.

(b) The Group’s leasing activities and how these are accounted for

As a lessee

The Group leases various factories, offices and warehouses. Rental contracts are typically made for fixed periods of one to three years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The Group also leases certain land use rights in Mainland China. These land use rights are leased for a period of between ten to fifty years on which plants and buildings of the Group are situated on. The lease agreements do not impose any covenants.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset’s useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Amended standards adopted by the Group (continued)

(b) The Group's leasing activities and how these are accounted for (continued)

As a lessee (continued)

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of twelve months or less. Low-value assets comprise IT-equipment and small items of office furniture.

As a lessor

The Group leases out its investment properties under non-cancellable operating lease arrangements. The lease terms are between one and three years. The Group has classified these leases as operating leases.

The accounting policies applicable to the Group as a lessor in the comparative period are not different from HKFRS 16. The Group is not required to make any adjustments on transition to HKFRS 16 for leases in which it acts as a lessor, except for a sub-lease. When the Group is an intermediate lessor, the sub-lease is classified with reference to the underlying asset.

The Group does not have sub-leases during the financial year of 2018. The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "revenue". The Group has accounted for its lease in accordance with HKFRS 16 from the date of initial application.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet applied by the Group

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2019 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to HKFRS 3 (Revised)	Definition of a Business	1 January 2020
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020
HKFRS 17	Insurance Contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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

4 ESTIMATES

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

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2018.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

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

The condensed consolidated interim financial information 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 2018.

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

There have been no changes in the risk management department since 31 December 2018.

5.2 Fair value estimation

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

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

The following table presents the Group's financial assets and liabilities that are measured at fair value at 30 June 2019.

	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	<u>146</u>	<u>-</u>	<u>4,319</u>	<u>4,465</u>
Liabilities				
Derivative financial instruments	<u>-</u>	<u>7,283</u>	<u>-</u>	<u>7,283</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

5.2 Fair value estimation (continued)

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2018.

	Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
Assets				
Financial assets at fair value through other comprehensive income	199	–	4,162	4,361
Liabilities				
Derivative financial instruments	–	1,801	–	1,801

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

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

5.3 Valuation techniques used to derive Level 2 fair values

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

5.4 Valuation techniques used to derive Level 3 fair values

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:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
At 1 January	4,162	2,500
Changes in fair value of financial assets at fair value through other comprehensive income	157	532
At 30 June	4,319	3,032

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

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
- Bank borrowings.

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 income, finance costs, share of loss of an associate and income tax expense but excludes corporate and unallocated expenses. Other information provided to the CODM is measured in a manner consistent with that in the Interim Financial Information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 SEGMENT INFORMATION (continued)

For the six months ended 30 June 2019	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	1,815,066	149,699	1,964,765
Revenue from other sources			
– Rental income	–	36,255	36,255
	<u>64,676</u>	<u>224,263</u>	<u>288,939</u>
Segment results			
Depreciation and amortisation charges	32,990	21	33,011
Share of profits of joint ventures	–	123,071	123,071
Change in fair value of investment properties	–	62,925	62,925
Capital expenditure	<u>2,645</u>	<u>–</u>	<u>2,645</u>
For the six months ended 30 June 2018	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	1,920,568	–	1,920,568
Revenue from other sources			
– Rental income	–	32,216	32,216
	<u>94,421</u>	<u>650,914</u>	<u>745,335</u>
Segment results			
Depreciation and amortisation charges	28,684	21	28,705
Share of profits of joint ventures	–	562,471	562,471
Change in fair value of investment properties	–	65,001	65,001
Capital expenditure	<u>16,055</u>	<u>–</u>	<u>16,055</u>

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>
As at 30 June 2019			
Segment assets	2,683,309	2,873,236	5,556,545
Interests in joint ventures	–	2,523,162	2,523,162
	<u>2,683,309</u>	<u>5,396,398</u>	<u>8,079,707</u>
Total reportable segment assets			
	<u>2,683,309</u>	<u>5,396,398</u>	<u>8,079,707</u>
As at 31 December 2018			
Segment assets	2,716,844	2,992,209	5,709,053
Interests in joint ventures	–	2,410,801	2,410,801
	<u>2,716,844</u>	<u>5,403,010</u>	<u>8,119,854</u>
Total reportable segment assets			
	<u>2,716,844</u>	<u>5,403,010</u>	<u>8,119,854</u>

Segment assets consist primarily of property, plant and equipment, investment properties, right-of-use assets, leasehold land and land use rights, interests in joint ventures, restricted cash, inventories, stock of completed properties, trade receivables, prepayments, deposits and other receivables, non-current assets classified as held for sale, 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, amounts due from associates, current income tax recoverable and corporate and unallocated assets.

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

	For the six months ended 30 June	
	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Reportable segment results	288,939	745,335
Other income	4,344	6,759
Other gains – net	5,431	8,183
Finance costs – net	(22,695)	(21,538)
Share of loss of an associate	(1,055)	(1,109)
Corporate and unallocated expenses	(13,631)	(10,326)
	<u>261,333</u>	<u>727,304</u>
Profit before income tax	261,333	727,304

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 SEGMENT INFORMATION (continued)

Reportable segments assets are reconciled to total assets as follows:

	As at 30 June 2019 <i>HK\$'000</i>	As at 31 December 2018 <i>HK\$'000</i>
Reportable segment assets	8,079,707	8,119,854
Investments in associates	25,604	28,235
Financial assets at fair value through other comprehensive income	4,465	4,361
Deferred income tax assets	23,157	21,179
Amounts due from associates	14	11
Current income tax recoverable	1,558	520
Corporate and unallocated assets	113,699	93,522
	<hr/>	<hr/>
Total assets per condensed consolidated statement of financial position	8,248,204	8,267,682
	<hr/> <hr/>	<hr/> <hr/>

Reconciliations of other material items are as follows:

	For the six months ended 30 June	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation and amortisation charges		
– Reportable segment total	33,011	28,705
– Corporate headquarters	1,198	1,197
	<hr/>	<hr/>
	34,209	29,902
	<hr/> <hr/>	<hr/> <hr/>
Capital expenditure		
– Reportable segment total	2,645	16,055
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 SEGMENT INFORMATION (continued)

The Company is domiciled in Bermuda. Analysis of the Group's revenue by geographical market, which is determined by the destination of the invoices billed, is as follows:

	For the six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
North America	480,449	461,167
Asia (excluding Hong Kong)	739,180	860,819
Europe	299,674	333,604
Hong Kong	481,717	297,194
	<u>2,001,020</u>	<u>1,952,784</u>

For the six months ended 30 June 2019, revenues of approximately HK\$666,032,000, HK\$219,096,000 and HK\$206,926,000 were derived from the top three external customers respectively. For the six months ended 30 June 2018, revenues of approximately HK\$656,345,000 and HK\$248,203,000 were derived from the top two external customers respectively. These customers individually account for 10 percent or more of the Group's revenue. These revenues are attributable to the EMS division.

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

	As at	As at
	30 June	31 December
	2019	2018
	HK\$'000	HK\$'000
North America	9	16
Asia (excluding Hong Kong)	296,735	283,515
Europe	23	33
Hong Kong	5,189,607	5,019,471
	<u>5,486,374</u>	<u>5,303,035</u>

Non-current assets comprise property, plant and equipment, investment properties, right-of-use assets, leasehold land and land use rights, 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 BEFORE INCOME TAX

Profit before income tax is analysed as follows:

	For the six months ended 30 June	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation of property, plant and equipment	27,152	29,589
Depreciation of right-of-use assets	7,057	–
Amortisation on leasehold land and land use rights	–	313
	<u>34,209</u>	<u>30,902</u>
Depreciation and amortisation charges	34,209	29,902
Operating lease rental in respect of land and buildings	1,693	7,062
Utility expense	11,196	12,926
Transportation	15,916	16,705
Chemicals and consumables	12,794	15,445
Others	55,243	46,469
	<u>96,842</u>	<u>98,607</u>
Other operating expenses	96,842	98,607
Impairment losses on trade receivables	287	–
	<u>287</u>	<u>–</u>
Impairment losses on trade receivables	287	–
Total	<u><u>131,338</u></u>	<u><u>128,509</u></u>

8 OTHER GAINS – NET

	For the six months ended 30 June	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gains/(losses) on financial instrument – net		
– Unrealised	16	119
– Realised	(18)	(82)
Gains on disposal of property, plant and equipment	129	104
Exchange gains – net	5,304	5,907
Gain on disposal of financial assets at fair value through profit or loss	–	2,135
	<u>5,431</u>	<u>8,183</u>
	<u><u>5,431</u></u>	<u><u>8,183</u></u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

9 FINANCE COSTS – NET

	For the six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Finance income		
– Interest income on short-term bank deposits	9,342	5,156
Finance costs		
– Interest expenses on bank borrowings	(30,418)	(23,794)
– Interest expenses on interest rate swap	(1,137)	(2,900)
– Interest expenses on lease liabilities	(482)	–
Total finance costs	(32,037)	(26,694)
Finance costs – net	(22,695)	(21,538)

10 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 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% (2018: 25%) on the estimated profits, except for Welco Technology (Suzhou) Limited ("WTSZ"), a wholly-owned subsidiary of the Company. WTSZ is eligible for preferential CIT Rate of 15% under the New and High Technology Enterprises status till 31 December 2020.

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

	For the six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Current income tax		
– Hong Kong profits tax	33,074	6,264
– Overseas taxation	11,020	13,767
(Over)/under-provision in prior periods		
– Current income tax	(1,144)	6
Deferred income tax	(27,941)	955
	15,009	20,992

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

11 DIVIDENDS

	For the six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Interim dividend – HK\$0.035 (2018: HK\$0.04) per share	<u>16,747</u>	<u>19,139</u>

On 22 August 2019, the Board has resolved to pay an interim dividend of HK\$0.035 per share (2018: HK\$0.04 per share) which is payable on Thursday, 26 September 2019 to the shareholders whose names appear on the Register of Members of the Company on Thursday, 12 September 2019. This interim dividend, amounting to HK\$16,747,000 (2018: HK\$19,139,000) has not been recognised as a liability in this Interim Financial Information. It will be recognised in shareholders' equity in the year ending 31 December 2019.

12 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	For the six months ended 30 June	
	2019	2018
Profit attributable to owners of the Company (HK\$'000)	<u>246,324</u>	<u>706,312</u>
Weighted average number of ordinary shares in issue (<i>in thousands</i>)	<u>478,484</u>	<u>478,484</u>
Basic earnings per share (HK\$)	<u>0.51</u>	<u>1.48</u>

(b) Diluted

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

13 CAPITAL EXPENDITURE

For the six months ended 30 June 2019	Property, plant and equipment <i>HK\$'000</i>	Investment properties <i>HK\$'000</i>	Leasehold land and land use rights <i>HK\$'000</i>
Opening net book amount as at 1 January 2019	308,617	2,506,097	16,831
Additions	2,645	–	–
Transfer to right-of-use assets upon adoption of HKFRS16	(61,814)	–	(16,831)
Fair value gains	–	62,925	–
Disposals	(64)	–	–
Depreciation/amortisation	(27,152)	–	–
Currency translation differences	109	(50)	–
Closing net book amount as at 30 June 2019	<u>222,341</u>	<u>2,568,972</u>	<u>–</u>
For the six months ended 30 June 2018			
Opening net book amount as at 1 January 2018	348,348	2,355,251	18,298
Additions	16,055	–	–
Transfer from stock of completed properties upon commencement of lease	–	1,350	–
Fair value gains	–	65,001	–
Disposals	(762)	–	–
Depreciation/amortisation	(29,589)	–	(313)
Currency translation differences	(2,554)	(273)	(208)
Closing net book amount as at 30 June 2018	<u>331,498</u>	<u>2,421,329</u>	<u>17,777</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

13 CAPITAL EXPENDITURE (continued)

The valuations of the investment properties at 30 June 2019 were carried out by an independent firm of surveyors, Roma Appraisals Limited, who is a fellow member of the Hong Kong Institute of Surveyors. The fair value measurement information for these investment properties in accordance with HKFRS 13 is given below.

	Fair value measurements		
	Quoted prices in active markets for identical assets (Level 1) <i>HK\$'000</i>	Significant other observable inputs (Level 2) <i>HK\$'000</i>	Significant unobservable inputs (Level 3) <i>HK\$'000</i>
As at 30 June 2019			
Recurring fair value measurements			
Investment properties	–	–	2,568,972
	<u>–</u>	<u>–</u>	<u>2,568,972</u>
As at 31 December 2018			
Recurring fair value measurements			
Investment properties	–	–	2,506,097
	<u>–</u>	<u>–</u>	<u>2,506,097</u>

There were no transfers among Level 1, Level 2 and 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 <i>HK\$'000</i>	Outside Hong Kong <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2019	2,483,800	22,297	2,506,097
Fair value gains	62,000	925	62,925
Currency translation differences	–	(50)	(50)
	<u>2,545,800</u>	<u>23,172</u>	<u>2,568,972</u>
Total unrealised gains for the period included in the condensed consolidated income statement for assets held at the end of the period, under “Change in fair value of investment properties”	<u>62,000</u>	<u>925</u>	<u>62,925</u>
At 1 January 2018	2,333,013	22,238	2,355,251
Transfer from stock of completed properties upon commencement of lease	1,350	–	1,350
Fair value gains	64,878	123	65,001
Currency translation differences	–	(273)	(273)
At 30 June 2018	<u>2,399,241</u>	<u>22,088</u>	<u>2,421,329</u>
Total unrealised gains for the period included in the condensed consolidated income statement for assets held at the end of the period, under “Change in fair value of investment properties”	<u>64,878</u>	<u>123</u>	<u>65,001</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 2019, certain bank borrowings are secured on right-of-use assets, building, investment properties, non-current assets classified as held for sale and stock of completed properties with a carrying amount of approximately HK\$2,855,234,000 (31 December 2018 HK\$3,014,751,000) (Note 19).

14 RIGHT-OF-USE ASSETS

The recognised right-of-use assets relate to the following types of assets:

	Leasehold land <i>HK\$'000</i>	Prepaid leasehold land <i>HK\$'000</i>	Land and buildings <i>HK\$'000</i>	Total <i>HK\$'000</i>
Opening net book amount at 1 January 2019	–	–	–	–
Effects of the adoption of HKFRS 16	61,814	16,831	23,406	102,051
Additions	–	–	1,451	1,451
Depreciation	(824)	(294)	(5,939)	(7,057)
Currency translation differences	–	(19)	64	45
Closing net book amount at 30 June 2019	<u>60,990</u>	<u>16,518</u>	<u>18,982</u>	<u>96,490</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

15 INTERESTS IN JOINT VENTURES

	As at 30 June 2019 <i>HK\$'000</i>	As at 31 December 2018 <i>HK\$'000</i>
Share of net assets	1,356,360	1,233,289
Loans to joint ventures	<u>1,166,802</u>	<u>1,177,512</u>
	<u>2,523,162</u>	<u>2,410,801</u>

Movements in share of net assets is analysed as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
At 1 January	1,233,289	231,309
Share of profits of joint ventures	<u>123,071</u>	<u>562,471</u>
At 30 June	<u>1,356,360</u>	<u>793,780</u>

Share of profits of joint ventures included the share of fair value gains of investment properties owned by the joint ventures of approximately HK\$127,531,000 (2018: HK\$667,575,000).

As at 30 June 2019, the Group had interests in the following principal joint ventures, which are unlisted:

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

16 TRADE RECEIVABLES

	As at 30 June 2019 <i>HK\$'000</i>	As at 31 December 2018 <i>HK\$'000</i>
Trade receivables	861,109	943,880
Less: allowance for impairment of trade receivables	<u>(2,153)</u>	<u>(1,866)</u>
	<u>858,956</u>	<u>942,014</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 2019 <i>HK\$'000</i>	As at 31 December 2018 <i>HK\$'000</i>
0 – 60 days	528,782	614,518
61 – 90 days	169,165	186,539
Over 90 days	<u>163,162</u>	<u>142,823</u>
	<u>861,109</u>	<u>943,880</u>

The movements on the Group's allowance for impairment of trade receivables are as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
At 1 January	1,866	–
Impairment losses recognised	<u>287</u>	<u>–</u>
At 30 June	<u>2,153</u>	<u>–</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 2019.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

17 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	As at 30 June 2019 HK\$'000	As at 31 December 2018 HK\$'000
Assets classified as held for sale		
– Investment properties	–	88,383
	<u>–</u>	<u>88,383</u>

On 24 December 2018, the Group entered into a provisional sale and purchase agreement with a third party purchaser whereby, the purchaser agreed to purchase certain investment properties and stock of completed properties at the consideration of HK\$88,383,000 and HK\$149,699,000 respectively. The transaction was completed during this interim period.

18 TRADE PAYABLES

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

	As at 30 June 2019 HK\$'000	As at 31 December 2018 HK\$'000
0 – 60 days	488,645	612,395
61 – 90 days	97,921	98,102
Over 90 days	37,734	51,378
	<u>624,300</u>	<u>761,875</u>

The carrying amounts of the Group's trade payables approximated their fair values as at 30 June 2019.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

19 BORROWINGS

	As at 30 June 2019 <i>HK\$'000</i>	As at 31 December 2018 <i>HK\$'000</i>
Trust receipt bank loans, unsecured	340,589	307,417
Short-term bank loans, unsecured	300,000	328,000
Portion of long-term loans due for repayment within one year, secured	92,984	92,984
Portion of long-term loans due for repayment after one year, secured	1,310,940	1,422,432
Portion of a mortgage loan from bank due for repayment within one year	6,900	6,900
Portion of a mortgage loan from bank due for repayment after one year which contains a repayment on demand clause	—	3,450
Total borrowings	<u>2,051,413</u>	<u>2,161,183</u>
Non-current	1,310,940	1,422,432
Current	<u>740,473</u>	<u>738,751</u>
Total borrowings	<u>2,051,413</u>	<u>2,161,183</u>

As at 30 June 2019, mortgage loan of approximately HK\$6,900,000 (31 December 2018: HK\$10,350,000) was secured by the building with a carrying amount of HK\$21,794,000 (31 December 2018: land and buildings of HK\$83,903,000) and right-of-use assets with a carrying amount of HK\$60,990,000 (31 December 2018: Nil).

As at 30 June 2019, the long-term bank loans of HK\$1,403,924,000 (31 December 2018: HK\$1,515,416,000) were secured by the following:

- Charges over investment properties with carrying amount of approximately HK\$2,536,100,000 and stock of completed properties with carrying amount of approximately HK\$236,350,000. As at 31 December 2018, charges over investment properties with carrying amount of approximately HK\$2,474,100,000, stock of completed properties with carrying amount of approximately HK\$368,365,000 and non-current assets classified as held for sale with carrying amount of approximately HK\$88,383,000.
- A share charge over the Group's entire interest in Talent Chain Investments Limited, a joint venture of the Group.
- A guarantee limited to HK\$760,000,000 from Easywise Limited, an indirect wholly-owned subsidiary of the Company.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

20 SHARE CAPITAL

	Number of shares	Nominal value <i>HK\$'000</i>
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1 January 2018 and 30 June 2018	700,000,000	70,000
At 1 January 2019 and 30 June 2019	700,000,000	70,000
Issued and fully paid:		
At 1 January 2018 and 30 June 2018	478,483,794	47,848
At 1 January 2019 and 30 June 2019	478,483,794	47,848

21 COMMITMENTS

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

	As at 30 June 2019 <i>HK\$'000</i>	As at 31 December 2018 <i>HK\$'000</i>
Contracted but not provided for	3,404	1,569

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

	As at 30 June 2019 <i>HK\$'000</i>	As at 31 December 2018 <i>HK\$'000</i>
Within one year	357	12,272
In the second to fifth year inclusive	–	13,002
	357	25,274

The payments represent short-term leases under HKFRS16.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

21 COMMITMENTS (continued)

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

	As at 30 June 2019 <i>HK\$'000</i>	As at 31 December 2018 <i>HK\$'000</i>
Within one year	58,282	61,711
In the second to fifth year inclusive	50,390	83,849
	<u>108,672</u>	<u>145,560</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 (2018: 2.3 years).

22 RELATED PARTY TRANSACTIONS

As at 30 June 2019, the largest shareholder of the Company was Mr. Wong Chung Mat, Ben (personally and via Salop Investment Limited, a company wholly-owned and controlled by him).

(a) Balances with related parties

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

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

(b) Key management compensation

	For the six months ended 30 June	
	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Salaries and allowances	8,376	8,017
Bonus	6,488	2,165
Pension costs		
– defined contribution schemes	24	27
	<u>14,888</u>	<u>10,209</u>

INTERIM DIVIDEND

On 22 August 2019, the Board has resolved to pay an interim dividend of HK\$0.035 per share (2018: HK\$0.04 per share) which is payable on Thursday, 26 September 2019 to the shareholders whose names appear on the Register of Members of the Company on Thursday, 12 September 2019.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 10 September 2019 to Thursday, 12 September 2019, 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, 9 September 2019.

REVIEW OF BUSINESS ACTIVITIES

Review of Results

The profit attributable to owners of the Company for the six months ended 30 June 2019 amounted to HK\$246.3 million, as compared to HK\$706.3 million for the corresponding period last year. The significant decrease was mainly due to decrease in share of profits of joint ventures in the sum of HK\$439.4 million. Earnings per share for the six months were HK\$0.51 as compared to HK\$1.48 for the corresponding period last year.

The Group's revenue for the six months ended 30 June 2019 was HK\$2,001.0 million, as compared to HK\$1,952.8 million for the corresponding period last year. Operating profit for the six months ended 30 June 2019 was HK\$162.0 million or 8.1% of revenue, as compared to HK\$187.5 million or 9.6% of revenue for the corresponding period last year. The decrease in operating profit was driven by reduction in demand as a result of the current trade tension between Mainland China and the US.

Electronic Manufacturing Service ("EMS") Division

Revenue for the EMS Division for the six months ended 30 June 2019 was HK\$1,815.1 million, as compared to HK\$1,920.6 million for the corresponding period last year. The segment profit attributable to the EMS Division was HK\$64.7 million, a 31.5% decrease as compared to HK\$94.4 million for the corresponding period last year. The decrease in the segment net profit was attributable to reduction in demand as a result of the current trade tension between Mainland China and the US.

REVIEW OF BUSINESS ACTIVITIES (continued)

Property Holding Division

The Property Holding Division reported revenue of HK\$186.0 million, as compared to HK\$32.2 million for the corresponding period last year. The segment profit for the period was HK\$224.3 million as compared to HK\$650.9 million for the corresponding period last year. The decrease was mainly attributable to decrease in share of profit of joint ventures, which mainly comprised of one-off fair value gains between the “development cost” and the “current market value” arising from the leased portion reclassified from stock of completed properties to investment properties.

On 24 December 2018, the Group entered into a provisional sale and purchase agreement with a third party purchaser whereby, the Group agreed to sell 6/F of One Harbour Square at the consideration of HK\$238,082,000. The transaction was completed during this interim period.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2019, the Group had a total of HK\$3,146.6 million of banking facilities. Total bank borrowings were HK\$2,051.4 million (2018 December: HK\$2,161.2 million). Cash and cash equivalents and short-term bank deposits were HK\$1,148.6 million at 30 June 2019 (2018 December: HK\$948.1 million). Cash flow generated from operations for the period was HK\$252.8 million.

As at 30 June 2019, the Group had net bank borrowings of HK\$902.8 million, as compared to HK\$1,213.1 million at 31 December 2018. 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 2019 is 0.18 (2018 December: 0.25). The net gearing ratio was calculated as net debt divided by total equity. Net debt is calculated as total borrowings less cash and cash equivalents and short-term bank deposits.

FOREIGN EXCHANGE AND RISK MANAGEMENT

Most of the Group’s sales are conducted in United States dollars and costs and expenses are mainly in United States dollars, Hong Kong dollars, Japanese Yen and Chinese Renminbi. 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 2018 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 2019, the Group employed approximately 3,787 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

The ongoing Sino-US trade dispute has remained unresolved and no accord is in sight. Increased tariffs coupled with continued uncertainty have adversely affected the demand for the Group's products. Based on current sales orders on hand and forecasts from customers, barring unforeseen circumstances, the Company expects that the result of the EMS business in the second half of 2019 will be lower compared to the corresponding period of 2018. In view of the current situation, the Company is in the process of establishing a manufacturing facility in Hai Duong Province, Vietnam to mainly cater for the needs of US customers, and the facility targets to start small volume production by end of the first quarter of 2020. In the meantime, the Company will continue its efforts to expand customer base, control costs and enhance operating efficiency. It will also endeavor to provide customers with value added services including product design and technology services in order to attract customers.

Most floors of Two Harbour Square, owned by a joint venture between the Company and Sun Hung Kai Properties Limited, and the portion of One Harbour Square owned by the Company have been leased out, and they will provide the Group with a steady source of rental income.

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

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

As at 30 June 2019, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long positions in shares of the Company

Name of Directors	Capacity	Number of ordinary shares	Approximate percentage of the issued shares
Wong Chung Mat, Ben	Beneficial owner and interest of controlled corporation (<i>Note</i>)	136,828,569	28.60%
Wong Yin Man, Ada	Beneficial owner	1,000,000	0.21%
Chan Tsze Wah, Gabriel	Beneficial owner	1,837,500	0.38%
Wan Man Keung	Beneficial owner	1,000,000	0.21%
Yu Sun Say	Beneficial owner	500,000	0.10%

Note:

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

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

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES (continued)

Long positions in shares of the Company (continued)

Save as disclosed herein, as at 30 June 2019, 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 2019, persons (other than the Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Long positions in shares of the Company

Name of substantial shareholders	Capacity	Number of ordinary shares	Approximate percentage of the issued shares
Salop Investment Limited	Beneficial owner (<i>Note 1</i>)	135,828,569	28.39%
HSBC International Trustee Limited	Trustee (<i>Note 2</i>)	119,307,699	24.93%
Wong Chung Ah, Johnny	Beneficial owner, interest of spouse and founder of a discretionary trust (<i>Note 3</i>)	90,163,532	18.84%
Kong King International Limited	Beneficial owner (<i>Note 3(c)</i>)	87,928,532	18.38%
Mountainview International Limited	Trustee (<i>Note 3(c)</i>)	87,928,532	18.38%
Wong Chung Yin, Michael	Beneficial owner, joint interest and interest of controlled corporation (<i>Note 4</i>)	78,658,001	16.44%
Woo Sin Ming	Joint interest and interest of spouse (<i>Note 4</i>)	78,658,001	16.44%

INTERESTS OF SUBSTANTIAL SHAREHOLDERS (continued)

Long positions in shares of the Company (continued)

Name of substantial shareholders	Capacity	Number of ordinary shares	Approximate percentage of the issued shares
Levy Investment Limited	Beneficial owner (<i>Note 4(c)</i>)	45,820,212	9.58%
Wong Chung Yan, Claudia	Beneficial owner and interest of controlled corporation (<i>Note 5</i>)	38,320,881	8.01%
Floral Inc.	Beneficial owner (<i>Note 5(b)</i>)	35,073,052	7.33%
Everitt, Chung Chui	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%

Notes:

1. Salop Investment Limited was a company wholly-owned and controlled by Mr. Wong Chung Mat, Ben. Please refer to the Note under the section headed “Interests of Directors and chief executives”.
2. HSBC International Trustee Limited was deemed (by virtue of the SFO) to be interested in 119,307,699 shares in the Company. These shares were held in the following capacity:
 - (a) 87,928,532 shares were held by Kong King International Limited under a discretionary trust, of which HSBC International Trustee Limited was the trustee. Please refer to Note 3(c) below.
 - (b) 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 90,163,532 shares in the Company. These shares were held in the following capacity:
 - (a) 1,000,000 shares were held by Mr. Wong Chung Ah, Johnny personally.
 - (b) 1,235,000 shares were held by Ms. Luk Kit Ching, wife of Mr. Wong Chung Ah, Johnny.
 - (c) 87,928,532 shares were held by Kong King International Limited under a discretionary trust, of which Mr. Wong Chung Ah, Johnny was regarded as the founder (by virtue of the SFO) and HSBC International Trustee Limited was the trustee. Kong King International Limited was wholly-owned by Mountainview International Limited, which was wholly-owned by HSBC International Trustee Limited. Each of Mr. Wong Chung Ah, Johnny, Kong King International Limited, Mountainview International Limited and HSBC International Trustee Limited was deemed to be interested in the same block of 87,928,532 shares. Please refer to Note 2(a) above.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS (continued)

Long positions in shares of the Company (continued)

Notes: (continued)

4. Mr. Wong Chung Yin, Michael and his wife, Ms. Woo Sin Ming, were deemed (by virtue of the SFO) to be interested in the same block of 78,658,001 shares in the Company. These shares were held in the following capacity:
 - (a) 4,449,829 shares were held by Mr. Wong Chung Yin, Michael personally.
 - (b) 28,387,960 shares were held by Mr. Wong Chung Yin, Michael and Ms. Woo Sin Ming jointly.
 - (c) 45,820,212 shares were held by Levy Investment Limited, which was wholly-owned and controlled by Mr. Wong Chung Yin, Michael. Each of Mr. Wong Chung Yin, Michael, Ms. Woo Sin Ming and Levy Investment Limited was deemed to be interested in the same block of 45,820,212 shares.
5. Ms. Wong Chung Yan, Claudia was deemed (by virtue of the SFO) to be interested in 38,320,881 shares in the Company. These shares were held in the following capacity:
 - (a) 3,247,829 shares were held by Ms. Wong Chung Yan, Claudia personally.
 - (b) 35,073,052 shares were held by Floral Inc., which was wholly-owned and controlled by Ms. Wong Chung Yan, Claudia. Each of Ms. Wong Chung Yan, Claudia and Floral Inc. was deemed to be interested in the same block of 35,073,052 shares.
6. Mrs. Everitt, Chung Chui was deemed (by virtue of the SFO) to be interested in 31,379,167 shares in the Company 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 2019, had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

SHARE OPTIONS

The Company has adopted a share option scheme (the “Scheme”) on 2 June 2010. No option has been granted under the Scheme since its adoption date and up to 30 June 2019.

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

During the six months ended 30 June 2019, 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 2019, the Company has complied with the code provisions under the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), except for the following deviations:

Code provision A.2.1

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

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

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

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 2019.

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

Ms. Wong Yin Man, Ada, Executive Director of the Company, was appointed as a member of the Enterprise Support Scheme Assessment Panel under the Innovation and Technology Fund on 1 July 2019.

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 2019.

By order of the Board

WONG CHUNG MAT, BEN

Chairman and Chief Executive Officer

Hong Kong, 22 August 2019

BOARD OF DIRECTORS

Executive Directors:

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

Independent Non-executive Directors:

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