

# WKK

**WONG'S KONG KING INTERNATIONAL (HOLDINGS) LIMITED**

(Incorporated in Bermuda with limited liability)

(Stock Code: 0532)



**INTERIM REPORT 2019**

# REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

## TO THE BOARD OF DIRECTORS OF WONG'S KONG KING INTERNATIONAL (HOLDINGS) LIMITED

*(incorporated in Bermuda with limited liability)*

### Introduction

We have reviewed the interim financial information set out on pages 3 to 34, which comprises the interim condensed consolidated balance sheet of Wong's Kong King International (Holdings) Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2019 and the interim condensed consolidated income statement, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of 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 of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 27 August 2019

## INTERIM REPORT

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 2019 together with comparative figures for the corresponding period in 2018 are as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Note	Six months ended 30 June	
		2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Revenue	8	2,513,867	2,532,766
Other gains, net		2,914	1,255
Raw materials and consumables used		(1,419,613)	(1,307,157)
Purchases of finished goods		(537,842)	(718,294)
Changes in inventories of finished goods and work in progress		(17,762)	53,291
Employee benefit expenses		(338,667)	(338,997)
Depreciation and amortisation		(34,036)	(26,930)
Net write-back of impairment loss on financial assets		3,593	845
Other expenses		(116,719)	(140,833)
<b>Operating profit</b>		<b>55,735</b>	<b>55,946</b>
Finance income	9	1,791	1,645
Finance costs	9	(14,979)	(8,902)
Finance costs, net	9	(13,188)	(7,257)
Share of profit of a joint venture		1,018	512
<b>Profit before income tax</b>	<b>7</b>	<b>43,565</b>	<b>49,201</b>
Income tax expense	10	(16,036)	(13,731)
<b>Profit for the period</b>		<b>27,529</b>	<b>35,470</b>
<b>Attributable to:</b>			
Owners of the Company		23,217	32,614
Non-controlling interests		4,312	2,856
		<b>27,529</b>	<b>35,470</b>
<b>Earnings per share for profit attributable to the owners of the Company during the period (expressed in HK cents per share)</b>	<b>11</b>		
- basic		3.18	4.44
- diluted		3.18	4.44

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

## INTERIM REPORT

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Profit for the period	27,529	35,470
<b>Other comprehensive loss:</b>		
<i>Item that will not be reclassified to profit or loss</i>		
Fair value losses on equity investments at fair value through other comprehensive income, net of tax	(373)	(86)
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	(5,333)	(14,730)
<b>Total comprehensive income for the period</b>	<b>21,823</b>	20,654
<b>Attributable to:</b>		
Owners of the Company	18,730	19,239
Non-controlling interests	3,093	1,415
	<b>21,823</b>	20,654

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

## INTERIM REPORT

### CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2019

		30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Land use rights		–	12,223
Property, plant and equipment	12	478,056	488,550
Right-of-use assets	4	56,705	–
Deposits and prepayments		7,381	7,969
Intangible assets		517	566
Interests in joint ventures		3,360	2,343
Deferred tax assets		8,038	7,361
Financial assets at fair value through other comprehensive income	13	58,429	57,597
Financial assets at fair value through profit or loss		3,922	3,632
Club membership and debentures		14,472	14,422
<b>Total non-current assets</b>		<b>630,880</b>	594,663
<b>Current assets</b>			
Inventories		988,200	972,182
Trade and other receivables	15	1,498,305	1,538,210
Contract assets		49,267	25,334
Deposits and prepayments		53,618	83,144
Tax recoverable		1,812	2,420
Derivative financial instruments		31	5
Short-term time deposits		50,606	71,027
Cash and cash equivalents		270,905	248,923
<b>Total current assets</b>		<b>2,912,744</b>	2,941,245
<b>Total assets</b>		<b>3,543,624</b>	3,535,908
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Obligations under finance leases – due after one year		6	49
Lease liabilities		25,754	–
Provision for assets retirement obligations		1,710	1,710
Retirement benefit obligations		7,459	7,612
<b>Total non-current liabilities</b>		<b>34,929</b>	9,371

## INTERIM REPORT

### CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

AT 30 JUNE 2019

	Note	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
<b>Current liabilities</b>			
Trade, bills and other payables	16	964,225	882,224
Contract liabilities		57,733	75,017
Current income tax liabilities		15,283	20,789
Bank borrowings			
– due within one year	19	798,042	876,307
Lease liabilities		19,425	–
Obligations under finance leases			
– due within one year		5	35
Derivative financial instruments		290	–
<b>Total current liabilities</b>		<b>1,855,003</b>	1,854,372
<b>Total liabilities</b>		<b>1,889,932</b>	1,863,743
<b>EQUITY</b>			
<b>Capital and reserves attributable to owners of the Company</b>			
Share capital	17	72,945	72,945
Reserves		1,511,804	1,529,332
		<b>1,584,749</b>	1,602,277
Non-controlling interests		68,943	69,888
<b>Total equity</b>		<b>1,653,692</b>	1,672,165
<b>Total equity and liabilities</b>		<b>3,543,624</b>	3,535,908

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 34 were approved by the Board of Directors on 27 August 2019 and were signed on its behalf.

**Senta Wong**  
Director

**Byron Shu-Chan Ho**  
Director

# INTERIM REPORT

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2019

	(Unaudited)											Non-controlling interests	Total equity
	Attributable to owners of the Company												
	Share capital	Share premium	Capital redemption reserve	Contributed surplus	Special reserve	Financial assets at fair value through other comprehensive income revaluation reserve	Translation reserve	Share option reserve	Capital reserve	Retained earnings	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 31 December 2018 and 1 January 2019	72,945	70,892	1,610	26,624	7,038	19,434	(13,083)	-	(270)	1,417,047	1,602,277	69,888	1,672,165
<b>Comprehensive income</b>													
Profit for the period	-	-	-	-	-	-	-	-	-	23,217	23,217	4,312	27,529
<b>Other comprehensive loss</b>													
Fair value losses on equity investments at fair value through other comprehensive income, net of tax	-	-	-	-	-	(252)	-	-	-	-	(252)	(121)	(373)
Currency translation differences	-	-	-	-	-	-	(4,235)	-	-	-	(4,235)	(1,098)	(5,333)
<b>Total comprehensive income for the period ended 30 June 2019</b>	-	-	-	-	-	(252)	(4,235)	-	-	23,217	18,730	3,089	21,823
<b>Transactions with owners</b>													
Dividends payable to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(4,038)	(4,038)
2018 final dividend	-	-	-	-	-	-	-	-	-	(36,472)	(36,472)	-	(36,472)
Transfer from retained earnings to special reserve	-	-	-	-	2,100	-	-	-	-	(2,100)	-	-	-
Employee share schemes - value of employee services	-	-	-	-	-	-	-	214	-	-	214	-	214
<b>Balance at 30 June 2019</b>	<b>72,945</b>	<b>70,892</b>	<b>1,610</b>	<b>26,624</b>	<b>9,138</b>	<b>19,182</b>	<b>(17,318)</b>	<b>214</b>	<b>(270)</b>	<b>1,401,692</b>	<b>1,594,749</b>	<b>68,943</b>	<b>1,653,692</b>

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



# INTERIM REPORT

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED) FOR THE SIX MONTHS ENDED 30 JUNE 2019

	(Unaudited)											Non- controlling interests	Total equity
	Attributable to owners of the Company												
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Special 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		
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	
<b>Comprehensive income</b>													
Profit for the period	-	-	-	-	-	-	-	-	32,614	32,614	2,856	35,470	
<b>Other comprehensive income</b>													
Fair value losses on equity investments at fair value through other comprehensive income, net of tax	-	-	-	-	-	(58)	-	-	-	(50)	(28)	(86)	
Currency translation differences	-	-	-	-	-	-	(13,317)	-	-	(13,317)	(1,413)	(14,730)	
<b>Total comprehensive income for the period ended 30 June 2018</b>	-	-	-	-	-	(58)	(13,317)	-	32,614	19,289	1,415	20,654	
<b>Transactions with owners</b>													
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	1,561,540	69,202	1,630,750	

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

## INTERIM REPORT

### CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH FROM/(USED IN)		
OPERATING ACTIVITIES	109,851	(193,205)
NET CASH FROM/(USED IN)		
INVESTING ACTIVITIES	6,069	(11,390)
NET CASH (USED IN)/FROM		
FINANCING ACTIVITIES	(92,672)	200,799
NET INCREASE/(DECREASE)		
IN CASH AND CASH EQUIVALENTS	23,248	(3,796)
CASH AND CASH EQUIVALENTS		
AT BEGINNING OF PERIOD	248,923	536,568
EFFECT OF FOREIGN EXCHANGE		
RATE CHANGES	(1,266)	(5,555)
CASH AND CASH EQUIVALENTS		
AT END OF PERIOD	270,905	527,217
ANALYSIS OF CASH		
AND CASH EQUIVALENTS		
Bank balances and cash		
(excluding short-term time deposits)	270,905	527,217

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

# INTERIM REPORT

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

*For the six months ended 30 June 2019*

### 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 is 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 2019 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 2018.

### 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 2018 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 2019.

#### **New and amended standards adopted by the Group**

The following new and revised standards and a new interpretation were required to be adopted by the Group effective from 1 January 2019:

HKFRSs (Amendment)	Annual Improvements to HKFRSs 2015-2017 Cycle
HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
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

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

## INTERIM REPORT

### 4. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's unaudited condensed consolidated interim financial information and also discloses the new accounting policies that have been applied from 1 January 2019, where they are different to those applied in prior periods.

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 balance sheet on 1 January 2019.

#### (a) Adjustments recognised on 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 2.72%.

## INTERIM REPORT

### 4. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

#### (a) Adjustments recognised on adoption of HKFRS 16 (Continued)

	HK\$'000
Operating lease commitments disclosed as at 31 December 2018	57,767
Discounted using the lessee's incremental borrowing rate of at the date of initial application	55,657
Less: short-term leases recognised on a straight-line basis as expense	(2,264)
<hr/>	
Lease liabilities recognised as at 1 January 2019	53,393
Of which are:	
Current lease liabilities	18,585
Non-current lease liabilities	34,808
<hr/>	
	53,393
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The associated right-of-use assets for property leases were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated balance sheet 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. The Group had also reclassified the long-term lease of land from land use rights to right-of-use assets upon adoption of HKFRS 16.

The recognised right-of-use assets relate to property lease and land amounted to HK\$64,840,000 as at 1 January 2019 and HK\$56,705,000 as at 30 June 2019.

## INTERIM REPORT

### 4. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

#### (a) Adjustments recognised on adoption of HKFRS 16 (Continued)

The change in accounting policy affected the following items in the condensed consolidated balance sheet on 1 January 2019:

Consolidated balance sheet (extract)	31 December 2018		1 January 2019
	As originally presented HK\$'000	HKFRS 16 HK\$'000	Restated HK\$'000
<b>Non-current assets</b>			
Land use rights	12,223	(12,223)	-
Right-of-use assets	-	64,840	64,840
<b>Current assets</b>			
Deposits and prepayments	83,144	(46)	83,098
<b>Current liabilities</b>			
Trade, bills and other payables	882,224	(822)	881,402
Lease liabilities	-	18,585	18,585
<b>Non-current liabilities</b>			
Lease liabilities	-	34,808	34,808

There is no significant impact on retained earnings on 1 January 2019.

### 4. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

#### (a) Adjustments recognised on adoption of HKFRS 16 (Continued)

##### (i) 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 single discount rate to a portfolio of leases with reasonably similar characteristics
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short term leases
- 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.

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.



## INTERIM REPORT

### 4. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

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

The Group leases various offices and warehouses. Rental contracts are typically made for fixed periods of 1 to 3 years but may have extension options as described in (i) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of offices and warehouses were classified as operating leases. Payments under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use assets and corresponding liabilities at the date at which the leased assets are available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss 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 fixed payment (including in-substance fixed payments), less any lease incentive receivable.

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.

### 4. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

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

Right-of-use assets are measured at the 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 recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

#### (i) Extension options

Extension options are included in a number of property leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor. No lease payments made for the six months ended 30 June 2019 were optional.

Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create and economic incentive to exercise an extension option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The assessment will be reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

## INTERIM REPORT

### 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 2018.

### 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 2018.

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

#### (b) 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)

#### (b) 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.

#### (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.

## INTERIM REPORT

### 6. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

#### (b) Fair value estimation (Continued)

##### (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.

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 which 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 2019 is as follows:

	Trading HK\$'000	Manufacturing HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<b>Revenue</b>					
External sales	929,148	1,571,665	13,054	-	2,513,867
Inter-segment sales	160,604	1,567	19,591	(181,762)	-
<b>Total</b>	<b>1,089,752</b>	<b>1,573,232</b>	<b>32,645</b>	<b>(181,762)</b>	<b>2,513,867</b>
<b>Timing of revenue recognition</b>					
At a point in time	1,065,252	1,573,232	32,160	(176,312)	2,494,332
Over time	24,500	-	485	(5,450)	19,535
	1,089,752	1,573,232	32,645	(181,762)	2,513,867
<b>Results</b>					
Segment results	18,158	45,245	(7,673)	5	55,735
Finance income	1,532	252	7	-	1,791
Finance costs	(2,778)	(11,829)	(372)	-	(14,979)
	16,912	33,668	(8,038)	5	42,547
Share of profit of a joint venture					1,018
Profit before income tax					43,565

## INTERIM REPORT

### 7. SEGMENT INFORMATION (CONTINUED)

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
<b>Revenue</b>					
External sales	1,111,965	1,408,053	12,748	-	2,532,766
Inter-segment sales	160,026	1,681	7,490	(169,197)	-
<b>Total</b>	<b>1,271,991</b>	<b>1,409,734</b>	<b>20,238</b>	<b>(169,197)</b>	<b>2,532,766</b>
<b>Timing of revenue recognition</b>					
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
<b>Results</b>					
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
<b>Profit before income tax</b>					<b>49,201</b>

## INTERIM REPORT

### 7. SEGMENT INFORMATION (CONTINUED)

The segment assets and liabilities as at 30 June 2019 are as follows:

	Trading HK\$'000	Manufacturing HK\$'000	Others HK\$'000	Consolidated HK\$'000
<b>Assets</b>				
Segment assets	1,182,610	2,201,751	159,263	3,543,624
<b>Liabilities</b>				
Segment liabilities	521,090	1,325,962	42,880	1,889,932

The segment assets and liabilities as at 31 December 2018 are as follows:

	Trading HK\$'000	Manufacturing HK\$'000	Others HK\$'000	Consolidated HK\$'000
<b>Assets</b>				
Segment assets	1,187,174	2,208,501	140,233	3,535,908
<b>Liabilities</b>				
Segment liabilities	547,479	1,279,367	36,897	1,863,743



## INTERIM REPORT

### 8. REVENUE

	Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
Sales of goods	2,486,884	2,504,309
Commission income	6,765	9,282
Service fee income	19,535	18,542
Ticketing and touring income	494	546
Others	189	87
	<u>2,513,867</u>	<u>2,532,766</u>

### 9. FINANCE COSTS, NET

	Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
Interest income	1,791	1,645
Interest expense	(14,979)	(8,902)
Finance costs, net	<u>(13,188)</u>	<u>(7,257)</u>

## INTERIM REPORT

### 10. INCOME TAX EXPENSE

Hong Kong profits tax has been provided for at 16.5% (2018: 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% (2018: 25%). The subsidiaries in Taiwan are subject to corporate income tax rate of 20% (2018: 20%). Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Current income tax		
Hong Kong profits tax	6,049	3,664
Other jurisdictions including		
PRC corporate income tax	8,321	9,340
Withholding tax on dividends		
declared by subsidiaries	1,666	727
	<b>16,036</b>	13,731

### 11. 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	
	2019	2018
Profit attributable to owners of the Company (Hong Kong thousands dollar)	23,217	32,614
Weighted average number of ordinary shares in issue (thousands)	729,448	735,367
Basic earnings per share (Hong Kong cents per share)	3.18	4.44

## INTERIM REPORT

### 11. EARNINGS PER SHARE (CONTINUED)

#### (b) Diluted

Diluted earnings per share were the same as the basic earnings per share for the six months ended 30 June 2019 and 2018, as the share options of the Company have an anti-dilutive effect on the basic earnings per share and are ignored in the calculation of diluted earnings per shares (2018: there were no dilutive potential ordinary shares in existence during the period).

### 12. CAPITAL EXPENDITURE

During the period ended 30 June 2019, the Group acquired property, plants and equipment of HK\$15,725,000 (Period ended 30 June 2018: HK\$7,093,000).

### 13. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Financial assets at fair value through other comprehensive income include the following:

	<b>As at 30 June 2019 HK\$'000</b>
Financial instruments level 3:	
Equity investments in unlisted entity securities	58,429

Movement of financial assets at fair value through other comprehensive income is analysed as follows:

	<b>As at 30 June 2019 HK\$'000</b>
At beginning of period	57,597
Addition during the period	1,412
Fair value loss on financial assets at fair value through other comprehensive income	(466)
Exchange loss	(114)
	<b>58,429</b>

## INTERIM REPORT

### 14. DIVIDENDS

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Interim dividend – HK\$0.01 (2018: HK\$0.015) per share	7,294	10,942

The Board of Directors has declared an interim dividend of HK\$0.01 per share for the six months ended 30 June 2019 (2018: HK\$0.015) which will be payable on or about Thursday, 3 October 2019 to the shareholders whose names appear on the Register of Members of the Company on Tuesday, 17 September 2019. This interim dividend, amounting to HK\$7,294,000 (2018: HK\$10,942,000) 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 2019.

## INTERIM REPORT

### 15. 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\$1,473,374,000 (At 31 December 2018: HK\$1,508,693,000). 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:

	<b>30 June 2019 HK\$'000</b>	31 December 2018 HK\$'000
0 to 30 days	<b>492,284</b>	509,925
31 to 60 days	<b>353,498</b>	415,451
61 to 90 days	<b>190,733</b>	200,496
Over 90 days	<b>436,859</b>	382,821
	<b>1,473,374</b>	1,508,693

### 16. 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\$761,893,000 (At 31 December 2018: HK\$652,889,000).

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

	<b>30 June 2019 HK\$'000</b>	31 December 2018 HK\$'000
0 to 30 days	<b>503,229</b>	469,718
31 to 60 days	<b>148,281</b>	101,614
61 to 90 days	<b>33,796</b>	35,646
Over 90 days	<b>76,587</b>	45,911
	<b>761,893</b>	652,889

## INTERIM REPORT

### 17. SHARE CAPITAL

	Number of ordinary shares of HK\$0.10 each	Nominal value of ordinary shares HK\$'000	Treasury shares HK\$'000	Total HK\$'000
Issued and fully paid:				
At 31 December 2017 and 1 January 2018	738,207,964	73,821	(50)	73,771
Share repurchased <i>(Note)</i>	–	–	(826)	(826)
Cancellation of shares <i>(Note)</i>	(8,760,000)	(876)	876	–
At 31 December 2018, 1 January 2019 and 30 June 2019	729,447,964	72,945	–	72,945

Note:

During the year ended 31 December 2018, the Company repurchased its own 8,258,000 shares from the Hong Kong Stock Exchange, of which 8,258,000 shares have been cancelled as at year ended 31 December 2018. For those shares repurchased in 2017 which had not been cancelled as at year end, these had been cancelled on 31 January 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. Particulars of the repurchases were as follow:

Year ended 31 December 2018:

Month of repurchase	Number of shares repurchased '000	Purchase price		Aggregate considerations (before expenses) HK\$'000
		Highest HK\$	Lowest HK\$	
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

## INTERIM REPORT

### 18. SHARE OPTION SCHEME

The Company's share option scheme was adopted pursuant to a resolution passed on 22 June 2016 for the primary purpose of providing incentives to directors and eligible employees and will expire on 21 June 2026 (the "Scheme"). Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

At 30 June 2019, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 71,650,000 shares.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the total number of shares in issue as at the date of adoption of the Scheme, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in the 12-month period up to and including the date of such new grant is not permitted to exceed 1% of the shares of the Company in issue as at the date of such new grant, without prior approval from the Company's shareholders. Any grant of options to a director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by the independent non-executive directors (excluding any independent non-executive director who is a grantee of the relevant options). Options granted to substantial shareholders or independent non-executive directors or any of their respective associates in excess of 0.1% of the Company's share capital and with a value in excess of HK\$5,000,000, in any 12-month period, must be approved by the Company's shareholders at a general meeting.

Options may be exercised after one year of its grant date, and options will vest (i) as to 25% (rounded down to the nearest whole underlying share) on the first anniversary of its date of grant, and (ii) as to the remainder on the second anniversary of its grant date. The exercise price is determined by the Board of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average of the closing prices of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

**18. SHARE OPTION SCHEME (CONTINUED)**

Set out below are summaries of options granted under the plan:

	Exercise price HK\$	Number of Share options
As at 1 January 2019	-	-
Grant during the year	0.906	71,650,000
As at 30 June 2019	0.906	71,650,000

Vested and exercisable	-	-
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No options expired during the periods covered by the above table.

The closing price of the Company's shares on 14 June 2019, the date of grant, was HK\$0.88. The fair value of the options determined at the date of grant using the Black-Scholes option-pricing model was approximately HK\$7,379,000, of which approximately HK\$214,000 was charged to the profit or loss for the six months ended 30 June 2019.

The following assumptions were used to calculate the fair value of the share options granted:

Grant date fair value per share	HK\$0.10
Expected life	6 years
Expected volatility	31.93%
Dividend yield	7.39%
Risk-free interest rate	1.44%

Expected volatility is estimated taking into account historical average share price volatility. The Black-Scholes option-pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the Directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.



## INTERIM REPORT

### 19. BANK BORROWINGS

	HK\$'000
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
Six months ended 30 June 2019:	
Opening amount at 1 January 2019	876,307
Proceeds from new bank borrowings	1,779,024
Repayment of bank borrowings	(1,857,289)
Closing amount at 30 June 2019	798,042

### 20. CAPITAL COMMITMENTS

	30 June 2019 HK\$'000	31 December 2018 HK\$'000
Capital expenditure contracted for but not yet incurred:		
Acquisition of property, plant and equipment	98	410

**21. 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		Amounts due from related parties	
	30 June		30 June	31 December
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Ticketing and touring income (Notes i and iv)	398	165	133	–
Ticketing and touring income (Notes ii and iv)	270	440	47	28
Service fee income (Notes iii and iv)	59	59	–	–
Rental expense (Notes i and iv)	498	498	–	–

## INTERIM REPORT

### 21. RELATED PARTY TRANSACTIONS (Continued)

(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 member.
- (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	
	2019	2018
	HK\$'000	HK\$'000
Salaries, wages, commission and allowances	27,313	26,848
Post-employment benefits	1,005	1,039
	<u>28,318</u>	<u>27,887</u>

## MANAGEMENT DISCUSSION & ANALYSIS

### INTERIM DIVIDEND

The Board of Directors has declared an interim dividend of HK\$0.01 (2018: HK\$0.015) per share for the six months ended 30 June 2019. The above-mentioned interim dividend will be payable on or about Thursday, 3 October 2019 to the shareholders whose names appear on the Register of Members of the Company on Tuesday, 17 September 2019.

### CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Friday, 13 September 2019 to Tuesday, 17 September 2019, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 12 September 2019.

### BUSINESS REVIEW

The Group's turnover and profit attributable to shareholders for the first half of 2019 was HK\$2.5 billion and HK\$23.2 million, representing decreases of approximately 1% and 29% respectively compared to the same period last year, mainly due to the continuing US-China trade war.

The turnover of the Group's Industrial Products Trading Division for the first half of 2019 was HK\$0.9 billion, representing a decrease of approximately 16% compared to the same period last year. The Division's operating profit was HK\$16.9 million, reflecting a decrease of approximately 68% compared to the corresponding period last year. The trading of Printed Circuit Board related products, despite experiencing a reduction of approximately 17% in operating profits, continued to contribute the largest part of the Division's profit. However, the operations in the PRC recorded operating losses due to a drop in demand for industrial products distributed by the Group as a result of the ongoing US-China trade war. The subsidiary in Taiwan registered an increase in operating profits compared to the same period last year.

## MANAGEMENT DISCUSSION & ANALYSIS

The turnover of the Group's OEM Manufacturing Division increased by approximately 12% to HK\$1.6 billion in the first half of 2019 compared to the same period last year mainly due to increased orders as a result of the Division's continuing efforts to approach new customers.

The Division's operating profits increased to HK\$33.7 million for the first half of 2019 from HK\$6.3 million for the corresponding period last year.

### FINANCE

The Group has committed bank and other financing facilities totaling HK\$2,397 million, of which HK\$935 million was drawn down as at 30 June 2019. As at 30 June 2019, the Group's consolidated net borrowings amounted to HK\$477 million and its total equity amounted to HK\$1,654 million, resulting in a net gearing ratio of 28.8%.

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 2019, the Group had a total of 5,800 employees, of which 234 were based in Hong Kong, 5,242 in the PRC and 324 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 package of the Group's employees are regularly reviewed.

## MANAGEMENT DISCUSSION & ANALYSIS

### PROSPECTS

In view of the escalating US-China trade tensions and their impact on the global economy, the demand for the industrial products distributed by the Group's Industrial Products Trading Division is expected to be weak in the second half of this year.

Given the orders on hand, the Group's OEM Manufacturing Division is anticipated to perform better than last year in the absence of unforeseeable circumstances. The Group is in the process of relocating a small part of its manufacturing facilities to Mexico in order to avoid heavy tariffs imposed on products which are exported to the USA from China.

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, 27 August 2019

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

## DISCLOSURE OF INTERESTS

### INTERESTS OF DIRECTORS

As at 30 June 2019, 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	5,000,000	46.77
Edward Ying-Chun Tsui	7,577,920	-	-	-	7,577,920	1.04	3,000,000	1.45
Byron Shu-Chan Ho	3,470,000	360,000	-	-	3,830,000	0.53	3,000,000	0.94
Bengie Man-Hang Kwong	5,400,000	-	-	-	5,400,000	0.74	3,000,000	1.15
Vinci Wong	-	-	23,572,028 (Note 3)	207,800,000 (Note 4)	231,372,028	31.72	3,000,000	32.13
Victor Jui Shurn Chang	-	154,000	23,572,028 (Note 5)	207,800,000 (Note 6)	231,526,028	31.74	3,000,000	32.15
Hamed Hassan El-Abd	3,000,000	-	-	-	3,000,000	0.41	3,000,000	0.82
Hsu Hung Chieh	2,314,000	-	-	-	2,314,000	0.32	3,000,000	0.73
Phillip Wan-Chung Tse	-	-	-	-	-	-	3,000,000	0.41
Leung Kam Fong	-	-	-	180,000 (Note 7)	180,000	0.02	3,000,000	0.44
Yip Wai Chun	-	-	-	-	-	-	3,000,000	0.41
Arnold Hin Lin Tse	-	-	-	-	-	-	3,000,000	0.41
Andrew Yiu Wing Lam	-	-	-	-	-	-	3,000,000	0.41

## DISCLOSURE OF INTERESTS

### (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:

- 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.
- 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.) 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. (as disclosed in the section headed "Interests of substantial shareholders") relate to the same block of shares.
- 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.



## DISCLOSURE OF INTERESTS

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 2019, 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 2019, 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.	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%

## DISCLOSURE OF INTERESTS

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 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 OPTION SCHEME

A share option scheme (the “Scheme”) has been adopted by the shareholders of the Company on 22 June 2016. On 14 June 2019, the Company granted a total of 71,650,000 share options to certain eligible participants (the “Grantees”). Each share option entitling the Grantees to subscribe for one ordinary share of nominal value of HK\$0.10 each in the share capital of the Company under the Scheme.

## DISCLOSURE OF INTERESTS

Particulars of the share options granted under the Scheme and their movements during the six months ended 30 June 2019 were as follows:

Grantee	Date of grant	Exercise price (HK\$)	Exercise period	Number of share options				
				Balance as at 01.01.2019	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	Balance as at 30.06.2019
<b>(I) Directors</b>								
Senta Wong	14.06.2019	0.906	14.06.2020 – 13.06.2029	N/A	5,000,000	-	-	5,000,000
Edward Ying-Chun Tsui	14.06.2019	0.906	14.06.2020 – 13.06.2029	N/A	3,000,000	-	-	3,000,000
Byron Shu-Chan Ho	14.06.2019	0.906	14.06.2020 – 13.06.2029	N/A	3,000,000	-	-	3,000,000
Bengie Man-Hang Kwong	14.06.2019	0.906	14.06.2020 – 13.06.2029	N/A	3,000,000	-	-	3,000,000
Vinci Wong	14.06.2019	0.906	14.06.2020 – 13.06.2029	N/A	3,000,000	-	-	3,000,000
Victor Jui Shum Chang	14.06.2019	0.906	14.06.2020 – 13.06.2029	N/A	3,000,000	-	-	3,000,000
Hamed Hassan El-Abd	14.06.2019	0.906	14.06.2020 – 13.06.2029	N/A	3,000,000	-	-	3,000,000
Hsu Hung Chieh	14.06.2019	0.906	14.06.2020 – 13.06.2029	N/A	3,000,000	-	-	3,000,000
Philip Wan-Chung Tse	14.06.2019	0.906	14.06.2020 – 13.06.2029	N/A	3,000,000	-	-	3,000,000
Leung Kam Fong	14.06.2019	0.906	14.06.2020 – 13.06.2029	N/A	3,000,000	-	-	3,000,000
Yip Wai Chun	14.06.2019	0.906	14.06.2020 – 13.06.2029	N/A	3,000,000	-	-	3,000,000
Arnold Hin Lin Tse	14.06.2019	0.906	14.06.2020 – 13.06.2029	N/A	3,000,000	-	-	3,000,000
Andrew Yiu Wing Lam	14.06.2019	0.906	14.06.2020 – 13.06.2029	N/A	3,000,000	-	-	3,000,000

## DISCLOSURE OF INTERESTS

Grantee	Date of grant	Exercise price (HK\$)	Exercise period	Number of share options				
				Balance as at 01.01.2019	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	Balance as at 30.06.2019
(II) Associates of Directors								
Ava Wong	14.06.2019	0.906	14.06.2020 – 13.06.2029	N/A	150,000	-	-	150,000
Orangeo Wendy Wong	14.06.2019	0.906	14.06.2020 – 13.06.2029	N/A	150,000	-	-	150,000
(III) Other employees	14.06.2019	0.906	14.06.2020 – 13.06.2029	N/A	30,350,000	-	-	30,350,000
Total				N/A	71,650,000	-	-	71,650,000

### Notes:

1. The share options can be exercised up to a maximum of 25% of the grant during the period from 14 June 2020 to 13 June 2021 and the balance of the grant during the period from 14 June 2021 to 13 June 2029.
2. The closing price of the shares of the Company immediately before the date on which the share options were granted was HK\$0.93.
3. 71,650,000 share options were granted on 14 June 2019 and subsequently, 70,450,000 share options were accepted by the Grantees.

Save as disclosed above, there were no outstanding share options under the Scheme during the six months ended 30 June 2019.

## DISCLOSURE OF INTERESTS

The fair value of the options determined at the date of grant using the Black-Scholes option-pricing model was approximately HK\$7,379,000, of which approximately HK\$214,000 was charged to the profit or loss for the six months ended 30 June 2019.

The following assumptions were used to calculate the fair value of the share options granted:

Grant date fair value per share	HK\$0.10
Expected life	6 years
Expected volatility	31.93%
Dividend yield	7.39%
Risk-free interest rate	<u>1.44%</u>

Expected volatility is estimated taking into account historical average share price volatility. The Black-Scholes option-pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the Directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

## CORPORATE GOVERNANCE

### 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.

## CORPORATE GOVERNANCE

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2019.

### **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 2019.

### **CHANGES IN THE INFORMATION OF DIRECTORS**

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in the information of Directors of the Company required to be disclosed are shown as follows:

On 20 May 2019, Mr. Vinci Wong, an executive Director of the Company, was appointed as an independent non-executive Director, chairman of the Remuneration Committee and member of each of the Audit Committee and Nomination Committee of Kato (Hong Kong) Holdings Limited (stock code: 2189) whose shares have been listed on the Stock Exchange since 13 June 2019.

On 25 June 2019, Mr. Edward Ying-Chun Tsui, an executive Director and Chief Executive Officer of the Company, has resigned as a Director of Zhuhai Print-Rite New Materials Corporation Limited ("Zhuhai Print-Rite") whose shares have been listed on the National Equities Exchange and Quotations System (the "System") since 22 September 2016. Zhuhai Print-Rite had withdrawn the listing of its shares on the System with effect from 22 July 2019.



## **CORPORATE GOVERNANCE**

### **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 2019.

### **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 2019 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.

