



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 2020





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”) hereby present the unaudited condensed consolidated interim financial information of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2020 as follows:

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

		Unaudited	
		2020	2019
	Note	HK\$'000	HK\$'000
Revenue	6	1,438,904	2,001,020
Other income		9,212	4,344
Changes in inventories of finished goods and work in progress		(41,920)	(35,164)
Raw materials and consumables used		(1,011,007)	(1,380,578)
Cost of stock of completed properties		–	(132,015)
Employee benefit expenses		(208,722)	(232,613)
Depreciation	7	(35,118)	(34,209)
Other operating expenses	7	(77,322)	(96,842)
Change in fair value of investment properties	13	(353,220)	62,925
Other gains – net	8	10,372	5,431
Impairment losses on trade receivables	15	(920)	(287)
Operating (loss)/profit		(269,741)	162,012
Finance income	9	10,854	9,342
Finance costs	9	(31,137)	(32,037)
Share of loss of an associate		(891)	(1,055)
Share of (losses)/profits of joint ventures	14	(303,881)	123,071
(Loss)/profit before income tax		(594,796)	261,333
Income tax expense	10	(18,370)	(15,009)
(Loss)/profit after income tax		(613,166)	246,324
(Loss)/profit attributable to owners of the Company		(613,166)	246,324
Non-controlling interests		–	–
		(613,166)	246,324
Dividends	11	9,570	16,747
(Loss)/earnings per share attributable to owners of the Company during the period			
Basic	12	(HK\$1.28)	HK\$0.51
Diluted	12	(HK\$1.28)	HK\$0.51

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Unaudited	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/profit for the period	(613,166)	246,324
Other comprehensive (loss)/income:		
<i>Items that may be reclassified to profit or loss:</i>		
Cash flow hedge – fair value losses for the period	(23,084)	(5,498)
Cash flow hedge – deferred income tax recognised	3,809	907
Currency translation differences		
– Group	(30,476)	(2,778)
– Associates	(53)	(76)
<i>Item that will not be reclassified to profit or loss:</i>		
Changes in fair value of financial assets at fair value through other comprehensive income	25	104
Other comprehensive loss for the period, net of tax	(49,779)	(7,341)
Total comprehensive (loss)/income for the period	(662,945)	238,983
Attributable to:		
Owners of the Company	(662,945)	238,983
Non-controlling interests	–	–
Total comprehensive (loss)/income for the period	(662,945)	238,983

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

		Unaudited As at 30 June 2020 HK\$'000	Audited As at 31 December 2019 HK\$'000
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment	13	238,529	220,157
Investment properties	13	2,180,406	2,534,016
Right-of-use assets		118,572	125,796
Investments in associates		25,117	26,062
Interests in joint ventures	14	2,201,131	2,505,012
Financial assets at fair value through other comprehensive income		4,473	4,349
Deferred income tax assets		29,408	27,642
Deposits and other receivables		12,143	20,537
Derivative financial instruments		–	76
Restricted cash		2,742	14,369
		<u>4,812,521</u>	<u>5,478,016</u>
Current assets			
Inventories		384,989	319,234
Stock of completed properties		236,350	236,350
Trade receivables	15	876,020	876,131
Prepayments, deposits and other receivables		76,373	74,858
Financial assets at fair value through other comprehensive income		28	126
Amounts due from associates		14	14
Current income tax recoverable		7,564	1,727
Restricted cash		22,772	11,580
Short-term bank deposits		787,164	641,886
Cash and cash equivalents		380,258	543,314
		<u>2,771,532</u>	<u>2,705,220</u>
Total assets		<u><u>7,584,053</u></u>	<u><u>8,183,236</u></u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

(continued)

		Unaudited As at 30 June 2020 HK\$'000	Audited As at 31 December 2019 HK\$'000
	<i>Note</i>		
EQUITY			
Equity attributable to owners of the Company			
Share capital	18	47,848	47,848
Other reserves		432,750	481,572
Retained earnings			
– Dividends		9,570	14,355
– Others		3,838,752	4,462,445
		<u>4,328,920</u>	<u>5,006,220</u>
Non-controlling interests		4	4
Total equity		4,328,924	5,006,224
LIABILITIES			
Non-current liabilities			
Derivative financial instruments		27,225	4,217
Accruals and other payables		12,981	15,844
Lease liabilities		31,476	30,583
Deferred income tax liabilities		72,930	72,293
Borrowings	17	1,170,297	1,226,565
		<u>1,314,909</u>	<u>1,349,502</u>
Current liabilities			
Trade payables	16	720,861	673,649
Accruals and other payables		183,729	187,838
Contract liabilities		170,213	147,465
Lease liabilities		12,123	19,756
Current income tax liabilities		85,269	89,181
Borrowings	17	768,025	709,621
		<u>1,940,220</u>	<u>1,827,510</u>
Total liabilities		3,255,129	3,177,012
Total equity and liabilities		7,584,053	8,183,236
Net current assets		831,312	877,710
Total assets less current liabilities		5,643,833	6,355,726

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	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 2020	47,848	153,025	4,805,347	4	5,006,224
Comprehensive income					
Loss for the period	-	-	(613,166)	-	(613,166)
Other comprehensive income					
Currency translation differences	-	-	(30,529)	-	(30,529)
Changes in fair value of financial assets at fair value through other comprehensive income	-	-	25	-	25
Cash flow hedge – fair value losses for the period	-	-	(23,084)	-	(23,084)
Cash flow hedge – deferred income tax recognised	-	-	3,809	-	3,809
Total other comprehensive loss	-	-	(49,779)	-	(49,779)
Total comprehensive loss	-	-	(662,945)	-	(662,945)
Transactions with owners					
Dividend declared to owners of the Company	-	-	(14,355)	-	(14,355)
Total transactions with owners	-	-	(14,355)	-	(14,355)
As at 30 June 2020	47,848	153,025	4,128,047	4	4,328,924
As at 1 January 2019	47,848	153,025	4,619,312	4	4,820,189
Effect on adoption of HKFRS 16	-	-	(235)	-	(235)
Restated as at 1 January 2019	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

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

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Unaudited For the six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Cash flows from operating activities		
Net cash generated from operating activities	41,298	252,722
Cash flows from investing activities		
Purchase of property, plant and equipment	(48,813)	(2,645)
Proceeds from disposal of property, plant and equipment	210	193
Dividend received from an associate	–	1,500
Increase in amounts due from associates	–	(3)
Increase in short-term bank deposits	(148,303)	(40,347)
Decrease/(increase) in restricted cash	435	(11,769)
Proceeds from disposal of non-current assets classified as held for sale	–	88,383
Repayment from joint ventures	–	10,710
Interest received	10,854	9,342
Net cash (used in)/generated from investing activities	(185,617)	55,364
Cash flows from financing activities		
Increase in trust receipt bank loans – net	22,404	33,172
New bank loans	445,000	693,000
Repayment of bank loans	(465,268)	(835,942)
Principal elements of lease payment	(5,489)	(5,796)
Dividends paid	–	(26,317)
Net cash used in financing activities	(3,353)	(141,883)
Net (decrease)/increase in cash and cash equivalents	(147,672)	166,203
Cash and cash equivalents at beginning of the period	543,314	447,737
Currency translation differences	(15,384)	(4,506)
Cash and cash equivalents at end of the period	380,258	609,434
Analysis of cash and cash equivalents:		
Cash on hand	313	304
Cash at bank	379,945	609,130
Cash and cash equivalents at end of the period	380,258	609,434

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

Wong's International Holdings Limited (the "Company") and its subsidiaries (together the "Group") are principally engaged in the development, manufacture, marketing and distribution of electronics products as well as property holding.

This condensed consolidated interim financial information has not been audited.

2 BASIS OF PREPARATION

This unaudited condensed consolidated interim financial information ("Interim Financial Information") for the six months ended 30 June 2020 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 2019, 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 2019, as described in those annual financial statements.

Amended standards adopted by the Group

The following amendments to standards and revised conceptual framework are mandatory for first time for the financial year beginning 1 January 2020:

Amendments to HKFRS 3 (Revised)	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Interest Rate Benchmark Reform
Amendments to HKFRS 16	COVID-19-related Rent Concessions

There are no amendments to standards and revised conceptual framework that are effective for the first time for this interim period that could be expected to have a material impact on the Group.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet applied by the Group

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2020 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to annual improvements project	Annual Improvements 2018–2020 cycle	1 January 2022
Amendments to HKAS 16	Property, Plant and Equipment	1 January 2022
Amendments to HKAS 37	Onerous Contracts	1 January 2022
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKAS 1	Presentation of Financial Statements on Classification of Liabilities	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Directors of the Company are in the process of assessing the financial impact of the adoption of the above new 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 2019.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

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

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2019.

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

There have been no changes in the risk management department since year end.

5.2 Fair value estimation

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

5.2 Fair value estimation (continued)

The following table presents the Group's financial assets and liabilities that are measured at fair value at 30 June 2020.

	Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
Assets				
Financial assets at fair value through other comprehensive income	<u>29</u>	<u>–</u>	<u>4,472</u>	<u>4,501</u>
Liabilities				
Derivative financial instrument	<u>–</u>	<u>27,225</u>	<u>–</u>	<u>27,225</u>

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 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>156</u>	<u>–</u>	<u>4,319</u>	<u>4,475</u>
Liabilities				
Derivative financial instrument	<u>–</u>	<u>4,217</u>	<u>–</u>	<u>4,217</u>

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

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

5.3 Valuation techniques used to derive Level 2 fair values

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

5.4 Valuation techniques used to derive Level 3 fair values

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

The following table presents the changes in Level 3 instruments:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
At 1 January	4,319	4,162
Changes in fair value of financial assets at fair value through other comprehensive income	<u>153</u>	<u>157</u>
At 30 June	<u>4,472</u>	<u>4,319</u>

5.5 Group's valuation processes

The Group's finance team performs the valuations of financial assets required for financial reporting purposes. This team reports directly to the management. Discussions of valuation processes and results are held between the management and the team at least once bi-annually, in line with the Group's reporting dates.

The fair value of the following financial assets and liabilities approximate their carrying amounts:

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 SEGMENT INFORMATION

The Group's senior executive management is considered as the Chief Operating Decision Maker ("CODM"). The Group is currently organised into two operating divisions:

Electronic Manufacturing Service ("EMS") – manufacture and distribution of electronic products for EMS customers.

Property Holding – development, sale and lease of properties.

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

For the six months ended 30 June 2020	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	1,404,503	–	1,404,503
Revenue from other sources			
– Rental income	–	34,401	34,401
	<u>48,238</u>	<u>(630,387)</u>	<u>(582,149)</u>
Segment results			
Depreciation	33,901	20	33,921
Share of losses of joint ventures	–	(303,881)	(303,881)
Change in fair value of investment properties	–	(353,220)	(353,220)
Capital expenditure	<u>48,813</u>	<u>–</u>	<u>48,813</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 SEGMENT INFORMATION (continued)

For the six months ended 30 June 2019	EMS division <i>HK\$'000</i>	Property holding division <i>HK\$'000</i>	Total <i>HK\$'000</i>
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	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	2,645	–	2,645
	<u>2,792,591</u>	<u>2,432,981</u>	<u>5,225,572</u>
	<u>–</u>	<u>2,201,131</u>	<u>2,201,131</u>
Total reportable segment assets	<u>2,792,591</u>	<u>4,634,112</u>	<u>7,426,703</u>
As at 30 June 2020			
Segment assets	2,708,691	2,787,668	5,496,359
Interests in joint ventures	–	2,505,012	2,505,012
	<u>2,708,691</u>	<u>5,292,680</u>	<u>8,001,371</u>
Total reportable segment assets			

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 SEGMENT INFORMATION (continued)

Segment assets consist primarily of property, plant and equipment, investment properties, right-of-use assets, interests in joint ventures, restricted cash, inventories, stock of completed properties, trade receivables, prepayments, deposits and other receivables, cash and cash equivalents and short-term bank deposits, but exclude investments in associates, financial assets at fair value through other comprehensive income, derivative financial instruments, deferred income tax assets, amounts due from associates, current income tax recoverable and corporate and unallocated assets.

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

	For the six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Reportable segment results	(582,149)	288,939
Other income	9,212	4,344
Other gains – net	10,372	5,431
Finance costs – net	(20,283)	(22,695)
Share of loss of an associate	(891)	(1,055)
Corporate and unallocated expenses	(11,057)	(13,631)
	<u>(594,796)</u>	<u>261,333</u>

Reportable segments assets are reconciled to total assets as follows:

	As at	As at
	30 June	31 December
	2020	2019
	HK\$'000	HK\$'000
Reportable segment assets	7,426,703	8,001,371
Investments in associates	25,117	26,062
Financial assets at fair value through other comprehensive income	4,501	4,475
Derivative financial instruments	–	76
Deferred income tax assets	29,408	27,642
Amounts due from associates	14	14
Current income tax recoverable	7,564	1,727
Corporate and unallocated assets	90,746	121,869
	<u>7,584,053</u>	<u>8,183,236</u>
Total assets per condensed consolidated statement of financial position	<u>7,584,053</u>	<u>8,183,236</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 SEGMENT INFORMATION (continued)

Reconciliations of other material items are as follows:

	For the six months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation		
– Reportable segment total	33,921	33,011
– Corporate headquarters	1,197	1,198
	<u>35,118</u>	<u>34,209</u>
Capital expenditure		
– Reportable segment total	<u>48,813</u>	<u>2,645</u>

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

	For the six months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
North America	325,098	480,449
Asia (excluding Hong Kong)	682,542	739,180
Europe	224,344	299,674
Hong Kong	206,920	481,717
	<u>1,438,904</u>	<u>2,001,020</u>

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 SEGMENT INFORMATION (continued)

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

	As at	As at
	30 June	31 December
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
North America	19	6
Asia (excluding Hong Kong)	305,470	314,735
Europe	7	30
Hong Kong	4,477,617	5,135,603
	4,783,113	5,450,374

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

7 (LOSS)/PROFIT BEFORE INCOME TAX

(Loss)/profit before income tax is analysed as follows:

	For the six months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation of property, plant and equipment	24,824	27,152
Depreciation of right-of-use assets	10,294	7,057
	<hr/>	<hr/>
Depreciation	35,118	34,209
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Auditor's remuneration	980	1,095
Bank charges	805	970
Building management fees	6,946	7,107
Chemicals and consumables	11,671	12,794
Commission fees	–	4,762
Cleaning expenses	1,772	1,767
Entertainment expenses	214	501
Government rent and rates	1,556	1,627
Government surcharges	3,184	6,246
Insurance charges	1,084	1,182
Legal and professional fees	2,006	4,793
Motor vehicle expenses	2,108	2,364
Office and factories expenses	1,892	1,870
Operating lease rental in respect of short-term lease	616	109
Recruitment, training and other staff welfares expenses	5,241	4,604
Repairs and maintenances	6,591	10,154
Security expenses	1,587	1,720
Travelling expenses	1,207	1,527
Transportation	15,126	15,916
Utility expense	8,917	11,196
Others	3,819	4,538
	<hr/>	<hr/>
Other operating expenses	77,322	96,842
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total	112,440	131,051
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

8 OTHER GAINS – NET

	For the six months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gains/(losses) on financial instrument – net		
– Unrealised	76	16
– Realised	(77)	(18)
Gains on disposal of property, plant and equipment	209	129
Exchange gains – net	10,164	5,304
	10,372	5,431

9 FINANCE COSTS – NET

	For the six months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Finance income		
– Interest income on short-term bank deposits	10,854	9,342
Finance costs		
– Interest expenses on bank borrowings	(28,252)	(30,418)
– Interest expenses on interest rate swap	(1,641)	(1,137)
– Interest expenses on lease liabilities	(1,244)	(482)
Total finance costs	(31,137)	(32,037)
Finance costs – net	(20,283)	(22,695)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

10 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 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% (2019: 25%) on the estimated profits, except for Welco Technology (Suzhou) Limited ("WTSZ"), a wholly-owned subsidiary of the Group. WTSZ is eligible for preferential CIT Rate of 15% (2019:15%) 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	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current income tax		
– Hong Kong profits tax	5,205	33,074
– Overseas taxation	11,850	11,020
Over-provision in prior periods		
– Current income tax	(919)	(1,144)
Deferred income tax	2,234	(27,941)
	18,370	15,009

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

11 DIVIDENDS

	For the six months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividend – HK\$0.02 (2019: HK\$0.035) per share	9,570	16,747

On 25 August 2020, the Board has resolved to pay an interim dividend of HK\$0.02 per share (2019: HK\$0.035 per share) which is payable on Wednesday, 30 September 2020 to the shareholders whose names appear on the Register of Members of the Company on Wednesday, 16 September 2020. This interim dividend, amounting to HK\$9,570,000 (2019: HK\$16,747,000) 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 2020.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

12 (LOSS)/EARNINGS PER SHARE

(a) Basic

Basic (loss)/earnings per share is calculated by dividing the (loss)/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	
	2020	2019
(Loss)/profit attributable to owners of the Company (<i>HK\$'000</i>)	<u>(613,166)</u>	<u>246,324</u>
Weighted average number of ordinary shares in issue (<i>in thousands</i>)	<u>478,484</u>	<u>478,484</u>
Basic (loss)/earnings per share (<i>HK\$</i>)	<u>(1.28)</u>	<u>0.51</u>

(b) Diluted

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

13 CAPITAL EXPENDITURE

For the six months ended 30 June 2020	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 2020	220,157	2,534,016	–
Additions	48,813	–	–
Fair value losses	–	(353,220)	–
Disposals	(1)	–	–
Depreciation	(24,824)	–	–
Currency translation differences	<u>(5,616)</u>	<u>(390)</u>	<u>–</u>
Closing net book amount as at 30 June 2020	<u>238,529</u>	<u>2,180,406</u>	<u>–</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

13 CAPITAL EXPENDITURE (continued)

	Property, plant and equipment <i>HK\$'000</i>	Investment properties <i>HK\$'000</i>	Leasehold land and land use rights <i>HK\$'000</i>
For the six months ended 30 June 2019			
Opening net book amount as at 1 January 2019	308,617	2,506,097	16,831
Additions	2,645	–	–
Transfer from stock of completed properties upon commencement of lease	(61,814)	–	(16,831)
Fair value gains	–	62,925	–
Disposals	(64)	–	–
Depreciation	(27,152)	–	–
Currency translation differences	109	(50)	–
	<u>222,341</u>	<u>2,568,972</u>	<u>–</u>
Closing net book amount as at 30 June 2019	<u>222,341</u>	<u>2,568,972</u>	<u>–</u>

The valuations of the investment properties at 30 June 2020 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 2020			
Recurring fair value measurements			
Investment properties	<u>–</u>	<u>–</u>	<u>2,180,406</u>
As at 31 December 2019			
Recurring fair value measurements			
Investment properties	<u>–</u>	<u>–</u>	<u>2,534,016</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 2020	2,510,700	23,316	2,534,016
Fair value losses	(353,000)	(220)	(353,220)
Currency translation differences	–	(390)	(390)
At 30 June 2020	<u>2,157,700</u>	<u>22,706</u>	<u>2,180,406</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>(353,000)</u>	<u>(220)</u>	<u>(353,220)</u>
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)
At 30 June 2019	<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>

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 valuations 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 2020, certain bank borrowings are secured by property, plant and equipment, right-of-use assets, investment properties and stock of completed properties with a carrying amount of approximately HK\$2,464,898,000 (31 December 2019: HK\$2,819,115,000) (Note 17).

14 INTERESTS IN JOINT VENTURES

	As at 30 June 2020 HK\$'000	As at 31 December 2019 HK\$'000
Share of net assets	1,034,329	1,338,210
Loans to joint ventures	<u>1,166,802</u>	<u>1,166,802</u>
	<u>2,201,131</u>	<u>2,505,012</u>

Movements in share of net assets is analysed as follows:

	2020 HK\$'000	2019 HK\$'000
At 1 January	1,338,210	1,233,289
Share of (losses)/profits of joint ventures	<u>(303,881)</u>	<u>123,071</u>
At 30 June	<u>1,034,329</u>	<u>1,356,360</u>

Share of (losses)/profits of joint ventures included the share of fair value losses, net of deferred income tax, of investment properties owned by the joint ventures of approximately HK\$323,717,000 (2019: share of fair value gains, net of deferred income tax, of investment properties of HK\$106,489,000).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

14 INTERESTS IN JOINT VENTURES (continued)

As at 30 June 2020, 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.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

15 TRADE RECEIVABLES

	As at 30 June 2020 HK\$'000	As at 31 December 2019 HK\$'000
Trade receivables	879,504	878,695
Less: allowance for impairment of trade receivables	(3,484)	(2,564)
	<u>876,020</u>	<u>876,131</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 2020 HK\$'000	As at 31 December 2019 HK\$'000
0 – 60 days	526,162	550,971
61 – 90 days	208,598	154,132
Over 90 days	144,744	173,592
	<u>879,504</u>	<u>878,695</u>

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

	2020 HK\$'000	2019 HK\$'000
At 1 January	2,564	1,866
Impairment losses recognised	920	287
At 30 June	<u>3,484</u>	<u>2,153</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 2020.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

16 TRADE PAYABLES

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

	As at 30 June 2020 HK\$'000	As at 31 December 2019 HK\$'000
0 – 60 days	645,792	520,152
61 – 90 days	46,198	100,299
Over 90 days	28,871	53,198
	<u>720,861</u>	<u>673,649</u>

The carrying amounts of the Group's trade payables approximated their fair values as at 30 June 2020.

17 BORROWINGS

	As at 30 June 2020 HK\$'000	As at 31 December 2019 HK\$'000
Trust receipt bank loans, unsecured	260,177	237,773
Short-term bank loans, unsecured	335,000	320,000
Portion of long-term loans due for repayment within one year, secured	172,848	151,848
Portion of long-term loans due for repayment after one year, secured	<u>1,170,297</u>	<u>1,226,565</u>
Total borrowings	<u>1,938,322</u>	<u>1,936,186</u>
Non-current	1,170,297	1,226,565
Current	<u>768,025</u>	<u>709,621</u>
Total borrowings	<u>1,938,322</u>	<u>1,936,186</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

17 BORROWINGS (continued)

As at 30 June 2020, the long-term bank loans of HK\$1,343,145,000 (31 December 2019: HK\$1,378,413,000) were secured by the following:

- Charges over property, plant and equipment with carrying amount of approximately HK\$21,206,000 (31 December 2019: HK\$21,499,000), right-of-use assets with carrying amount of approximately HK\$59,342,000 (31 December 2019: HK\$60,166,000), investment properties with carrying amount of approximately HK\$2,148,000,000 (31 December 2019: HK\$2,501,100,000) and stock of completed properties with carrying amount of approximately HK\$236,350,000 (31 December 2019: HK\$236,350,000);
- A share charge over the Group's 25.7% share of Talent Chain Investments Limited, a joint venture of the Group;
- A guarantee limited to HK\$760,000,000 from Easywise Limited, an indirect wholly-owned subsidiary of the Company.

18 SHARE CAPITAL

	Number of shares	Nominal value <i>HK\$'000</i>
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1 January 2019 and 30 June 2019	<u>700,000,000</u>	<u>70,000</u>
At 1 January 2020 and 30 June 2020	<u>700,000,000</u>	<u>70,000</u>
Issued and fully paid:		
At 1 January 2019 and 30 June 2019	<u>478,483,794</u>	<u>47,848</u>
At 1 January 2020 and 30 June 2020	<u>478,483,794</u>	<u>47,848</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

19 COMMITMENTS

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

	As at	As at
	30 June	31 December
	2020	2019
	HK\$'000	HK\$'000
Contracted but not provided for	575	14,095
Authorised but not contracted for	—	—
	<u>575</u>	<u>14,095</u>

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

	As at	As at
	30 June	31 December
	2020	2019
	HK\$'000	HK\$'000
Within one year	47,068	56,136
In the second to fifth year inclusive	9,509	23,434
	<u>56,577</u>	<u>79,570</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 (2019: 2.3 years).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

20 RELATED PARTY TRANSACTIONS

As at 30 June 2020, the largest shareholder of the Company was Mr. Wong Chung Mat, Ben (personally and via Salop Investment Limited, a company wholly-owned and controlled by him).

(a) Balances with related parties

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

The loans to joint ventures are set out in Note 14 to the condensed consolidated interim financial information. .

(b) Key management compensation

	For the six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Salaries and allowances	8,374	8,376
Bonus	5,585	6,488
Pension costs		
– defined contribution schemes	18	24
	<u>13,977</u>	<u>14,888</u>

21 THE COVID-19 PANDEMIC'S IMPACT

The outbreak of the Coronavirus (“COVID-19”) had brought unprecedented challenges and added uncertainties to the economy. During the six months ended 30 June 2020, the performance of the Group’s EMS division and Property Holding division were materially affected by COVID-19.

Currently, there is no vaccine or specific anti-viral treatment for COVID-19 that is ready for massive usage. Presently, it has remained uncertain when the pandemic will end.

Since the outbreak of COVID-19, the Group kept continuous attention on the situation of the COVID-19 and reacted actively to its impact on the financial position and operating results of the Group. Directors will continue to closely monitor the development of COVID-19 and assess the financial position and operation result of the Group.

INTERIM DIVIDEND

On 25 August 2020, the Board has resolved to pay an interim dividend of HK\$0.02 per share (2019: HK\$0.035 per share) which is payable on Wednesday, 30 September 2020 to the shareholders whose names appear on the Register of Members of the Company on Wednesday, 16 September 2020.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 14 September 2020 to Wednesday, 16 September 2020, 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 Friday, 11 September 2020.

REVIEW OF BUSINESS ACTIVITIES

Review of Results

The loss attributable to owners of the Company for the six months ended 30 June 2020 amounted to HK\$613.2 million, as compared to the profit attributable to owners of the Company of HK\$246.3 million for the corresponding period last year. This was mainly attributable to the fair value losses of the Group's investment properties and share of losses in the Group's joint ventures (the "Joint Ventures") which were due to the fair value losses of investment properties held by the Joint Ventures. The fair value losses of investment properties held by the Group and the Joint Ventures were HK\$676.9 million as compared to the fair value gains of HK\$169.4 million for the corresponding period last year. The fair value losses reflect the commercial property market conditions which were adversely affected by the outbreak of COVID-19. Loss per share for the six months was HK\$1.28 as compared to earnings per share of HK\$0.51 for the corresponding period last year.

The Group's revenue for the six months ended 30 June 2020 was HK\$1,438.9 million, as compared to HK\$2,001.0 million for the corresponding period last year. Operating loss for the six months ended 30 June 2020 was HK\$269.7 million, as compared to operating profit of HK\$162.0 million for the corresponding period last year. The operating loss was driven by fair value losses of investment properties held by the Group and the Joint Ventures.

REVIEW OF BUSINESS ACTIVITIES (continued)

Electronic Manufacturing Service (“EMS”) Division

Revenue for the EMS Division for the six months ended 30 June 2020 was HK\$1,404.5 million, as compared to HK\$1,815.1 million for the corresponding period last year. The segment profit attributable to the EMS Division was HK\$48.2 million, a 25.4% decrease as compared to HK\$64.7 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 and the Group’s manufacturing operations in January to March 2020 gravely impacted by the COVID-19.

Property Holding Division

The Property Holding Division reported revenue of HK\$34.4 million, as compared to HK\$186.0 million for the corresponding period last year. The decrease in revenue was mainly due to revenue of HK\$149.7 million recognised from the sale of 6/F of One Harbour Square in the corresponding period last year. The segment loss for the period was HK\$630.4 million as compared to segment profit of HK\$224.3 million for the corresponding period last year. The segment loss was driven by fair value losses of investment properties held by the Group and the Joint Ventures.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2020, the Group had a total of HK\$3,272.8 million of banking facilities. Total bank borrowings were HK\$1,938.3 million (2019 December: HK\$1,936.2 million). Cash and cash equivalents and short-term bank deposits were HK\$1,167.4 million at 30 June 2020 (2019 December: HK\$1,185.2 million). Cash flow generated from operations for the period was HK\$41.3 million.

As at 30 June 2020, the Group had net bank borrowings of HK\$770.9 million, as compared to HK\$751.0 million at 31 December 2019. 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 2020 is 0.19 (2019 December: 0.16). The net gearing ratio was calculated as net debt divided by total equity. Net debt is calculated as total borrowings and lease liabilities less cash and cash equivalents 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, Vietnam Dong and Chinese Renminbi. Consistent with its prudent policy on financial risk management, the Group does not use any foreign exchange hedging products. The Group recognises 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 2019 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 2020, the Group employed approximately 3,983 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

Intense trade tensions between US and China as well as the long-drawn-out COVID-19 pandemic have continued to impact the world market for electronic products, and the Directors expect that such unfavorable conditions will adversely affect the profitability of the EMS business in the second half of 2020.

Strategically, the EMS business has established a manufacturing facility in Hai Duong Province, Vietnam to cater mainly for the needs of US customers. This new facility is also expected to provide an additional alternative to existing customers, and bring in new sales opportunities. Due to widespread pandemic lockdowns in the past few months, certain aspects of the preparation work for the new facility have been delayed, but such delays are expected to be temporary.

The EMS business will continue to place emphasis on customer base expansion, cost control, operating efficiency and enhancement of value added services, including product design and technology services, to customers.

PROSPECTS (continued)

Due to recent political happenings, valuation of commercial property in Hong Kong has been falling and this may necessitate the booking of substantial fair market value losses in future in relation to the investment properties held by the Group. However, losses of this nature are unrealized and do not have any impact on the Group's cash flow. The rental income derived by the Group from the investment properties held has remained stable with no significant changes notwithstanding the drop in the valuation of those properties.

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 eighth consecutive year. These serve as recognition of the Group's active participation in community activities and good corporate citizenship.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

As at 30 June 2020, 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:

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES (continued)

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.

Save as disclosed herein, as at 30 June 2020, 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 2020, 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 and joint interest (<i>Note 4</i>)	78,526,001	16.41%
Woo Sin Ming	Joint interest and interest of spouse (<i>Note 4</i>)	78,526,001	16.41%
Wong Chung Yan, Claudia	Beneficial owner and interest of controlled corporation (<i>Note 5</i>)	38,320,881	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%

INTERESTS OF SUBSTANTIAL SHAREHOLDERS (continued)

Long positions in shares of the Company (continued)

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.
4. Mr. Wong Chung Yin, Michael and his wife, Ms. Woo Sin Ming, were deemed (by virtue of the SFO) to be interested in the same block of 78,526,001 shares in the Company. These shares were held in the following capacity:
 - (a) 50,458,041 shares were held by Mr. Wong Chung Yin, Michael personally.
 - (b) 28,067,960 shares were held by Mr. Wong Chung Yin, Michael and Ms. Woo Sin Ming jointly.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS (continued)

Long positions in shares of the Company (continued)

Notes: (continued)

5. Ms. Wong Chung Yan, Claudia was deemed (by virtue of the SFO) to be interested in 38,320,881 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 2020, 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's old share option scheme (the "Old Scheme") was expired on 2 June 2020. The Company has adopted a new share option scheme (the "New Scheme") on 26 June 2020. There was no outstanding options granted under the Old Scheme and no option has been granted under the New Scheme since its adoption date and up to 30 June 2020.

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

During the six months ended 30 June 2020, 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 2020, 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.

CORPORATE GOVERNANCE CODE (continued)

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 2020.

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

Mr. Wong Chung Mat, Ben, Chairman and Chief Executive Officer of the Company, is a director of Salop Hong Kong Limited, which became a substantial shareholder of the Company on 23 July 2020.

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 2020.

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

Hong Kong, 25 August 2020

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