



Wong's International Holdings Limited
王氏國際集團有限公司
(Incorporated in Bermuda with limited liability)

Stock Code : 99

Together, we step forward to the new sixty-year cycle!

INTERIM REPORT FOR 2022





This interim report is printed on environmentally friendly paper

UNAUDITED INTERIM RESULTS

The board of directors (the “Board” or “Directors”) of Wong’s International Holdings Limited (the “Company”) is pleased to present the unaudited condensed consolidated interim financial information of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2022 as follows:

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

		Unaudited	
		2022	2021
	Note	HK\$'000	HK\$'000
Revenue	6	1,559,192	1,556,820
Other income		4,909	7,795
Changes in inventories of finished goods and work in progress		5,708	(60,562)
Raw materials and consumables used		(1,157,410)	(1,089,386)
Employee benefit expenses		(235,444)	(228,839)
Depreciation	7	(35,651)	(38,918)
Other operating expenses	7	(81,544)	(83,355)
Change in fair value of investment properties	13	11,800	(11,700)
Other gains – net	8	31,989	5,076
Provision of impairment losses on trade receivables	15	(17)	(1,104)
Operating profit		103,532	55,827
Finance income	9	9,743	8,202
Finance costs	9	(21,461)	(22,553)
Share of (loss)/profit of an associate		(2,892)	297
Share of profits of joint ventures	14	19,805	4,306
Profit before income tax		108,727	46,079
Income tax expense	10	(13,192)	(18,267)
Profit after income tax		95,535	27,812
Profit attributable to owners of the Company		95,535	27,812
Non-controlling interests		–	–
		95,535	27,812
Dividends	11	9,570	7,177
Earnings per share attributable to owners of the Company during the period			
Basic	12	HK\$0.20	HK\$0.06
Diluted	12	HK\$0.20	HK\$0.06

The notes on pages 7 to 30 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 2022

	Unaudited	
	2022	2021
	HK\$'000	HK\$'000
Profit for the period	95,535	27,812
Other comprehensive income:		
<i>Items that may be reclassified to consolidated income statement:</i>		
Cash flow hedge – fair value gains for the period	13,639	8,016
Cash flow hedge – deferred income tax recognised	(2,250)	(1,323)
Currency translation differences		
– Group	(94,044)	16,075
– Associates	(456)	323
 <i>Item that will not be reclassified subsequently to consolidated income statement:</i>		
Changes in fair value of financial assets at fair value through other comprehensive income	121	964
Other comprehensive (loss)/income for the period, net of tax	(82,990)	24,055
Total comprehensive income for the period	12,545	51,867
Attributable to:		
Owners of the Company	12,545	51,867
Non-controlling interests	–	–
Total comprehensive income for the period	12,545	51,867

The notes on pages 7 to 30 are an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022

		Unaudited As at 30 June 2022 <i>HK\$'000</i>	Audited As at 31 December 2021 <i>HK\$'000</i>
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment	<i>13</i>	262,979	219,598
Investment properties	<i>13</i>	2,052,231	2,041,508
Right-of-use assets		118,867	131,935
Investments in associates		34,372	26,583
Interests in joint ventures	<i>14</i>	2,141,625	2,141,455
Financial assets at fair value through other comprehensive income		16,365	15,470
Derivative financial instruments		5,666	–
Deferred income tax assets		20,362	21,807
Deposits and other receivables		15,995	20,035
Restricted cash		585	–
		<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
		4,669,047	4,618,391
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Current assets			
Inventories		549,158	388,487
Stock of completed properties		213,410	213,410
Trade receivables	<i>15</i>	1,032,457	1,003,075
Prepayments, deposits and other receivables		90,841	107,082
Financial assets at fair value through other comprehensive income		109	53
Current income tax recoverable		1,776	1,883
Restricted cash		131,028	136,320
Short-term bank deposits		834,869	877,757
Cash and cash equivalents		406,207	400,818
		<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
		3,259,855	3,128,885
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total assets		7,928,902	7,747,276
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022

(continued)

		Unaudited As at 30 June 2022 <i>HK\$'000</i>	Audited As at 31 December 2021 <i>HK\$'000</i>
	<i>Note</i>		
EQUITY			
Equity attributable to owners of the Company			
Share capital	18	47,848	47,848
Other reserves		593,292	673,305
Retained earnings			
– Dividends		9,570	11,963
– Others		3,828,409	3,745,421
		<hr/>	<hr/>
Total equity		4,479,119	4,478,537
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
LIABILITIES			
Non-current liabilities			
Accruals and other payables		2,771	5,788
Lease liabilities		25,709	26,312
Deferred income tax liabilities		73,486	71,809
Borrowings	17	1,295,342	1,301,554
		<hr/>	<hr/>
		1,397,308	1,405,463
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Current liabilities			
Trade payables	16	792,694	658,995
Accruals and other payables		242,995	229,082
Contract liabilities		123,794	126,291
Derivative financial instruments		570	8,543
Lease liabilities		12,079	20,804
Current income tax liabilities		49,246	45,397
Borrowings	17	831,097	774,164
		<hr/>	<hr/>
		2,052,475	1,863,276
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total liabilities		3,449,783	3,268,739
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total equity and liabilities		7,928,902	7,747,276
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

The notes on pages 7 to 30 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 2022

	Unaudited			
	Attributable to owners of the Company			
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Other reserves <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 January 2022	47,848	153,025	4,277,664	4,478,537
Comprehensive income				
Profit for the period	–	–	95,535	95,535
Other comprehensive income				
Currency translation differences	–	–	(94,500)	(94,500)
Changes in fair value of financial assets at fair value through other comprehensive income	–	–	121	121
Cash flow hedge – fair value gains for the period	–	–	13,639	13,639
Cash flow hedge – deferred income tax recognised	–	–	(2,250)	(2,250)
Total other comprehensive loss	–	–	(82,990)	(82,990)
Total comprehensive income	–	–	12,545	12,545
Transactions with owners				
Dividend paid to owners of the Company	–	–	(11,963)	(11,963)
Total transactions with owners	–	–	(11,963)	(11,963)
As at 30 June 2022	47,848	153,025	4,278,246	4,479,119
As at 1 January 2021	47,848	153,025	4,132,901	4,333,774
Comprehensive income				
Profit for the period	–	–	27,812	27,812
Other comprehensive income				
Currency translation differences	–	–	16,398	16,398
Changes in fair value of financial assets at fair value through other comprehensive income	–	–	964	964
Cash flow hedge – fair value gains for the period	–	–	8,016	8,016
Cash flow hedge – deferred income tax recognised	–	–	(1,323)	(1,323)
Total other comprehensive income	–	–	24,055	24,055
Total comprehensive income	–	–	51,867	51,867
Transactions with owners				
Dividend declared to owners of the Company	–	–	(9,570)	(9,570)
Total transactions with owners	–	–	(9,570)	(9,570)
As at 30 June 2021	47,848	153,025	4,175,198	4,376,071

The notes on pages 7 to 30 are an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Unaudited	
	For the six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash flows from operating activities		
Net cash generated from/(used in) operating activities	26,068	(404)
Cash flows from investing activities		
Purchase of property, plant and equipment	(73,444)	(5,506)
Acquisition of right-of-use assets	–	(10,464)
Proceeds from disposal of property, plant and equipment	398	602
Dividend received from an associate	3,819	–
Additional investment in financial assets at fair value through other comprehensive income	(830)	–
Decrease/(increase) in short-term bank deposits	17,893	(93,691)
Increase in restricted cash	(1,107)	(130,908)
Repayment from joint ventures	19,635	14,280
Interest received	9,743	8,202
Net cash used in investing activities	(23,893)	(217,485)
Cash flows from financing activities		
Increase/(decrease) in trust receipt bank loans – net	46,320	(8,501)
New bank loans	347,000	745,000
Repayment of bank loans	(342,599)	(665,374)
Payment of lease payment	(10,719)	(9,781)
Dividends paid	(11,963)	–
Net cash generated from financing activities	28,039	61,344
Net increase/(decrease) in cash and cash equivalents	30,214	(156,545)
Cash and cash equivalents at beginning of the period	400,818	680,202
Currency translation differences	(24,825)	9,126
Cash and cash equivalents at end of the period	406,207	532,783
Analysis of cash and cash equivalents:		
Cash on hand	292	348
Cash at bank	405,915	532,435
Cash and cash equivalents at end of the period	406,207	532,783

The notes on pages 7 to 30 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 2022 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 2021, 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 2021, as described in those annual financial statements.

Amended standards adopted by the Group

The following amendments to standards are mandatory for first time for the financial year beginning 1 January 2022:

Amendments to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021
Amendments to Annual Improvements Project	Annual Improvements 2018-2020 Cycle
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contract: Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Revised Accounting Guideline 5	Merger Accounting for Common Control Combination

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet applied by the Group

Certain new standard, amendments to standards and interpretations have been published but are not effective for the Group's accounting periods beginning on or after 1 January 2022 and have not been early adopted by the Group. These new standard, amendments to standards and interpretations are set out below:

		Effective for annual periods beginning on or after
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to HKFRS 4	Extension of the Temporary Exemption from applying HKFRS 9	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4 ESTIMATES

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

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2021.

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 2021.

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 2022.

	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	128	–	16,346	16,474
Derivative financial instruments	–	5,666	–	5,666
	<u>–</u>	<u>5,666</u>	<u>–</u>	<u>5,666</u>
Liabilities				
Derivative financial instruments	–	570	–	570
	<u>–</u>	<u>570</u>	<u>–</u>	<u>570</u>

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2021.

	Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
Assets				
Financial assets at fair value through other comprehensive income	70	–	15,453	15,523
	<u>70</u>	<u>–</u>	<u>15,453</u>	<u>15,523</u>
Liabilities				
Derivative financial instruments	–	8,543	–	8,543
	<u>–</u>	<u>8,543</u>	<u>–</u>	<u>8,543</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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

5.3 Valuation techniques used to derive Level 2 fair values

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

5.4 Valuation techniques used to derive Level 3 fair values

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

The following table summarises the fair value and quantitative information about the significant unobservable inputs used in Level 3 fair value measurements of investments in unlisted private investment fund and entities as at 30 June 2022 and 31 December 2021:

Description	As at	As at	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	30 June 2022	31 December 2021		
	HK\$'000	HK\$'000		
Unlisted private investment fund	10,052	9,979	Recent transaction prices	The higher the transaction prices, the higher the fair value
Equity investments in unlisted private entities	6,294	5,474	Expected volatility	The higher the expected volatility, the lower the fair value
	<u>16,346</u>	<u>15,453</u>		

The following table presents the changes in Level 3 instruments:

	2022	2021
	HK\$'000	HK\$'000
At 1 January	15,453	7,440
Addition	830	–
Changes in fair value of financial assets at fair value through other comprehensive income	63	928
At 30 June	<u>16,346</u>	<u>8,368</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

5.5 Group's valuation processes

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

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

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

6 SEGMENT INFORMATION

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

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

Property Holding – development, sale and lease of properties.

The CODM reviews the performance of the Group on a regular basis and reviews the Group's internal reporting in order to assess performance and allocate resources. The CODM assesses the performance of the operating segments based on a measure of segment results. This measurement basis includes profit or loss of the operating segments before other income, other gains – net, finance costs – net and share of (loss)/profit 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 SEGMENT INFORMATION (continued)

	EMS division <i>HK\$'000</i>	Property Holding division <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the six months ended 30 June 2022			
External revenue			
Revenue from contracts with customers			
Timing of revenue recognition			
– At a point of time	1,528,011	–	1,528,011
Revenue from other sources			
– Rental income	–	31,181	31,181
	<u>41,200</u>	<u>54,753</u>	<u>95,953</u>
Segment results			
Depreciation	34,512	22	34,534
Share of profits of joint ventures	–	19,805	19,805
Change in fair value of investment properties	–	11,800	11,800
Capital expenditure	<u>73,444</u>	<u>–</u>	<u>73,444</u>
For the six months ended 30 June 2021			
External revenue			
Revenue from contracts with customers			
Timing of revenue recognition			
– At a point of time	1,523,794	–	1,523,794
Revenue from other sources			
– Rental income	–	33,026	33,026
	<u>38,073</u>	<u>17,572</u>	<u>55,645</u>
Segment results			
Depreciation	37,775	21	37,796
Share of profits of joint ventures	–	4,306	4,306
Change in fair value of investment properties	–	(11,700)	(11,700)
Capital expenditure	<u>5,493</u>	<u>13</u>	<u>5,506</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 SEGMENT INFORMATION (continued)

	EMS division <i>HK\$'000</i>	Property Holding division <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 30 June 2022			
Segment assets	3,334,340	2,283,639	5,617,979
Interests in joint ventures	–	2,141,625	2,141,625
	<hr/>	<hr/>	<hr/>
Total reportable segment assets	3,334,340	4,425,264	7,759,604
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
As at 31 December 2021			
Segment assets	3,184,951	2,269,129	5,454,080
Interests in joint ventures	–	2,141,455	2,141,455
	<hr/>	<hr/>	<hr/>
Total reportable segment assets	3,184,951	4,410,584	7,595,535
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Segment assets consist primarily of property, plant and equipment, investment properties, right-of-use assets, interests in joint ventures, inventories, stock of completed properties, trade receivables, prepayments, deposits and other receivables, restricted cash, 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, current income tax recoverable and corporate and unallocated assets.

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

	For the six months ended 30 June	
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Reportable segment results	95,953	55,645
Other income	4,909	7,795
Other gains – net	31,989	5,076
Finance costs – net	(11,718)	(14,351)
Share of (loss)/profit of an associate	(2,892)	297
Corporate and unallocated expenses	(9,514)	(8,383)
	<hr/>	<hr/>
Profit before income tax	108,727	46,079
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 SEGMENT INFORMATION (continued)

Reportable segment assets are reconciled to total assets as follows:

	As at 30 June 2022 <i>HK\$'000</i>	As at 31 December 2021 <i>HK\$'000</i>
Reportable segment assets	7,759,604	7,595,535
Investments in associates	34,372	26,583
Financial assets at fair value through other comprehensive income	16,474	15,523
Derivative financial instruments	5,666	–
Deferred income tax assets	20,362	21,807
Current income tax recoverable	1,776	1,883
Corporate and unallocated assets	90,648	85,945
	<hr/>	<hr/>
Total assets per condensed consolidated statement of financial position	7,928,902	7,747,276
	<hr/> <hr/>	<hr/> <hr/>

Reconciliations of other material items are as follows:

	For the six months ended 30 June	
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Depreciation		
– Reportable segment total	34,534	37,796
– Corporate headquarters	1,117	1,122
	<hr/>	<hr/>
	35,651	38,918
	<hr/> <hr/>	<hr/> <hr/>
Capital expenditure		
– Reportable segment total	73,444	5,506
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 SEGMENT INFORMATION (continued)

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

	For the six months ended 30 June	
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
North America	213,769	171,028
Asia (excluding Hong Kong)	914,850	934,519
Europe	258,790	234,205
Hong Kong	171,783	217,068
	<u>1,559,192</u>	<u>1,556,820</u>

For the six months ended 30 June 2022, revenue of approximately HK\$710,383,000 (2021: HK\$652,369,000) and HK\$208,109,000 (2021: HK\$170,192,000) were derived from the top two external customers respectively. These customers individually account for 10 percent or more of the Group's revenue. These revenues are attributable to the EMS division.

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

	As at	As at
	30 June 2022 <i>HK\$'000</i>	31 December 2021 <i>HK\$'000</i>
North America	4	7
Asia (excluding Hong Kong)	343,359	310,621
Europe	21	20
Hong Kong	4,305,301	4,285,936
	<u>4,648,685</u>	<u>4,596,584</u>

Non-current assets comprise property, plant and equipment, investment properties, right-of-use assets, investments in associates, interests in joint ventures, financial assets at fair value through other comprehensive income, 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 PROFIT BEFORE INCOME TAX

Profit before income tax is analysed as follows:

	For the six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	23,867	27,235
Depreciation of right-of-use assets	11,784	11,683
	<hr/>	<hr/>
Depreciation	35,651	38,918
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Auditor's remuneration	1,169	1,161
Bank charges	1,957	1,543
Building management fees	6,786	6,896
Chemicals and consumables	15,864	13,214
Cleaning expenses	1,512	1,777
Entertainment expenses	242	456
Government rent and rates	1,437	1,502
Government surcharges	2,036	3,202
Insurance charges	1,292	976
Legal and professional fees	2,315	2,866
Motor vehicle expenses	2,170	2,282
Office and factories expenses	1,936	1,962
Operating lease rental in respect of short-term lease	268	1,707
Recruitment, training and other staff welfares expenses	894	2,312
Repairs and maintenances	6,780	7,872
Security expenses	1,330	1,215
Travelling expenses	640	356
Transportation	16,200	14,550
Utility expense	11,766	10,867
Others	4,950	6,639
	<hr/>	<hr/>
Other operating expenses	81,544	83,355
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total	117,195	122,273
	<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	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gains on disposal of property, plant and equipment	398	593
Gains on deemed disposal of an associate	14,956	–
Exchange gains/(losses) – net	16,635	(2,827)
Recovery of amount due from an associate previously written off	–	7,310
	31,989	5,076
	31,989	5,076

9 FINANCE COSTS – NET

	For the six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Finance income		
– Interest income	9,743	8,202
Finance costs		
– Interest expenses on bank borrowings	(13,258)	(11,958)
– Interest expenses on interest rate swap	(7,034)	(9,063)
– Interest expenses on lease liabilities	(1,169)	(1,532)
Total finance costs	(21,461)	(22,553)
Finance costs – net	(11,718)	(14,351)

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% (2021: 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 Income Tax ("CIT") at the rate of 25% (2021: 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% (2021:15%) under the New and High Technology Enterprises status till 31 December 2023.

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

	For the six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Current income tax		
– Hong Kong profits tax	1,939	3,484
– Overseas taxation	14,988	19,660
Over-provision in prior periods		
– Current income tax	(3,754)	(5,025)
Deferred income tax	19	148
	13,192	18,267

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	
	2022	2021
	HK\$'000	HK\$'000
Interim dividend – HK\$0.02 (2021: HK\$0.015) per share	9,570	7,177

On 30 August 2022, the Board has resolved to pay an interim dividend of HK\$0.02 per share (2021: HK\$0.015 per share) which is payable on Thursday, 6 October 2022 to the shareholders whose names appear on the Register of Members of the Company on Tuesday, 20 September 2022. This interim dividend, amounting to HK\$9,570,000 (2021: HK\$7,177,000) 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 2022.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

12 EARNINGS PER SHARE

(a) Basic

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

	For the six months ended 30 June	
	2022	2021
Profit attributable to owners of the Company (HK\$'000)	<u>95,535</u>	<u>27,812</u>
Weighted average number of ordinary shares in issue (in thousands)	<u>478,484</u>	<u>478,484</u>
Basic earnings per share (HK\$)	<u>0.20</u>	<u>0.06</u>

(b) Diluted

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

13 CAPITAL EXPENDITURE

For the six months ended 30 June 2022	Property, plant and equipment HK\$'000	Investment properties HK\$'000
Opening net book amount as at 1 January 2022	219,598	2,041,508
Additions	73,444	–
Fair value gains	–	11,800
Depreciation	(23,867)	–
Currency translation differences	<u>(6,196)</u>	<u>(1,077)</u>
Closing net book amount as at 30 June 2022	<u>262,979</u>	<u>2,052,231</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

13 CAPITAL EXPENDITURE (continued)

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

The valuations of the investment properties at 30 June 2022 were carried out by an independent firm of surveyors, Roma Appraisals Limited, who is a fellow member of the Hong Kong Institute of Surveyors. The fair value measurement information for these investment properties in accordance with HKFRS 13 is given below.

	<u>Fair value measurements</u>		
	<u>Quoted prices in active markets for identical assets (Level 1) <i>HK\$'000</i></u>	<u>Significant other observable inputs (Level 2) <i>HK\$'000</i></u>	<u>Significant unobservable inputs (Level 3) <i>HK\$'000</i></u>
As at 30 June 2022			
Recurring fair value measurements			
Investment properties	<u>–</u>	<u>–</u>	<u>2,052,231</u>
As at 31 December 2021			
Recurring fair value measurements			
Investment properties	<u>–</u>	<u>–</u>	<u>2,041,508</u>

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

13 CAPITAL EXPENDITURE (continued)

Fair value measurements using significant unobservable inputs (Level 3)

	Investment properties		
	Hong Kong <i>HK\$'000</i>	Outside Hong Kong <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2022	2,016,200	25,308	2,041,508
Fair value gains	11,800	–	11,800
Currency translation differences	–	(1,077)	(1,077)
At 30 June 2022	<u>2,028,000</u>	<u>24,231</u>	<u>2,052,231</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>11,800</u>	<u>–</u>	<u>11,800</u>
At 1 January 2021	2,027,900	24,685	2,052,585
Fair value losses	(11,700)	–	(11,700)
Currency translation differences	–	172	172
At 30 June 2021	<u>2,016,200</u>	<u>24,857</u>	<u>2,041,057</u>
Total unrealised losses for the period included in the condensed consolidated income statement for assets held at the end of the period, under 'Change in fair value of investment properties'	<u>(11,700)</u>	<u>–</u>	<u>(11,700)</u>

Fair values of completed investment properties have been valued by the direct comparison approach assuming sale of the properties in their existing states with the benefit of vacant possession and by making reference to comparable sales transactions as available in the relevant market.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

13 CAPITAL EXPENDITURE (continued)

The valuation have been made on the assumption that the owners sell the properties in the open market without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to increase the values of such properties. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the properties and no allowance has been made for the properties to be sold in one lot or to a single purchaser.

There were no changes in valuation techniques during the period.

As at 30 June 2022, 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\$2,307,484,000 (31 December 2021: HK\$2,296,603,000) (Note 17).

14 INTERESTS IN JOINT VENTURES

	As at 30 June 2022 HK\$'000	As at 31 December 2021 HK\$'000
Share of net assets	1,065,858	1,046,053
Loans to joint ventures	1,075,767	1,095,402
	<u>2,141,625</u>	<u>2,141,455</u>

Movements in share of net assets is analysed as follows:

	2022 HK\$'000	2021 HK\$'000
At 1 January	1,046,053	1,013,979
Share of profits of joint ventures	19,805	4,306
At 30 June	<u>1,065,858</u>	<u>1,018,285</u>

Share of 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\$2,742,000 (2021: HK\$19,652,000).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

14 INTERESTS IN JOINT VENTURES (continued)

As at 30 June 2022, the Group had interests in the following principal joint ventures, which are unlisted:

Name of company	Place of incorporation	Proportion of ownership interest %	Principal activities	Nature of the relationship	Measurement method
Talent Chain Investments Limited	BVI	35.7	Investment holding	Note	Equity
Crown Opal Investment Limited	Hong Kong	35.7	Property holding	Note	Equity
Open Vantage Limited	BVI	35.7	Property investment	N/A	Equity

Note: Crown Opal Investment Limited is a subsidiary of Talent Chain Investments Limited.

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.

15 TRADE RECEIVABLES

	As at 30 June 2022 <i>HK\$'000</i>	As at 31 December 2021 <i>HK\$'000</i>
Trade receivables	1,035,574	1,006,175
Less: allowance for impairment of trade receivables	<u>(3,117)</u>	<u>(3,100)</u>
	<u>1,032,457</u>	<u>1,003,075</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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

15 TRADE RECEIVABLES (continued)

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

	As at 30 June 2022 <i>HK\$'000</i>	As at 31 December 2021 <i>HK\$'000</i>
0 – 60 days	658,947	700,265
61 – 90 days	220,003	175,039
Over 90 days	156,624	130,871
	<u>1,035,574</u>	<u>1,006,175</u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
At 1 January	3,100	1,974
Increase in loss allowance	17	1,104
	<u>3,117</u>	<u>3,078</u>
At 30 June	<u>3,117</u>	<u>3,078</u>

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses for all trade receivables. The carrying amounts of the Group's trade receivables approximated their fair values as at 30 June 2022.

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 2022 <i>HK\$'000</i>	As at 31 December 2021 <i>HK\$'000</i>
0 – 60 days	651,129	488,570
61 – 90 days	69,481	86,087
Over 90 days	72,084	84,338
	<u>792,694</u>	<u>658,995</u>

The carrying amounts of the Group's trade payables approximated their fair values as at 30 June 2022.

17 BORROWINGS

	As at 30 June 2022 <i>HK\$'000</i>	As at 31 December 2021 <i>HK\$'000</i>
Trust receipt bank loans, unsecured	372,126	325,806
Short-term bank loans, unsecured	212,000	226,000
Short-term bank loans, secured	115,000	115,000
Portion of long-term loans due for repayment within one year, secured	131,971	107,358
Portion of long-term loans due for repayment after one year, secured	1,295,342	1,301,554
Total borrowings	<u>2,126,439</u>	<u>2,075,718</u>
Non-current	1,295,342	1,301,554
Current	831,097	774,164
Total borrowings	<u>2,126,439</u>	<u>2,075,718</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

17 BORROWINGS (continued)

As at 30 June 2022, the short-term and long-term bank loans of HK\$1,542,313,000 (31 December 2021: HK\$1,523,912,000) were secured by the following:

- Charges over property, plant and equipment with carrying amount of approximately HK\$20,028,000 (31 December 2021: HK\$20,323,000), right-of-use assets with carrying amount of approximately HK\$56,046,000 (31 December 2021: HK\$56,870,000), investment properties with carrying amount of approximately HK\$2,018,000,000 (31 December 2021: HK\$2,006,000,000) and stock of completed properties with carrying amount of approximately HK\$213,410,000 (31 December 2021: HK\$213,410,000);
- Restricted cash of HK\$127,595,000 from an indirect wholly-owned subsidiary of the Company;
- A share charge over the Group's 25.7% (31 December 2021: 25.7%) share of Talent Chain Investments Limited, a joint venture of the Group; and
- A guarantee limited to HK\$760,000,000 from an indirect wholly-owned subsidiary of the Company.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

18 SHARE CAPITAL

	Number of shares	Nominal value <i>HK\$'000</i>
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1 January 2021 and 30 June 2021	700,000,000	70,000
At 1 January 2022 and 30 June 2022	700,000,000	70,000
Issued and fully paid:		
At 1 January 2021 and 30 June 2021	478,483,794	47,848
At 1 January 2022 and 30 June 2022	478,483,794	47,848

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

19 COMMITMENTS

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

	As at 30 June 2022 <i>HK\$'000</i>	As at 31 December 2021 <i>HK\$'000</i>
Contracted but not provided for	12,872	69,847
Authorised but not contracted for	—	—
	<u>12,872</u>	<u>69,847</u>

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

	As at 30 June 2022 <i>HK\$'000</i>	As at 31 December 2021 <i>HK\$'000</i>
Within one year	50,518	50,446
In the second to fifth year inclusive	95,070	120,165
	<u>145,588</u>	<u>170,611</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 3 years (2021: 3 years).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

20 RELATED PARTY TRANSACTIONS

As at 30 June 2022, the largest shareholder of the Company was Mr. Wong Chung Mat, Ben (personally and via Salop Hong Kong Limited, a company wholly-owned and controlled by him).

(a) Balances with related parties

The 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	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries and allowances	8,125	7,503
Bonus	3,059	4,016
Pension costs		
– defined contribution schemes	36	27
	<u>11,220</u>	<u>11,546</u>

INTERIM DIVIDEND

On 30 August 2022, the Board has resolved to pay an interim dividend of HK\$0.02 per share (2021: HK\$0.015 per share) which is payable on Thursday, 6 October 2022 to the shareholders whose names appear on the Register of Members of the Company on Tuesday, 20 September 2022.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Friday, 16 September 2022 to Tuesday, 20 September 2022, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Thursday, 15 September 2022.

REVIEW OF BUSINESS ACTIVITIES

Review of Results

The profit attributable to owners of the Company for the six months ended 30 June 2022 amounted to HK\$95.5 million, as compared to HK\$27.8 million for the corresponding period last year.

This was mainly attributable to the increase in the value of the Group's properties. The net increase in value of properties held by the Group and the Group's joint ventures was HK\$9.1 million as compared to a decrease in value of HK\$31.4 million for the corresponding period last year. In addition, the Group recognised exchange gains of HK\$16.6 million as compared to exchange losses of HK\$2.8 million for the corresponding period last year due to Renminbi depreciation.

The Group's revenue for the six months ended 30 June 2022 was HK\$1,559.2 million, 0.2% increase as compared to HK\$1,556.8 million for the corresponding period last year. Operating profit for the six months ended 30 June 2022 was HK\$103.5 million, as compared to HK\$55.8 million for the corresponding period last year. The improvement in the operating results was mainly due to the fair value change of investment properties held by the Group in sum of HK\$23.5 million and exchange difference in sum of HK\$19.4 million.

REVIEW OF BUSINESS ACTIVITIES (continued)

Electronic Manufacturing Service (“EMS”) Division

The continuous disruption of global supply chain, shortages of semiconductors and other components, and lockdowns in Shenzhen and Shanghai due to the resurgence of the COVID-19 pandemic in China posed significant challenges to operation in the first half of 2022. To mitigate the adverse effects of the tight supply of raw materials, the Group has been closely liaising with its customers for remedial actions and exploring alternative sources of supply of materials. The Group has also been able to pass certain increases in material cost to customers via increase in selling prices. Also, the Group has been continuously striving for cost efficiency improvement. Overall, the Group was able to book a 0.3% increase in the EMS revenue for the six months ended 30 June 2022 as compared to the first half of 2021, from HK\$1,523.8 million to HK\$1,528.0 million. The segment profit attributable to the EMS Division was HK\$41.2 million representing an increase of 8.2% as compared to HK\$38.1 million for the corresponding period last year due to a slight increase in profit margin.

Inventory held at June-end amounted to HK\$549.2 million in comparison with HK\$388.5 million held at 30 June 2021. The increase was mainly due to unbalanced kits of materials accumulated and the need to store up certain critical components amid difficult supply chain conditions.

Property Holding Division

The Property Holding Division reported revenue of HK\$31.2 million, 5.6% decrease as compared to HK\$33.0 million for the corresponding period last year. The segment profit for the period was HK\$54.8 million as compared to HK\$17.6 million for the corresponding period last year. The improvement in the segment results was mainly attributable to the increase in value of properties held by the Group.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2022, the Group had a total of HK\$3,567.7 million (2021 December: HK\$3,621.5 million) of banking facilities. Total bank borrowings were HK\$2,126.4 million (2021 December: HK\$2,075.7 million). Cash and cash equivalents, short-term bank deposits and restricted cash were HK\$1,372.7 million at 30 June 2022 (2021 December: HK\$1,414.9 million).

As at 30 June 2022, the Group had net bank borrowings of HK\$753.7 million, as compared to HK\$660.8 million at 31 December 2021. 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.

LIQUIDITY AND FINANCIAL RESOURCES (continued)

Net gearing ratio for the Group as at 30 June 2022 is 0.18 (2021 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, short-term bank deposits and restricted cash.

FOREIGN EXCHANGE AND RISK MANAGEMENT

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

CAPITAL STRUCTURE

There has been no material change in the Group's capital structure since 31 December 2021 which consists of bank borrowings, cash and cash equivalents, short-term bank deposits, restricted cash and equity attributable to owners of the parent, comprising issued share capital and reserves.

EMPLOYEES

As at 30 June 2022, the Group employed approximately 3,500 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

While the effects of COVID-19 pandemic appear to have been easing, the resurgence of COVID-19 in China causing lockdowns, disruption of power supply in the Group's factories in China, general economic downturn, the war between Russia and Ukraine, cost rising due to global inflation, and rising bank interest rates continue to affect us and will impact the profitability of the Group in the second half of 2022. As to supply chain conditions, disruption of the supply chain, shortages of semiconductors and certain components, and various logistic issues will continue to constrain our ability to deliver goods to customers in the near future.

PROSPECTS (continued)

To deal with the materials shortages and supply chain issues, the Group will closely liaise with its customers and provide them with prompt feedback and proposed remedial actions, and will also work closely with customers to explore alternative sources of supply of materials, such as Chinese and Asian semiconductors and passive components sources. As to the rising cost issue, the Group will continue to work with the customers to adjust selling price to absorb increase in cost. We shall implement severe cost saving measures and continue our endeavor to improve operating efficiency. On a brighter note, current customer orders and forecast have remained buoyant and the Group is confident that the EMS business will resume growth once the material shortages and supply chain issues are alleviated.

Currently, the COVID-19 pandemic appears to have been under control in Vietnam and customer visits to qualify the Group's factory in Vietnam have resumed and increased, and are bringing more sales opportunities to the Group. The progress of construction of the new production facility in Hai Duong Province, Vietnam, with a floor area of 30,000 square meters, is on schedule, and it is expected to be completed in 2022. The Directors believe that the factory in Vietnam will enhance the customer base of the EMS business and is an important source of future growth for the Group.

Market conditions for commercial properties in Hong Kong have stabilized, and the commercial properties held by the Group, directly or indirectly, have been almost fully leased out, generating stable income to the Group. Loan interest rates are expected to rise and the Group has been taking measures to hedge against such risk.

The Group will continue to do its best to deal with the pandemic situation, putting the health of our employees, the interests of our customers and partners and our corporate social responsibilities as our top priorities.

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 tenth 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 2022, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”), were as follows:

Long positions in shares of the Company

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

Note:

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

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

Save as disclosed herein, as at 30 June 2022, 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 2022, persons (other than the Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Long positions in shares of the Company

Name of substantial shareholders	Capacity	Number of ordinary shares	Approximate percentage of the issued shares
Salop Hong Kong Limited	Beneficial owner <i>(Note 1)</i>	135,828,569	28.39%
Cantrust (Far East) Limited	Trustee <i>(Note 2)</i>	126,298,413	26.40%
Wong Chung Ah, Johnny	Beneficial owner, interest of spouse and founder of a discretionary trust <i>(Note 3)</i>	90,308,532	18.87%
Luk Kit Ching	Beneficial owner and interest of spouse <i>(Note 3)</i>	90,308,532	18.87%
Kong King International Limited	Beneficial owner <i>(Note 3(c))</i>	88,073,532	18.41%
WLJ Holding Limited	Interest of controlled corporation <i>(Note 3(c))</i>	88,073,532	18.41%
Wong Chung Yin, Michael	Beneficial owner and joint interest <i>(Note 4)</i>	78,526,001	16.41%
Woo Sin Ming	Joint interest and interest of spouse <i>(Note 4)</i>	78,526,001	16.41%
Wong Chung Yan, Claudia	Founder of a discretionary trust <i>(Note 5)</i>	38,224,881	7.99%
New Chung Yan Limited	Interest of controlled corporation <i>(Note 5)</i>	38,224,881	7.99%
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%
HSBC International Trustee Limited	Trustee <i>(Note 6)</i>	31,379,167	6.56%

INTERESTS OF SUBSTANTIAL SHAREHOLDERS (continued)

Long positions in shares of the Company (continued)

Notes:

1. Salop Hong Kong Limited was a company wholly-owned and controlled by Mr. Wong Chung Mat, Ben. Please refer to the Note under the section headed “Interests of Directors and chief executives”.
2. Cantrust (Far East) Limited was deemed (by virtue of the SFO) to be interested in 126,298,413 shares in the Company. These shares were held in the following capacity:
 - (a) 88,073,532 shares were held by Kong King International Limited under a discretionary trust, of which Cantrust (Far East) Limited was the trustee. Please refer to Note 3(c) below.
 - (b) 19,112,441 shares and 19,112,440 shares were held by Aldalyn Limited and Blueford Limited respectively under a discretionary trust, of which Cantrust (Far East) Limited was the trustee. Please refer to Note 5 below.
3. Mr. Wong Chung Ah, Johnny and his wife, Ms. Luk Kit Ching, were deemed (by virtue of the SFO) to be interested in the same block of 90,308,532 shares in the Company. These shares were held in the following capacity:
 - (a) 1,000,000 shares were held by Mr. Wong Chung Ah, Johnny personally.
 - (b) 1,235,000 shares were held by Ms. Luk Kit Ching, wife of Mr. Wong Chung Ah, Johnny.
 - (c) 88,073,532 shares were held by Kong King International Limited under a discretionary trust, of which Mr. Wong Chung Ah, Johnny was regarded as the founder (by virtue of the SFO) and Cantrust (Far East) Limited was the trustee. Kong King International Limited was wholly-owned by WLJ Holding Limited, which was wholly-owned by Cantrust (Far East) Limited. Each of Mr. Wong Chung Ah, Johnny, Ms. Luk Kit Ching, Kong King International Limited, WLJ Holding Limited and Cantrust (Far East) Limited was deemed to be interested in the same block of 88,073,532 shares.
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 19,112,441 shares and 19,112,440 shares in the Company which were held by Aldalyn Limited and Blueford Limited respectively (38,224,881 shares in total) under a discretionary trust, of which Ms. Wong Chung Yan, Claudia was regarded as the founder (by virtue of the SFO) and Cantrust (Far East) Limited was the trustee. Aldalyn Limited and Blueford Limited were wholly-owned by New Chung Yan Limited, which was wholly-owned by Cantrust (Far East) Limited. Each of Ms. Wong Chung Yan, Claudia, New Chung Yan Limited and Cantrust (Far East) Limited was deemed to be interested in the same block of 38,224,881 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.

Save as disclosed herein, the Directors are not aware of any other persons who, as at 30 June 2022, had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

SHARE OPTIONS

The Company has adopted a share option scheme on 26 June 2020. No option has been granted under such scheme since its adoption date and up to 30 June 2022.

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

During the six months ended 30 June 2022, 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 2022, the Company has complied with the code provisions of the Corporate Governance Code as set out in Part 2 of Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), except for the following deviation:

Code provision C.2.1

Code provision C.2.1 (which has been re-numbered from the former code provision A.2.1 since 1 January 2022) 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.

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 2022.

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 2022.

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

Hong Kong, 30 August 2022

BOARD OF DIRECTORS

Executive Directors:

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

Independent Non-executive Directors:

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