

WKK

WONG'S KONG KING INTERNATIONAL (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0532)



INTERIM REPORT 2022

INTERIM REPORT

The Board of Directors of Wong's Kong King International (Holdings) Limited (the "Company") announces that the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2022 together with comparative figures for the corresponding period in 2021 are as follows:

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

	Note	Six months ended 30 June 2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Revenue	7	2,415,577	2,726,355
Other gains, net	8	10,522	2,991
Raw materials and consumables used		(1,026,502)	(1,072,788)
Purchases of finished goods		(881,243)	(1,046,569)
Changes in inventories of finished goods and work in progress		55,824	(56,313)
Employee benefit expenses		(346,688)	(327,591)
Depreciation and amortisation		(34,442)	(34,578)
Net write-back of/(provision for) impairment loss on financial assets		4,821	(3,017)
Other expenses	9	(105,555)	(97,489)
Operating profit	10	92,314	91,001
Finance income	11	2,441	1,695
Finance costs	11	(3,524)	(2,464)
Finance costs, net	11	(1,083)	(769)
Share of profit of joint ventures		7,904	5,803
Profit before income tax		99,135	96,035
Income tax expense	12	(32,928)	(31,115)
Profit for the period	6	66,207	64,920
Attributable to:			
Owners of the Company		44,454	55,943
Non-controlling interests		21,753	8,977
		66,207	64,920
Earnings per share for profit attributable to the owners of the Company during the period (expressed in HK cents per share)			
- basic	13	6.09	7.67
- diluted	13	6.07	7.67

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

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

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit for the period	66,207	64,920
Other comprehensive income/(loss):		
<i>Item that will not be reclassified subsequently to profit or loss</i>		
Fair value gains on equity investments at fair value through other comprehensive income, net of tax	1,623	19,844
<i>Item that may be reclassified to profit or loss</i>		
Currency translation differences	(39,178)	3,458
Total comprehensive income for the period	28,652	88,222
Attributable to:		
Owners of the Company	13,205	79,261
Non-controlling interests	15,447	8,961
	28,652	88,222

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

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CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2022

		30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
	Note		
ASSETS			
Non-current assets			
Property, plant and equipment	14	450,652	470,023
Right-of-use assets	15	48,057	60,200
Deposits		4,370	5,269
Intangible assets		226	275
Interests in joint ventures		26,592	18,688
Deferred tax assets		24,020	22,634
Financial assets at fair value through other comprehensive income	16	32,687	32,439
Financial assets at fair value through profit or loss		1,661	2,786
Club membership and debentures		15,087	15,087
Total non-current assets		603,352	627,401
<hr style="border-top: 1px dashed black;"/>			
Current assets			
Inventories		1,138,722	891,213
Trade and other receivables	18	1,374,697	1,412,088
Contract assets	20	24,284	31,153
Deposits and prepayments		71,474	68,942
Tax recoverable		1,108	1,029
Short-term time deposits		107,156	31,619
Cash and cash equivalents		775,844	682,315
Total current assets		3,493,285	3,118,359
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Total assets		4,096,637	3,745,760
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LIABILITIES			
Non-current liabilities			
Lease liabilities	15	18,290	25,097
Provision for assets retirement obligations		1,710	1,710
Retirement benefit obligations		8,157	10,122
Total non-current liabilities		28,157	36,929
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CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

AT 30 JUNE 2022

	Note	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Current liabilities			
Trade and other payables	19	1,093,988	1,116,084
Contract liabilities	20	144,541	128,791
Current income tax liabilities		26,988	19,162
Bank borrowings	23	939,946	565,303
Lease liabilities	15	17,794	23,046
Derivative financial instruments		2,860	585
Total current liabilities		2,226,117	1,852,971
Total liabilities		2,254,274	1,889,900
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	21	72,990	72,975
Reserves		1,678,324	1,686,895
		1,751,314	1,759,870
Non-controlling interests		91,049	95,990
Total equity		1,842,363	1,855,860
Total equity and liabilities		4,096,637	3,745,760

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

The condensed consolidated interim financial information on page 1 to 38 was approved by the Board of Directors on 26 August 2022 and were signed on its behalf.

Edward Ying-Chun Tsui
Director

Byron Shu-Chan Ho
Director

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2022

	(Unaudited)										Non-controlling interests	Total equity		
	Attributable to owners of the Company													
	Share capital	Share premium	Capital redemption reserve	Contributed surplus	Special reserve	Financial assets at fair value through other comprehensive income	Translation reserve	Share option reserve	Capital reserve	Retained earnings	Total			
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
Balance at 31 December 2021 and 1 January 2022	72,975	71,205	1,610	26,624	12,714	(5,811)	28,488	6,807	(663)	1,545,921	1,759,870	95,990	1,855,860	
Comprehensive income														
Profit for the period	-	-	-	-	-	-	-	-	-	44,454	44,454	21,753	66,207	
Transfer of loss on disposal of equity investments at fair value through other comprehensive income to retained earnings	-	-	-	-	-	595	-	-	-	(595)	-	-	-	
Other comprehensive income (loss)														
Fair value (losses)/gains on equity investments at fair value through other comprehensive income, net of tax	-	-	-	-	-	2,071	-	-	-	-	2,071	(448)	1,623	
Currency translation differences	-	-	-	-	-	-	(33,320)	-	-	-	(33,320)	(5,858)	(39,178)	
Total comprehensive income for the period ended 30 June 2022	-	-	-	-	-	2,666	(33,320)	-	-	43,859	13,205	15,447	28,652	
Transactions with owners														
Dividends payable to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(20,388)	(20,388)	
2021 final dividend	-	-	-	-	-	-	-	-	-	(21,897)	(21,897)	-	(21,897)	
Transfer from retained earnings to special reserve	-	-	-	-	1,551	-	-	-	-	(1,551)	-	-	-	
Issue of ordinary shares upon exercise of share option (Note 22)	15	136	-	-	-	-	-	(15)	-	-	136	-	136	
Lapsed of share option	-	-	-	-	-	-	-	(124)	-	124	-	-	-	
Balance at 30 June 2022	72,990	71,341	1,610	26,624	14,265	(3,145)	(4,832)	6,688	(663)	1,586,456	1,751,314	91,049	1,842,363	

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

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED) FOR THE SIX MONTHS ENDED 30 JUNE 2022

	(Unaudited)												Non-controlling interests	Total equity
	Attributable to owners of the Company													
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Special reserve HK\$'000	Financial assets at fair value through other comprehensive income revaluation reserve HK\$'000	Translation reserve HK\$'000	Share option reserve HK\$'000	Capital reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000	HK\$'000		
Balance at 31 December 2020 and 1 January 2021	72,945	70,932	1,610	26,624	11,640	(24,950)	13,272	5,884	(270)	1,533,811	1,711,498	84,820	1,796,318	
Comprehensive income														
Profit for the period	-	-	-	-	-	-	-	-	-	55,943	55,943	8,977	64,920	
Other comprehensive income (loss)														
Fair value gains on equity investments at fair value through other comprehensive income, net of tax	-	-	-	-	-	19,569	-	-	-	-	19,569	275	19,844	
Currency translation differences	-	-	-	-	-	-	3,749	-	-	-	3,749	(291)	3,458	
Total comprehensive income for the period ended 30 June 2021	-	-	-	-	-	19,569	3,749	-	-	55,943	79,261	8,961	88,222	
Transactions with owners														
Dividends payable to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(13,856)	(13,856)	
2020 final dividend	-	-	-	-	-	-	-	-	-	(43,767)	(43,767)	-	(43,767)	
Acquisition of additional interest in subsidiaries	-	-	-	-	-	-	-	-	(393)	-	(393)	(638)	(1,031)	
Transfer from retained earnings to special reserve	-	-	-	-	1,074	-	-	-	-	(1,074)	-	-	-	
Share-based payment expense	-	-	-	-	-	-	-	1,103	-	-	1,103	-	1,103	
Balance at 30 June 2021	72,945	70,932	1,610	26,624	12,714	(5,381)	17,021	6,987	(663)	1,544,913	1,747,702	79,287	1,826,989	

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

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Note	Six months ended 30 June 2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Cash flows from operating activities			
Cash from operations		(120,176)	114,320
Income tax paid		(17,354)	(27,315)
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Net cash (used in)/from operating activities		(137,530)	87,005
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Cash flows from investing activities			
Interest received		2,441	1,695
Dividend income from a joint venture		–	3,893
Dividend income from financial assets at fair value through other comprehensive income		115	79
Purchase of property, plant and equipment	14	(11,012)	(9,023)
Proceeds from disposal of property, plant and equipment		807	4,465
Proceeds from disposal of financial assets at fair value through other comprehensive income		631	–
Purchase of club membership and debentures		–	(180)
Acquisition of additional interest in subsidiaries		–	(1,031)
Decrease/(increase) in long-term deposits		715	(514)
(Increase)/decrease in short-term time deposits		(75,537)	23
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Net cash used in investing activities		(81,840)	(593)
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED) FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Note	Six months ended 30 June	
		2022	2021
		(Unaudited) HK\$'000	(Unaudited) HK\$'000
Cash flows from financing activities			
Interest paid		(3,277)	(2,191)
Proceeds from new bank borrowings	23	1,906,947	1,293,802
Repayment of bank borrowings	23	(1,532,304)	(1,181,377)
Principal element of lease rentals paid		(10,370)	(9,326)
Interest element of lease rentals paid		(247)	(273)
Issuance of ordinary share upon exercise of share option		136	–
Net cash from financing activities		360,885	100,635
Net increase in cash and cash equivalents		141,515	187,047
Cash and cash equivalents at beginning of the period		682,315	597,995
Effect of foreign exchange rate changes		(47,986)	(6,326)
Cash and cash equivalents at end of the period		775,844	778,716
Analysis of cash and cash equivalents:			
Bank balances and cash		775,844	778,716

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

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

1. GENERAL INFORMATION

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

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

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

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2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2022 has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") and with Hong Kong Accounting Standard 34 "*Interim Financial Reporting*" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2021.

3. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial information has been prepared in consistent with those principal accounting policies followed in the Annual Report 2021 except the adoption of the following new/revised Hong Kong Financial Reporting Standards ("HKFRS"), Hong Kong Accounting Standards and Interpretations which are effective for accounting periods commencing on or after 1 January 2022.

(a) Amended standards adopted by the Group

The following new amendments to standards were required to be adopted by the Group effective from 1 January 2022:

Annual Improvements Project	Annual Improvements to HKFRS Standards 2018-2020
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before intended use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Revised Accounting Guideline 5	Merger Accounting for Common Control Combinations
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 2021

The amended standards listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current period.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(b) New and amended standards not yet adopted

Certain new and amended standards have been published that are not mandatory for financial period beginning 1 January 2022 and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimate	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	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
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 Group has commenced an assessment of the impact of these new and amended standards, but is not yet in a position to state whether they would have significant impacts on its results of operations and financial position.

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4. ESTIMATES

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

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

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

(a) Financial risk factors

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

The condensed consolidated interim financial information 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.

There have been no changes in the risk management policies since 31 December 2021.

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

(b) Fair value estimation

The carrying value of all financial assets less impairment provision are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

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

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

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

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

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5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

(b) Fair value estimation (Continued)

(i) Financial instruments in level 1

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

(ii) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

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

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

(b) Fair value estimation (Continued)

(iii) Financial instruments in level 3

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

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

All the resulting fair value estimates of the Group's unlisted investment are included in level 3.

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

6. SEGMENT INFORMATION

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

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6. SEGMENT INFORMATION (CONTINUED)

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

The segment information for the six months ended 30 June 2022 is as follows:

	Trading HK\$'000	Manufacturing HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Revenue					
External sales	1,313,337	1,078,301	23,939	-	2,415,577
Inter-segment sales	322,738	1,635	15,939	(340,312)	-
Total	1,636,075	1,079,936	39,878	(340,312)	2,415,577
Timing of revenue recognition					
At a point in time	1,615,711	1,079,936	36,611	(334,968)	2,397,290
Over time	20,364	-	3,267	(5,344)	18,287
	1,636,075	1,079,936	39,878	(340,312)	2,415,577
Results					
Segment results	123,459	(25,257)	(8,374)	2,486	92,314
Finance income	2,216	85	140	-	2,441
Finance costs	(615)	(2,805)	(104)	-	(3,524)
Segment operating profit/(loss)	125,060	(27,977)	(8,338)	2,486	91,231
Share of profit of joint ventures					7,904
Profit before income tax					99,135
Income tax expense					(32,928)
Profit for the period					66,207

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6. SEGMENT INFORMATION (CONTINUED)

The segment information for the six months ended 30 June 2021 is as follows:

	Trading HK\$'000	Manufacturing HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Revenue					
External sales	1,532,952	1,163,348	30,055	–	2,726,355
Inter-segment sales	231,471	1,611	17,082	(250,164)	–
Total	1,764,423	1,164,959	47,137	(250,164)	2,726,355
Timing of revenue recognition					
At a point in time	1,736,365	1,164,959	45,162	(242,480)	2,704,006
Over time	28,058	–	1,975	(7,684)	22,349
	1,764,423	1,164,959	47,137	(250,164)	2,726,355
Results					
Segment results	116,570	(16,594)	(8,804)	(171)	91,001
Finance income	1,511	89	95	–	1,695
Finance costs	(961)	(1,405)	(98)	–	(2,464)
Segment operating profit/(loss)	117,120	(17,910)	(8,807)	(171)	90,232
Share of profit of joint ventures					5,803
Profit before income tax					96,035
Income tax expense					(31,115)
Profit for the period					64,920

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6. SEGMENT INFORMATION (CONTINUED)

The segment assets and liabilities as at 30 June 2022 are as follows:

	Trading HK\$'000	Manufacturing HK\$'000	Others HK\$'000	Consolidated HK\$'000
Assets				
Segment assets	1,727,729	2,191,056	177,852	4,096,637
Liabilities				
Segment liabilities	750,719	1,447,981	55,574	2,254,274

The segment assets and liabilities as at 31 December 2021 are as follows:

	Trading HK\$'000	Manufacturing HK\$'000	Others HK\$'000	Consolidated HK\$'000
Assets				
Segment assets	1,787,722	1,788,481	169,557	3,745,760
Liabilities				
Segment liabilities	773,148	1,015,228	101,524	1,889,900

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6. SEGMENT INFORMATION (CONTINUED)

An analysis of the Group's other segment information is as follows:

	Trading HK\$'000	Manufacturing HK\$'000	Others HK\$'000	Consolidated HK\$'000
For the period ended 30 June 2022				
Capital expenditure	5,374	5,286	352	11,012
Depreciation of property, plant and equipment	4,590	17,392	1,618	23,600
Depreciation of right-of-use assets	3,735	1,059	5,999	10,793
Amortisation of intangible assets	49	-	-	49
For the period ended 30 June 2021				
Capital expenditure	5,429	1,696	1,898	9,023
Depreciation of property, plant and equipment	6,187	15,788	1,796	23,771
Depreciation of right-of-use assets	3,554	1,052	6,152	10,758
Amortisation of intangible assets	49	-	-	49

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6. SEGMENT INFORMATION (CONTINUED)

Analysis of the Group's revenue by geographical market is as follows:

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Hong Kong, Mainland China and Taiwan	1,513,354	1,863,385
Europe	483,964	443,081
North America	266,676	250,911
Others	151,583	168,978
	2,415,577	2,726,355

The total non-current assets other than intangible assets and deferred tax assets located in Hong Kong, Mainland China and other countries are HK\$159,909,000 (31 December 2021: HK\$157,839,000), HK\$390,830,000 (31 December 2021: HK\$415,673,000) and HK\$28,367,000 (31 December 2021: HK\$30,980,000), respectively.

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7. REVENUE

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Sales of goods	2,388,345	2,697,942
Commission income	8,199	5,500
Service fee income	18,287	22,349
Ticketing and touring income	143	180
Others	603	384
	2,415,577	2,726,355

8. OTHER GAINS, NET

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Dividend from financial assets at fair value through other comprehensive income	115	79
Government subsidies (Note)	4,779	3,857
Fair value losses on equity investments at financial assets at fair value through profit or loss	(966)	(945)
Tooling income	6,594	–
	10,522	2,991

Note: It represents subsidies mainly received from certain People's Republic of China (the "PRC") local government authorities and Hong Kong Special Administrative Region Government (2021: PRC local government authorities). There are no unfulfilled conditions or other contingencies attaching to these grants.

INTERIM REPORT

9. OTHER EXPENSES

Operating expenses are stated after charging/(crediting) the following:

	Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000
Auditors' remuneration	1,646	1,870
Bank charges	2,823	3,281
Charitable donations	271	1,095
Consumables	10,023	9,020
Expenses relating to short-term leases	1,058	1,376
Expenses relating to leases of low-value assets that are not shown above as short-term leases	27	10
Electricity, water and other utility	13,627	13,410
Freight and insurance	16,982	16,444
Gains on disposal of property, plant and equipment	(764)	(1,082)
Marketing expenses	581	1,209
Net foreign exchange gains	(1,712)	(1,977)
Office and factories expenses	11,018	9,614
Postage, telephone and fax	2,650	2,969
Professional service fees	5,228	5,215
Repairs and maintenance	7,594	6,221
Storage	535	808
Transportation and travelling expenses	8,922	10,899
Tax and surcharges	6,284	9,931
Others (Note)	18,762	7,176
	105,555	97,489

Note: Others included research and development expenses, motor vehicle expenses, fuel costs, miscellaneous expenses etc.

INTERIM REPORT

10. OPERATING PROFIT

Operating profit is stated after charging/(crediting) the following:

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
(Reversal of provision for)/allowance for obsolescence of inventories	(1,240)	1,214
Net fair value losses on derivative financial instruments	2,655	2,034

11. FINANCE COSTS, NET

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Interest income on:		
–bank deposits	2,426	1,690
–others	15	5
	2,441	1,695
Interest expense on:		
–bank borrowings	(3,277)	(2,191)
–lease liabilities	(247)	(273)
	(3,524)	(2,464)
Finance costs, net	(1,083)	(769)

INTERIM REPORT

12. INCOME TAX EXPENSE

Hong Kong profits tax has not been provided for as the Group has no estimated assessable profit for the period (2021: Hong Kong profits tax had not been provided for at 16.5% on the estimated assessable profit for the period as the Group has sufficient tax losses carried forward to set off against the estimated assessable profit). The subsidiaries established in the PRC are subject to corporate income tax rate of 25% (2021: 25%). The subsidiaries in Taiwan are subject to corporate income tax rate of 20% (2021: 20%). Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Current income tax		
–Hong Kong profits tax	–	–
–PRC corporate income tax	6,354	18,135
–Taiwan corporate income tax	16,239	5,495
–Other jurisdictions	1,466	968
	24,059	24,598
Deferred income tax	–	510
Withholding tax on dividends declared by a subsidiary	8,869	6,007
	32,928	31,115

INTERIM REPORT

13. EARNINGS PER SHARE

(a) **Basic**

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

	Six months ended 30 June	
	2022	2021
Profit attributable to owners of the Company (Hong Kong thousands dollar)	44,454	55,943
Weighted average number of ordinary shares in issue (thousands)	729,863	729,448
Basic earnings per share (Hong Kong cents per share)	6.09	7.67

INTERIM REPORT

13. EARNINGS PER SHARE (CONTINUED)

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding, assuming conversion of all dilutive potential ordinary shares.

	Six months ended 30 June	
	2022	2021
Profit attributable to owners of the Company (Hong Kong thousands dollar)	44,454	55,943
Weighted average number of ordinary shares in issue (thousands)	729,863	729,448
Adjustments for share options (thousands) (Note)	2,820	–
Weighted average number of ordinary shares for diluted earnings per share (thousands)	732,683	729,448
Diluted earnings per share (Hong Kong cents per share)	6.07	7.67

Note: For the six months ended 30 June 2021, diluted earnings per share were the same as the basic earnings per share, as the share options of the Company had an anti-dilutive effect on the basic earnings per share and were ignored in the calculation of diluted earnings per share.

14. PROPERTY, PLANT AND EQUIPMENT

During the period ended 30 June 2022, the Group acquired property, plants and equipment of HK\$11,012,000 (Period ended 30 June 2021: HK\$9,023,000).

During the period ended 30 June 2022, the Group disposed property, plants and equipment with a carrying amount of HK\$43,000 (Period ended 30 June 2021: HK\$3,383,000).

INTERIM REPORT

15. LEASES

During the period ended 30 June 2022, the Group entered into new lease agreements for buildings for 1 to 4 years. The Group makes fixed payments during the contract period. On lease commencement, the Group recognised an addition of right-of-use assets amounting to HK\$1,583,000 (Period ended 30 June 2021: HK\$10,386,000).

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

- (a) Financial assets at fair value through other comprehensive income include the following:

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
Financial instruments level 3:		
Equity investments in unlisted equity securities	<u>32,687</u>	<u>32,439</u>

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

	Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000
At beginning of period	32,439	13,034
Net fair value gains on financial assets at fair value through other comprehensive income	1,279	20,055
Disposal	(631)	–
Exchange (losses)/gains	(400)	33
At end of the period	<u>32,687</u>	<u>33,122</u>

INTERIM REPORT

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

(c) Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements:

	Fair value at 30 June 2022 HK\$'000	Note	Unobservable inputs*	Range of inputs	Relationship of unobservable inputs to fair value
Unlisted equity securities denominated in HK\$	28,000	1	Enterprise multiples	6.89	A change in the enterprise multiples by +10% would increase the fair value by HK\$3,800,000 A change in the enterprise multiples by -10% would decrease the fair value by HK\$4,700,000
			Discount for lack of marketability	15.8%	A change in the discount for lack of marketability by +1,000 basis points would decrease the fair value by HK\$600,000 A change in the discount for lack of marketability by -1,000 basis points would decrease the fair value by HK\$300,000

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

(c) Valuation inputs and relationships to fair value (Continued)

	Fair value at 30 June 2022 HK\$'000	Note	Unobservable inputs*	Range of inputs	Relationship of unobservable inputs to fair value
Unlisted equity securities denominated in New Taiwan dollars ("NTD")	4,687		Discount for lack of marketability	30% to 80%	A change in the discount for lack of marketability by +/- 1,000 basis points would decrease/increase the fair value by HK\$737,000
	<u>32,687</u>				

Note 1: Enterprise multiples = enterprise value/earnings before interest, tax, depreciation and amortisation

* There were no significant inter-relationships between unobservable inputs that materially affect fair values.

(d) Valuation process used for fair value measurements categorised within level 3 of the fair value hierarchy

The Group engages external, independent and qualified valuers to determine the fair value of the Group's unlisted equity securities at least once every six months. As at 30 June 2022, the fair values of the unlisted equity securities have been determined by Ravia Global Appraisal Advisory Limited mainly.

INTERIM REPORT

17. DIVIDENDS

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Interim dividend–HK\$0.015 (2021: HK\$0.02) per share	10,948	14,589

The Board of Directors has declared an interim dividend of HK\$0.015 (2021: HK\$0.02) per share for the six months ended 30 June 2022 which will be payable on or about Friday, 30 September 2022 to the shareholders whose names appear on the Register of Members of the Company on Thursday, 15 September 2022. This interim dividend, amounting to HK\$10,948,000 (2021: HK\$14,589,000) has not been recognised as a liability in this unaudited condensed consolidated interim financial information. It will be recognised in shareholders' equity in the year ending 31 December 2022.

18. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are accounts and bills receivables of HK\$1,341,844,000 (At 31 December 2021: HK\$1,370,957,000).

	30 June	31 December
	2022	2021
	HK\$'000	HK\$'000
Accounts and bills receivables– third parties	1,369,475	1,403,498
Less: loss allowance	(27,631)	(32,541)
	1,341,844	1,370,957
Other receivables	32,853	41,131
Total trade and other receivables	1,374,697	1,412,088

The Group allows a credit period ranging from 30 days to 180 days to its trade customers. In addition, for certain customers with long-established relationship, a longer credit period may be granted.

INTERIM REPORT

18. TRADE AND OTHER RECEIVABLES (CONTINUED)

The ageing analysis of accounts and bills receivables based on invoices dates net of loss allowance at the end of reporting period is as follows:

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
0 to 30 days	504,878	531,300
31 to 60 days	262,766	324,216
61 to 90 days	212,870	199,018
Over 90 days	361,330	316,423
	1,341,844	1,370,957

The closing loss allowances for trade receivables as at 30 June 2022 reconcile to the opening loss allowances as follows:

	Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000
At 1 January	32,541	16,361
(Reversal of impairment losses)/ impairment losses for the period	(4,821)	3,017
Receivables written off during the period as uncollectible	(89)	(93)
At 30 June	27,631	19,285

INTERIM REPORT

19. TRADE AND OTHER PAYABLES

Included in trade and other payables are accounts and bills payables of HK\$794,576,000 (At 31 December 2021: HK\$807,176,000).

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

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
0 to 30 days	590,966	413,313
31 to 60 days	96,462	247,372
61 to 90 days	50,374	68,714
Over 90 days	56,774	77,777
	794,576	807,176

20. CONTRACT ASSETS AND CONTRACT LIABILITIES

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
Contract assets relating to sales of goods and provision of service	24,284	31,153
Contract liabilities relating to sales of goods and provision of service	(144,541)	(128,791)

The revenue recognised in the current reporting period relates to carried-forward contract liabilities at the beginning of the period amounted to HK\$109,357,000 (Period ended 30 June 2021: HK\$100,789,000).

INTERIM REPORT

21. SHARE CAPITAL

	Number of ordinary shares of HK\$0.10 each	Share capital HK\$'000
Issued and fully paid:		
At 31 December 2021 and 1 January 2022	729,747,964	72,975
Share option scheme:		
Proceeds from share issued	150,000	15
At 30 June 2022	729,897,964	72,990

22. SHARE OPTION SCHEME

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

INTERIM REPORT

22. SHARE OPTION SCHEME (CONTINUED)

At 30 June 2022, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 64,750,000 shares. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the total number of shares in issue as at the date of adoption of the Scheme, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in the 12-month period up to and including the date of such new grant is not permitted to exceed 1% of the shares of the Company in issue as at the date of such new grant, without prior approval from the Company's shareholders. Any grant of options to a director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by the independent non-executive directors (excluding any independent non-executive director who is a grantee of the relevant options). Options granted to substantial shareholders or independent non-executive directors or any of their respective associates in excess of 0.1% of the Company's share capital and with a value in excess of HK\$5,000,000, in any 12-month period, must be approved by the Company's shareholders at a general meeting.

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

22. SHARE OPTION SCHEME (CONTINUED)

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

	Exercise price HK\$	Number of share options
As at 1 January 2021	0.906	68,700,000
Lapse		(2,300,000)
Exercised	0.906	(300,000)
As at 31 December 2021 and 1 January 2022		66,100,000
Lapse		(1,200,000)
Exercised	0.906	(150,000)
As at 30 June 2022		64,750,000
Vested and exercisable	0.906	64,750,000

The share options can be exercised up to a maximum of 25% of the grant during the period from 14 June 2020 to 13 June 2021 and the balance of the grant during the period from 14 June 2021 to 13 June 2029.

No options expired during the periods covered by the above table.

The closing price of the Company's shares on 14 June 2019, the date of grant, was HK\$0.88. The fair value of the options determined at the date of grant using the Black-Scholes option-pricing model was approximately HK\$7,379,000, of which approximately HK\$nil was charged to the profit or loss for the six months ended 30 June 2022 (2021: HK\$1,103,000).

INTERIM REPORT

22. SHARE OPTION SCHEME (CONTINUED)

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

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

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

23. BANK BORROWINGS

	HK\$'000
Six months ended 30 June 2021:	
Opening amount at 1 January 2021	377,008
Proceeds from new bank borrowings	1,293,802
Repayment of bank borrowings	(1,181,377)
Closing amount at 30 June 2021	489,433
Six months ended 30 June 2022:	
Opening amount at 1 January 2022	565,303
Proceeds from new bank borrowings	1,906,947
Repayment of bank borrowings	(1,532,304)
Closing amount at 30 June 2022	939,946

INTERIM REPORT

24. CAPITAL COMMITMENTS

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
Capital expenditure contracted for but not yet incurred:		
Acquisition of property, plant and equipment	1,236	1,285

25. RELATED PARTY TRANSACTIONS

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

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

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

	Six months ended	
	30 June 2022 HK\$'000	30 June 2021 HK\$'000
Service fee income (Notes i and iii)	59	59
Rental expense (Notes ii and iii)	498	498

As at 30 June 2022 and 31 December 2021, the outstanding balance in relation to transactions with related parties is HK\$nil.

INTERIM REPORT

25. RELATED PARTY TRANSACTIONS (CONTINUED)

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

Notes:

- (i) Related party is Wesi Technology Limited, a joint venture of the Group.
- (ii) Related party is a company of which Mr. Senta Wong is a director having control or significant influence over that company.
- (iii) All of the transactions were carried out in the normal course of the Group's business and the terms as agreed between the transacting parties.

(b) Key management remuneration

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

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Salaries, wages, commission and allowances	29,805	26,446
Share options granted to key management	–	832
Post-employment benefits	1,124	1,051
	30,929	28,329

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM DIVIDEND

The Board of Directors has declared an interim dividend of HK\$0.015 (2021: HK\$0.02) per share for the six months ended 30 June 2022. The above-mentioned interim dividend will be payable on or about Friday, 30 September 2022 to the shareholders whose names appear on the Register of Members of the Company on Thursday, 15 September 2022.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 13 September 2022 to Thursday, 15 September 2022, (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Standard Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Friday, 9 September 2022.

BUSINESS REVIEW

The Group's turnover for the first half of 2022 was HK\$2.4 billion, reflecting a decline of approximately 11% compared to the same period last year. The Group's profit attributable to shareholders for the first half of 2022 was HK\$44.5 million, representing a decrease of approximately 21% compared to the corresponding period last year.

After the record sales in 2021, the turnover of the Group's Industrial Products Trading and Distribution Division for the first half of 2022 was HK\$1.3 billion, representing a decrease of approximately 14% compared to the same period last year. This was generally attributable to the prevailing shortage of components and logistical bottlenecks which adversely affected the ability of the Division's customers to manufacture their products, as well as a reduction in demand for the industrial products distributed by the Group. At the same time, these difficulties caused the Division's suppliers to delay their deliveries to the Group. However, the Division's operating profit was HK\$125.1 million, reflecting an increase of approximately 7% compared to the corresponding period last year as a result of the excellent performance of a subsidiary in Taiwan which increased its operating profit to an extent which more than offset the shortfall in

MANAGEMENT DISCUSSION AND ANALYSIS

operating profits incurred by other operations. This was because the Taiwanese subsidiary is a distributor of particular products which enjoyed strong demand in Taiwan. The Singapore operations also contributed more to the Division's operating profit compared to the same period last year.

The turnover of the Group's OEM Manufacturing Division decreased by approximately 7% to HK\$1.1 billion for the first half of 2022 compared to the same period last year. This was mainly due to the global supply chain disruption, logistical bottlenecks, extended border closures and heightened geopolitical tensions. The division's operating loss was HK\$28 million for the first half of 2022 as compared to an operating loss of HK\$17.9 million for the corresponding period last year.

FINANCE

The Group has committed bank and other financing facilities totaling HK\$2,637 million, of which HK\$1,061 million was drawn down as at 30 June 2022. As at 30 June 2022, the Group's consolidated net borrowings amounted to HK\$93 million and its total equity amounted to HK\$1,842 million, resulting in a net gearing ratio of 5.0%.

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

HUMAN RESOURCES

As at 30 June 2022, the Group had a total of 4,379 employees, of which 218 were based in Hong Kong, 3,682 in the PRC and 479 overseas. The remuneration of the Group's employees is mainly based on their performance and experience, taking into account current industry practices. Provident fund scheme, medical allowances, and in-house and external training program are available to employees. Share options and discretionary bonuses may be provided to employees according to the performance of the individual and the Group. The remuneration policy and package of the Group's employees are regularly reviewed.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

In view of the current worldwide coronavirus pandemic and its related consequences such as global supply chain disruptions, logistical bottlenecks, and extended border closures, compounded by heightened geopolitical tensions and worldwide inflationary pressures, it is anticipated that the Group's overall financial performance will remain weak in the second half of 2022.

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

By Order of the Board
Wong's Kong King International (Holdings) Limited
Byron Shu-Chan Ho
Director

Hong Kong, 26 August 2022

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

DISCLOSURE OF INTERESTS

INTERESTS OF DIRECTORS

As at 30 June 2022, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long positions in the shares of the Company

Name	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total Interests	Total Interests as % of the issued share capital %	Underlying shares (share options)	Total Interests (including underlying shares) as % of the share capital %
Senta Wong	4,750,000	-	122,012,723 (Note 1)	207,800,000 (Note 2)	334,562,723	45.84	5,000,000	46.52
Edward Ying-Chun Tsui	7,577,920	-	-	-	7,577,920	1.04	3,000,000	1.45
Byron Shu-Chan Ho	3,470,000	360,000	-	-	3,830,000	0.52	3,000,000	0.94
Bengie Man-Hang Kwong	5,400,000	-	-	-	5,400,000	0.74	3,000,000	1.15
Vinci Wong	-	-	32,454,028 (Note 3)	207,800,000 (Note 4)	240,254,028	32.92	3,000,000	33.33
Victor Jui Shum Chang	-	154,000	32,454,028 (Note 5)	207,800,000 (Note 6)	240,408,028	32.94	3,000,000	33.35
Hamed Hassan El-Abd	3,000,000	-	-	-	3,000,000	0.41	3,000,000	0.82
Philip Wan-Chung Tse	-	-	-	-	-	-	3,000,000	0.41
Leung Kam Fong	-	-	-	180,000 (Note 7)	180,000	0.02	3,000,000	0.44
Yip Wai Chun	-	-	-	-	-	-	3,000,000	0.41
Arnold Hin Lin Tse	-	-	-	-	-	-	3,000,000	0.41
Andrew Yiu Wing Lam	-	-	-	-	-	-	3,000,000	0.41

DISCLOSURE OF INTERESTS

Notes:

1. 122,012,723 shares were registered in the name of Wonder Luck International Limited, which was wholly owned by Senta Wong (BVI) Limited. The entire issued share capital of which was 50.25% owned by Mr. Senta Wong and 49.75% owned by his wife, Mrs. Wong Wu Lai Ming, Lily. Mrs. Wong Wu Lai Ming, Lily passed away on 22 January 2022. The references to 122,012,723 shares deemed to be interested by Mr. Senta Wong (as disclosed herein) and Senta Wong (BVI) Limited (as disclosed in the section headed "Interests of substantial shareholders") relate to the same block of shares.
2. 207,800,000 shares were registered in the name of Rewarding Limited, which was wholly owned by Greatfamily Inc. (which was in turn wholly owned by Greatguy (PTC) Inc.) for a discretionary trust, of which Mr. Senta Wong was regarded as the founder (by virtue of the SFO). The references to 207,800,000 shares deemed to be interested by Mr. Senta Wong (as disclosed herein), Mr. Vinci Wong and Mr. Victor Jui Shum Chang (as disclosed in Notes 4 and 6 below respectively), Greatfamily Inc. and Greatguy (PTC) Inc. (as disclosed in the section headed "Interests of substantial shareholders") relate to the same block of shares.
3. 32,454,028 shares were held by Max Return Group Limited, of which Mr. Vinci Wong owns 33.33% shares. The references to these 32,454,028 shares deemed to be interested by Mr. Vinci Wong (as disclosed herein) and Mr. Victor Jui Shum Chang (as disclosed in Note 5 below) relate to the same block of shares.
4. Mr. Vinci Wong was deemed (by virtue of the SFO) to be interested in 207,800,000 shares in the Company by virtue of him being a beneficiary of a discretionary trust.
5. Mr. Victor Jui Shum Chang was deemed (by virtue of the SFO) to be interested in 32,454,028 shares in the Company, which were held by Max Return Group Limited, of which his spouse owns 33.33% shares.
6. Mr. Victor Jui Shum Chang was deemed (by virtue of the SFO) to be interested in 207,800,000 shares in the Company by virtue of his spouse being a beneficiary of a discretionary trust.
7. These 180,000 shares were jointly held by Dr. Leung Kam Fong and his spouse.

DISCLOSURE OF INTERESTS

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

Save as disclosed herein, as at 30 June 2022, none of the Directors of the Company or his associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

The Company has been notified that, as at 30 June 2022, the following persons (other than Directors or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Long positions in the shares of the Company

Name of substantial shareholders	Capacity	Number of shares held	Percentage of total issued shares
Greatfamily Inc.	Interest of controlled corporation (Note 1)	207,800,000	28.47%
Greatguy (PTC) Inc.	Trustee (Note 1)	207,800,000	28.47%
Senta Wong (BVI) Limited	Interest of controlled corporation (Note 2)	122,012,723	16.72%
Wong Chung Yin	Beneficial owner and interest of child or spouse (Note 3)	42,715,701	5.85%

DISCLOSURE OF INTERESTS

Notes:

1. Please see Note 2 under the section headed “Interests of Directors”.
2. Please see Note 1 under the section headed “Interests of Directors”.
3. Mr. Wong Chung Yin was deemed (by virtue of the SFO) to be interested in 42,715,701 shares in the Company. These shares were held in the following capacity:
 - (a) 25,613,332 shares were held by Mr. Wong Chung Yin personally.
 - (b) 450 shares were held under the name of Ms. Woo Sin Ming, the wife of Mr. Wong Chung Yin.
 - (c) 17,101,919 shares were jointly held by Mr. Wong Chung Yin and his wife, Ms. Woo Sin Ming.

Save as disclosed, the Directors are not aware of any other persons who, as at 30 June 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 OPTION SCHEME

A share option scheme (the “Scheme”) has been adopted by the shareholders of the Company on 22 June 2016. During the six months ended 30 June 2022, no share options were granted under the Scheme.

DISCLOSURE OF INTERESTS

Particulars of the share options granted under the Scheme and their movements during the six months ended 30 June 2022 were as follows:

Grantee	Date of grant	Exercise price (HK\$)	Exercise period	Number of share options						
				Balance as at 01.01.2022	Transfer to other category during the period	Transfer from other category during the period	Granted during the period	Exercised during the period	Cancelled/Lapsed during the period	Balance as at 30.06.2022
Category 1:										
(I) Directors										
Senta Wong	14.06.2019	0.906	14.06.2020-13.06.2029	5,000,000	-	-	-	-	-	5,000,000
Edward Ying-Chun Tsui	14.06.2019	0.906	14.06.2020-13.06.2029	3,000,000	-	-	-	-	-	3,000,000
Byron Shu-Chan Ho	14.06.2019	0.906	14.06.2020-13.06.2029	3,000,000	-	-	-	-	-	3,000,000
Bengie Man-Hang Kwong	14.06.2019	0.906	14.06.2020-13.06.2029	3,000,000	-	-	-	-	-	3,000,000
Vinci Wong	14.06.2019	0.906	14.06.2020-13.06.2029	3,000,000	-	-	-	-	-	3,000,000
Victor Jui Shum Chang	14.06.2019	0.906	14.06.2020-13.06.2029	3,000,000	-	-	-	-	-	3,000,000
Hamed Hassan El-Abd	14.06.2019	0.906	14.06.2020-13.06.2029	3,000,000	-	-	-	-	-	3,000,000
Philip Wan-Chung Tse	14.06.2019	0.906	14.06.2020-13.06.2029	3,000,000	-	-	-	-	-	3,000,000
Leung Kam Fong	14.06.2019	0.906	14.06.2020-13.06.2029	3,000,000	-	-	-	-	-	3,000,000
Yip Wai Chun	14.06.2019	0.906	14.06.2020-13.06.2029	3,000,000	-	-	-	-	-	3,000,000
Arnold Hin Lin Tse	14.06.2019	0.906	14.06.2020-13.06.2029	3,000,000	-	-	-	-	-	3,000,000
Andrew Yiu Wing Lam	14.06.2019	0.906	14.06.2020-13.06.2029	3,000,000	-	-	-	-	-	3,000,000
Total for directors				38,000,000	-	-	-	-	-	38,000,000

DISCLOSURE OF INTERESTS

Grantee	Date of grant	Exercise price (HK\$)	Exercise period	Balance as at 01.01.2022	Number of share options					Balance as at 30.06.2022
					Transfer to other category during the period	Transfer from other category during the period	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	
Category 2:										
(II) Associates of Directors										
Ava Wong	14.06.2019	0.906	14.06.2020-13.06.2029	150,000	-	-	-	-	-	150,000
Orangeo Wendy Wong	14.06.2019	0.906	14.06.2020-13.06.2029	150,000	-	-	-	-	-	150,000
Category 3:										
(III) Other employees	14.06.2019	0.906	14.06.2020-13.06.2029	27,800,000	-	-	-	(150,000)	(1,200,000)	26,450,000
Total				66,100,000	-	-	-	(150,000)	(1,200,000)	64,750,000

Notes:

- The share options can be exercised at any time during the period from 14 June 2020 to 13 June 2029 (both dates inclusive), provided that up to a maximum of 25% of the share options can be exercised during the period commencing from 14 June 2020 to 13 June 2021 and the balance of the share options not then exercised shall be exercisable during the period commencing from 14 June 2021 to 13 June 2029.
- The closing price of the shares of the Company immediately before the date on which the share options were granted was HK\$0.93.

Save as disclosed above, there were no outstanding share options under the Scheme during the six months ended 30 June 2022.

DISCLOSURE OF INTERESTS

The fair value of the options determined at the date of grant using the Black-Scholes option-pricing model was approximately HK\$7,379,000, of which approximately HK\$nil was charged to the profit or loss for the six months ended 30 June 2022.

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

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

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

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

The Company has complied with the code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) during the six months ended 30 June 2022, with deviations as stated below:

Code Provision A.4.2 of the CG Code (which has been re-numbered as code provision B.2.2 of the CG Code since 1 January 2022) stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

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

Code Provision A.6.7 of the CG Code (which has been re-numbered as code provision C.1.6 of the CG Code since 1 January 2022) stipulates that independent non-executive directors and other non-executive directors should attend general meetings to gain and develop a balanced understanding of the views of shareholders.

Due to the travel restrictions arising from the COVID-19 pandemic, a Non-Executive Director could not attend the annual general meeting of the Company held on 22 June 2022 (the “AGM”). However, at the aforesaid AGM, there were Executive Directors and Independent Non-Executive Directors present to enable the Board to develop a balanced understanding of the views of the shareholders of the Company.

CORPORATE GOVERNANCE

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 has purchased, sold or redeemed any of the Company's listed securities.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted a code of conduct regarding securities transactions by Directors on no less exacting than the terms and required standard contained in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code"). Having made specific enquiry of all the Directors, the Company had obtained confirmation from all the Directors that they have complied with the required standard set out in the Model Code and the code of conduct for securities transactions by Directors adopted by the Company throughout the six months ended 30 June 2022.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing risk management and internal control systems and financial reporting matters including a review of the unaudited condensed consolidated interim financial information for the six months ended 30 June 2022.

