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WONG'S INTERNATIONAL HOLDINGS LIMITED

王氏國際集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 99)

ANNOUNCEMENT OF 2016 FINAL RESULTS

FINANCIAL HIGHLIGHT:

- Operating profit for the year increased by HK\$139.5 million from HK\$227.2 million to HK\$366.7 million as compared to last financial year. The increase in operating profit was mainly attributable to a gain on re-measurement of the property development joint venture of HK\$112.2 million and reduction in operating costs.
- The share of profits from the property development joint ventures for the year amounted to HK\$165.4 million, as compared to HK\$426.0 million for the last financial year. As a result, profit attributable to owners of the Company for the year was HK\$468.2 million, a decrease of approximately HK\$130.0 million as compared to HK\$598.2 million for last financial year.

FINAL RESULTS

The board of directors (the “Board” or “Directors”) of Wong’s International Holdings Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2016 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2016

		2016	2015
	Note	HK\$'000	HK\$'000
Revenue	2	3,529,374	3,800,911
Other income	3	10,814	9,408
Changes in inventories of finished goods and work in progress		25,635	24,071
Raw materials and consumables used		(2,682,023)	(2,916,261)
Employee benefit expenses		(424,391)	(470,878)
Depreciation and amortisation charges		(41,289)	(43,237)
Other operating expenses		(185,955)	(197,054)
Change in fair value of investment properties		551	694
Other gains – net	4	133,995	19,549
Operating profit		366,711	227,203
Finance income		6,422	8,662
Finance costs		(20,654)	(18,997)
Share of profit of an associate		614	–
Share of profits of joint ventures	8	165,389	426,010
Profit before income tax		518,482	642,878
Income tax expense	5	(50,257)	(44,645)
Profit after income tax		468,225	598,233
Profit attributable to owners of the Company		468,225	598,233
Non-controlling interests		–	–
		468,225	598,233
Earnings per share attributable to owners of the Company during the year			
Basic earnings per share	7	HK\$0.98	HK\$1.25
Diluted earnings per share	7	HK\$0.98	HK\$1.25

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Profit for the year	468,225	598,233
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Changes in fair value of available-for-sale financial assets	(11,829)	(7,730)
Impairment for available-for-sale financial assets reclassified to income statement	11,793	1,230
Reclassification of investment revaluation reserve on disposal of available-for-sale financial assets	–	(6,458)
Reclassification of translation reserve upon liquidation of subsidiaries	–	13,533
Currency translation differences	(81,617)	(73,368)
Other comprehensive loss for the year, net of tax	(81,653)	(72,793)
Total comprehensive income for the year	386,572	525,440
Attributable to:		
Owners of the Company	386,572	525,440
Non-controlling interests	–	–
Total comprehensive income for the year	386,572	525,440

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	<i>Note</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		282,000	280,237
Investment properties		1,891,536	27,471
Leasehold land and land use rights		17,720	19,367
Investments in associates		33,796	–
Interests in joint ventures	8	951,826	2,098,576
Available-for-sale financial assets		31	68
Deferred income tax assets		12,656	10,727
Deposits and other receivables		11,526	1,920
Restricted cash		3,362	3,560
		<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
		3,204,453	2,441,926
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Current assets			
Inventories		396,528	366,365
Stock of completed properties		732,310	–
Trade receivables	9	830,844	695,439
Prepayments, deposits and other receivables		70,332	63,738
Available-for-sale financial assets		1,122	12,915
Amounts due from associates		9	6
Current income tax recoverable		7,706	8,809
Non-current assets held for sale	10	–	–
Short-term bank deposits		469,657	218,823
Cash and cash equivalents		594,606	807,973
		<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
		3,103,114	2,174,068
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total assets		6,307,567	4,615,994
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	<i>Note</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
EQUITY			
Equity attributable to owners of the Company			
Share capital		47,848	47,848
Other reserves		460,693	523,904
Retained earnings			
– Proposed dividend		23,924	21,532
– Others		2,452,826	2,041,322
		<u>2,985,291</u>	<u>2,634,606</u>
Non-controlling interests		4	4
		<u>2,985,295</u>	<u>2,634,610</u>
LIABILITIES			
Non-current liabilities			
Derivative financial instrument		234	731
Deferred income tax liabilities		94,815	655
Borrowings	<i>12</i>	1,312,500	420,000
		<u>1,407,549</u>	<u>421,386</u>
Current liabilities			
Trade payables	<i>11</i>	724,438	657,280
Accruals and other payables		329,375	276,613
Amount due to an associate		11,622	–
Current income tax liabilities		213,131	34,111
Borrowings	<i>12</i>	636,157	591,994
		<u>1,914,723</u>	<u>1,559,998</u>
Total liabilities		<u>3,322,272</u>	<u>1,981,384</u>
Total equity and liabilities		<u>6,307,567</u>	<u>4,615,994</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Attributable to owners of the Company			Non- controlling interests	Total
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Other reserves <i>HK\$'000</i>		
As at 1 January 2015	47,848	153,025	1,946,572	4	2,147,449
Comprehensive income					
Profit for the year	—	—	598,233	—	598,233
Other comprehensive income					
Changes in fair value of available-for-sale financial assets	—	—	(7,730)	—	(7,730)
Impairment for available-for-sale financial assets reclassified to income statement	—	—	1,230	—	1,230
Reclassification of investment revaluation reserve on disposal of available-for-sale financial assets	—	—	(6,458)	—	(6,458)
Reclassification of translation reserve upon liquidation of subsidiaries	—	—	13,533	—	13,533
Currency translation differences	—	—	(73,368)	—	(73,368)
Total other comprehensive loss	—	—	(72,793)	—	(72,793)
Total comprehensive income	—	—	525,440	—	525,440
Transactions with owners					
Dividend paid to owners of the Company	—	—	(38,279)	—	(38,279)
Total transactions with owners	—	—	(38,279)	—	(38,279)
As at 31 December 2015	<u>47,848</u>	<u>153,025</u>	<u>2,433,733</u>	<u>4</u>	<u>2,634,610</u>

	<u>Attributable to owners of the Company</u>			Non-	
	Share	Share	Other	controlling	Total
	capital	premium	reserves	interests	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 1 January 2016	47,848	153,025	2,433,733	4	2,634,610
Comprehensive income					
Profit for the year	-	-	468,225	-	468,225
	-----	-----	-----	-----	-----
Other comprehensive income					
Changes in fair value of available-for-sale financial assets	-	-	(11,829)	-	(11,829)
Impairment for available-for-sale financial assets reclassified to income statement	-	-	11,793	-	11,793
Currency translation differences	-	-	(81,617)	-	(81,617)
	-----	-----	-----	-----	-----
Total other comprehensive loss	-	-	(81,653)	-	(81,653)
	-----	-----	-----	-----	-----
Total comprehensive income	-	-	386,572	-	386,572
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Transactions with owners					
Dividend paid to owners of the Company	-	-	(35,887)	-	(35,887)
	-----	-----	-----	-----	-----
Total transactions with owners	-	-	(35,887)	-	(35,887)
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As at 31 December 2016	47,848	153,025	2,784,418	4	2,985,295
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NOTES:

1. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) and the requirements of the Hong Kong Companies Ordinance (Cap. 622). They have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss and investment properties, which are carried at fair value.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

- (a) New standards and amendments to existing standards effective in financial year beginning 1 January 2016.

The following new and amended standards are mandatory for accounting periods beginning on or after 1 January 2016. The adoption of these new and amended standards does not have any significant impact to the results and financial position of the Group:

Annual Improvements Project	Annual Improvements 2012 – 2014 Cycle
HKAS 1 (Amendments)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts

- (b) New standards and amendments to existing standards have been issued but are not effective for the financial year beginning 1 January 2016 and have not been early adopted.

		Effective for accounting periods beginning on or after
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKAS 7 (Amendments)	Disclosure Initiative	1 January 2017
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 15 (Amendments)	Clarifications to HKFRS 15	1 January 2018
HKFRS 16	Leases	1 January 2019

The Group has not early adopted any of the above new and amended standards.

Management is in the process of making an assessment of the impact of these new standards and amendments to standards and is not yet in a position to state whether they will have a significant impact on the Group's results of operations and financial position.

2. SEGMENT INFORMATION

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

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

Original Design and Manufacturing ("ODM") – original design and manufacturing for both EMS and ODM customers.

Property investment – development, sale and lease of properties.

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

	EMS division <i>HK\$'000</i>	ODM division <i>HK\$'000</i>	Property investment division <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the year ended				
31 December 2016				
Total gross revenue	3,513,433	2,972	15,874	3,532,279
Inter-segment revenue	(2,905)	–	–	(2,905)
External revenue	<u>3,510,528</u>	<u>2,972</u>	<u>15,874</u>	<u>3,529,374</u>
Segment results	<u>242,849</u>	<u>(555)</u>	<u>172,170</u>	<u>414,464</u>
Depreciation and amortisation charges	38,914	2	–	38,916
Share of profits of joint ventures	–	–	165,389	165,389
Change in fair value of investment properties	–	–	551	551
Capital expenditure	<u>53,453</u>	<u>–</u>	<u>–</u>	<u>53,453</u>
Loans to joint ventures	<u>–</u>	<u>–</u>	<u>131,641</u>	<u>131,641</u>

	EMS division <i>HK\$'000</i>	ODM division <i>HK\$'000</i>	Property investment division <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the year ended 31 December 2015				
Total gross revenue	3,800,775	1,109	–	3,801,884
Inter-segment revenue	<u>(973)</u>	<u>–</u>	<u>–</u>	<u>(973)</u>
External revenue	<u>3,799,802</u>	<u>1,109</u>	<u>–</u>	<u>3,800,911</u>
Segment results	<u>230,911</u>	<u>(3,922)</u>	<u>423,968</u>	<u>650,957</u>
Depreciation and amortisation charges	40,594	21	1	40,616
Share of profits of joint ventures	–	–	426,010	426,010
Change in fair value of investment properties	<u>–</u>	<u>–</u>	<u>694</u>	<u>694</u>
Rental income	<u>–</u>	<u>–</u>	<u>916</u>	<u>916</u>
Capital expenditure	<u>46,946</u>	<u>–</u>	<u>–</u>	<u>46,946</u>
Loans to joint ventures	<u>–</u>	<u>–</u>	<u>39,933</u>	<u>39,933</u>

	EMS division HK\$'000	ODM division HK\$'000	Property investment division HK\$'000	Total HK\$'000
As at 31 December 2016				
Segment assets	2,523,923	13,263	2,663,054	5,200,240
Interests in joint ventures	–	–	951,826	951,826
	<u>–</u>	<u>–</u>	<u>951,826</u>	<u>951,826</u>
Total reportable segment assets	<u>2,523,923</u>	<u>13,263</u>	<u>3,614,880</u>	<u>6,152,066</u>
As at 31 December 2015				
Segment assets	2,343,289	8,669	35,391	2,387,349
Interests in joint ventures	–	–	2,098,576	2,098,576
	<u>–</u>	<u>–</u>	<u>2,098,576</u>	<u>2,098,576</u>
Total reportable segment assets	<u>2,343,289</u>	<u>8,669</u>	<u>2,133,967</u>	<u>4,485,925</u>

Segment assets consist primarily of property, plant and equipment, investment properties, leasehold land and land use rights, restricted cash, inventories, stock of completed properties, trade receivables, prepayments, deposits and other receivables, non-current assets held for sale, short-term bank deposits and cash and cash equivalents but exclude investments in associates, available-for-sale financial assets, deferred income tax assets, amounts due from associates and corporate and unallocated assets.

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

	2016 HK\$'000	2015 HK\$'000
Reportable segment results	414,464	650,957
Other income	10,814	9,408
Other gains – net	133,995	19,549
Finance costs – net	(14,232)	(10,335)
Share of profit of an associate	614	–
Corporate and unallocated expenses	<u>(27,173)</u>	<u>(26,701)</u>
Profit before income tax	<u>518,482</u>	<u>642,878</u>

Reportable segments assets are reconciled to total assets as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Reportable segment assets	6,152,066	4,485,925
Investments in associates	33,796	–
Available-for-sale financial assets	1,153	12,983
Deferred income tax assets	12,656	10,727
Amounts due from associates	9	6
Corporate and unallocated assets	107,887	106,353
	<u>6,307,567</u>	<u>4,615,994</u>
Total assets per consolidated statement of financial position	6,307,567	4,615,994

Reconciliations of other material items are as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Depreciation and amortisation charges		
– Reportable segment total	38,916	40,616
– Corporate headquarters	2,373	2,621
	<u>41,289</u>	<u>43,237</u>
Capital expenditure		
– Reportable segment total	53,453	46,946
– Corporate headquarters	602	6
	<u>54,055</u>	<u>46,952</u>

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
North America	707,054	564,716
Asia (excluding Hong Kong)	1,568,569	1,924,041
Europe	568,980	623,537
Hong Kong	684,771	688,617
	<u>3,529,374</u>	<u>3,800,911</u>

For the year ended 31 December 2016, revenues of approximately HK\$1,052,543,000 (2015: HK\$1,203,503,000), HK\$777,152,000 (2015: HK\$720,758,000) and HK\$453,528,000 (2015: HK\$468,968,000) were derived from the top three external customers respectively. These customers individually account for 10 percent or more of the Group's revenue. These revenues are attributable to the EMS division.

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

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
North America	23	26
Asia (excluding Hong Kong)	271,884	233,669
Europe	31	71
Hong Kong	<u>2,919,859</u>	<u>2,197,433</u>
	<u><u>3,191,797</u></u>	<u><u>2,431,199</u></u>

Non-current assets comprise property, plant and equipment, investment properties, leasehold land and land use rights, investments in associates, interests in joint ventures, available-for-sale financial assets, deposits and other receivables and restricted cash. They exclude deferred income tax assets.

3. OTHER INCOME

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Government grant	2,760	–
Others	8,054	9,408
	<u>10,814</u>	<u>9,408</u>

4. OTHER GAINS – NET

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Write-back of trade and other payables	2,001	2,777
Write-back of trade receivables previously written-off	281	529
Write-back of impairment provision on amounts due from associates	–	1,366
Gains/(losses) on financial instrument – net		
– Unrealised	497	43
– Realised	(504)	(640)
Gains on disposals of property, plant and equipment	1,411	741
Exchange gains – net	29,064	17,992
Impairment for available-for-sale financial assets	(11,793)	(1,230)
Gain on disposal of nil-paid rights shares of an available-for-sale financial asset	789	–
Gain on re-measurement of a joint venture (<i>Note 13</i>)	112,249	–
Gain on disposal of available-for-sale financial assets	–	7,957
Gain on disposal of non-current assets held for sale	–	3,547
Loss on liquidation of subsidiaries	–	(13,533)
	<u>133,995</u>	<u>19,549</u>

5. INCOME TAX EXPENSE

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Current income tax		
– Hong Kong profits tax	(973)	8,000
– Overseas taxation	53,283	43,842
Deferred income tax	(11)	(3,885)
Over provision in prior years		
– Current income tax	(2,042)	(3,312)
	<u>50,257</u>	<u>44,645</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 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 a rate of 25% (2015: 25%) on the estimated profits, except for Welco Technology (Suzhou) Limited ("WTSZ"), a wholly-owned subsidiary of the Group. WTSZ is entitled to the preferential CIT rate of 15% under the New and High Technology Enterprises status till 31 December 2017.

6. DIVIDENDS

The dividends paid in 2016 and 2015 were approximately HK\$35,887,000 (HK\$0.075 per share) and HK\$38,279,000 (HK\$0.08 per share) respectively. A final dividend in respect of the year ended 31 December 2016 of HK\$0.05 per share, amounting to a total dividend of approximately HK\$23,924,000, will be proposed at the upcoming annual general meeting of the Company. These financial statements do not reflect this final dividend payable.

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Interim dividend paid – HK\$0.03 (2015: HK\$0.03) per share	14,355	14,355
Proposed final dividend – HK\$0.05 (2015: HK\$0.045) per share	23,924	21,532
	<u>38,279</u>	<u>35,887</u>

7. 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 year.

	2016	2015
Profit attributable to owners of the Company (<i>HK\$'000</i>)	<u>468,225</u>	<u>598,233</u>
Weighted average number of ordinary shares in issue (<i>in thousands</i>)	<u>478,484</u>	<u>478,484</u>
Basic earnings per share (<i>HK\$</i>)	<u>0.98</u>	<u>1.25</u>

(b) Diluted

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

8. INTERESTS IN JOINT VENTURES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Share of net (liabilities)/assets	(770)	846,310
Loans to joint ventures	<u>952,596</u>	<u>1,252,266</u>
	<u>951,826</u>	<u>2,098,576</u>

As at 31 December 2016, the Group's principal joint ventures included Crown Opal Investment Limited and Open Vantage Limited, both of which the Group has 35.7% equity interest. Crown Opal Investment Limited is engaged in property development.

The loans to joint ventures are unsecured, interest-free and will not be repaid in the coming 12 months. They represent the Group's long-term interests that in substance form part of the Group's net investments in the joint ventures.

Movements in share of net (liabilities)/assets is analysed as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
At 1 January	846,310	420,300
Share of profits of joint ventures	165,389	426,010
Addition (<i>Note</i>)	3	–
Transfer to subsidiaries (<i>Note 13</i>)	<u>(1,012,472)</u>	<u>–</u>
At 31 December	<u>(770)</u>	<u>846,310</u>

Note:

During the year ended 31 December 2016, Bollardbay Limited and its subsidiary, Easywise Limited, ceased to be joint ventures of the Group as a result of the transaction disclosed in Note 13. Open Vantage Limited, a new joint venture, was set-up between the Group and Data Giant Limited at the same proportion of percentage ownership. Investment cost in Open Vantage Limited paid by the Group was approximately HK\$3,000. Certain properties owned by Easywise Limited were transferred to Open Vantage Limited at cost of approximately HK\$3,974,000.

9. TRADE RECEIVABLES

The credit period allowed by the Group to its trade customers mainly ranges from 30 days to 120 days and no interest is charged.

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
0 – 60 days	703,808	535,481
61 – 90 days	100,336	105,482
Over 90 days	26,700	54,476
	830,844	695,439

10. NON-CURRENT ASSETS HELD FOR SALE

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
At 1 January	–	18,203
Disposals	–	(18,203)
At 31 December	–	–

On 23 August 2013, the Group entered into a sale and purchase agreement with an independent third party for the disposal of the property and the leasehold land use rights in Vietnam for a consideration of US\$2,800,000. The property and the related land use rights were classified as non-current assets held for sale. The transaction has completed in October 2015 and a disposal gain of approximately HK\$3,547,000 was recognised to the profit or loss for the year ended 31 December 2015.

11. TRADE PAYABLES

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
0 – 60 days	613,632	590,521
61 – 90 days	98,044	59,705
Over 90 days	<u>12,762</u>	<u>7,054</u>
	<u><u>724,438</u></u>	<u><u>657,280</u></u>

12. BORROWINGS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trust receipt bank loans, unsecured	418,182	363,652
Short-term bank loans, unsecured	127,771	197,292
Portion of long-term bank loans due for repayment within one year, secured	66,054	–
Portion of long-term bank loans due for repayment after one year, secured	1,312,500	420,000
Portion of a mortgage loan from bank due for repayment within one year	6,900	6,900
Portion of a mortgage loan from bank due for repayment after one year which contains a repayment on demand clause	<u>17,250</u>	<u>24,150</u>
Total borrowings	<u><u>1,948,657</u></u>	<u><u>1,011,994</u></u>
Non-current	1,312,500	420,000
Current	<u>636,157</u>	<u>591,994</u>
Total borrowings	<u><u>1,948,657</u></u>	<u><u>1,011,994</u></u>

13. BUSINESS COMBINATION

Bollardbay Limited is a company formed between Ubiquitous International Limited ("UIL"), an indirect wholly-owned subsidiary of the Company, and Data Giant Limited ("Data Giant"). As at 1 January 2016, UIL and Data Giant owned 35.7% and 64.3% of the issued share capital of Bollardbay Limited respectively. Bollardbay Limited and its wholly-owned subsidiary, Easywise Limited, (together, the "Bollardbay Group") are engaged in property development and leasing. Bollardbay Group was classified as a joint venture by the Group as at 1 January 2016.

On 23 September 2016, Bollardbay Limited repurchased all the issued share capital owned by Data Giant (the "Repurchase Transaction"). After the Repurchase Transaction, Bollardbay Group became an indirect wholly-owned subsidiary of the Company ("Deemed Acquisition"). The following table summarised the investment cost and the fair value of identified assets acquired and liabilities assumed for the Deemed Acquisition.

	As at 23 September 2016 HK\$'000
Investment cost of Deemed Acquisition:	
– Cash consideration paid, including the bank borrowings drawn down by Easywise Limited and transferred to Data Giant	760,612
– Fair value of the Group's equity interest in Bollardbay Group at the date of the Repurchase Transaction (<i>Note</i>)	<u>1,124,721</u>
Total investment cost	<u><u>1,885,333</u></u>
Fair value of the identifiable assets acquired and liabilities assumed:	
– Investment properties	1,855,150
– Stock of completed properties	741,810
– Trade receivables, deposits and other receivables	19,820
– Trade and other payables	(37,325)
– Current income tax liabilities	(171,327)
– Deferred income tax liabilities	(91,484)
– Amount due to a shareholder	<u>(431,311)</u>
Total	<u><u>1,885,333</u></u>
<i>Note:</i>	HK\$'000
Carrying value of the Group's equity interest in Bollardbay Group before the Repurchase Transaction	1,012,472
Gain on re-measurement of the Group's equity in Bollardbay Group	<u>112,249</u>
Fair value of the Group's equity interest in Bollardbay Group at the date of the Repurchase Transaction	<u><u>1,124,721</u></u>

The revenue and operating profit included in the consolidated income statement since 23 September 2016 contributed by Bollardbay Group were HK\$14,522,000 and HK\$8,628,000 respectively.

DIVIDENDS

The Company paid an interim dividend of HK\$0.03 (2015: HK\$0.03) per share for 2016. The Directors now recommend the payment of a final dividend of HK\$0.05 (2015: HK\$0.045) per share on or before Wednesday, 21 June 2017 to the shareholders whose names appear on the Register of Members of the Company on Tuesday, 6 June 2017. Payment of such proposed final dividend is subject to approval of the shareholders at the forthcoming annual general meeting of the Company.

CLOSURE OF REGISTER OF MEMBERS FOR DIVIDENDS

For determining the entitlement to the proposed final dividend, the Register of Members of the Company will be closed on Tuesday, 6 June 2017 and no transfer of shares will be effected on that date. To qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 5 June 2017.

REVIEW OF BUSINESS ACTIVITIES

Financial Results

For the year ended 31 December 2016, the Group reported consolidated revenue of HK\$3.5 billion (2015: HK\$3.8 billion) representing a decrease of 7.1% as compared to last financial year. The Group's consolidated operating profit for the year was HK\$366.7 million or 10.4% of revenue as compared to HK\$227.2 million or 6.0% for the previous financial year. The increase in operating profit was mainly attributable to a gain on re-measurement of the property development joint venture amounted to HK\$112.2 million and reduction in operating costs. If this gain on re-measurement had been excluded, the consolidated operating profit for the year would have been HK\$254.5 million or 7.2% of revenue.

Profit attributable to owners of the Company was HK\$468.2 million for the year ended 31 December 2016, as compared to HK\$598.2 million for the last financial year. The decrease was mainly attributable to the decrease in the Group's share of profit from the property development joint venture, which mainly comprises profit from sale of developed units and fair value gain from units held as investment property. The share of profit from the property development joint venture for the year amounted to HK\$165.4 million, as compared to HK\$426.0 million for the last financial year. Basic earnings per share for the year amounted to HK\$0.98 (2015: HK\$1.25).

The EMS Division

For the year ended 31 December 2016, the EMS Division reported revenue of HK\$3.5 billion, a decrease of HK\$0.3 billion or 7.6% as compared to HK\$3.8 billion for the last financial year. The segment profit attributable to the EMS Division for the year was HK\$242.8 million, representing an increase of HK\$11.9 million or 5.2% as compared to HK\$230.9 million for the last financial year. The increase in the segment profit was attributable to the slight improvement in profit margin as a result of change in product mix and cost control measures.

The ODM Division

The ODM Division recorded a small loss for the year. The sales demand in tablet was still soft as the market remained stagnant in 2016. However, the research and development efforts in tablets are continuously adding new knowledge and technologies to bring up new business opportunities to the ODM Division and the EMS Division.

Property Investment Division

The Group has two property development joint ventures with Sun Hung Kai Properties Limited (“SHKP”) on two sites for office buildings in Kwun Tong. The development project on the first site, namely One Harbour Square, has been completed. Pursuant to an agreement dated 20 September 2016 with SHKP, the joint venture in relation to that project was terminated, and the Group retains 11 office floors and a number of parking spaces, which will be held for leasing purpose. Further details in this relation were set out in the Company’s announcement dated 20 September 2016 and the circular dated 26 October 2016.

The Property Investment Division reported revenue of HK\$15.9 million which included rental received from One Harbour Square from the termination of the first joint venture in September through the end of 2016. The segment profit for the year was HK\$172.2 million as compared to HK\$424.0 million for the last financial year. The decrease was mainly attributable to the decrease in the Group’s share of profit from the property development joint venture, which mainly comprises profit from sale of developed units and fair value gain from units held as investment property.

The construction work for the second development project, namely Two Harbour Square, is proceeding as planned and is targeted to be completed around the middle of 2017. Sufficient funding has been arranged to complete the second project.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2016, the Group had a total of HK\$3,604.6 million of banking facilities. Total bank borrowings were HK\$1,948.7 million (2015: HK\$1,012.0 million). Cash and cash equivalents and short-term bank deposits were HK\$1,064.3 million at 31 December 2016 (2015: HK\$1,026.8 million).

As at 31 December 2016, the Group had a net bank borrowing of HK\$884.4 million, as compared to net cash surplus of HK\$14.8 million at 31 December 2015. The increase in net bank borrowing was mainly attributed to the funding requirements to finance the property development joint venture of HK\$131.6 million and acquisition of subsidiaries of HK\$760.6 million. Sufficient banking facilities and bank balances are available to meet the cash needs of the Group for its manufacturing operations as well as property development activities.

Net gearing ratio for the Group as at 31 December 2016 is 0.30 (2015: net cash). The net gearing ratio was calculated as net debt divided by total equity. Net debt is calculated as total bank borrowings less cash and cash equivalents and short-term bank deposits.

FOREIGN EXCHANGE AND RISK MANAGEMENT

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

CAPITAL STRUCTURE

The Group's capital structure consists of bank borrowings, cash and cash equivalents, short-term bank deposits and equity attributable to owners of the parent, comprising issued share capital and reserves.

EMPLOYEES

As at 31 December 2016, the Group employed approximately 4,425 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, medical and life insurances, discretionary bonuses are also rewarded to employees based on individual performance. The remuneration packages and policies are reviewed periodically. The Group also provides in-house and external training programs to its employees.

PROSPECTS

The global economic environment continues to present significant challenges to our business. Increases of commodity prices and inflation are driving the manufacturing costs higher. Those increases will impact our business in terms of cost competitiveness and profitability. In face of such challenges, the Company shall strive to expand the customer base and to improve operation efficiency through automation, lean, energy conservation and stringent cost control measures. Based on the current sales orders on hand and forecasts and feedbacks from customers, the Company expects that the result of the EMS business for 2017 will be comparable to that for 2016.

Following the termination of the joint venture in relation to One Harbour Square, the Group now directly holds 11 office floors and a number of parking spaces in One Harbour Square, which will provide the Group with a stable stream of rental income in future.

Construction work for the development project on second site, namely Two Harbour Square, is expected to be completed around the middle of 2017. It is the Group's preference to hold its interest in this project also for long term and for leasing purposes after taking into consideration the market conditions and the financing requirements. According to current expectations, interest rates will be raised at a faster pace in 2017. The Group is monitoring it carefully and will take appropriate action to mitigate its impact.

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

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

During the year ended 31 December 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE CODE

During the year ended 31 December 2016, the Company has complied with the code provisions under the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), except for the following deviations:

Code provision A.2.1

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

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

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

Code provision A.4.1

Code provision A.4.1 provides that non-executive directors should be appointed for a specific term, subject to re-election.

None of the existing Independent Non-executive Directors of the Company is appointed for a specific term. However, every Director of the Company is now subject to retirement by rotation and re-election under Bye-law 112 of the Bye-laws of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are no less exacting than those in the CG Code.

Code provisions A.5.1 to A.5.4

Code provisions A.5.1 to A.5.4 provide that a nomination committee should be established with specific terms of reference which should be made available on the websites of the Stock Exchange and the listed issuer, and that sufficient resources should be provided to such committee to perform its duties.

The Company does not have the present intention to establish a Nomination Committee in view that the Board itself shall discharge all duties expected to be dealt with by a Nomination Committee. In addition, the policy and procedure for nomination of directors have been set out in writing and adopted by the Board to serve as a guideline in order to ensure that there is a formal, considered and transparent procedure for the appointment of new directors with suitable experience and capabilities to maintain and improve the competitiveness of the Company.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (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 year ended 31 December 2016.

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 financial statements for the year ended 31 December 2016.

SCOPE OF WORK OF THE AUDITOR

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of comprehensive income, consolidated income statement, consolidated statement of changes in equity and the related notes thereto for the year ended 31 December 2016 as set out in this preliminary announcement have been agreed by the Group’s auditor, PricewaterhouseCoopers, to the amounts set out in the Group’s draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this preliminary announcement.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the “AGM”) will be held as soon as possible. A notice convening the AGM, which constitutes part of the circular to shareholders, will be sent to the shareholders together with the 2016 annual report of the Company. The notice of the AGM and the proxy form will also be available on the websites of the Company and the Stock Exchange.

PUBLICATION OF RESULTS AND ANNUAL REPORT

This results announcement is published on the Company's website at www.wih.com.hk/investor07.asp and the Stock Exchange at www.hkexnews.hk. The 2016 annual report will be dispatched to shareholders of the Company and will be available on the above websites in due course.

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

Hong Kong, 28 March 2017

As at the date of this announcement, the Executive Directors of the Company are Mr. Wong Chung Mat, Ben, Ms. Wong Yin Man, Ada, Mr. Chan Tsze Wah, Gabriel, Mr. Wan Man Keung and Mr. Hung Wing Shun, Edmund; and the Independent Non-executive Directors are Dr. Li Ka Cheung, Eric GBS, OBE, JP, Dr. Yu Sun Say GBM, JP, Mr. Alfred Donald Yap JP and Mr. Cheung Chi Chiu, David.

Website: www.wih.com.hk