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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 2017 FINAL RESULTS

FINANCIAL HIGHLIGHT:

- Profit attributable to owners of the Company increased by approximately HK\$11.7 million.

- Profit attributable to owners of the Company excluding the share of profits of joint ventures, fair value gain from investment properties and gain on re-measurement of a joint venture, all of which were related to property development projects, decreased by HK\$42.0 million due to RMB appreciation. The financial results of first property development project had been consolidated to the Group since September 2016 after the Group acquired all equity interest of that property development project from the other joint venture partner.

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 2017 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2017

	Note	2017 HK\$'000	2016 HK\$'000
Revenue	2	3,817,543	3,529,374
Other income	3	9,537	10,814
Changes in inventories of finished goods and work in progress		85,694	25,635
Raw materials and consumables used		(2,949,893)	(2,682,023)
Employee benefit expenses		(474,114)	(424,391)
Depreciation and amortisation charges		(46,706)	(41,289)
Other operating expenses		(205,321)	(185,955)
Change in fair value of investment properties		99,776	551
Other (losses)/gains – net	4	(20,904)	133,995
Operating profit		315,612	366,711
Finance income		9,426	6,422
Finance costs		(42,572)	(20,654)
Share of (loss)/profit of an associate		(1,355)	614
Share of profits of joint ventures	8	232,079	165,389
Profit before income tax		513,190	518,482
Income tax expense	5	(33,283)	(50,257)
Profit after income tax		479,907	468,225
Profit attributable to owners of the Company		479,907	468,225
Non-controlling interests		–	–
		479,907	468,225
Earnings per share attributable to owners of the Company during the year			
Basic	7	HK\$1.00	HK\$0.98
Diluted	7	HK\$1.00	HK\$0.98

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Profit for the year	479,907	468,225
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Changes in fair value of available-for-sale financial assets	(464)	(11,829)
Impairment for available-for-sale financial assets reclassified to income statement	464	11,793
Cash flow hedge – fair value loss for the year	(4,101)	–
Cash flow hedge – deferred income tax recognised	677	–
Currency translation differences		
– Group	97,723	(81,617)
– Associates	54	–
Other comprehensive income/(loss) for the year, net of tax	94,353	(81,653)
Total comprehensive income for the year	574,260	386,572
Attributable to:		
Owners of the Company	574,260	386,572
Non-controlling interests	–	–
Total comprehensive income for the year	574,260	386,572

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	<i>Note</i>	2017	2016
		<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		348,348	282,000
Investment properties		2,355,251	1,891,536
Leasehold land and land use rights		18,298	17,720
Investments in associates		30,495	33,796
Interests in joint ventures	8	1,183,905	951,826
Available-for-sale financial assets		2,531	31
Deferred income tax assets		15,758	12,656
Deposits and other receivables		24,446	11,526
Restricted cash		–	3,362
		<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
		3,979,032	3,204,453
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Current assets			
Inventories		514,474	396,528
Stock of completed properties		369,715	732,310
Trade receivables	9	910,284	830,844
Prepayments, deposits and other receivables		99,704	70,332
Available-for-sale financial assets		658	1,122
Amounts due from associates		2,009	9
Current income tax recoverable		–	7,706
Short-term bank deposits		373,630	469,657
Cash and cash equivalents		470,457	594,606
		<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
		2,740,931	3,103,114
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total assets		6,719,963	6,307,567
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	<i>Note</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
EQUITY			
Equity attributable to owners of the Company			
Share capital		47,848	47,848
Other reserves		565,791	460,693
Retained earnings			
– Proposed dividend		16,747	23,924
– Others		<u>2,886,102</u>	<u>2,452,826</u>
		3,516,488	2,985,291
Non-controlling interests		<u>4</u>	<u>4</u>
Total equity		<u>3,516,492</u>	<u>2,985,295</u>
LIABILITIES			
Non-current liabilities			
Derivative financial instruments		4,221	234
Deferred income tax liabilities		95,233	94,815
Borrowings	<i>11</i>	<u>1,346,446</u>	<u>1,312,500</u>
		<u>1,445,900</u>	<u>1,407,549</u>
Current liabilities			
Trade payables	<i>10</i>	693,654	724,438
Accruals and other payables		361,594	329,375
Amount due to an associate		–	11,622
Current income tax liabilities		40,665	213,131
Borrowings	<i>11</i>	<u>661,658</u>	<u>636,157</u>
		<u>1,757,571</u>	<u>1,914,723</u>
Total liabilities		<u>3,203,471</u>	<u>3,322,272</u>
Total equity and liabilities		<u>6,719,963</u>	<u>6,307,567</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Attributable to owners of the Company			Non- controlling interests	Total
	Share capital	Share premium	Other reserves		
	<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
Transactions with owners					
Dividend paid to owners of the Company	—	—	(35,887)	—	(35,887)
Total transactions with owners	—	—	(35,887)	—	(35,887)
As at 31 December 2016	<u>47,848</u>	<u>153,025</u>	<u>2,784,418</u>	<u>4</u>	<u>2,985,295</u>

	Attributable to owners of the Company				Total
	Share capital	Share premium	Other reserves	Non-controlling 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 2017	47,848	153,025	2,784,418	4	2,985,295
Comprehensive income					
Profit for the year	-	-	479,907	-	479,907
Other comprehensive income					
Changes in fair value of available-for-sale financial assets	-	-	(464)	-	(464)
Impairment for available-for-sale financial assets reclassified to income statement	-	-	464	-	464
Currency translation differences	-	-	97,777	-	97,777
Cash flow hedge – fair value loss for the year	-	-	(4,101)	-	(4,101)
Cash flow hedge – deferred income tax recognised	-	-	677	-	677
Total other comprehensive income	-	-	94,353	-	94,353
Total comprehensive income	-	-	574,260	-	574,260
Transactions with owners					
Dividend paid to owners of the Company	-	-	(43,063)	-	(43,063)
Total transactions with owners	-	-	(43,063)	-	(43,063)
As at 31 December 2017	47,848	153,025	3,315,615	4	3,516,492

NOTES:

1. BASIS OF PREPARATION

a) Compliance with Hong Kong Financial Reporting Standards and Hong Kong Companies Ordinance

These consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) and disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

The preparation of 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.

b) Historical cost convention

These consolidated financial statements have been prepared on a historical cost basis, as modified by revaluation of available-for-sale financial assets, financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss and investment properties, which are carried at fair value.

c) Amendments to existing standards effective in financial year beginning 1 January 2017

Standards	Subject of amendment
Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	Annual improvements 2014-2016 Cycle

The adoption of these amendments did not have any impact on the amounts recognised in prior periods. Most of the amendments will also not affect the current or future periods.

d) New standards and amendments to existing standards have been issued but are not effective for the financial year beginning 1 January 2017 and have not been early adopted

		Effective for annual periods beginning on or after
Amendments to HKFRS 1	First time adoption of HKFRS	1 January 2018
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
Amendments to HKFRS 15	Clarifications to HKFRS 15	1 January 2018
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to HKAS 40	Transfers of Investment Property	1 January 2018
Amendments to HKFRS 9	Prepayment Features with Negative Compensation	1 January 2019
HKFRS 16	Leases	1 January 2019
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards, amendments to existing standards and interpretations is set out below.

HKFRS 9, "Financial Instruments"

Nature of change

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Impact

The Group has undertaken a detailed assessment of the classification and measurement of financial assets and does not consider the new guidance to have a significant impact on the classification and measurement of its financial assets. The financial assets currently held by the Group include equity instruments currently classified as available-for-sale financial assets which would continue to be measured at fair value through other comprehensive income ("FVOCI"). Accordingly, the Group does not expect the new guidance to affect the classification and measurements of these assets. However, gains or losses realised on the sale of financial assets at FVOCI will no longer be transferred to the consolidated income statement on sale, but instead reclassified below the line from the FVOCI reserve to retained earnings.

For financial liabilities, there are two classification categories: amortized cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognized in other comprehensive income ("OCI"), unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognized in profit or loss. There is no subsequent recycling of the amounts in OCI to profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss. The Group does not expect a significant impact on the accounting for its financial liabilities.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Group does not expect a significant impact on the accounting for its hedging relationships.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 "Revenue from Contracts with Customers", lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Group does not expect significant increase or decrease in the loss allowance for trade debtors.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

Date of adoption by Group

The adoption of this new standard is mandatory for financial years commencing on or after 1 January 2018. The impacts on the Group's financial results and position upon the adoption of HKFRS 9 are not expected to be material.

HKFRS 15, "Revenue from Contracts with Customers"

Nature of change

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Impact

The management of the Company has assessed the effects of applying the new standard on the Group's financial statements and does not expect a significant impact on the recognition of revenue.

Date of adoption by the Group

The adoption of this new standard is mandatory for financial years commencing on or after 1 January 2018. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption, if any, will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

HKFRS 16, “Leases”

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the consolidated statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

Impact

The standard will affect primarily the accounting for the Group’s operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK\$15,682,000.

The Group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group’s profit or loss and classification of cash flows going forward.

Date of adoption by the Group

Mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2. SEGMENT INFORMATION

The Group's senior executive management is considered as the Chief Operating Decision Maker ("CODM"). The Group has changed the composition of the reportable segments by the inclusion of the activities of the previous "Original Design and Manufacturing" segment in the "Electronic Manufacturing Service" segment. The comparative segment information as at 31 December 2016 has been reclassified to align with the presentation of the latest segment information disclosure. The Group is currently organised into two operating divisions:

Electronic Manufacturing Service ("EMS") – manufacture and distribution of electronic products for EMS 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 (losses)/gains – net, finance income, finance costs, share of (loss)/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 HK\$'000	Property investment division HK\$'000	Total HK\$'000
For the year ended 31 December 2017			
External revenue	<u>3,760,799</u>	<u>56,744</u>	<u>3,817,543</u>
Segment results	<u>211,362</u>	<u>370,562</u>	<u>581,924</u>
Depreciation and amortisation charges	44,285	17	44,302
Share of profits of joint ventures	–	232,079	232,079
Change in fair value of investment properties	<u>–</u>	<u>99,776</u>	<u>99,776</u>
Capital expenditure	<u>99,364</u>	<u>289</u>	<u>99,653</u>
Loans to joint ventures	<u>–</u>	<u>–</u>	<u>–</u>

	EMS division <i>HK\$'000</i>	Property investment division <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the year ended 31 December 2016			
External revenue	3,513,500	15,874	3,529,374
Segment results	242,294	172,170	414,464
Depreciation and amortisation charges	38,916	–	38,916
Share of profits of joint ventures	–	165,389	165,389
Change in fair value of investment properties	–	551	551
Capital expenditure	53,453	–	53,453
Loans to joint ventures	–	131,641	131,641
	EMS division <i>HK\$'000</i>	Property investment division <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31 December 2017			
Segment assets	2,648,660	2,741,063	5,389,723
Interests in joint ventures	–	1,183,905	1,183,905
Total reportable segment assets	2,648,660	3,924,968	6,573,628
As at 31 December 2016			
Segment assets	2,537,186	2,663,054	5,200,240
Interests in joint ventures	–	951,826	951,826
Total reportable segment assets	2,537,186	3,614,880	6,152,066

Segment assets consist primarily of property, plant and equipment, investment properties, leasehold land and land use rights, interests in joint ventures, restricted cash, inventories, stock of completed properties, trade receivables, prepayments, deposits and other receivables, current income tax recoverable, 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:

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Reportable segment results	581,924	414,464
Other income	9,537	10,814
Other (losses)/gains – net	(20,904)	133,995
Finance costs – net	(33,146)	(14,232)
Share of (loss)/profit of an associate	(1,355)	614
Corporate and unallocated expenses	(22,866)	(27,173)
	<u>513,190</u>	<u>518,482</u>
Profit before income tax	513,190	518,482

Reportable segments assets are reconciled to total assets as follows:

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Reportable segment assets	6,573,628	6,152,066
Investments in associates	30,495	33,796
Available-for-sale financial assets	3,189	1,153
Deferred income tax assets	15,758	12,656
Amounts due from associates	2,009	9
Corporate and unallocated assets	94,884	107,887
	<u>6,719,963</u>	<u>6,307,567</u>
Total assets per consolidated statement of financial position	6,719,963	6,307,567

Reconciliations of other material items are as follows:

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation and amortisation charges		
– Reportable segment total	44,302	38,916
– Corporate headquarters	2,404	2,373
	<u>46,706</u>	<u>41,289</u>
Capital expenditure		
– Reportable segment total	99,653	53,453
– Corporate headquarters	–	602
	<u>99,653</u>	<u>54,055</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:

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
North America	889,165	707,054
Asia (excluding Hong Kong)	1,653,991	1,568,569
Europe	609,374	568,980
Hong Kong	665,013	684,771
	<u>3,817,543</u>	<u>3,529,374</u>

For the year ended 31 December 2017, revenues of approximately HK\$1,215,587,000 (2016: HK\$1,052,543,000), HK\$620,673,000 (2016: HK\$777,152,000) and HK\$417,232,000 (2016: HK\$453,528,000) were derived from the top 3 external customers respectively. These customers individually account for 10% 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:

	2017	2016
	HK\$'000	HK\$'000
North America	23	23
Asia (excluding Hong Kong)	318,401	271,884
Europe	31	31
Hong Kong	3,644,819	2,919,859
	3,963,274	3,191,797

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

	2017	2016
	HK\$'000	HK\$'000
Government grant	443	2,760
Others	9,094	8,054
	9,537	10,814

4. OTHER (LOSSES)/GAINS – NET

	2017	2016
	HK\$'000	HK\$'000
Write-back of trade and other payables	753	2,001
Write-back of trade receivables previously written-off	–	281
Gains/(losses) on financial instrument – net		
– Unrealised	114	497
– Realised	(319)	(504)
Gains on disposals of property, plant and equipment	490	1,411
Exchange (losses)/gains – net	(21,478)	29,064
Impairment for available-for-sale financial assets	(464)	(11,793)
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 12</i>)	–	112,249
	(20,904)	133,995

5. INCOME TAX EXPENSE

	2017	2016
	HK\$'000	HK\$'000
Current income tax		
– Hong Kong profits tax	11,713	(973)
– Overseas taxation	23,877	53,283
Over provision in prior years	(1,246)	(2,042)
Deferred income tax	(1,061)	(11)
	<u>33,283</u>	<u>50,257</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profit arising in or derived from Hong Kong.

The Company's subsidiaries in Mainland China are subject to the China Corporate Income Tax ("CIT") at a rate of 25% (2016: 25%) on the estimated profits, except for Welco Technology (Suzhou) Limited ("WTSZ"), a wholly-owned subsidiary of the Company. 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 2017 and 2016 were approximately HK\$43,063,000 (HK\$0.09 per share) and HK\$35,887,000 (HK\$0.075 per share) respectively. A final dividend in respect of the year ended 31 December 2017 of HK\$0.035 per share, amounting to a total dividend of approximately HK\$16,747,000 will be proposed at the upcoming annual general meeting of the Company. These financial statements do not reflect this final dividend payable.

	2017	2016
	HK\$'000	HK\$'000
Interim dividend paid – HK\$0.04 (2016: HK\$0.03) per share	19,139	14,355
Proposed final dividend – HK\$0.035 (2016: HK\$0.05) per share	16,747	23,924
	<u>35,886</u>	<u>38,279</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.

	2017	2016
Profit attributable to owners of the Company (<i>HK\$'000</i>)	<u>479,907</u>	<u>468,225</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>1.00</u>	<u>0.98</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

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Share of net assets/(liabilities)	231,309	(770)
Loans to joint ventures	<u>952,596</u>	<u>952,596</u>
	<u>1,183,905</u>	<u>951,826</u>

As at 31 December 2017, 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 assets/(liabilities) is analysed as follows:

	2017	2016
	HK\$'000	HK\$'000
At 1 January	(770)	846,310
Share of profits of joint ventures	232,079	165,389
Addition (<i>Note</i>)	–	3
Transfer to subsidiaries (<i>Note 12</i>)	–	(1,012,472)
	<hr/>	<hr/>
At 31 December	231,309	(770)
	<hr/> <hr/>	<hr/> <hr/>

Note:

During the year ended 31 December 2016, Bollardbay Limited and its wholly-owned subsidiary, Easywise Limited, (together, the “Bollardbay Group”) ceased to be joint ventures of the Group as a result of the transaction disclosed in Note 12. Open Vantage Limited, a new joint venture, was set-up between the Group and Data Giant Limited (“Data Giant”) 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:

	2017	2016
	HK\$'000	HK\$'000
0 – 60 days	634,295	703,808
61 – 90 days	195,052	100,336
Over 90 days	80,937	26,700
	<hr/>	<hr/>
	910,284	830,844
	<hr/> <hr/>	<hr/> <hr/>

10. TRADE PAYABLES

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

	2017	2016
	HK\$'000	HK\$'000
0 – 60 days	546,198	613,632
61 – 90 days	104,018	98,044
Over 90 days	43,438	12,762
	<hr/>	<hr/>
	693,654	724,438
	<hr/> <hr/>	<hr/> <hr/>

11. BORROWINGS

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trust receipt bank loans, unsecured	288,354	418,182
Short-term bank loans, unsecured	290,000	127,771
Portion of long-term loans due for repayment within one year, secured	66,054	66,054
Portion of long-term loans due for repayment after one year, secured	1,346,446	1,312,500
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	10,350	17,250
	<u>2,008,104</u>	<u>1,948,657</u>
Total borrowings	<u>2,008,104</u>	<u>1,948,657</u>
Non-current	1,346,446	1,312,500
Current	<u>661,658</u>	<u>636,157</u>
Total borrowings	<u>2,008,104</u>	<u>1,948,657</u>

12. BUSINESS COMBINATION

Bollardbay Limited is a company formed between Ubiquitous International Limited (“UIL”), an indirect wholly-owned subsidiary of the Company, and 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 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 indirect wholly-owned subsidiaries 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>)	1,124,721
	1,124,721

Total investment cost	1,885,333
	1,885,333

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	(431,311)
	(431,311)

Total	1,885,333
	1,885,333

Note:

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	112,249
	112,249

Fair value of the Group's equity interest in Bollardbay Group at the date of the Repurchase Transaction	1,124,721
	1,124,721

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.

Had Bollardbay Group been consolidated from 1 January 2016, the consolidated income statement would show pro-forma revenue of approximately HK\$3,649,088,000.

DIVIDENDS

The Company paid an interim dividend of HK\$0.04 (2016: HK\$0.03) per share for 2017. The Directors now recommend the payment of a final dividend of HK\$0.035 (2016: HK\$0.05) per share on or before Thursday, 21 June 2018 to the shareholders whose names appear on the Register of Members of the Company on Wednesday, 6 June 2018. 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 Wednesday, 6 June 2018 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 Tuesday, 5 June 2018.

REVIEW OF BUSINESS ACTIVITIES

Financial Results

The Profit attributable to owners of the Company for the year ended 31 December 2017 amounted to HK\$479.9 million, as compared to HK\$468.2 million for the corresponding last year. The slight increase was mainly due to the increase in share of profits of joint ventures in the sum of HK\$66.7 million and the "change in fair value of investment properties" in the sum of HK\$99.2 million offsetting by gain on re-measurement of the property development joint venture of HK\$112.2 million in 2016 and the exchange difference in sum of HK\$50.5 million due to RMB appreciation. Earnings per share for the year were HK\$1.00 as compared to HK\$0.98 for the corresponding last year.

The Group's revenue for the year ended 31 December 2017 was HK\$3,817.5 million as compared to HK\$3,529.4 million for the corresponding last year. Operating profit for the year ended 31 December 2017 was HK\$315.6 million or 8.3% of revenue, as compared to HK\$366.7 million or 10.4% for the corresponding last year. The decrease in operating profit was mainly attributable to a gain on re-measurement of the property development joint venture amounted to HK\$112.2 million in 2016 offsetting by "change in fair value of investment properties" amounted to HK\$99.2 million and the exchange difference in sum of HK\$50.5 million due to RMB appreciation.

The EMS Division

Revenue for the EMS Division for the year ended 31 December 2017 was HK\$3,760.8 million, as compared to HK\$3,513.5 million for the corresponding last year. The segment profit attributable to the EMS Division was HK\$211.4 million, a 12.8% decrease as compared to HK\$242.3 million for the corresponding last year. The decrease in the segment profit was attributable to the exchange difference in sum of HK\$50.5 million due to RMB appreciation.

As the tablet sales market has plateaued with not much growth opportunity, the Group has decided to merge the Original Design and Manufacturing (“ODM”) Division with the EMS Division. It is envisaged that the merger will heighten the focus on research and development efforts and technological innovations and enable the Group to enhance its value-added services to EMS customers.

Property Investment Division

The Property Investment Division reported revenue of HK\$56.7 million, as compared to HK\$15.9 million for the corresponding last year. The segment profit attributable to the Property Investment Division was HK\$370.6 million, a 115.2% increase as compared to HK\$172.2 million for the corresponding last year. The significant increase was mainly attributable to the increase in the Group’s share of profits from the property development joint ventures, which mainly comprised of fair value gain from units held as investment properties, and change in fair value of investment properties.

The construction work for the second development project, namely Two Harbour Square, has been completed and some of the floors were leased in 2017.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2017, the Group had a total of HK\$3,547.0 million of banking facilities. Total bank borrowings were HK\$2,008.1 million (2016: HK\$1,948.7 million). Cash and cash equivalents and short-term bank deposits were HK\$844.1 million at 31 December 2017 (2016: HK\$1,064.3 million).

As at 31 December 2017, the Group had a net bank borrowing of HK\$1,164.0 million, as compared to HK\$884.4 million at 31 December 2016. 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 2017 is 0.33 (2016: 0.30). The net gearing ratio was calculated as net debt divided by total equity. Net debt is calculated as total 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 appreciation 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 2017, the Group employed approximately 4,227 employees. The Group adopts a remuneration policy which is commensurate with job nature, qualification and experience of employees. In addition to the provision of annual bonuses and employee related insurance benefits, discretionary bonuses are also rewarded to employees based on individual performance. The remuneration packages and policies are reviewed periodically. The Group also provides in-house and external training programs to its employees.

PROSPECTS

The business environment is expected to remain challenging with the increase in commodity and component prices, wage, inflation, currency fluctuations and interest rate acceleration. To cope with these challenges, we will continue our sales effort to expand our customer base and to improve operation efficiency through automation, lean, energy conservation and stringent cost control measures. We strive to offer total solutions to customers via new product design and development; increasing our services revenue through new technology development and improvements. We shall focus on investing in other business through capital investments as well as making strategic investments. 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 2018 will be comparable to that for 2017. We will also watch out the development of trade disputes between United States and China, evaluate the possible impacts to our business and formulate the actions to be made.

The second phase of the property development project in Kwun Tong, namely Two Harbour Square, was completed in 2017. Some of the floors were leased in 2017. It is the Group's preference to hold its interest in this project for long term and for leasing purposes. According to current market expectations, interest rates will continue to increase in 2018. The Group is monitoring it carefully and will take appropriate action to mitigate its impact.

We expect contribution to profit from rental income will increase as a result of the completion of the development of Two Harbour Square.

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 sixth 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 2017, 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 2017, 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 2017.

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 2017.

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, 2017 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 2017 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 2017 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, 27 March 2018

As at the date of this announcement, the Executive Directors of the Company are Mr. Wong Chung Mat, Ben, Ms. Wong Yin Man, Ada, Dr. 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