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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 2019 FINAL RESULTS

FINANCIAL HIGHLIGHT:

- Profit attributable to owners of the Company decreased by approximately HK\$1,155.4 million due to decrease in fair value gains booked in relation to properties held by a joint venture.
- Profit from EMS division decreased by approximately HK\$50.7 million due to reduction in demand as a result of the current trade tension between Mainland China and the US.
- The transaction of disposal of 6/F, One Harbour Square with consideration of HK\$238.1 million was completed during the 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 2019 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2019

	Note	2019 HK\$'000	2018 HK\$'000
Revenue	2	3,781,156	4,013,546
Other income	3	9,826	18,952
Changes in inventories of finished goods and work in progress		(830)	(44,974)
Raw materials and consumables used		(2,741,393)	(2,982,447)
Cost of stock of completed properties		(132,015)	–
Employee benefit expenses		(456,772)	(483,100)
Depreciation and amortisation charges		(69,204)	(55,930)
Other operating expenses		(182,790)	(207,436)
Change in fair value of investment properties		28,375	239,003
Other gains – net	4	9,502	29,070
Impairment losses on trade receivables	9	(698)	(1,866)
Operating profit		245,157	524,818
Finance income		20,588	12,612
Finance costs		(65,461)	(64,064)
Share of loss of an associate		(636)	(2,227)
Share of profits of joint ventures	8	104,921	1,001,980
Profit before income tax		304,569	1,473,119
Income tax expense	5	(38,242)	(51,370)
Profit after income tax		266,327	1,421,749
Profit attributable to owners of the Company		266,327	1,421,749
Non-controlling interests		–	–
		266,327	1,421,749
Earnings per share attributable to owners of the Company during the year			
Basic	7	HK\$0.56	HK\$2.97
Diluted	7	HK\$0.56	HK\$2.97

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year	266,327	1,421,749
Other comprehensive income:		
<i>Items that may be reclassified to profit or loss:</i>		
Cash flow hedge – fair value (losses)/gains for the year	(2,360)	2,319
Cash flow hedge – deferred income tax recognised	389	(383)
Currency translation differences:		
– Group	(35,098)	(85,241)
– Associates	(37)	(33)
 <i>Item that will not be reclassified subsequently to profit or loss:</i>		
Changes in fair value of financial assets at fair value through other comprehensive income	113	1,172
Other comprehensive loss for the year, net of tax	(36,993)	(82,166)
Total comprehensive income for the year	229,334	1,339,583
Attributable to:		
Owners of the Company	229,334	1,339,583
Non-controlling interests	–	–
Total comprehensive income for the year	229,334	1,339,583

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	<i>Note</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		220,157	308,617
Investment properties		2,534,016	2,506,097
Right-of-use assets		125,796	–
Leasehold land and land use rights		–	16,831
Investments in associates		26,062	28,235
Interests in joint ventures	8	2,505,012	2,410,801
Financial assets at fair value through other comprehensive income		4,349	4,195
Deferred income tax assets		27,642	21,179
Deposits and other receivables		20,537	13,607
Derivative financial instruments		76	–
Restricted cash		14,369	14,652
		5,478,016	5,324,214
		5,478,016	5,324,214
Current assets			
Inventories		319,234	500,926
Stock of completed properties		236,350	368,365
Trade receivables	9	876,131	942,014
Prepayments, deposits and other receivables		74,858	94,951
Financial assets at fair value through other comprehensive income		126	166
Amounts due from associates		14	11
Current income tax recoverable		1,727	520
Restricted cash		11,580	–
Short-term bank deposits		641,886	500,395
Cash and cash equivalents		543,314	447,737
		2,705,220	2,855,085
Non-current assets classified as held for sale	10	–	88,383
		2,705,220	2,943,468
Total assets		8,183,236	8,267,682

	<i>Note</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
EQUITY			
Equity attributable to owners of the Company			
Share capital		47,848	47,848
Other reserves		481,572	504,948
Retained earnings			
– Proposed dividend		14,355	26,317
– Others		4,462,445	4,241,072
		<u>5,006,220</u>	<u>4,820,185</u>
Non-controlling interests		<u>4</u>	<u>4</u>
Total equity		<u>5,006,224</u>	<u>4,820,189</u>
LIABILITIES			
Non-current liabilities			
Derivative financial instruments		4,217	1,801
Accruals and other payables		15,844	11,381
Lease liabilities		30,583	–
Deferred income tax liabilities		72,293	98,671
Borrowings	12	1,226,565	1,422,432
		<u>1,349,502</u>	<u>1,534,285</u>
Current liabilities			
Trade payables	11	673,649	761,875
Accruals and other payables		187,838	227,398
Contract liabilities		147,465	129,993
Lease liabilities		19,756	–
Current income tax liabilities		89,181	55,191
Borrowings	12	709,621	738,751
		<u>1,827,510</u>	<u>1,913,208</u>
Total liabilities		<u>3,177,012</u>	<u>3,447,493</u>
Total equity and liabilities		<u>8,183,236</u>	<u>8,267,682</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	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 2018	47,848	153,025	3,315,615	4	3,516,492
Comprehensive income					
Profit for the year	–	–	1,421,749	–	1,421,749
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Other comprehensive income					
Changes in fair value of financial assets at fair value through other comprehensive income	–	–	1,172	–	1,172
Currency translation differences	–	–	(85,274)	–	(85,274)
Cash flow hedge – fair value gains for the year	–	–	2,319	–	2,319
Cash flow hedge – deferred income tax recognised	–	–	(383)	–	(383)
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Total other comprehensive loss	–	–	(82,166)	–	(82,166)
	-----	-----	-----	-----	-----
Total comprehensive income	–	–	1,339,583	–	1,339,583
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Transactions with owners					
Dividend paid to owners of the Company	–	–	(35,886)	–	(35,886)
	-----	-----	-----	-----	-----
Total transactions with owners	–	–	(35,886)	–	(35,886)
	-----	-----	-----	-----	-----
As at 31 December 2018	<u>47,848</u>	<u>153,025</u>	<u>4,619,312</u>	<u>4</u>	<u>4,820,189</u>

	Attributable to owners of the Company				Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000	Non- controlling interests HK\$'000	
As at 1 January 2019	47,848	153,025	4,619,312	4	4,820,189
Effect on adoption of HKFRS 16	-	-	(235)	-	(235)
Restated as at 1 January 2019	47,848	153,025	4,619,077	4	4,819,954
Comprehensive income					
Profit for the year	-	-	266,327	-	266,327
Other comprehensive income					
Changes in fair value of financial assets at fair value through other comprehensive income	-	-	113	-	113
Currency translation differences	-	-	(35,135)	-	(35,135)
Cash flow hedge – fair value losses for the year	-	-	(2,360)	-	(2,360)
Cash flow hedge – deferred income tax recognised	-	-	389	-	389
Total other comprehensive loss	-	-	(36,993)	-	(36,993)
Total comprehensive income	-	-	229,334	-	229,334
Transactions with owners					
Dividend paid to owners of the Company	-	-	(43,064)	-	(43,064)
Total transactions with owners	-	-	(43,064)	-	(43,064)
As at 31 December 2019	47,848	153,025	4,805,347	4	5,006,224

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 financial asset at fair value through other comprehensive income, 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) New standards, amendments to existing standards and interpretations effective in financial year beginning 1 January 2019

Standards	Subject of amendment
Amendments to HKAS 12, HKAS 23, HKFRS 3 and HKFRS 11	Annual Improvements 2015-2017 Cycle
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
HKFRS 16	Leases
HK(IFRIC)–Int 23	Uncertainty over Income Tax Treatments

The Group changes its accounting policies and made certain adjustments following the adoption of HKFRS 16 “Leases” (“HKFRS 16”). The impact of the adoption of the leasing standard and the new accounting policies are disclosed in below. The other standards did not have any impact on the Group’s accounting policies and did not require retrospective adjustments.

Below explains the impact of the adoption of HKFRS 16 on the Group’s financial statements and discloses the new accounting policies that have been applied from 1 January 2019.

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated statement of financial position on 1 January 2019.

Adjustments recognised on the adoption of HKFRS 16

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of HKAS 17 “Leases” (“HKAS 17”). These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.45%.

The table below explains the difference between operating lease commitments disclosed at 31 December 2018 by applying HKAS 17 and lease liabilities recognised at 1 January 2019 by applying HKFRS 16:

	<i>HK\$’000</i>
Operating lease commitments disclosed as at 31 December 2018	25,274
Less: short-term leases recognised on a straight-line basis as expense	<u>(494)</u>
Operating lease liabilities before discounting at 31 December 2018	24,780
Effect from discounting at incremental borrowing rate at 1 January 2019	<u>(1,139)</u>
Lease liabilities recognised as at 1 January 2019	<u><u>23,641</u></u>
Of which are:	
Current lease liabilities	10,969
Non-current lease liabilities	<u>12,672</u>
	<u><u>23,641</u></u>

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

For leasehold land and land use rights previously presented as a separate item and leasehold land included in property, plant and equipment on consolidated statement of financial position are grouped as part of right-of-use assets with effect from 1 January 2019. The recognised right-of-use assets upon the adoption of HKFRS 16 are related to leasehold land and land use rights and factory and buildings.

The change in accounting policy affected the following items in the consolidated statement of financial position on 1 January 2019:

Statement of consolidated financial position (Extract)	31 December 2018	Effect of HKFRS 16	1 January 2019
	As previously reported	HKFRS 16	As restated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment	308,617	(61,814)	246,803
Right-of-use assets	–	102,051	102,051
Leasehold land and land use rights	16,831	(16,831)	–
LIABILITIES			
Current liabilities			
Lease liabilities	–	10,969	10,969
Non-current liabilities			
Lease liabilities	–	12,672	12,672
EQUITY			
Retained earnings	4,267,389	(235)	4,267,154

(i) *Impact on segment disclosure*

Adjusted operating profit for the year ended 31 December 2019 and segment assets as at 31 December 2019 all increased as a result of the changes in accounting policy. The following segments were affected by the changes in the accounting policy:

	Increase in adjusted operating profit for the year ended 31 December 2019	Increase in segment assets as at 31 December 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
EMS division	780	49,691
Property holding division	–	–
	780	49,691

(ii) *Practical expedients applied*

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than twelve months as at 1 January 2019 as short-term leases;
- the exemption of operating leases for which the underlying assets are of low value;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made by applying HKAS 17 and HK(IFRIC)-4 “Determining whether an Arrangement contains a Lease”.

The Group's leasing activities and how these are accounted for

As a lessee

The Group leases various factories, offices and warehouses. Rental contracts are typically made for fixed periods of one to three years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The Group also leases certain land use rights in Mainland China. These land use rights are leased for a period of between ten to fifty years on which plants and buildings of the Group are situated on. The lease agreements do not impose any covenants.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of twelve months or less.

As a lessor

The Group leases out its investment properties under non-cancellable operating lease arrangements. The lease terms are between one and three years. The Group has classified these leases as operating leases.

The accounting policies applicable to the Group as a lessor in the comparative period are not different from HKFRS 16. The Group is not required to make any adjustments on transition to HKFRS 16 for leases in which it acts as a lessor, except for a sub-lease. When the Group is an intermediate lessor, the sub-lease is classified with reference to the underlying asset.

The Group does not have sub-leases during the financial year of 2018. The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of “revenue”. The Group has accounted for its lease in accordance with HKFRS 16 from the date of initial application.

d) New standards and amendments to existing standards have been issued but are not effective for the financial year beginning 1 January 2019 and have not been early adopted

Standards	Subject of amendment	Effective for annual periods beginning on or after
Amendments to HKFRS 3 (Revised)	Definition of a Business	1 January 2020
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020
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

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

2. SEGMENT INFORMATION

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

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

Property Holding – development, sale and lease of properties.

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

	EMS division HK\$'000	Property Holding division HK\$'000	Total HK\$'000
For the year ended 31 December 2019			
External revenue			
Revenue from contracts with customers			
Timing of revenue recognition			
– At a point of time	3,559,922	149,699	3,709,621
Revenue from other sources			
– Over time	–	71,535	71,535
	<u>3,559,922</u>	<u>221,234</u>	<u>3,781,156</u>
Segment results	<u>159,197</u>	<u>197,918</u>	<u>357,115</u>
Depreciation and amortisation charges	66,767	42	66,809
Share of profits of joint ventures	–	104,921	104,921
Change in fair value of investment properties	–	28,375	28,375
Capital expenditure	<u>30,886</u>	<u>–</u>	<u>30,886</u>

	EMS division <i>HK\$'000</i>	Property Holding division <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the year ended 31 December 2018			
External revenue			
Revenue from contracts with customers			
Timing of revenue recognition			
– At a point of time	3,946,228	–	3,946,228
Revenue from other sources			
– Over time	–	67,318	67,318
	<u>3,946,228</u>	<u>67,318</u>	<u>4,013,546</u>
Segment results	<u>209,889</u>	<u>1,290,680</u>	<u>1,500,569</u>
Depreciation and amortisation charges	53,497	41	53,538
Share of profits of joint ventures	–	1,001,980	1,001,980
Change in fair value of investment properties	<u>–</u>	<u>239,003</u>	<u>239,003</u>
Capital expenditure	<u>27,601</u>	<u>–</u>	<u>27,601</u>

	EMS division HK\$'000	Property Holding division HK\$'000	Total HK\$'000
As at 31 December 2019			
Segment assets	2,708,691	2,787,668	5,496,359
Interests in joint ventures	–	2,505,012	2,505,012
Total reportable segment assets	2,708,691	5,292,680	8,001,371
As at 31 December 2018			
Segment assets	2,716,844	2,992,209	5,709,053
Interests in joint ventures	–	2,410,801	2,410,801
Total reportable segment assets	2,716,844	5,403,010	8,119,854

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

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

	2019 HK\$'000	2018 HK\$'000
Reportable segment results	357,115	1,500,569
Other income	9,826	18,952
Other gains – net	9,502	29,070
Finance costs – net	(44,873)	(51,452)
Share of loss of an associate	(636)	(2,227)
Corporate and unallocated expenses	(26,365)	(21,793)
Profit before income tax	304,569	1,473,119

Reportable segment assets are reconciled to total assets as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Reportable segment assets	8,001,371	8,119,854
Investments in associates	26,062	28,235
Financial assets at fair value through other comprehensive income	4,475	4,361
Derivative financial instruments	76	–
Deferred income tax assets	27,642	21,179
Amounts due from associates	14	11
Current income tax recoverable	1,727	520
Corporate and unallocated assets	121,869	93,522
	<hr/>	<hr/>
Total assets per consolidated statement of financial position	8,183,236	8,267,682
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Reconciliations of other material items are as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Depreciation and amortisation charges		
– Reportable segment total	66,809	53,538
– Corporate headquarters	2,395	2,392
	<hr/>	<hr/>
	69,204	55,930
	<hr/> <hr/>	<hr/> <hr/>
Capital expenditure		
– Reportable segment total	30,886	27,601
– Corporate headquarters	–	–
	<hr/>	<hr/>
	30,886	27,601
	<hr/> <hr/>	<hr/> <hr/>

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:

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
North America	885,028	976,653
Asia (excluding Hong Kong)	1,491,294	1,734,783
Europe	627,781	672,231
Hong Kong	777,053	629,879
	<u>3,781,156</u>	<u>4,013,546</u>

For the year ended 31 December 2019, revenues of approximately HK\$1,356,499,000 (2018: HK\$1,383,171,000), HK\$420,082,000 (2018: HK\$493,528,000) and HK\$378,548,000 (2018: HK\$406,640,000) were derived from the top three 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:

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
North America	6	16
Asia (excluding Hong Kong)	314,735	283,515
Europe	30	33
Hong Kong	5,135,603	5,019,471
	<u>5,450,374</u>	<u>5,303,035</u>

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

The Group has recognised the following liabilities related to contracts with customers:

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contract liabilities – EMS division	147,465	118,089
Contract liabilities – property holding division	–	11,904
	<u>147,465</u>	<u>129,993</u>

The following table shows how much of the revenue recognised relates to carried-forward contract liabilities that were satisfied in a prior year:

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
EMS division	118,089	120,780
Property holding division	11,904	–
	<u>129,993</u>	<u>120,780</u>
3. OTHER INCOME		
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Government grant	7,688	4,976
Sales of scrap and spare parts	2,126	12,307
Others	12	1,669
	<u>9,826</u>	<u>18,952</u>
4. OTHER GAINS – NET		
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Write-back of trade and other payables	–	2,614
Gains/(losses) on financial instruments – net		
– Unrealised	20	101
– Realised	(18)	(106)
Gains on disposals of property, plant and equipment	288	140
Exchange gains – net	9,212	24,186
Gain on disposal of financial assets at fair value through profit or loss	–	2,135
	<u>9,502</u>	<u>29,070</u>

5. INCOME TAX EXPENSE

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Current income tax		
– Hong Kong profits tax	36,761	13,955
– Overseas taxation	37,677	40,311
(Over)/under-provision in prior years		
– Current income tax	(3,225)	501
Deferred income tax	<u>(32,971)</u>	<u>(3,397)</u>
	<u>38,242</u>	<u>51,370</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 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% (2018: 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% (2018: 15%) under the New and High Technology Enterprises status till 31 December 2020.

6. DIVIDENDS

The dividends paid in 2019 and 2018 were approximately HK\$43,064,000 (HK\$0.09 per share) and HK\$35,886,000 (HK\$0.075 per share) respectively. A final dividend in respect of the year ended 31 December 2019 of HK\$0.03 per share, amounting to a total dividend of approximately HK\$14,355,000, will be proposed at the upcoming annual general meeting of the Company. These financial statements do not reflect this final dividend payable.

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Interim dividend paid - HK\$0.035 (2018: HK\$0.04) per share	16,747	19,139
Proposed final dividend - HK\$0.03 (2018: HK\$0.055) per share	<u>14,355</u>	<u>26,317</u>
	<u>31,102</u>	<u>45,456</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.

	2019	2018
Profit attributable to owners of the Company (<i>HK\$'000</i>)	<u>266,327</u>	<u>1,421,749</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>0.56</u>	<u>2.97</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

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Share of net assets	1,338,210	1,233,289
Loans to joint ventures	<u>1,166,802</u>	<u>1,177,512</u>
	<u>2,505,012</u>	<u>2,410,801</u>

As at 31 December 2019, the Group's principal joint ventures included Talent Chain Investments Limited, Crown Opal Investment Limited and Open Vantage Limited, of which the Group has 35.7% equity interest. Crown Opal Investment Limited is engaged in property holding.

The loans to joint ventures are unsecured, interest-free and will not be repaid in the coming twelve 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 is analysed as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
At 1 January	1,233,289	231,309
Share of profits of joint ventures	<u>104,921</u>	<u>1,001,980</u>
At 31 December	<u><u>1,338,210</u></u>	<u><u>1,233,289</u></u>

9. TRADE RECEIVABLES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade receivables	878,695	943,880
Less: allowance for impairment of trade receivables	<u>(2,564)</u>	<u>(1,866)</u>
	<u><u>876,131</u></u>	<u><u>942,014</u></u>

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

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
0-60 days	550,971	614,518
61-90 days	154,132	186,539
Over 90 days	<u>173,592</u>	<u>142,823</u>
	<u><u>878,695</u></u>	<u><u>943,880</u></u>

10. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Assets classified as held for sale		
– Investment properties	<u>–</u>	<u>88,383</u>

On 24 December 2018, the Group entered into a provisional sale and purchase agreement with a third party purchaser whereby, the purchaser agreed to purchase certain investment properties and stock of completed properties at the consideration of HK\$88,383,000 and HK\$149,699,000 respectively. The transaction was completed during the year.

11. TRADE PAYABLES

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
0-60 days	520,152	612,395
61-90 days	100,299	98,102
Over 90 days	53,198	51,378
	<u>673,649</u>	<u>761,875</u>

12. BORROWINGS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trust receipt bank loans, unsecured	237,773	307,417
Short-term bank loans, unsecured	320,000	328,000
Portion of long-term bank loans due for repayment within one year, secured	151,848	92,984
Portion of long-term bank loans due for repayment after one year, secured	1,226,565	1,422,432
Portion of a mortgage loan from bank due for repayment within one year	–	6,900
Portion of a mortgage loan from bank due for repayment after one year which contains a repayment on demand clause	–	3,450
Total borrowings	<u>1,936,186</u>	<u>2,161,183</u>
Non-current	1,226,565	1,422,432
Current	<u>709,621</u>	<u>738,751</u>
Total borrowings	<u>1,936,186</u>	<u>2,161,183</u>

13. EVENTS OCCURRING AFTER THE DATE OF STATEMENT OF FINANCIAL POSITION

Since January 2020, there has been numerous confirmed cases of Coronavirus (“COVID-19”) globally and caused disruption in numerous industries. The COVID-19 outbreak is considered a non-adjusting subsequent event and its related financial impact has not been reflected in the financial statements of the Group as at and for the year ended 31 December 2019.

In response to the measures of local governments in China in containing the epidemic in early 2020, the Group has extended the Chinese New Year holiday, postponed work resumption after the Chinese New Year holiday and suspended the production facilities, which was resumed to normal level under adequate health and safety measures. Affected by the outbreak, the Group estimated that the Group’s EMS sales in the period of January and February 2020 decreased by approximately 50% compared to the corresponding period in 2019. In addition, the epidemic caused disruption to the supply chain and limited access to logistics to move goods. Management will try to source raw materials globally to ensure adequate inventory level for production in coming months.

Further, the Group measures its investment properties using fair value model. The COVID-19 epidemic is expected to have impact to the valuation of investment properties. At this stage, management could not quantify the impact to the valuation but will closely monitor the fair value change and assess the impact to the Group.

The expected credit loss at 31 December 2019 was estimated based on a range of forecast economic conditions as at that date. The impact on GDP and other key indicators will be considered when determining the severity and likelihood of downside economic scenarios that will be used to estimate expected credit loss under HKFRS 9 “Financial Instruments” in 2020.

Apart from disclosed above, the outbreak is expected to affect the financial results of the Group and the macro-economic environment globally, the effect of which cannot be estimated as of the date of this announcement.

The Group will closely monitor the development of the outbreak, perform further assessment of its impact and take relevant measures.

DIVIDENDS

The Company paid an interim dividend of HK\$0.035 (2018: HK\$0.04) per share for 2019. The Directors now recommend the payment of a final dividend of HK\$0.03 (2018: HK\$0.055) per share to the shareholders of the Company. Payment of such proposed final dividend is subject to approval of the shareholders at the forthcoming annual general meeting of the Company.

REVIEW OF BUSINESS ACTIVITIES

Financial Results

The profit attributable to owners of the Company for the year ended 31 December 2019 amounted to HK\$266.3 million, as compared to HK\$1,421.7 million for the last financial year. The significant decrease was mainly due to decrease in share of profits of joint ventures in the sum of HK\$897.1 million. Earnings per share for the year were HK\$0.56 as compared to HK\$2.97 for the last financial year.

The Group's revenue for the year ended 31 December 2019 was HK\$3,781.2 million, as compared to HK\$4,013.5 million for the last financial year. Operating profit for the year ended 31 December 2019 was HK\$245.2 million or 6.5% of revenue, as compared to HK\$524.8 million or 13.1% of revenue for the last financial year. The decrease in operating profit was driven by reduction in demand as a result of the current trade tension between Mainland China and the US.

Electronic Manufacturing Service (“EMS”) Division

Revenue for the EMS Division for the year ended 31 December 2019 was HK\$3,559.9 million, as compared to HK\$3,946.2 million for the last financial year. The segment profit attributable to the EMS Division was HK\$159.2 million, a 24.2% decrease as compared to HK\$209.9 million for the last financial year. The decrease in the segment profit was attributable to reduction in demand as a result of the current trade tension between Mainland China and the US.

Property Holding Division

The Property Holding Division reported revenue of HK\$221.2 million, as compared to HK\$67.3 million for the last financial year. The segment profit attributable to the Property Holding Division was HK\$197.9 million as compared to HK\$1,290.7 million for the last financial year. The decrease was mainly attributable to decrease in share of profit of joint ventures, which mainly comprised of one-off fair value gains between the “development cost” and the “current market value” arising from the leased portion reclassified from stock of completed properties to investment properties.

On 24 December 2018, the Group entered into a provisional sale and purchase agreement with a third party purchaser whereby, the Group agreed to sell 6/F of One Harbour Square at the consideration of HK\$238,082,000. The transaction was completed during the financial year.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2019, the Group had a total of HK\$3,311.6 million (2018: HK\$3,231.3 million) of banking facilities. Total bank borrowings were HK\$1,936.2 million (2018: HK\$2,161.2 million). Cash and cash equivalents and short-term bank deposits were HK\$1,185.2 million at 31 December 2019 (2018: HK\$948.1 million).

As at 31 December 2019, the Group had a net bank borrowing of HK\$751.0 million, as compared to HK\$1,213.1 million at 31 December 2018. Sufficient banking facilities and bank balances are available to meet the cash needs of the Group for its manufacturing operations as well as Property Holding Division.

Net gearing ratio for the Group as at 31 December 2019 is 0.16 (2018: 0.25). The net gearing ratio was calculated as net debt divided by total equity. Net debt is calculated as total bank borrowings and lease liabilities less cash and cash equivalents and short-term bank deposits.

FOREIGN EXCHANGE AND RISK MANAGEMENT

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

CAPITAL STRUCTURE

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 2019, the Group employed approximately 3,558 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

Current market conditions are unusually difficult. Already affected by the China-US trade war, demand for the Group's products is now facing another considerable uncertainties posed by the COVID-19 outbreak starting in early 2020.

At the start of the outspread, we responded to the government decree of delaying work resumption after the Chinese New Year. The spread of the COVID-19 is impacting the supply chains and has caused disruption: limited access to employees due to quarantines, factory closures or manufacturing slowdowns and limited access to logistics to move goods. The Group's factories have taken all necessary steps for the recovery of the normal level of production capacity under adequate health and safety measures. The Group's manufacturing operations in January and February of 2020 were gravely impacted and sales of the EMS business for those two months decreased by approximately 50% compared to the corresponding period in 2019.

To cope with the US tariff situation, the Group has set up a manufacturing facility in Hai Duong Province, Vietnam to cater mainly for the needs of US customers. This new production facility, which has started production in March 2020, will also provide an additional alternative to the Group's customers, and is expected to bring new sales opportunity to the Group.

The Directors expect that the current market and operating conditions as well as the uncertainty as to the intensity and the duration of the COVID-19 outbreak globally will adversely affect the operating result of the EMS business for the first half of 2020. The Group is in crisis management, assessing impacts and response as fast as we can to mitigate the disruption. However, with the continuous efforts to expand customer base, control costs, enhance operating efficiency and provide value added services including product design and technology services to the customers, the Directors are confident that the EMS business will be able to resume its growth momentum after the COVID-19 outbreak has subsided.

Most floors of Two Harbour Square, owned by a joint venture between the Company and Sun Hung Kai Properties Limited, and the portion of One Harbour Square owned by the Company have been leased out, and they will provide the Group with a steady source of rental income.

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 eighth consecutive year. 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 2019, 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 2019, 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 2019.

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 2019.

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, 2019 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 soon. A notice convening the AGM, which constitutes part of the circular to shareholders, will be sent to the shareholders of the Company in due course. 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 2019 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, 25 March 2020

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