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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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

FINANCIAL HIGHLIGHTS:

- The profit attributable to owners of the Company was HK\$27.8 million.
- Profit from EMS Division decreased by HK\$10.2 million due to slightly reduction in profit margin and change in product mix.

UNAUDITED INTERIM RESULTS

The board of directors (the “Board” or “Directors”) of Wong’s International Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2021 as follows:

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2021

		Unaudited	
		2021	2020
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	2	1,556,820	1,438,904
Other income		7,795	9,212
Changes in inventories of finished goods and work in progress		(60,562)	(41,920)
Raw materials and consumables used		(1,089,386)	(1,011,007)
Employee benefit expenses		(228,839)	(208,722)
Depreciation		(38,918)	(35,118)
Other operating expenses		(83,355)	(77,322)
Change in fair value of investment properties		(11,700)	(353,220)
Other gains – net	3	5,076	10,372
Provision of impairment losses on trade receivables		(1,104)	(920)
Operating profit/(loss)		55,827	(269,741)
Finance income		8,202	10,854
Finance costs		(22,553)	(31,137)
Share of profit/(loss) of an associate		297	(891)
Share of profits/(losses) of joint ventures	7	4,306	(303,881)
Profit/(loss) before income tax		46,079	(594,796)
Income tax expense	4	(18,267)	(18,370)
Profit/(loss) after income tax		27,812	(613,166)
Profit/(loss) attributable to owners of the Company		27,812	(613,166)
Non-controlling interests		–	–
		27,812	(613,166)
Dividends	5	7,177	9,570
Earnings/(loss) per share attributable to owners of the Company during the period			
Basic	6	HK\$0.06	(HK\$1.28)
Diluted	6	HK\$0.06	(HK\$1.28)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Unaudited	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(loss) for the period	27,812	(613,166)
Other comprehensive income:		
<i>Items that may be reclassified to consolidated income statement:</i>		
Cash flow hedge – fair value gains/(losses) for the period	8,016	(23,084)
Cash flow hedge – deferred income tax recognised	(1,323)	3,809
Currency translation differences		
– Group	16,075	(30,476)
– Associates	323	(53)
<i>Item that will not be reclassified subsequently to consolidated income statement:</i>		
Changes in fair value of financial assets at fair value through other comprehensive income	964	25
Other comprehensive income/(loss) for the period, net of tax	24,055	(49,779)
Total comprehensive income/(loss) for the period	51,867	(662,945)
Attributable to:		
Owners of the Company	51,867	(662,945)
Non-controlling interests	–	–
Total comprehensive income/(loss) for the period	51,867	(662,945)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

		Unaudited	Audited
		As at	As at
		30 June	31 December
		2021	2020
	<i>Note</i>	HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		229,802	249,956
Investment properties		2,041,057	2,052,585
Right-of-use assets		142,104	110,176
Investments in associates		26,339	25,719
Interests in joint ventures	7	2,138,677	2,148,651
Financial assets at fair value through other comprehensive income		8,400	7,454
Deferred income tax assets		26,821	27,301
Deposits and other receivables		12,338	12,107
Restricted cash		3,002	2,981
		<u>4,628,540</u>	<u>4,636,930</u>
Current assets			
Inventories		384,473	313,566
Stock of completed properties		213,410	213,410
Trade receivables	8	904,602	912,141
Prepayments, deposits and other receivables		72,606	89,366
Financial assets at fair value through other comprehensive income		46	28
Current income tax recoverable		1,108	1,372
Restricted cash		130,887	–
Short-term bank deposits		834,770	738,916
Cash and cash equivalents		532,783	680,202
		<u>3,074,685</u>	<u>2,949,001</u>
Total assets		<u><u>7,703,225</u></u>	<u><u>7,585,931</u></u>

		Unaudited	Audited
		As at	As at
		30 June	31 December
		2021	2020
	<i>Note</i>	HK\$'000	HK\$'000
EQUITY			
Equity attributable to owners of the Company			
Share capital		47,848	47,848
Other reserves		623,637	598,884
Retained earnings			
– Dividends		7,177	9,570
– Others		3,697,409	3,677,472
		<u>4,376,071</u>	<u>4,333,774</u>
Total equity		<u>4,376,071</u>	<u>4,333,774</u>
LIABILITIES			
Non-current liabilities			
Derivative financial instruments		11,081	26,592
Accruals and other payables		8,527	11,290
Lease liabilities		37,093	27,946
Deferred income tax liabilities		70,972	70,136
Borrowings	10	1,343,313	1,184,662
		<u>1,470,986</u>	<u>1,320,626</u>
Current liabilities			
Trade payables	9	664,240	668,278
Accruals and other payables		185,091	192,077
Contract liabilities		164,714	164,190
Derivative financial instruments		7,495	–
Lease liabilities		20,580	5,147
Current income tax liabilities		47,566	47,831
Borrowings	10	766,482	854,008
		<u>1,856,168</u>	<u>1,931,531</u>
Total liabilities		<u>3,327,154</u>	<u>3,252,157</u>
Total equity and liabilities		<u>7,703,225</u>	<u>7,585,931</u>
Net current assets		<u>1,218,517</u>	<u>1,017,470</u>
Total assets less current liabilities		<u>5,847,057</u>	<u>5,654,400</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Unaudited				
	Attributable to owners of the Company			Non-	Total
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Other reserves <i>HK\$'000</i>	controlling interests <i>HK\$'000</i>	<i>HK\$'000</i>
As at 1 January 2021	47,848	153,025	4,132,901	–	4,333,774
Comprehensive income					
Profit for the period	–	–	27,812	–	27,812
Other comprehensive income					
Currency translation differences	–	–	16,398	–	16,398
Changes in fair value of financial assets at fair value through other comprehensive income	–	–	964	–	964
Cash flow hedge – fair value gains for the period	–	–	8,016	–	8,016
Cash flow hedge – deferred income tax recognised	–	–	(1,323)	–	(1,323)
Total other comprehensive income	–	–	24,055	–	24,055
Total comprehensive income	–	–	51,867	–	51,867
Transactions with owners					
Dividend declared to owners of the Company	–	–	(9,570)	–	(9,570)
Total transactions with owners	–	–	(9,570)	–	(9,570)
As at 30 June 2021	47,848	153,025	4,175,198	–	4,376,071

	Unaudited				
	Attributable to owners of the Company				
	Share capital <i>HK\$ '000</i>	Share premium <i>HK\$ '000</i>	Other reserves <i>HK\$ '000</i>	Non- controlling interests <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
As at 1 January 2020	47,848	153,025	4,805,347	4	5,006,224
Comprehensive income					
Loss for the period	—	—	(613,166)	—	(613,166)
Other comprehensive income					
Currency translation differences	—	—	(30,529)	—	(30,529)
Changes in fair value of financial assets at fair value through other comprehensive income	—	—	25	—	25
Cash flow hedge – fair value losses for the period	—	—	(23,084)	—	(23,084)
Cash flow hedge – deferred income tax recognised	—	—	3,809	—	3,809
Total other comprehensive loss	—	—	(49,779)	—	(49,779)
Total comprehensive loss	—	—	(662,945)	—	(662,945)
Transactions with owners					
Dividend declared to owners of the Company	—	—	(14,355)	—	(14,355)
Total transactions with owners	—	—	(14,355)	—	(14,355)
As at 30 June 2020	47,848	153,025	4,128,047	4	4,328,924

NOTES:

1. BASIS OF PREPARATION

This unaudited condensed consolidated interim financial information (“Interim Financial Information”) for the six months ended 30 June 2021 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim financial report” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The Interim Financial Information should be read in conjunction with the annual financial statements for the year ended 31 December 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

This Interim Financial Information has been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss, financial assets at fair value through other comprehensive income and investment properties, which are carried at fair value.

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2020, as described in those annual financial statements.

Amended standards adopted by the Group

The following amendments to standards are mandatory for first time for the financial year beginning 1 January 2021:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
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There are no amendments to standards that are effective for the first time for this interim period that could be expected to have a material impact on the Group.

Standards issued but not yet applied by the Group

Certain new standards, amendments to existing standards, interpretations and annual improvements have been published but are not effective for the Group's accounting periods beginning on or after 1 January 2021 and have not been early adopted by the Group. These new standards, amendments to existing standards, interpretation and annual improvements are set out below:

		Effective for annual periods beginning on or after
Amendments to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021	1 April 2021
Annual Improvements to HKFRS Standards 2018-2020	Annual Improvements to HKFRS Standards 2018-2020	1 January 2022
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37	Onerous Contract: Cost of Fulfilling a Contract	1 January 2022
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Revised Accounting Guideline 5	Merger Accounting for Common Control Combination	1 January 2022
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Directors of the Company are in the process of assessing the financial impact of the adoption of the above new standard, amendments to standards, interpretation and annual improvements. The Directors of the Company will adopt the new standard, amendments to standards, interpretation and annual improvements 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 profit/(loss) of an associate but excludes corporate and unallocated expenses. Other information provided to CODM is measured in a manner consistent with that in the Interim Financial Information.

For the six months ended 30 June 2021	EMS division HK\$'000	Property Holding division HK\$'000	Total HK\$'000
External revenue			
Revenue from contracts with customers			
Timing of revenue recognition			
– At a point of time	1,523,794	–	1,523,794
Revenue from other sources			
– Rental income	–	33,026	33,026
	<u>38,073</u>	<u>17,572</u>	<u>55,645</u>
Segment results			
	<u>38,073</u>	<u>17,572</u>	<u>55,645</u>
Depreciation	37,775	21	37,796
Share of profits of joint ventures	–	4,306	4,306
Change in fair value of investment properties	–	(11,700)	(11,700)
Capital expenditure	5,493	13	5,506

For the six months ended 30 June 2020	EMS division <i>HK\$'000</i>	Property Holding division <i>HK\$'000</i>	Total <i>HK\$'000</i>
External revenue			
Revenue from contracts with customers			
Timing of revenue recognition			
– At a point of time	1,404,503	–	1,404,503
Revenue from other sources			
– Rental income	–	34,401	34,401
	<u>48,238</u>	<u>(630,387)</u>	<u>(582,149)</u>
Segment results			
Depreciation	33,901	20	33,921
Share of losses of joint ventures	–	(303,881)	(303,881)
Change in fair value of investment properties	–	(353,220)	(353,220)
Capital expenditure	48,813	–	48,813

	EMS division HK\$'000	Property Holding division HK\$'000	Total HK\$'000
As at 30 June 2021			
Segment assets	3,125,082	2,273,148	5,398,230
Interests in joint ventures	–	2,138,677	2,138,677
Total reportable segment assets	3,125,082	4,411,825	7,536,907
As at 31 December 2020			
Segment assets	3,005,529	2,280,684	5,286,213
Interests in joint ventures	–	2,148,651	2,148,651
Total reportable segment assets	3,005,529	4,429,335	7,434,864

Segment assets consist primarily of property, plant and equipment, investment properties, right-of-use assets, interests in joint ventures, restricted cash, inventories, stock of completed properties, trade receivables, prepayments, deposits and other receivables, cash and cash equivalents and short-term bank deposits, but exclude investments in associates, financial assets at fair value through other comprehensive income, deferred income tax assets, current income tax recoverable and corporate and unallocated assets.

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

	For the six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Reportable segment results	55,645	(582,149)
Other income	7,795	9,212
Other gains – net	5,076	10,372
Finance costs – net	(14,351)	(20,283)
Share of profit/(loss) of an associate	297	(891)
Corporate and unallocated expenses	(8,383)	(11,057)
Profit/(loss) before income tax	46,079	(594,796)

Reportable segments assets are reconciled to total assets as follows:

	As at 30 June 2021 <i>HK\$'000</i>	As at 31 December 2020 <i>HK\$'000</i>
Reportable segment assets	7,536,907	7,434,864
Investments in associates	26,339	25,719
Financial assets at fair value through other comprehensive income	8,446	7,482
Deferred income tax assets	26,821	27,301
Current income tax recoverable	1,108	1,372
Corporate and unallocated assets	103,604	89,193
	<hr/>	<hr/>
Total assets per condensed consolidated statement of financial position	7,703,225	7,585,931
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Reconciliations of other material items are as follows:

	For the six months ended 30 June	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Depreciation		
– Reportable segment total	37,796	33,921
– Corporate headquarters	1,122	1,197
	<hr/>	<hr/>
	38,918	35,118
	<hr/> <hr/>	<hr/> <hr/>
Capital expenditure		
– Reportable segment total	5,506	48,813
	<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:

	For the six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
North America	171,028	325,098
Asia (excluding Hong Kong)	934,519	682,542
Europe	234,205	224,344
Hong Kong	217,068	206,920
	<u>1,556,820</u>	<u>1,438,904</u>

For the six months ended 30 June 2021, revenue of approximately HK\$652,369,000 and HK\$170,192,000 were derived from the top two external customers respectively. For the six months ended 30 June 2020, revenue of approximately HK\$563,184,000 was derived from the top external customer. These customers individually account for 10 percent or more of the Group's revenue. These revenues are attributable to the EMS division.

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

	As at	As at
	30 June	31 December
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
North America	10	14
Asia (excluding Hong Kong)	325,335	311,930
Europe	37	20
Hong Kong	4,276,337	4,297,665
	<u>4,601,719</u>	<u>4,609,629</u>

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

3. OTHER GAINS – NET

	For the six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gains/(losses) on financial instrument – net		
– Unrealised	–	76
– Realised	–	(77)
Gains on disposal of property, plant and equipment	593	209
Exchange (losses)/gains – net	(2,827)	10,164
Reversal of impairment losses of amounts due from an associate	7,310	–
	<u>5,076</u>	<u>10,372</u>

4. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current income tax		
– Hong Kong profits tax	3,484	5,205
– Overseas taxation	19,660	11,850
Over-provision in prior periods		
– Current income tax	(5,025)	(919)
Deferred income tax	148	2,234
	<u>18,267</u>	<u>18,370</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 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 Tax ("CIT") at the rate of 25% (2020: 25%) on the estimated profits, except for Welco Technology (Suzhou) Limited ("WTSZ"), a wholly-owned subsidiary of the Group. WTSZ is eligible for preferential CIT rate of 15% (2020: 15%) under the New and High Technology Enterprises status till 31 December 2021.

5. DIVIDENDS

	For the six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividend – HK\$0.015 (2020: HK\$0.02) per share	<u>7,177</u>	<u>9,570</u>

On 26 August 2021, the Board has resolved to pay an interim dividend of HK\$0.015 per share (2020: HK\$0.02 per share) which is payable on Thursday, 30 September 2021 to the shareholders whose names appear on the Register of Members of the Company on Thursday, 16 September 2021. This interim dividend, amounting to HK\$7,177,000 (2020: HK\$9,570,000) has not been recognised as a liability in this Interim Financial Information. It will be recognised in shareholders' equity in the year ending 31 December 2021.

6. EARNINGS/(LOSS) PER SHARE

(a) Basic

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

	For the six months ended 30 June	
	2021	2020
Profit/(loss) attributable to owners of the Company <i>(HK\$'000)</i>	<u>27,812</u>	<u>(613,166)</u>
Weighted average number of ordinary shares in issue <i>(in thousands)</i>	<u>478,484</u>	<u>478,484</u>
Basic earnings/(loss) per share <i>(HK\$)</i>	<u>0.06</u>	<u>(1.28)</u>

(b) Diluted

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

7. INTERESTS IN JOINT VENTURES

	As at 30 June 2021 <i>HK\$'000</i>	As at 31 December 2020 <i>HK\$'000</i>
Share of net assets	1,018,285	1,013,979
Loans to joint ventures	1,120,392	1,134,672
	<u>2,138,677</u>	<u>2,148,651</u>

The loans to joint ventures are unsecured, interest-free and will not be repaid in the coming twelve months.

Movements in share of net assets is analysed as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At 1 January	1,013,979	1,338,210
Share of profits/(losses) of joint ventures	4,306	(303,881)
At 30 June	<u>1,018,285</u>	<u>1,034,329</u>

Share of profits/(losses) of joint ventures included the share of fair value losses, net of deferred income tax, of investment properties owned by the joint ventures of approximately HK\$19,652,000 (2020: HK\$323,717,000).

8. TRADE RECEIVABLES

	As at 30 June 2021 <i>HK\$'000</i>	As at 31 December 2020 <i>HK\$'000</i>
Trade receivables	907,680	914,115
Less: allowance for impairment of trade receivables	(3,078)	(1,974)
	<u>904,602</u>	<u>912,141</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:

	As at 30 June 2021 <i>HK\$'000</i>	As at 31 December 2020 <i>HK\$'000</i>
0 – 60 days	565,319	572,521
61 – 90 days	202,706	186,848
Over 90 days	139,655	154,746
	<u>907,680</u>	<u>914,115</u>

9. TRADE PAYABLES

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

	As at 30 June 2021 <i>HK\$'000</i>	As at 31 December 2020 <i>HK\$'000</i>
0 – 60 days	553,546	586,833
61 – 90 days	60,106	40,407
Over 90 days	50,588	41,038
	<u>664,240</u>	<u>668,278</u>

10. BORROWINGS

	As at 30 June 2021 <i>HK\$'000</i>	As at 31 December 2020 <i>HK\$'000</i>
Trust receipt bank loans, unsecured	316,442	324,943
Short-term bank loans, unsecured	319,000	410,000
Portion of long-term loans due for repayment within one year, secured	131,040	119,065
Portion of long-term loans due for repayment after one year, secured	1,343,313	1,184,662
Total borrowings	<u>2,109,795</u>	<u>2,038,670</u>
Non-current	1,343,313	1,184,662
Current	766,482	854,008
Total borrowings	<u>2,109,795</u>	<u>2,038,670</u>

11. EVENT OCCURRING AFTER THE DATE OF STATEMENT OF FINANCIAL POSITION

On 30 July 2021, Welco Technology Vietnam Company Limited, a wholly-owned subsidiary of the Company, signed a Letter of Acceptance confirming that they accepted a tender submitted by Investcorp Group Joint Stock Company, a company incorporated in Vietnam with limited liability, for the provision of construction and related services for a new factory in Hai Duong Province of Vietnam for expansion of the Group's current manufacturing capability in Vietnam with an accepted contract amount of VND230,391,944,379 (equivalent to approximately HK\$78,766,477).

INTERIM DIVIDEND

On 26 August 2021, the Board has resolved to pay an interim dividend of HK\$0.015 per share (2020: HK\$0.02 per share) which is payable on Thursday, 30 September 2021 to the shareholders whose names appear on the Register of Members of the Company on Thursday, 16 September 2021.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 14 September 2021 to Thursday, 16 September 2021, both days inclusive, during which period no transfer of shares shall be effected. To qualify for the above interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 13 September 2021.

REVIEW OF BUSINESS ACTIVITIES

Review of Results

The profit attributable to owners of the Company for the six months ended 30 June 2021 amounted to HK\$27.8 million, as compared to the loss attributable to owners of the Company of HK\$613.2 million for the corresponding period last year. This was mainly attributable to the decrease in fair value losses of investment properties held by the Group and the Group's joint ventures (the "Joint Ventures"). The fair value losses of investment properties held by the Group and the Joint Ventures was HK\$31.4 million as compared to the fair value losses of HK\$676.9 million for the corresponding period last year. The fair value losses reflect the commercial property market conditions which were adversely affected by the outbreak of COVID-19. Earnings per share for the six months were HK\$0.06 as compared to loss per share of HK\$1.28 for the corresponding period last year.

The Group's revenue for the six months ended 30 June 2021 was HK\$1,556.8 million, as compared to HK\$1,438.9 million for the corresponding period last year. Operating profit for the six months ended 30 June 2021 was HK\$55.8 million, as compared to operating loss of HK\$269.7 million for the corresponding period last year. The improvement in the operating results was mainly due to the significant decrease in the fair value losses of investment properties held by the Group.

Electronic Manufacturing Service ("EMS") Division

Revenue for the EMS Division for the six months ended 30 June 2021 was HK\$1,523.8 million, as compared to HK\$1,404.5 million for the corresponding period last year. The segment profit attributable to the EMS Division was HK\$38.0 million, a 21.0% decrease as compared to HK\$48.2 million for the corresponding period last year. The decrease in the segment profit was attributable to slightly reduction in profit margin and change in product mix.

Property Holding Division

The Property Holding Division reported revenue of HK\$33.0 million, as compared to HK\$34.4 million for the corresponding period last year. The segment profit for the period was HK\$17.6 million as compared to segment loss of HK\$630.4 million for the corresponding period last year. The improvement in the segment results was mainly attributable to the decrease in fair value losses of investment properties held by the Group and the Joint Ventures.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2021, the Group had a total of HK\$3,559.1 million (2020 December: HK\$3,221.7 million) of banking facilities. Total bank borrowings were HK\$2,109.8 million (2020 December: HK\$2,038.7 million). Cash and cash equivalents, short-term bank deposits and restricted cash were HK\$1,501.4 million at 30 June 2021 (2020 December: HK\$1,422.1 million).

As at 30 June 2021, the Group had net bank borrowings of HK\$608.4 million, as compared to HK\$616.6 million at 31 December 2020. Sufficient banking facilities and bank balance are available to meet the cash needs of the Group for its manufacturing operations as well as Property Holding Division.

Net gearing ratio for the Group as at 30 June 2021 is 0.15 (2020 December: 0.15). The net gearing ratio was calculated as net debt divided by total equity. Net debt is calculated as total borrowings and lease liabilities less cash and cash equivalents, short-term bank deposits and restricted cash.

FOREIGN EXCHANGE AND RISK MANAGEMENT

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

CAPITAL STRUCTURE

There has been no material change in the Group's capital structure since 31 December 2020 which 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 30 June 2021, the Group employed approximately 3,700 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

Following the gradual recovery of the global economy, customer demand for the EMS business has significantly increased. On the other hand, worldwide supply chain bottlenecks caused by the COVID global pandemic, which have resulted in unpredictable demand and supply, raw material shortages, longer logistics time, lockdowns and material price increases etc., continue to affect delivery to customers and gross margin. On balance, the Directors are cautiously optimistic about the performance of the EMS business for the second half of the year. The Directors will observe the development of the pandemic closely, especially the COVID Delta variant, putting the health of our employees and benefits of our business partners in the first priority.

Presently, a main focus of the EMS business is the development of the manufacturing facility in Hai Duong Province, Vietnam. The Directors believe that the facility will meet the needs of global customers, bring in new sales opportunities, enhance cost competitiveness and assist to cope with the US tariff issue. Responses from customers and potential customers regarding the new facility in Vietnam have been very enthusiastic though progress of development has been somewhat hampered by COVID lockdowns. Recently, the EMS business has contracted to lease a new site of about 17,000 square meters near the present facility for the construction of a new facility with a floor area of 30,000 square meters for expansion purpose. Construction of the new factory building is expected to complete in the first quarter of 2022.

The EMS business will continue to focus on customer base expansion, cost control, operating efficiency and value-added services to customers, including product design and technology services, to drive to enhance competitiveness.

Market conditions for commercial properties in Hong Kong have somewhat stabilized, and in view of the current pandemic and economic situation, the Directors do not expect the valuation of the commercial properties held by the Group or the joint venture with Sun Hung Kai Properties to have substantial fluctuations in the second half of 2021. Presently, the commercial properties held by the Group, directly or indirectly, have been almost fully leased out.

AWARD AND RECOGNITION

The Company and its wholly-owned subsidiary, Wong's Electronics Company Limited, were awarded the Caring Company Logo by The Hong Kong Council of Social Service for the ninth 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 six months ended 30 June 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2021, 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 on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”), 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 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, a 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 six months ended 30 June 2021.

AUDIT COMMITTEE

The Audit Committee, which comprises of three Independent Non-executive Directors, has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited interim financial information for the six months ended 30 June 2021.

PUBLICATION OF RESULTS AND INTERIM 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 2021 interim 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, 26 August 2021

As at the date of this announcement, the Executive Directors are Mr. Wong Chung Mat, Ben, Ms. Wong Yin Man, Ada, Dr. Chan Tsze Wah, Gabriel, Mr. Hung Wing Shun, Edmund and Mr. Chan Wai Ming, Hermes; 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