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 2018 FINAL RESULTS

FINANCIAL HIGHLIGHT:

– Profit attributable to owners of the Company increased by approximately HK$941.8 million. The increase was mainly attributable to one-off significant gains from reclassification of stock of completed properties to investment properties under joint ventures.

– Profit attributable to owners of the Company excluding the share of profits of joint ventures and fair value gains from investment properties, all of which were related to property holding segment, increased by approximately HK$32.7 million. The increase was mainly due to fluctuation of Renminbi.

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 2018 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
Revenue	2	**4,013,546**	3,817,543
Other income	3	**18,952**	9,537
Changes in inventories of finished goods and work in progress		**(44,974)**	85,694
Raw materials and consumables used		**(2,982,447)**	(2,949,893)
Employee benefit expenses		**(483,100)**	(474,114)
Depreciation and amortisation charges		**(55,930)**	(46,706)
Other operating expenses		**(207,436)**	(205,321)
Change in fair value of investment properties		**239,003**	99,776
Other gains/(losses) – net	4	**29,070**	(20,904)
Impairment losses on trade receivables	9	**(1,866)**	–
Operating profit		**524,818**	315,612
Finance income		**12,612**	9,426
Finance costs		**(64,064)**	(42,572)
Share of loss of an associate		**(2,227)**	(1,355)
Share of profits of joint ventures	8	**1,001,980**	232,079
Profit before income tax		**1,473,119**	513,190
Income tax expense	5	**(51,370)**	(33,283)
Profit after income tax		**1,421,749**	479,907
Profit attributable to owners of the Company		**1,421,749**	479,907
Non-controlling interests		**–**	–
		1,421,749	479,907
Earnings per share attributable to owners of the Company during the year			
Basic	7	**HK$2.97**	HK$1.00
Diluted	7	**HK$2.97**	HK$1.00

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2018

	2018	2017
	HK$'000	*HK$'000*
Profit for the year	**1,421,749**	479,907
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Changes in fair value of available-for-sale financial assets	**–**	(464)
Impairment for available-for-sale financial assets reclassified to income statement	**–**	464
Cash flow hedge – fair value gains/(losses) for the year	**2,319**	(4,101)
Cash flow hedge – deferred income tax recognised	**(383)**	677
Currency translation differences		
– Group	**(85,241)**	97,723
– Associates	**(33)**	54
Item that will not be reclassified subsequently to profit or loss:		
Changes in fair value of financial assets at fair value through other comprehensive income	**1,172**	–
Other comprehensive (loss)/income for the year, net of tax	**(82,166)**	94,353
Total comprehensive income for the year	**1,339,583**	574,260
Attributable to:		
Owners of the Company	**1,339,583**	574,260
Non-controlling interests	**–**	–
Total comprehensive income for the year	**1,339,583**	574,260

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**308,617**	348,348
Investment properties		**2,506,097**	2,355,251
Leasehold land and land use rights		**16,831**	18,298
Investments in associates		**28,235**	30,495
Interests in joint ventures	8	**2,410,801**	1,183,905
Financial assets at fair value through other comprehensive income		**4,195**	–
Available-for-sale financial assets		**–**	2,531
Deferred income tax assets		**21,179**	15,758
Deposits and other receivables		**13,607**	24,446
Restricted cash		**14,652**	–
		5,324,214	3,979,032
Current assets			
Inventories		**500,926**	514,474
Stock of completed properties		**368,365**	369,715
Trade receivables	9	**942,014**	910,284
Prepayments, deposits and other receivables		**94,951**	99,704
Financial assets at fair value through other comprehensive income		**166**	–
Available-for-sale financial assets		**–**	658
Amounts due from associates		**11**	2,009
Current income tax recoverable		**520**	–
Short-term bank deposits		**500,395**	373,630
Cash and cash equivalents		**447,737**	470,457
		2,855,085	2,740,931
Non-current assets classified as held for sale	10	**88,383**	–
		2,943,468	2,740,931
Total assets		**8,267,682**	6,719,963

	Note	2018 HK$'000	2017 HK$'000
EQUITY			
Equity attributable to owners of the Company			
Share capital		**47,848**	47,848
Other reserves		**504,948**	565,791
Retained earnings			
– Proposed dividend		**26,317**	16,747
– Others		**4,241,072**	2,886,102
		4,820,185	3,516,488
Non-controlling interests		**4**	4
Total equity		**4,820,189**	3,516,492
LIABILITIES			
Non-current liabilities			
Derivative financial instruments		**1,801**	4,221
Accruals and other payables		**11,381**	–
Deferred income tax liabilities		**98,671**	95,233
Borrowings	*12*	**1,422,432**	1,346,446
		1,534,285	1,445,900
Current liabilities			
Trade payables	*11*	**761,875**	693,654
Accruals and other payables		**227,398**	361,594
Contract liabilities	*2*	**129,993**	–
Current income tax liabilities		**55,191**	40,665
Borrowings	*12*	**738,751**	661,658
		1,913,208	1,757,571
Total liabilities		**3,447,493**	3,203,471
Total equity and liabilities		**8,267,682**	6,719,963

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to owners of the Company				
	Share capital *HK$'000*	Share premium *HK$'000*	Other reserves *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
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 losses 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

	Attributable to owners of the Company				
	Share capital *HK$'000*	Share premium *HK$'000*	Other reserves *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
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**
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)**
Total other comprehensive loss	**–**	**–**	**(82,166)**	**–**	**(82,166)**
Total comprehensive income	**–**	**–**	**1,339,583**	**–**	**1,339,583**
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	**47,848**	**153,025**	**4,619,312**	**4**	**4,820,189**

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 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) Amendments to existing standard effective in financial year beginning 1 January 2018

Standards	**Subject of amendment**
Amendments to HKFRS 1 and HKAS 28	Annual Improvements 2014–2016 Cycle
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Clarifications to HKFRS 15
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration

Apart from HKFRS 9 and HKFRS 15, there are no other new standards or amendments to standards that are effective for the first time for this reporting period that could be expected to have a material impact on the Group.

Below explains the impact of the adoption of HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers" on the Group's consolidated financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

The Group elected to adopt HKFRS 9 and HKFRS 15 without restating comparatives. The reclassifications and the adjustments arising from the new impairment are therefore not reflected in the consolidated statement of financial position as at 31 December 2017, but are recognised in the opening consolidated statement of financial position on 1 January 2018.

The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

Statement of financial position (extract)	**31 December 2017 as originally presented**	**HKFRS 9**	**HKFRS 15**	**1 January 2018 Restated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Available-for-sale financial assets	2,531	(2,531)	–	–
Financial assets at fair value through other comprehensive income	–	2,531	–	2,531
Current assets				
Available-for-sale financial assets	658	(658)	–	–
Financial assets at fair value through other comprehensive income	–	658	–	658
Current liabilities				
Accruals and other payables	120,780	–	(120,780)	–
Contract liabilities	–	–	120,780	120,780

(i) HKFRS 9, "Financial Instruments" – Impact of adoption

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 "Financial Instruments" from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in HKFRS 9(7.2.15) and (7.2.26), comparative figures have not been restated.

HKFRS 9 does not fundamentally change the requirements relating to measuring and recognising ineffectiveness under HKAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting. The Group's existing hedging relationships were eligible to be treated as continuing hedging relationships. Therefore, the adoption of the hedge accounting requirements of HKFRS 9 does not have significant impact on the Group's financial statements.

There is no impact on the Group's retained earnings as at 1 January 2018.

Classification and measurement

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group. The Group elected to present changes in the fair value of all its previously classified as available-for-sale investments in other comprehensive income ("OCI")as they are strategic investments. As a result, available-for-sale investments with aggregated fair value of approximately HK$3,189,000 were reclassified to financial assets at fair value through other comprehensive income ("FVOCI") on 1 January 2018. The classification of other financial assets and liabilities remained unchanged.

The fair value change of available-for-sale financial assets and financial assets at FVOCI are recognised in the investment revaluation reserve in equity. Hence, there is no change in the equity.

Gains or losses realised in the sale of the financial assets at fair value through other comprehensive income will no longer be transferred to income statement on sale, but instead reclassified from other reserve to retained earnings.

Impairment of financial assets

The Group has three types of financial assets that are subject to HKFRS 9's new expected credit loss model:

- trade receivables;
- amounts due from associates; and
- deposits and other receivables.

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The Group makes estimates and assumption concerning the futures which are discussed below.

Critical accounting estimate and judgement

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the customers' post settlement pattern, existing market conditions as well as forward looking estimates at the end of each reporting period.

While amounts due from associates, deposits and other receivables, cash and cash equivalents, short-term bank deposits and restricted cash are also subject to the impairment requirement of HKFRS 9, the identified impairment loss was immaterial.

Trade receivables

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables.

By using the expected credit loss model, management concluded that there is no significant impact on the Group's retained earnings as at 1 January 2018.

(ii) HKFRS 9, "Financial Instruments" – Accounting policies

Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in income statement or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in income statement.

<u>Debt instruments</u>

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) – net, together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the income statement.

<u>Equity instruments</u>

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established. Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) – net in the income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(iii) HKFRS 15, "Revenue from Contracts with Customers" – Impact of adoption

HKFRS 15 replaces the provisions of HKAS 18 which resulted in changes in accounting policies that relate to timing of revenue recognition and presentation of contract liabilities. The Group has adopted HKFRS 15 "Revenue from Contracts with Customers" from 1 January 2018 which resulted in changes in accounting policies and reclassification to the amounts recognised in the financial statements as mentioned above.

Except for the reclassification of deposits and advances received from customers of approximately HK$120,780,000 which is included in accrual and other payables to contract liabilities as at 1 January 2018, the management concluded there is no impact on the Group's retained earnings as at 1 January 2018.

(iv) HKFRS 15, "Revenue from Contracts with Customers" – Accounting policies

Sales of goods

Revenue is recognised when the control of the products are transferred to the customers at a point in time, being products are delivered to the customers, the customers have full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the products. Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customers.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

d) New standards and amendments to existing standards have been issued but are not effective for the financial year beginning 1 January 2018 and have not been early adopted

		Effective for annual periods beginning on or after
Amendments to HKAS 12, HKAS 23, HKFRS 3 and HKFRS 11	Annual Improvements 2015-2017 Cycle	1 January 2019
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures	1 January 2019
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
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

Certain new accounting standards, amendments to standards and interpretations have been published that are not mandatory for 31 December 2018 reporting period and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and amendments to existing standard and interpretations is set out below.

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$25,274,000. Of these lease commitments, the Group estimates those related to payments for short-term and low value leases which will be recognised on straight-line basis as expense in profit or loss are insignificant. For the remaining lease commitments, the Group expects to recognise right-of-use assets of approximately HK$23,500,000 on 1 January 2019, lease liabilities of HK$23,800,000 (after adjustments for prepayments and accrued lease payments recognised as at 31 December 2018). Overall net assets will be approximately HK$300,000 lower, and net current assets will be approximately HK$11,100,000 lower due to the presentation of a portion of the liability as a current liability.

Except some additional disclosures will be required from next year, the Group does not expect any significant impact on the financial statements in relation to the activities as a lessor.

Date of adoption by the Group

The Group will apply the standard from its mandatory adoption date of 1 January 2019. 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 entity 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 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/(losses) – net, finance income, finance costs, share of loss 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$'000*	**Property holding division** *HK$'000*	**Total** *HK$'000*
For the year ended 31 December 2018			
External revenue			
Timing of revenue recognition			
– At a point of time	**3,946,228**	**–**	**3,946,228**
– Over time	**–**	**67,318**	**67,318**
	3,946,228	**67,318**	**4,013,546**
Segment results	**209,889**	**1,290,680**	**1,500,569**
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	**–**	**239,003**	**239,003**
Capital expenditure	**27,601**	**–**	**27,601**
Loans to joint ventures	**–**	**232,056**	**232,056**

	EMS division *HK$'000*	Property holding division *HK$'000*	Total *HK$'000*
For the year ended 31 December 2017			
External revenue	3,760,799	56,744	3,817,543
Segment results	211,362	370,562	581,924
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	–	99,776	99,776
Capital expenditure	99,364	289	99,653
Loans to joint ventures	–	–	–

	EMS division ***HK$'000***	**Property holding division** ***HK$'000***	**Total** ***HK$'000***
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**
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

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, 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, available-for-sale financial assets, 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:

	2018	2017
	HK$'000	*HK$'000*
Reportable segment results	**1,500,569**	581,924
Other income	**18,952**	9,537
Other gains/(losses) – net	**29,070**	(20,904)
Finance costs – net	**(51,452)**	(33,146)
Share of loss of an associate	**(2,227)**	(1,355)
Corporate and unallocated expenses	**(21,793)**	(22,866)
Profit before income tax	**1,473,119**	513,190

Reportable segments assets are reconciled to total assets as follows:

	2018	2017
	HK$'000	*HK$'000*
Reportable segment assets	**8,119,854**	6,573,628
Investments in associates	**28,235**	30,495
Financial assets at fair value through other comprehensive income	**4,361**	–
Available-for-sale financial assets	**–**	3,189
Deferred income tax assets	**21,179**	15,758
Amounts due from associates	**11**	2,009
Current income tax recoverable	**520**	–
Corporate and unallocated assets	**93,522**	94,884
Total assets per consolidated statement of financial position	**8,267,682**	6,719,963

Reconciliations of other material items are as follows:

	2018	2017
	HK$'000	*HK$'000*
Depreciation and amortisation charges		
– Reportable segment total	**53,538**	44,302
– Corporate headquarters	**2,392**	2,404
	55,930	46,706
Capital expenditure		
– Reportable segment total	**27,601**	99,653
– Corporate headquarters	**–**	–
	27,601	99,653

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:

	2018	2017
	HK$'000	*HK$'000*
North America	**976,653**	889,165
Asia (excluding Hong Kong)	**1,734,783**	1,653,991
Europe	**672,231**	609,374
Hong Kong	**629,879**	665,013
	4,013,546	3,817,543

For the year ended 31 December 2018, revenues of approximately HK$1,383,171,000 (2017: HK$1,215,587,000), HK$493,528,000 (2017: HK$620,673,000) and HK$406,640,000 (2017: HK$417,232,000) 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:

	2018	2017
	HK$'000	*HK$'000*
North America	**16**	23
Asia (excluding Hong Kong)	**283,515**	318,401
Europe	**33**	31
Hong Kong	**5,019,471**	3,644,819
	5,303,035	3,963,274

Non-current assets comprise property, plant and equipment, investment properties, leasehold land and land use rights, investments in associates, interests in joint ventures, financial assets at fair value through other comprehensive income, available-for-sale financial assets, 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:

	2018	2017
	HK$'000	*HK$'000*
Contract liabilities – EMS division	**118,089**	–
Contract liabilities – property holding division	**11,904**	–
	129,993	–

The following table shows how much of the revenue recognised for the year ended 31 December 2018 relates to carried forward contract liabilities that were satisfied in prior year:

	2018
	HK$'000
EMS division	**120,780**

3. OTHER INCOME

	2018	2017
	HK$'000	*HK$'000*
Government grant	**4,976**	443
Sales of scrap and spare parts	**12,307**	5,828
Others	**1,669**	3,266
	18,952	9,537

4. OTHER GAINS/(LOSSES) – NET

	2018	2017
	HK$'000	*HK$'000*
Write-back of trade and other payables	**2,614**	753
Gains/(losses) on financial instruments – net		
– Unrealised	**101**	114
– Realised	**(106)**	(319)
Gains on disposals of property, plant and equipment	**140**	490
Exchange gains/(losses) – net	**24,186**	(21,478)
Impairment on available-for-sale financial assets	**–**	(464)
Gain on disposal of financial assets at fair value through profit or loss	**2,135**	–
	29,070	(20,904)

5. INCOME TAX EXPENSE

	2018	2017
	HK$'000	*HK$'000*
Current income tax		
– Hong Kong profits tax	**13,955**	11,713
– Overseas taxation	**40,311**	23,877
Under/(over)-provision in prior years	**501**	(1,246)
Deferred income tax	**(3,397)**	(1,061)
	51,370	33,283

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 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% (2017: 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 2020.

6. DIVIDENDS

The dividends paid in 2018 and 2017 were approximately HK$35,886,000 (HK$0.075 per share) and HK$43,063,000 (HK$0.09 per share) respectively. A final dividend in respect of the year ended 31 December 2018 of HK$0.055 per share, amounting to a total dividend of approximately HK$26,317,000 will be proposed at the upcoming annual general meeting of the Company. These financial statements do not reflect this final dividend payable.

	2018	2017
	HK$'000	*HK$'000*
Interim dividend paid – HK$0.04 (2017: HK$0.04) per share	**19,139**	19,139
Proposed final dividend – HK$0.055 (2017: HK$0.035) per share	**26,317**	16,747
	45,456	35,886

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.

	2018	2017
Profit attributable to owners of the Company *(HK$'000)*	**1,421,749**	479,907
Weighted average number of ordinary shares in issue *(in thousands)*	**478,484**	478,484
Basic earnings per share *(HK$)*	**2.97**	1.00

(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

	2018	2017
	HK$'000	*HK$'000*
Share of net assets	**1,233,289**	231,309
Loans to joint ventures	**1,177,512**	952,596
	2,410,801	1,183,905

As at 31 December 2018, 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 holding.

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:

	2018	2017
	HK$'000	*HK$'000*
At 1 January	**231,309**	(770)
Share of profits of joint ventures	**1,001,980**	232,079
At 31 December	**1,233,289**	231,309

9. TRADE RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**943,880**	910,284
Less: allowance for impairment of trade receivables	**(1,866)**	–
	942,014	910,284

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:

	2018	2017
	HK$'000	*HK$'000*
0 – 60 days	**614,518**	634,295
61 – 90 days	**186,539**	195,052
Over 90 days	**142,823**	80,937
	943,880	910,284

10. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	2018	2017
	HK$'000	*HK$'000*
Assets classified as held for sale		
Investment properties	**88,383**	–

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. Completion is scheduled to take place on or before 15 April 2019.

11. TRADE PAYABLES

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

	2018	2017
	HK$'000	*HK$'000*
0 – 60 days	**612,395**	546,198
61 – 90 days	**98,102**	104,018
Over 90 days	**51,378**	43,438
	761,875	693,654

12. BORROWINGS

	2018	2017
	HK$'000	*HK$'000*
Trust receipt bank loans, unsecured	**307,417**	288,354
Short-term bank loans, unsecured	**328,000**	290,000
Portion of long-term bank loans due for repayment within one year, secured	**92,984**	66,054
Portion of long-term bank loans due for repayment after one year, secured	**1,422,432**	1,346,446
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	**3,450**	10,350
Total borrowings	**2,161,183**	2,008,104
Non-current	**1,422,432**	1,346,446
Current	**738,751**	661,658
Total borrowings	**2,161,183**	2,008,104

DIVIDENDS

The Company paid an interim dividend of HK$0.04 (2017: HK$0.04) per share for 2018. The Directors now recommend the payment of a final dividend of HK$0.055 (2017: HK$0.035) per share on or before Thursday, 20 June 2019 to the shareholders whose names appear on the Register of Members of the Company on Thursday, 6 June 2019. 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 Thursday, 6 June 2019 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 Wednesday, 5 June 2019.

REVIEW OF BUSINESS ACTIVITIES

Financial Results

The profit attributable to owners of the Company for the year ended 31 December 2018 amounted to HK$1,421.7 million, as compared to HK$479.9 million for the last financial year. The significant increase was mainly due to the increase in share of profit of joint ventures in the sum of HK$769.9 million and the "change in fair value of investment properties" in the sum of HK$139.2 million. Earnings per share for the year were HK$2.97 as compared to HK$1.00 for the last financial year.

The Group's revenue for the year ended 31 December 2018 was HK$4,013.5 million, as compared to HK$3,817.5 million for the last financial year. Operating profit for the year ended 31 December 2018 was HK$524.8 million or 13.1% of revenue, as compared to HK$315.6 million or 8.3% of revenue for the last financial year. The increase in operating profit was mainly driven by "change in fair value of investment properties" and fluctuation of Renminbi.

EMS Division

Revenue for the EMS Division for the year ended 31 December 2018 was HK$3,946.2 million, as compared to HK$3,760.8 million for the last financial year. The segment profit attributable to the EMS Division was HK$209.9 million, a 0.7% decrease as compared to HK$211.4 million for the last financial year. The slightly decrease in the segment profit was attributable to increase in wage and slight reduction in profit margin as alleviated by revenue growth.

Property Holding Division

The Property Holding Division reported revenue of HK$67.3 million, as compared to HK$56.7 million for the last financial year. The segment profit attributable to the Property Holding Division was HK$1,290.7 million, as compared to HK$370.6 million for the last financial year. The significant increase was mainly attributable to the increase in share of profits 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, and change in fair value of 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. Completion is scheduled to take place on or before 15 April 2019. Further details of the transaction were set out in the announcement of the Company issued on 24 December 2018.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2018, the Group had a total of HK$3,231.3 million of banking facilities. Total bank borrowings were HK$2,161.2 million (2017: HK$2,008.1 million). Cash and cash equivalents and short-term bank deposits were HK$948.1 million at 31 December 2018 (2017: HK$844.1 million).

As at 31 December 2018, the Group had a net bank borrowing of HK$1,213.1 million, as compared to HK$1,164.0 million at 31 December 2017. 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 2018 is 0.25 (2017: 0.33). The net gearing ratio was calculated as net debt divided by total equity. Net debt is calculated as total bank borrowings less cash and cash equivalents and short-term bank deposits.

FOREIGN EXCHANGE AND RISK MANAGEMENT

Most of the Group's sales are conducted in United States dollars and costs and expenses are mainly in United States dollars, Hong Kong dollars, Japanese Yen and Chinese Renminbi. Consistent with its prudent policy on financial risk management, the Group does not use any foreign exchange hedging products. The Group 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 2018, the Group employed approximately 4,177 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 continuous trade tension between the US and China remains a key source of risk to the revenue. To alleviate this impact, the Company is working on some counter measures including set up other manufacturing locations outside China. Furthermore, the Company continues the sales effort to expand the customer base, exercise cost control and improve production efficiency. The Company also strives to provide customers more value added services through new product design, new technology development and improvements. By doing the above measures, the management is confident to face this challenging year and expects to maintain the revenue comparable to the result of 2018.

Most of the floors of the properties in Kwun Tong, namely One Harbour Square and Two Harbour Square, were leased. The Company expects rental income generated from properties in One Harbour Square and the joint venture of Two Harbour Square will increase in 2019. According to current market expectation, interest rates will be more stable in 2019.

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 seventh 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 2018, 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 2018, 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 2018.

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 2018.

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 2018 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 2018 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 2018 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 2019

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