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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 2017

FINANCIAL HIGHLIGHTS:

- Profit attributable to owners of the Company decreased by approximately HK\$73.7 million.
- Profit attributable to owners of the Company excluding the share of profit of joint ventures and fair value gain from investment properties, both of which were related to property development projects, increased by HK\$22.2 million mainly driven by higher revenue. The financial results of first property development project had been consolidated to the Group since September 2016 after the Group acquired all equity interest of that property development project from the other joint venture partner.

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 2017 as follows:

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2017

| | | Unaudited | |
|---|-------------|--------------------|-----------------|
| | | 2017 | 2016 |
| | <i>Note</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Revenue | 2 | 1,798,259 | 1,625,209 |
| Other income | 3 | 5,089 | 5,544 |
| Changes in inventories of finished goods and work in progress | | 26,594 | 16,030 |
| Raw materials and consumables used | | (1,353,559) | (1,249,992) |
| Employee benefit expenses | | (222,289) | (210,444) |
| Depreciation and amortisation charges | | (23,670) | (20,474) |
| Other operating expenses | | (99,176) | (75,103) |
| Change in fair value of investment properties | | 52,642 | – |
| Other losses – net | 4 | (16,119) | (8,912) |
| Operating profit | | 167,771 | 81,858 |
| Finance income | | 4,717 | 2,995 |
| Finance costs | | (20,429) | (8,276) |
| Share of loss of an associate | | (1,255) | – |
| Share of (loss)/profit of joint ventures | 8 | (184) | 148,362 |
| Profit before income tax | | 150,620 | 224,939 |
| Income tax expense | 5 | (21,370) | (21,974) |
| Profit after income tax | | 129,250 | 202,965 |
| Profit attributable to owners of the Company | | 129,250 | 202,965 |
| Non-controlling interests | | – | – |
| | | 129,250 | 202,965 |
| Dividends | 6 | 19,139 | 14,355 |
| Earnings per share attributable to owners of the Company during the period | | | |
| Basic earnings per share | 7 | HK\$0.27 | HK\$0.42 |
| Diluted earnings per share | 7 | HK\$0.27 | HK\$0.42 |

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2017

| | Unaudited | |
|---|------------------|-----------------|
| | 2017 | 2016 |
| | HK\$'000 | HK\$'000 |
| Profit for the period | 129,250 | 202,965 |
| Other comprehensive income: | | |
| Items that may be reclassified to profit or loss: | | |
| Currency translation differences | 35,430 | (16,988) |
| Changes in fair value of available-for-sale financial assets | (405) | (10,875) |
| Reclassification adjustment on impairment of available-for-sale financial assets | 397 | 10,855 |
| Cash flow hedge – fair value loss for the period | (13,271) | – |
| Cash flow hedge – deferred income tax recognised | 2,190 | – |
| Other comprehensive income/(loss) for the period, net of tax | 24,341 | (17,008) |
| Total comprehensive income for the period | 153,591 | 185,957 |
| Attributable to: | | |
| Owners of the Company | 153,591 | 185,957 |
| Non-controlling interests | – | – |
| Total comprehensive income for the period | 153,591 | 185,957 |

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET
AS AT 30 JUNE 2017

| | Unaudited | Audited |
|---|-------------------------|-------------------------|
| | As at | As at |
| | 30 June | 31 December |
| | 2017 | 2016 |
| <i>Note</i> | HK\$'000 | HK\$'000 |
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 299,889 | 282,000 |
| Investment properties | 1,944,676 | 1,891,536 |
| Leasehold land and land use rights | 17,880 | 17,720 |
| Investments in associates | 32,541 | 33,796 |
| Interests in joint ventures | 8 951,642 | 951,826 |
| Available-for-sale financial assets | 23 | 31 |
| Deferred income tax assets | 15,659 | 12,656 |
| Deposits and other receivables | 16,274 | 11,526 |
| Restricted cash | 3,448 | 3,362 |
| | <u>3,282,032</u> | <u>3,204,453</u> |
| | ----- | ----- |
| Current assets | | |
| Inventories | 531,507 | 396,528 |
| Stock of completed properties | 732,310 | 732,310 |
| Trade receivables | 9 861,010 | 830,844 |
| Prepayments, deposits and other receivables | 73,437 | 70,332 |
| Available-for-sale financial assets | 725 | 1,122 |
| Amounts due from associates | 9 | 9 |
| Current income tax recoverable | 7,706 | 7,706 |
| Short-term bank deposits | 464,481 | 469,657 |
| Cash and cash equivalents | 482,775 | 594,606 |
| | <u>3,153,960</u> | <u>3,103,114</u> |
| | ----- | ----- |
| Total assets | <u><u>6,435,992</u></u> | <u><u>6,307,567</u></u> |

| | | Unaudited | Audited |
|---|-------------|------------------|------------------|
| | | As at | As at |
| | | 30 June | 31 December |
| | | 2017 | 2016 |
| | <i>Note</i> | HK\$'000 | HK\$'000 |
| EQUITY | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | | 47,848 | 47,848 |
| Other reserves | | 486,935 | 460,693 |
| Retained earnings | | | |
| – Dividends | | 19,139 | 23,924 |
| – Others | | 2,561,036 | 2,452,826 |
| | | <u>3,114,958</u> | <u>2,985,291</u> |
| Non-controlling interests | | <u>4</u> | <u>4</u> |
| Total equity | | <u>3,114,962</u> | <u>2,985,295</u> |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Derivative financial instrument | | 13,589 | 234 |
| Deferred income tax liabilities | | 94,834 | 94,815 |
| Borrowings | 11 | 951,973 | 1,312,500 |
| | | <u>1,060,396</u> | <u>1,407,549</u> |
| Current liabilities | | | |
| Trade payables | 10 | 797,881 | 724,438 |
| Accruals and other payables | | 317,199 | 329,375 |
| Amount due to an associate | | – | 11,622 |
| Current income tax liabilities | | 51,189 | 213,131 |
| Borrowings | 11 | 1,094,365 | 636,157 |
| | | <u>2,260,634</u> | <u>1,914,723</u> |
| Total liabilities | | <u>3,321,030</u> | <u>3,322,272</u> |
| Total equity and liabilities | | <u>6,435,992</u> | <u>6,307,567</u> |
| Net current assets | | <u>893,326</u> | <u>1,188,391</u> |
| Total assets less current liabilities | | <u>4,175,358</u> | <u>4,392,844</u> |

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2017

| | Unaudited | | | | |
|---|---------------------------------------|------------------|-------------------|----------------------------------|------------------|
| | Attributable to owners of the Company | | | Non- controlling interests | Total |
| | Share capital | Share premium | Other reserves | | |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| As at 1 January 2017 | 47,848 | 153,025 | 2,784,418 | 4 | 2,985,295 |
| Comprehensive income | | | | | |
| Profit for the period | - | - | 129,250 | - | 129,250 |
| Other comprehensive income | | | | | |
| Currency translation differences | - | - | 35,430 | - | 35,430 |
| Changes in fair value of available-for-sale financial assets | - | - | (405) | - | (405) |
| Reclassification adjustment on impairment of available-for-sale financial assets | - | - | 397 | - | 397 |
| Cash flow hedge – fair value loss for the period | - | - | (13,271) | - | (13,271) |
| Cash flow hedge – deferred income tax recognised | - | - | 2,190 | - | 2,190 |
| Total other comprehensive income | - | - | 24,341 | - | 24,341 |
| Total comprehensive income | - | - | 153,591 | - | 153,591 |
| Transactions with owners | | | | | |
| Dividend paid to owners of the Company | - | - | (23,924) | - | (23,924) |
| Total transactions with owners | - | - | (23,924) | - | (23,924) |
| As at 30 June 2017 | 47,848 | 153,025 | 2,914,085 | 4 | 3,114,962 |

| | Unaudited | | | | Total <i>HK\$'000</i> |
|---|---------------------------------------|-------------------------------------|--------------------------------------|---|--------------------------|
| | Attributable to owners of the Company | | | Non- | |
| | Share capital <i>HK\$'000</i> | Share premium <i>HK\$'000</i> | Other reserves <i>HK\$'000</i> | controlling interests <i>HK\$'000</i> | |
| As at 1 January 2016 | 47,848 | 153,025 | 2,433,733 | 4 | 2,634,610 |
| Comprehensive income | | | | | |
| Profit for the period | – | – | 202,965 | – | 202,965 |
| Other comprehensive income | | | | | |
| Currency translation differences | – | – | (16,988) | – | (16,988) |
| Changes in fair value of available-for-sale financial assets | – | – | (10,875) | – | (10,875) |
| Reclassification adjustment on impairment of available-for-sale financial assets | – | – | 10,855 | – | 10,855 |
| Total other comprehensive loss | – | – | (17,008) | – | (17,008) |
| Total comprehensive income | – | – | 185,957 | – | 185,957 |
| Transactions with owners | | | | | |
| Dividend paid to owners of the Company | – | – | (21,532) | – | (21,532) |
| Total transactions with owners | – | – | (21,532) | – | (21,532) |
| As at 30 June 2016 | <u>47,848</u> | <u>153,025</u> | <u>2,598,158</u> | <u>4</u> | <u>2,799,035</u> |

NOTES:

1. BASIS OF PREPARATION

This unaudited condensed consolidated interim financial information (“Interim Financial Information”) for the six months ended 30 June 2017 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 unaudited Condensed Consolidated Interim Financial Information should be read in conjunction with the annual financial statements for the year ended 31 December 2016, 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 available-for-sale financial assets, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss and investment properties, which are carried at fair value.

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in those annual financial statements.

Amended standards adopted by the Group

| | |
|---|--|
| HKAS 7 (Amendment) | Disclosure Initiative |
| HKAS 12 (Amendment) | Recognition of Deferred Tax Assets for Unrealised Losses |
| Annual Improvements Project (Amendment) | Annual Improvements 2014–2016 Cycle |

These amended standards have not had a significant impact on the Group’s condensed consolidated interim financial information for the six months ended 30 June 2017.

There are no other amended standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on the Group.

Impact of standards issued but not yet applied by the Group

(a) HKFRS 9, “Financial instruments”

HKFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Group has decided not to adopt HKFRS 9 until it becomes mandatory on 1 January 2018.

The Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets for the following reason:

- Equity investments currently measured at fair value through profit or loss (FVPL) will likely continue to be measured on the same basis under HKFRS 9.

There will be no impact on the Group’s accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income (FVOCI), contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts.

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

Management is still assessing the financial impact. The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

(b) *HKFRS 15, "Revenue from contracts with customers"*

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

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption. The new standard is effective for first interim periods within annual reporting periods beginning on or after 1 January 2018. The Group will adopt the new standard from 1 January 2018.

Management has identified the following areas that are likely to be affected:

- accounting for costs incurred in fulfilling a contract – certain costs which are currently expensed may need to be recognised as an asset under HKFRS 15, and
- rights of return – HKFRS 15 requires separate presentation on the consolidated statement of financial position of the right to recover the goods from the customer and the refund obligation.

Management is still assessing the financial impact. The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

(c) *HKFRS 16, "Leases"*

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 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\$13,592,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

2. SEGMENT INFORMATION

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

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

Property investment – development, sale and lease of properties.

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

| | EMS division HK\$'000 | Property investment division HK\$'000 | Total HK\$'000 |
|---|--------------------------------------|--|---------------------------|
| For the six months ended 30 June 2017 | | | |
| External revenue | <u>1,770,947</u> | <u>27,312</u> | <u>1,798,259</u> |
| Segment results | <u>118,418</u> | <u>72,406</u> | <u>190,824</u> |
| Depreciation and amortisation charges | 22,465 | – | 22,465 |
| Share of loss of joint ventures | – | (184) | (184) |
| Change in fair value of investment properties | <u>–</u> | <u>52,642</u> | <u>52,642</u> |
| Capital expenditure | <u>36,503</u> | <u>–</u> | <u>36,503</u> |
| Loans to joint ventures | <u>–</u> | <u>–</u> | <u>–</u> |
| | EMS division HK\$'000 | Property investment division HK\$'000 | Total HK\$'000 |
| For the six months ended 30 June 2016 | | | |
| External revenue | <u>1,625,209</u> | <u>–</u> | <u>1,625,209</u> |
| Segment results | <u>97,603</u> | <u>147,886</u> | <u>245,489</u> |
| Depreciation and amortisation charges | 19,255 | – | 19,255 |
| Share of profit of joint ventures | – | 148,362 | 148,362 |
| Change in fair value of investment properties | <u>–</u> | <u>–</u> | <u>–</u> |
| Rental income | <u>–</u> | <u>603</u> | <u>603</u> |
| Capital expenditure | <u>25,346</u> | <u>–</u> | <u>25,346</u> |
| Loans to joint ventures | <u>–</u> | <u>40,830</u> | <u>40,830</u> |

| | EMS division <i>HK\$'000</i> | Property investment division <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--|------------------------------------|---|--------------------------|
| As at 30 June 2017 | | | |
| Segment assets | 2,627,393 | 2,702,702 | 5,330,095 |
| Interests in joint ventures | – | 951,642 | 951,642 |
| | <u>2,627,393</u> | <u>3,654,344</u> | <u>6,281,737</u> |
| Total reportable segment assets | | | |
| As at 31 December 2016 | | | |
| Segment assets | 2,537,186 | 2,663,054 | 5,200,240 |
| Interests in joint ventures | – | 951,826 | 951,826 |
| | <u>2,537,186</u> | <u>3,614,880</u> | <u>6,152,066</u> |
| Total reportable segment assets | | | |

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, short-term bank deposits and cash and cash equivalents, but exclude investments in associates, available-for-sale financial assets, deferred income tax assets, amounts due from associates and corporate and unallocated assets.

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

| | For the six months ended 30 June | |
|------------------------------------|---|-----------------|
| | 2017 | 2016 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Reportable segment results | 190,824 | 245,489 |
| Other income | 5,089 | 5,544 |
| Other losses – net | (16,119) | (8,912) |
| Finance costs – net | (15,712) | (5,281) |
| Share of loss of an associate | (1,255) | – |
| Corporate and unallocated expenses | (12,207) | (11,901) |
| | <u>150,620</u> | <u>224,939</u> |
| Profit before income tax | 150,620 | 224,939 |

Reportable segments assets are reconciled to total assets as follows:

| | As at 30 June 2017 | As at 31 December 2016 |
|--|-----------------------------------|------------------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Reportable segment assets | 6,281,737 | 6,152,066 |
| Investment in associates | 32,541 | 33,796 |
| Available-for-sale financial assets | 748 | 1,153 |
| Deferred income tax assets | 15,659 | 12,656 |
| Amounts due from associates | 9 | 9 |
| Corporate and unallocated assets | 105,298 | 107,887 |
| | <u>6,435,992</u> | <u>6,307,567</u> |
| Total assets per condensed consolidated balance sheet | 6,435,992 | 6,307,567 |

Reconciliations of other material items are as follows:

| | For the six months ended 30 June | |
|---------------------------------------|---|---------------|
| | 2017 | 2016 |
| | HK\$'000 | HK\$'000 |
| Depreciation and amortisation charges | | |
| – Reportable segment total | 22,465 | 19,255 |
| – Corporate headquarters | 1,205 | 1,219 |
| | <u>23,670</u> | <u>20,474</u> |
| Capital expenditure | | |
| – Reportable segment total | <u>36,503</u> | <u>25,346</u> |

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

| | For the six months ended 30 June | |
|----------------------------|---|------------------|
| | 2017 | 2016 |
| | HK\$'000 | HK\$'000 |
| North America | 419,476 | 319,937 |
| Asia (excluding Hong Kong) | 775,225 | 713,885 |
| Europe | 281,964 | 257,140 |
| Hong Kong | 321,594 | 334,247 |
| | <u>1,798,259</u> | <u>1,625,209</u> |

For the six months ended 30 June 2017, revenues of approximately HK\$531,589,000 (2016: HK\$475,406,000), HK\$345,206,000 (2016: HK\$376,295,000), HK\$204,292,000 (2016: HK\$155,157,000) and HK\$184,688,000 (2016: HK\$236,162,000) were derived from the top four external customers respectively. These customers individually account for 10 percent or more of the Group's revenue. These revenues are attributable to the EMS division.

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

| | As at 30 June 2017 HK\$'000 | As at 31 December 2016 HK\$'000 | |
|-----------|--|--|---------|
| | North America | 25 | 23 |
| | Asia (excluding Hong Kong) | 295,554 | 271,884 |
| Europe | 24 | 31 | |
| Hong Kong | 2,970,770 | 2,919,859 | |
| | <u>3,266,373</u> | <u>3,191,797</u> | |

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

3. OTHER INCOME

| | For the six months ended 30 June | |
|---------------|-------------------------------------|--------------|
| | 2017 | 2016 |
| | HK\$'000 | HK\$'000 |
| Rental income | – | 603 |
| Others | 5,089 | 4,941 |
| | <u>5,089</u> | <u>5,544</u> |

4. OTHER LOSSES – NET

| | For the six months ended 30 June | |
|--|-------------------------------------|----------------|
| | 2017 | 2016 |
| | HK\$'000 | HK\$'000 |
| Losses on financial instrument – net | | |
| – Unrealised | (84) | (83) |
| – Realised | (177) | (270) |
| Gains on disposal of property, plant and equipment | 438 | 1,117 |
| Exchange losses – net | (15,899) | (224) |
| Write-back of trade and other payables | – | 328 |
| Write-back of trade receivables previously written-off | – | 286 |
| Impairment on available-for-sale financial assets | (397) | (10,855) |
| Gain on disposal of nil-paid rights shares of an available-for-sale financial asset | – | 789 |
| | <u>(16,119)</u> | <u>(8,912)</u> |

5. INCOME TAX EXPENSE

| | For the six months ended 30 June | |
|---|-------------------------------------|---------------|
| | 2017 | 2016 |
| | HK\$'000 | HK\$'000 |
| Current income tax | | |
| – Hong Kong profits tax | 6,359 | – |
| – Overseas taxation | 15,056 | 21,768 |
| Deferred income tax | (447) | 209 |
| Under/(over)-provision in prior periods | | |
| – Current income tax | 402 | (3) |
| | <u>21,370</u> | <u>21,974</u> |

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

The Group's subsidiaries in Mainland China are subject to the China Corporate Tax ("CIT") at the rate of 25% (2016: 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% under the New and High Technology Enterprises status.

6. DIVIDENDS

| | For the six months ended 30 June | |
|--|---|---------------|
| | 2017 | 2016 |
| | HK\$'000 | HK\$'000 |
| Interim dividend – HK\$0.04 (2016: HK\$0.03) per share | <u>19,139</u> | <u>14,355</u> |

On 24 August 2017, the Board has resolved to pay an interim dividend of HK\$0.04 per share (2016: HK\$0.03 per share) which is payable on Thursday, 28 September 2017 to the shareholders whose names appear on the Register of Members of the Company on Thursday, 14 September 2017. This interim dividend, amounting to HK\$19,139,000 (2016: HK\$14,355,000) 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 2017.

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 period.

| | For the six months ended 30 June | |
|---|---|----------------|
| | 2017 | 2016 |
| | HK\$'000 | HK\$'000 |
| Profit attributable to owners of the Company | <u>129,250</u> | <u>202,965</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 (HK\$) | <u>0.27</u> | <u>0.42</u> |

(b) Diluted

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

8. INTERESTS IN JOINT VENTURES

| | As at 30 June 2017 | As at 31 December 2016 |
|-------------------------|-----------------------------------|------------------------------|
| | HK\$'000 | HK\$'000 |
| | Share of net liabilities | (954) |
| Loans to joint ventures | <u>952,596</u> | <u>952,596</u> |
| | <u>951,642</u> | <u>951,826</u> |

The loans to joint ventures are unsecured, interest-free and will not be repaid in the coming 12 months.

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

| | 2017 <i>HK\$'000</i> | 2016 <i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| At 1 January | (770) | 846,310 |
| Share of (loss)/profit of joint ventures | <u>(184)</u> | <u>148,362</u> |
| At 30 June | <u><u>(954)</u></u> | <u><u>994,672</u></u> |

Share of (loss)/profit of joint ventures included the share of fair value gain of investment properties owned by the joint ventures of approximately HK\$nil (2016: HK\$141,368,000).

9. TRADE RECEIVABLES

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

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

| | As at 30 June 2017 <i>HK\$'000</i> | As at 31 December 2016 <i>HK\$'000</i> |
|--------------|--|---|
| 0 – 60 days | 639,355 | 703,808 |
| 61 – 90 days | 169,072 | 100,336 |
| Over 90 days | <u>52,583</u> | <u>26,700</u> |
| | <u>861,010</u> | <u><u>830,844</u></u> |

10. TRADE PAYABLES

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

| | As at 30 June 2017 <i>HK\$'000</i> | As at 31 December 2016 <i>HK\$'000</i> |
|--------------|--|---|
| 0 – 60 days | 680,404 | 613,632 |
| 61 – 90 days | 60,000 | 98,044 |
| Over 90 days | <u>57,477</u> | <u>12,762</u> |
| | <u>797,881</u> | <u><u>724,438</u></u> |

11. BORROWINGS

| | As at 30 June 2017 <i>HK\$'000</i> | As at 31 December 2016 <i>HK\$'000</i> |
|--|---|---|
| Trust receipt bank loans, unsecured | 377,611 | 418,182 |
| Short-term bank loans, unsecured | 210,000 | 127,771 |
| Portion of long-term loans due for repayment within one year, secured | 486,054 | 66,054 |
| Portion of long-term loans due for repayment after one year, secured | 951,973 | 1,312,500 |
| Portion of a mortgage loan from bank due for repayment within one year | 6,900 | 6,900 |
| Portion of a mortgage loan from bank due for repayment after one year which contains a repayment on demand clause | 13,800 | 17,250 |
| | <u>2,046,338</u> | <u>1,948,657</u> |
| Total borrowings | | |
| | 2,046,338 | 1,948,657 |
| Non-current | 951,973 | 1,312,500 |
| Current | 1,094,365 | 636,157 |
| | <u>2,046,338</u> | <u>1,948,657</u> |
| Total borrowings | | |

INTERIM DIVIDEND

On 24 August 2017, the Board has resolved to pay an interim dividend of HK\$0.04 per share (2016: HK\$0.03 per share) which is payable on Thursday, 28 September 2017 to the shareholders whose names appear on the Register of Members of the Company on Thursday, 14 September 2017.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 12 September 2017 to Thursday, 14 September 2017, 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 11 September 2017.

REVIEW OF BUSINESS ACTIVITIES

Review of Results

The profit attributable to owners of the Company for the six months ended 30 June 2017 amounted to HK\$129.3 million, as compared to HK\$203.0 million for the corresponding period last year. The significant decrease was mainly due to reduction in share of profit of joint ventures in the sum of HK\$148.2 million offsetting by the "change in fair value of investment properties" in the sum of HK\$52.6 million. Earnings per share for the six months were HK\$0.27 as compared to HK\$0.42 for the corresponding period last year.

The Group's revenue for the six months ended 30 June 2017 was HK\$1,798.3 million, as compared to HK\$1,625.2 million for the corresponding period last year. Operating profit for the six months ended 30 June 2017 was HK\$167.8 million or 9.3% of revenue, as compared to HK\$81.9 million or 5.0% of revenue for the corresponding period last year. The increase in operating profit was driven by a growth in the sales revenue, a slight improvement in gross profit percentage, cost control measures and the booking of "change in fair value of investment properties" in the sum of HK\$52.6 million as an operating item following the termination of the joint venture for One Harbour Square in September, last year.

Electronic Manufacturing Service ("EMS") Division

Revenue for the EMS Division for the six months ended 30 June 2017 was HK\$1,770.9 million, as compared to HK\$1,625.2 million for the corresponding period last year. The segment profit attributable to the EMS Division was HK\$118.4 million, a 21.3% increase as compared to HK\$97.6 million for the corresponding period last year. The increase in the segment net profit was attributable to a growth of sales, a slight improvement in gross profit percentage and cost control measures.

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

Property Investment Division

The Property Investment Division reported revenue of HK\$27.3 million. The segment profit for the period was HK\$72.4 million as compared to HK\$147.9 million for the corresponding period last year. The significant decrease was mainly attributable to the less fair value gain from the investment properties during the period as compared to the Group's share of profit from the property development joint venture for One Harbour Square, which mainly comprised of fair value gain from units held as investment property in the corresponding period last year. The joint venture was terminated in September last year and the Group retained 11 office floors and a number of parking spaces which are held for leasing purpose.

The construction work for the second development project, namely Two Harbour Square, has completed and occupation permit was obtained in July 2017.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2017, the Group had a total of HK\$3,566.9 million of banking facilities. Total bank borrowings were HK\$2,046.3 million (2016 December: HK\$1,948.7 million). Cash and cash equivalents and short-term bank deposits were HK\$947.3 million at 30 June 2017 (2016 December: HK\$1,064.3 million). Cash flow used in operations for the period was HK\$165.0 million.

As at 30 June 2017, the Group had net bank borrowings of HK\$1,099.1 million (2016 December: HK\$884.4 million). Sufficient facilities from financial institutions and bank balance are available to meet the cash needs of the Group for its manufacturing operations as well as property development activities.

Net gearing ratio for the Group as at 30 June 2017 is 0.35 (2016 December: 0.30). The net gearing ratio was calculated as net debt divided by total equity. Net debt is calculated as total borrowings less cash and cash equivalents and short-term bank deposits.

FOREIGN EXCHANGE AND RISK MANAGEMENT

Most of the Group's sales are conducted in United States dollars and costs and expenses are mainly in United States dollars, Hong Kong dollars, Japanese Yen and Chinese Renminbi. The Group has decided not to engage in any foreign exchange hedging products, but will closely monitor and actively manage the currency risk involved in its business.

CAPITAL STRUCTURE

There has been no material change in the Group's capital structure since 31 December 2016 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

The Group employed approximately 4,600 employees as at 30 June 2017. 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

Based on the current orders and forecasts received from our customers, the Company anticipates that sales with the EMS business in the second half of 2017 will be comparable to result of the first half. Various trade indicators also showed that global trade is expanding moderately. Nevertheless, the Company will continue to keep close attention to market condition changes including any changes in the US trade policy, interest rate increases, etc., which are capable of impacting our EMS business significantly in terms of customer demands and price competitiveness. The Company shall take various measures to expand the customer base, strengthen our value-added services to the customers and improve operation efficiency to meet the industry needs.

The construction of Two Harbour Square has completed and it has been decided that it will be held by the joint venture for leasing purpose.

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

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

During the six months ended 30 June 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2017, the Company has complied with the code provisions under the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on 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 2017.

AUDIT COMMITTEE

The Audit Committee, which comprises of three Independent Non-executive Directors, has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited interim financial information for the six months ended 30 June 2017.

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 2017 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, 24 August 2017

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. 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