

# WKK

**WONG'S KONG KING INTERNATIONAL (HOLDINGS) LIMITED**

(Incorporated in Bermuda with limited liability)

(Stock Code: 0532)



**INTERIM REPORT 2021**

## INTERIM REPORT

The Board of Directors of Wong's Kong King International (Holdings) Limited (the "Company") announces that the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2021 together with comparative figures for the corresponding period in 2020 are as follows:

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

	Note	Six months ended 30 June	
		2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Revenue	7	2,726,355	2,037,728
Other gains, net	8	2,991	2,708
Raw materials and consumables used		(1,072,788)	(810,846)
Purchases of finished goods		(1,046,569)	(667,982)
Changes in inventories of finished goods and work in progress		(56,313)	(165,493)
Employee benefit expenses		(327,591)	(276,680)
Depreciation and amortisation		(34,578)	(34,730)
Net (provision for)/write-back of impairment loss on financial assets		(3,017)	210
Other expenses	9	(97,489)	(82,581)
Operating profit	10	91,001	2,334
Finance income	11	1,695	971
Finance costs	11	(2,464)	(6,377)
Finance costs, net	11	(769)	(5,406)
Share of profit of a joint venture		5,803	710
<b>Profit/(loss) before income tax</b>		<b>96,035</b>	<b>(2,362)</b>
Income tax expense	12	(31,115)	(7,402)
<b>Profit/(loss) for the period</b>	6	<b>64,920</b>	<b>(9,764)</b>
<b>Attributable to:</b>			
Owners of the Company		55,943	(16,445)
Non-controlling interests		8,977	6,681
		<b>64,920</b>	<b>(9,764)</b>
<b>Earnings/(loss) per share for profit/(loss) attributable to the owners of the Company during the period (expressed in HK cents per share)</b>	13		
- basic		7.67	(2.25)
- diluted		7.67	(2.25)

The above condensed consolidated income statement should be read in conjunction with the accompanying notes.

## INTERIM REPORT

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

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit/(loss) for the period	64,920	(9,764)
Other comprehensive income/(loss):		
<i>Item that will not be reclassified subsequently to profit or loss</i>		
Fair value gains/(losses) on equity investments at fair value through other comprehensive income, net of tax	19,844	(820)
<i>Item that may be reclassified to profit or loss</i>		
Currency translation differences	3,458	(6,624)
<b>Total comprehensive income/(loss) for the period</b>	<b>88,222</b>	<b>(17,208)</b>
Attributable to:		
Owners of the Company	79,261	(24,111)
Non-controlling interests	8,961	6,903
	<b>88,222</b>	<b>(17,208)</b>

The above condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

## INTERIM REPORT

### CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2021

		30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
	Note		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	458,129	475,084
Right-of-use assets	15	42,763	42,964
Deposits and prepayments		4,824	4,320
Intangible assets		323	372
Interests in joint ventures		8,560	6,650
Deferred tax assets		13,730	14,602
Financial assets at fair value through other comprehensive income	16	33,122	13,034
Financial assets at fair value through profit or loss		3,444	4,362
Club membership and debentures		15,103	14,923
<b>Total non-current assets</b>		<b>579,998</b>	<b>576,311</b>
<b>Current assets</b>			
Inventories		727,008	645,084
Trade, bills and other receivables	18	1,321,075	1,303,528
Contract assets	20	39,175	49,766
Deposits and prepayments		90,866	65,730
Tax recoverable		3,661	6,732
Derivative financial instruments		–	227
Short-term time deposits		39,735	39,758
Cash and cash equivalents		778,716	597,995
<b>Total current assets</b>		<b>3,000,236</b>	<b>2,708,820</b>
<b>Total assets</b>		<b>3,580,234</b>	<b>3,285,131</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities	15	14,662	14,611
Provision for assets retirement obligations		1,710	1,710
Retirement benefit obligations		8,869	8,900
Deferred tax liabilities		442	–
<b>Total non-current liabilities</b>		<b>25,683</b>	<b>25,221</b>

## INTERIM REPORT

### CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

AT 30 JUNE 2021

	Note	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
<b>Current liabilities</b>			
Trade, bills and other payables	19	1,055,837	936,438
Contract liabilities	20	152,622	116,707
Current income tax liabilities		12,462	18,843
Bank borrowings			
– due within one year	23	489,433	377,008
Lease liabilities	15	15,490	14,584
Derivative financial instruments		1,718	12
<b>Total current liabilities</b>		<b>1,727,562</b>	<b>1,463,592</b>
<b>Total liabilities</b>		<b>1,753,245</b>	<b>1,488,813</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to owners of the Company</b>			
Share capital	21	72,945	72,945
Reserves		1,674,757	1,638,553
		1,747,702	1,711,498
Non-controlling interests		79,287	84,820
<b>Total equity</b>		<b>1,826,989</b>	<b>1,796,318</b>
<b>Total equity and liabilities</b>		<b>3,580,234</b>	<b>3,285,131</b>

The above condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

The condensed consolidated interim financial information on page 1 to 37 was approved by the Board of Directors on 26 August 2021 and were signed on its behalf.

Edward Ying-Chun Tsui  
Director

Byron Shu-Chan Ho  
Director

# INTERIM REPORT

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

	(Unaudited)										Non-controlling interests	Total equity	
	Attributable to owners of the Company												
	Share capital	Share premium	Capital redemption reserve	Contributed surplus	Special reserve	Financial assets at fair value through other comprehensive income	Translation reserve	Share option reserve	Capital reserve	Retained earnings	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 31 December 2020 and 1 January 2021	72,945	70,892	1,610	26,624	11,640	(24,950)	13,272	5,884	(270)	1,533,811	1,711,498	84,820	1,796,318
<b>Comprehensive income</b>													
Profit for the period	-	-	-	-	-	-	-	-	-	55,943	55,943	8,977	64,920
<b>Other comprehensive income (loss)</b>													
Fair value gains on equity investments at fair value through other comprehensive income, net of tax	-	-	-	-	-	19,569	-	-	-	-	19,569	275	19,844
Currency translation differences	-	-	-	-	-	-	3,749	-	-	-	3,749	(291)	3,458
<b>Total comprehensive income for the period ended 30 June 2021</b>	-	-	-	-	-	19,569	3,749	-	-	55,943	79,261	8,961	88,222
<b>Transactions with owners</b>													
Dividends payable to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(13,856)	(13,856)
2020 final dividend	-	-	-	-	-	-	-	-	-	(43,767)	(43,767)	-	(43,767)
Acquisition of additional interest in subsidiaries	-	-	-	-	-	-	-	-	(393)	-	(393)	(638)	(1,031)
Transfer from retained earnings to special reserve	-	-	-	-	1,074	-	-	-	-	(1,074)	-	-	-
Employee share schemes - value of employee services	-	-	-	-	-	-	-	1,103	-	-	1,103	-	1,103
Balance at 30 June 2021	72,945	70,892	1,610	26,624	12,714	(5,381)	17,021	6,987	(663)	1,544,813	1,747,702	79,287	1,826,989

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

# INTERIM REPORT

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED) FOR THE SIX MONTHS ENDED 30 JUNE 2021

	(Unaudited)											Non-controlling interests	Total equity
	Attributable to owners of the Company												
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Special reserve HK\$'000	Financial assets at fair value through other comprehensive income revaluation reserve HK\$'000	Translation reserve HK\$'000	Share option reserve HK\$'000	Capital reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000		
Balance at 31 December 2019 and 1 January 2020	72,945	70,892	1,610	26,624	9,138	(6,326)	(18,157)	2,494	(270)	1,435,231	1,594,211	70,426	1,664,637
Comprehensive (loss)/income (Loss)/income for the period	-	-	-	-	-	-	-	-	-	(16,445)	(16,445)	6,681	(9,764)
Other comprehensive (loss)/income													
Fair value losses on equity investments at fair value through other comprehensive income, net of tax	-	-	-	-	-	(553)	-	-	-	-	(553)	(267)	(820)
Currency translation differences	-	-	-	-	-	-	(7,113)	-	-	-	(7,113)	489	(6,624)
Total comprehensive (loss)/income for the period ended 30 June 2020	-	-	-	-	-	(553)	(7,113)	-	-	(16,445)	(24,111)	6,903	(17,208)
Transactions with owners													
Dividends payable to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(4,987)	(4,987)
Transfer from retained earnings to special reserve	-	-	-	-	2,502	-	-	-	-	(2,502)	-	-	-
Employee share schemes - value of employee services	-	-	-	-	-	-	-	2,163	-	-	2,163	-	2,163
Balance at 30 June 2020	72,945	70,892	1,610	26,624	11,640	(6,879)	(25,270)	4,647	(270)	1,418,284	1,572,263	72,242	1,644,605

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

## INTERIM REPORT

### CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2021

		Six months ended 30 June	
		2021	2020
		(Unaudited)	(Unaudited)
	Note	HK\$'000	HK\$'000
<b>Cash flows from operating activities</b>			
Cash from operations		114,320	222,768
Income tax paid		(27,315)	(18,152)
Net cash from operating activities		87,005	204,616
<b>Cash flows from investing activities</b>			
Interest received		1,695	971
Dividend income from a joint venture		3,893	–
Dividend income from financial assets at fair value through other comprehensive income		79	184
Purchase of property, plant and equipment	14	(9,023)	(10,483)
Proceeds from disposal of property, plant and equipment		4,465	1,313
Purchase of club membership and debentures		(180)	–
Acquisition of additional interest in subsidiaries		(1,031)	–
Increase in long-term deposits		(514)	–
Decrease/(increase) in short-term time deposits		23	(7,755)
Net cash used in investing activities		(593)	(15,770)



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

*FOR THE SIX MONTHS ENDED 30 JUNE 2021*

### 1. GENERAL INFORMATION

Wong's Kong King International (Holdings) Limited (the "Company") and its subsidiaries (together, the "Group") are principally engaged in the trading and distribution of chemicals, materials and equipment used in the manufacture of printed circuit boards and electronic products and the manufacture of electrical and electronic products for original equipment manufacturer ("OEM") customers.

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11 Bermuda and its principal place of business is 17/F, Harbourside HQ, No.8 Lam Chak Street, Kowloon Bay, Hong Kong.

The unaudited condensed consolidated interim financial information is presented in Hong Kong dollars ("HK\$"), unless otherwise stated.

# INTERIM REPORT

## 2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2021 has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) and with Hong Kong Accounting Standard 34 “*Interim Financial Reporting*” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2020.

## 3. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial information has been prepared in consistent with those principal accounting policies followed in the Annual Report 2020 except the adoption of the following new/revised Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (hereinafter collectively referred to as “new HKFRSs”) which are effective for accounting periods commencing on or after 1 January 2021.

### (a) Amended standards adopted by the Group

The following new amendments to standards were required to be adopted by the Group effective from 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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The amended standards listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

**3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

**(b) New and amended standards not yet adopted**

Certain new and amended standards have been published that are not mandatory for financial period beginning 1 January 2021 and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
2021 Amendment to HKFRS 16	Leases-COVID-19 Rent related concessions	1 January 2022
Annual Improvements Project	Annual Improvements to HKFRS Standards 2018-2020	1 January 2022
Amendments to HKFRS 3, HKAS 16 and HKAS 37	Narrow-scope amendments	1 January 2022
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendment to HKFRS 17 and HKFRS 4	Insurance Contracts	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimate	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
HK-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
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

## INTERIM REPORT

### 3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

#### (b) New and amended standards not yet adopted (Continued)

The Group has commenced an assessment of the impact of these new and amended standards, but is not yet in a position to state whether they would have significant impacts on its results of operations and financial position.

### 4. ESTIMATES

The preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's annual financial statements as at 31 December 2020.

### 5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

#### (a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value and cash flow interest risk), credit risk and liquidity risk.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2020.

There have been no changes in the risk management policies since 31 December 2020.

### 5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

#### (b) Fair value estimation

The carrying value of all financial assets less impairment provision are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The financial instruments measured at fair value are disclosed by the following measurement hierarchy:

- (i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- (ii) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- (iii) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

At the end of the reporting period, listed investment classified as financial assets at fair value through profit or loss, derivative financial instruments and unlisted investment classified as financial assets at fair value through other comprehensive income that are measured at fair value are classified under level 1, level 2 and level 3 respectively.

There were no transfers between levels 1, 2 and 3 during the period.

## INTERIM REPORT

### 5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

#### (b) Fair value estimation (Continued)

##### (i) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

##### (ii) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

All the resulting fair value estimates of the Group's forward foreign currency contracts are included in level 2.

### 5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

#### (b) Fair value estimation (Continued)

##### (iii) Financial instruments in level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

All the resulting fair value estimates of the Group's unlisted investment are included in level 3.

There were no other changes in valuation techniques during the period.

### 6. SEGMENT INFORMATION

The Chief Operation Decision-Maker ("CODM") has been identified as directors of the Company. The CODM reviews the Group's internal reporting in order to assess performance and allocate resources. It has determined the operating segments based on these reports. The Group is currently organised into two operating segments - trading and manufacturing. These segments are the basis on which the Group reports its principal activities information.

## INTERIM REPORT

### 6. SEGMENT INFORMATION (CONTINUED)

- Trading – trading and distribution of chemicals, materials and equipment used in the manufacturing of printed circuit boards and electronic products
- Manufacturing – manufacturing of electrical and electronic products

The segment information for the six months ended 30 June 2021 is as follows:

	Trading HK\$'000	Manufacturing HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<b>Revenue</b>					
External sales	1,532,952	1,163,348	30,055	-	2,726,355
Inter-segment sales	231,471	1,611	17,082	(250,164)	-
<b>Total</b>	<b>1,764,423</b>	<b>1,164,959</b>	<b>47,137</b>	<b>(250,164)</b>	<b>2,726,355</b>
<b>Timing of revenue recognition</b>					
At a point in time	1,736,365	1,164,959	45,162	(242,480)	2,704,006
Over time	28,058	-	1,975	(7,684)	22,349
	1,764,423	1,164,959	47,137	(250,164)	2,726,355
<b>Results</b>					
Segment results	116,570	(16,594)	(8,804)	(171)	91,001
Finance income	1,511	89	95	-	1,695
Finance costs	(961)	(1,405)	(98)	-	(2,464)
Segment operating profit/(loss)	117,120	(17,910)	(8,807)	(171)	90,232
Share of profit of a joint venture					5,803
Profit before income tax					96,035
Income tax expense					(31,115)
Profit for the period					64,920

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### 6. SEGMENT INFORMATION (CONTINUED)

The segment information for the six months ended 30 June 2020 is as follows:

	Trading HK\$'000	Manufacturing HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<b>Revenue</b>					
External sales	952,104	1,067,143	18,481	-	2,037,728
Inter-segment sales	154,691	1,660	14,025	(170,376)	-
<b>Total</b>	<b>1,106,795</b>	<b>1,068,803</b>	<b>32,506</b>	<b>(170,376)</b>	<b>2,037,728</b>
<b>Timing of revenue recognition</b>					
At a point in time	1,083,822	1,068,803	30,239	(166,040)	2,016,824
Over time	22,973	-	2,267	(4,336)	20,904
	1,106,795	1,068,803	32,506	(170,376)	2,037,728
<b>Results</b>					
Segment results	27,539	(16,740)	(8,539)	74	2,334
Finance income	880	88	3	-	971
Finance costs	(1,962)	(4,173)	(242)	-	(6,377)
Segment operating profit/(loss)	26,457	(20,825)	(8,778)	74	(3,072)
Share of profit of a joint venture					710
Loss before income tax					(2,362)
Income tax expense					(7,402)
Loss for the period					(9,764)

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### 6. SEGMENT INFORMATION (CONTINUED)

The segment assets and liabilities as at 30 June 2021 are as follows:

	Trading HK\$'000	Manufacturing HK\$'000	Others HK\$'000	Consolidated HK\$'000
<b>Assets</b>				
Segment assets	1,596,788	1,824,755	158,691	3,580,234
<b>Liabilities</b>				
Segment liabilities	679,177	1,002,433	71,635	1,753,245

The segment assets and liabilities as at 31 December 2020 are as follows:

	Trading HK\$'000	Manufacturing HK\$'000	Others HK\$'000	Consolidated HK\$'000
<b>Assets</b>				
Segment assets	1,439,534	1,691,622	153,975	3,285,131
<b>Liabilities</b>				
Segment liabilities	607,936	840,866	40,011	1,488,813

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### 6. SEGMENT INFORMATION (CONTINUED)

An analysis of the Group's other segment information is as follows:

	Trading HK\$'000	Manufacturing HK\$'000	Others HK\$'000	Consolidated HK\$'000
For the period ended				
30 June 2021				
Capital expenditure	5,429	1,696	1,898	9,023
Depreciation of property, plant and equipment	6,187	15,788	1,796	23,771
Depreciation of right-of-use assets	3,554	1,052	6,152	10,758
Amortisation of intangible assets	49	-	-	49
For the period ended				
30 June 2020				
Capital expenditure	2,029	6,781	1,673	10,483
Depreciation of property, plant and equipment	5,921	16,828	2,109	24,858
Depreciation of right-of-use assets	3,315	225	6,283	9,823
Amortisation of intangible assets	49	-	-	49

## INTERIM REPORT

### 6. SEGMENT INFORMATION (CONTINUED)

Analysis of the Group's revenue by geographical market is as follows:

	Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000
North America	250,911	284,122
Europe	443,081	391,895
Hong Kong, Mainland China and Taiwan	1,863,385	1,208,582
Others	168,978	153,129
	<b>2,726,355</b>	2,037,728

The total non-current assets other than intangible assets and deferred tax assets located in Hong Kong, Mainland China and other countries are HK\$121,447,000 (31 December 2020: HK\$101,517,000), HK\$416,201,000 (31 December 2020: HK\$435,624,000) and HK\$28,297,000 (31 December 2020: HK\$24,196,000), respectively.

## INTERIM REPORT

### 7. REVENUE

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Sales of goods	2,697,942	2,011,642
Commission income	5,500	4,533
Service fee income	22,349	20,904
Ticketing and touring income	180	120
Others	384	529
	<b>2,726,355</b>	<b>2,037,728</b>

### 8. OTHER GAINS, NET

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Dividend from financial assets at fair value through other comprehensive income	79	184
Government subsidies (Note)	3,857	3,521
Fair value losses on equity investments at financial assets at fair value through profit or loss	(945)	(997)
	<b>2,991</b>	<b>2,708</b>

Note: It represents subsidies mainly received from certain People's Republic of China (the "PRC") local government authorities (2020: PRC local government authorities and Hong Kong Special Administrative Region Government). There are no unfulfilled conditions or other contingencies attaching to these grants.

## INTERIM REPORT

### 9. OTHER EXPENSES

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Auditors' remuneration	1,870	1,814
Bank charges	3,281	2,448
Charitable donations	1,095	1,152
Consumables	9,020	6,249
Expenses relating to short-term leases	1,376	861
Expenses relating to leases of low-value assets that are not shown above as short-term leases	10	7
Electricity, water and other utility	13,410	11,627
Freight and insurance	16,444	11,053
(Gain)/loss on disposal of property, plant and equipment	(1,082)	281
Marketing expenses	1,209	567
Net foreign exchange (gains)/losses	(1,977)	5,765
Office and factories expenses	9,614	8,787
Postage, telephone and fax	2,969	2,246
Repairs and maintenance	6,221	5,121
Storage	808	690
Transportation and travelling expenses	10,899	8,188
Tax and surcharges	9,931	7,410
Others (Note)	12,391	8,315
	<b>97,489</b>	<b>82,581</b>

Note: Others included professional service fees, research and development expenses, motor vehicle expenses, fuel costs, miscellaneous expenses etc.

## INTERIM REPORT

### 10. OPERATING PROFIT

Operating profit is stated after charging the following:

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Allowance for obsolescence of inventories	1,214	1,867
Net fair value losses on derivative financial instruments	2,034	282

### 11. FINANCE COSTS, NET

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Interest income on:		
– bank deposits	1,690	895
– others	5	76
	1,695	971
Interest expense on:		
– bank borrowings	(2,191)	(5,956)
– lease liabilities	(273)	(421)
	(2,464)	(6,377)
Finance costs, net	(769)	(5,406)

## INTERIM REPORT

### 12. INCOME TAX EXPENSE

Hong Kong profits tax has not been provided for at 16.5% on the estimated assessable profit for the period as the Group has sufficient tax losses carried forward to set off against the estimated assessable profit (2020: Hong Kong profits tax had not been provided for as the Group had no estimated assessable profit for the period). The subsidiaries established in the PRC are subject to corporate income tax rate of 25% (2020: 25%). The subsidiaries in Taiwan are subject to corporate income tax rate of 20% (2020: 20%). Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Current income tax		
Hong Kong profits tax	–	–
Other jurisdictions including		
PRC corporate income tax	24,598	5,659
Withholding tax on dividends		
declared by a subsidiary	6,007	2,169
	30,605	7,828
Deferred income tax	510	(426)
	31,115	7,402

## INTERIM REPORT

### 13. 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.

	Six months ended 30 June	
	2021	2020
Profit/(loss) attributable to owners of the Company (Hong Kong thousands dollar)	55,943	(16,445)
Weighted average number of ordinary shares in issue (thousands)	729,448	729,448
Basic earnings/(loss) per share (Hong Kong cents per share)	7.67	(2.25)

#### (b) Diluted

Diluted earnings/(loss) per share were the same as the basic earnings/(loss) per share for the six months ended 30 June 2021 and 2020, as the share options of the Company have an anti-dilutive effect on the basic earnings/(loss) per share and are ignored in the calculation of diluted earnings/(loss) per share.

### 14. PROPERTY, PLANT AND EQUIPMENT

During the period ended 30 June 2021, the Group acquired property, plants and equipment of HK\$9,023,000 (Period ended 30 June 2020: HK\$10,483,000).

During the period ended 30 June 2021, the Group disposed property, plants and equipment with a carrying amount of HK\$3,383,000 (Period ended 30 June 2020: HK\$1,594,000).

## INTERIM REPORT

### 15. LEASES

During the period ended 30 June 2021, the Group entered into a new lease agreement for buildings and motor vehicles for 2 to 3 years. The Group makes fixed payments during the contract period. On lease commencement, the Group recognised an addition of right-of-use assets amounting to HK\$10,386,000 (Period ended 30 June 2020: HK\$461,000).

### 16. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

- (a) Financial assets at fair value through other comprehensive income include the following:

	<b>30 June 2021 HK\$'000</b>	31 December 2020 HK\$'000
Financial instruments level 3:		
Equity investments in unlisted equity securities	<b>33,122</b>	13,034

- (b) Movement of financial assets at fair value through other comprehensive income is analysed as follows:

	<b>Six months ended 30 June</b>	
	<b>2021 HK\$'000</b>	2020 HK\$'000
At beginning of period	<b>13,034</b>	31,855
Fair value gains/(losses) on financial assets at fair value through other comprehensive income	<b>20,055</b>	(1,025)
Exchange gains	<b>33</b>	48
At end of period	<b>33,122</b>	30,878

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

(c) Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements:

	Fair value at 30 June 2021 HK\$'000	Note	Unobservable inputs*	Range of inputs	Relationship of unobservable inputs to fair value
Unlisted equity securities denominated in HK\$	25,000	1	Enterprise multiples	9.81	A change in the enterprise multiples by +10% would increase the fair value by HK\$6,000,000  A change in the enterprise multiples by -10% would decrease the fair value by HK\$5,000,000
			Discount for lack of marketability	25%	A change in the discount for lack of marketability by +1,000 basis points would decrease the fair value by HK\$3,000,000  A change in the discount for lack of marketability by -1,000 basis points would increase the fair value by HK\$4,000,000

## INTERIM REPORT

### 16. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

(c) Valuation inputs and relationships to fair value (Continued)

	Fair value at 30 June 2021 HK\$'000	Note	Unobservable inputs*	Range of inputs	Relationship of unobservable inputs to fair value
Unlisted equity securities denominated in New Taiwan dollars ("NTD")	8,122		Discount for lack of marketability	30% to 80%	A change in the discount for lack of marketability by +/- 1,000 basis points would decrease/increase the fair value by HK\$1,614,000
	<u>33,122</u>				

Note 1: Enterprise multiples = enterprise value/earnings before interest, tax, depreciation and amortization

\* There were no significant inter-relationships between unobservable inputs that materially affect fair values.

(d) Valuation process used for fair value measurements categorised within level 3 of the fair value hierarchy

The Group's Finance Department (the "Department") is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. The Department analyses the movements in the value of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies at least once every six months, in line with the Group's reporting dates.

## INTERIM REPORT

### 17. DIVIDENDS

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Interim dividend–HK\$0.02 (2020: Nil) per share	<b>14,589</b>	–

The Board of Directors has declared an interim dividend of HK\$0.02 (2020: Nil) per share for the six months ended 30 June 2021 which will be payable on or about Thursday, 30 September 2021 to the shareholders whose names appear on the Register of Members of the Company on Wednesday, 15 September 2021. This interim dividend, amounting to HK\$14,589,000 (2020: Nil) has not been recognised as a liability in this unaudited condensed consolidated interim financial information. It will be recognised in shareholders' equity in the year ending 31 December 2021.

### 18. TRADE, BILLS AND OTHER RECEIVABLES

Included in trade, bills and other receivables are trade and bills receivables (including amounts due from related parties of trading in nature) of HK\$1,294,820,000 (At 31 December 2020: HK\$1,270,974,000).

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Trade and bills receivables	<b>1,314,105</b>	1,287,335
Less: loss allowance	<b>(19,285)</b>	(16,361)
	<b>1,294,820</b>	1,270,974
Other receivables	<b>26,255</b>	32,554
Total trade, bills and other receivables	<b>1,321,075</b>	1,303,528

The Group allows a credit period ranging from 30 days to 180 days to its trade customers. In addition, for certain customers with long established relationship, a longer credit period may be granted.

## INTERIM REPORT

### 18. TRADE, BILLS AND OTHER RECEIVABLES (CONTINUED)

The ageing analysis of trade and bills receivables based on invoices dates net of loss allowance at the end of reporting period is as follows:

	<b>30 June 2021 HK\$'000</b>	31 December 2020 HK\$'000
0 to 30 days	<b>464,134</b>	446,660
31 to 60 days	<b>284,843</b>	332,331
61 to 90 days	<b>210,238</b>	156,634
Over 90 days	<b>335,605</b>	335,349
	<b>1,294,820</b>	1,270,974

The closing loss allowances for trade and bills receivables as at 30 June 2021 reconcile to the opening loss allowances as follows:

	<b>Six months ended 30 June</b>	
	<b>2021 HK\$'000</b>	2020 HK\$'000
At beginning of period	<b>16,361</b>	25,303
Increase/(decrease) in loss allowance recognised in profit or loss during the period	<b>3,017</b>	(210)
Receivables written off during the period as uncollectible	<b>(93)</b>	(717)
At end of period	<b>19,285</b>	24,376

## INTERIM REPORT

### 19. TRADE, BILLS AND OTHER PAYABLES

Included in trade, bills and other payables are trade and bills payables (including amounts due to related parties of trading in nature) of HK\$749,367,000 (At 31 December 2020: HK\$674,060,000).

The following is an ageing analysis of trade and bills payables based on goods received dates at the end of reporting period:

	<b>30 June</b>	31 December
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
0 to 30 days	<b>522,058</b>	458,837
31 to 60 days	<b>78,141</b>	127,550
61 to 90 days	<b>86,125</b>	53,371
Over 90 days	<b>63,043</b>	34,302
	<b>749,367</b>	674,060

### 20. CONTRACT ASSETS AND CONTRACT LIABILITIES

	<b>30 June</b>	31 December
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
Contract assets relating to sales of goods and provision of service	<b>39,175</b>	49,766
Contract liabilities relating to sales of goods and provision of service	<b>(152,622)</b>	(116,707)

The revenue recognised in the current reporting period relates to carried-forward contract liabilities at the beginning of the period amounted to HK\$100,789,000 (Period ended 30 June 2020: HK\$56,289,000).

## INTERIM REPORT

### 21. SHARE CAPITAL

	Number of ordinary shares of HK\$0.10 each	Share capital HK\$'000
Issued and fully paid:		
At 31 December 2020, 1 January 2021 and 30 June 2021	<b>729,447,964</b>	<b>72,945</b>

### 22. SHARE OPTION SCHEME

The Company's share option scheme was adopted pursuant to a resolution passed on 22 June 2016 for the primary purpose of providing incentives to directors and eligible employees and will expire on 21 June 2026 (the "Scheme"). Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

### 22. SHARE OPTION SCHEME (CONTINUED)

At 30 June 2021, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 67,850,000 shares. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the total number of shares in issue as at the date of adoption of the Scheme, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in the 12-month period up to and including the date of such new grant is not permitted to exceed 1% of the shares of the Company in issue as at the date of such new grant, without prior approval from the Company's shareholders. Any grant of options to a director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by the independent non-executive directors (excluding any independent non-executive director who is a grantee of the relevant options). Options granted to substantial shareholders or independent non-executive directors or any of their respective associates in excess of 0.1% of the Company's share capital and with a value in excess of HK\$5,000,000, in any 12-month period, must be approved by the Company's shareholders at a general meeting.

Options may be exercised after one year of its grant date, and options will vest (i) as to 25% (rounded down to the nearest whole underlying share) on the first anniversary of its date of grant; and (ii) as to the remainder on the second anniversary of its grant date. The exercise price is determined by the Board of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

## INTERIM REPORT

### 22. SHARE OPTION SCHEME (CONTINUED)

Set out below are summaries of options granted under the Scheme:

	Exercise price HK\$	Number of share options
As at 1 January 2020 and 30 June 2020	0.906	70,150,000
Lapse		(1,450,000)
As at 31 December 2020 and 1 January 2021		68,700,000
Lapse		(850,000)
As at 30 June 2021		67,850,000
Vested and exercisable	0.906	67,850,000

The share options can be exercised up to a maximum of 25% of the grant during the period from 14 June 2020 to 13 June 2021 and the balance of the grant during the period from 14 June 2021 to 13 June 2029.

No options expired during the periods covered by the above table.

The closing price of the Company's shares on 14 June 2019, the date of grant, was HK\$0.88. The fair value of the options determined at the date of grant using the Black-Scholes option-pricing model was approximately HK\$7,379,000 of which approximately HK\$1,103,000 was charged to the profit or loss for the six months ended 30 June 2021 (2020: HK\$2,163,000).

**22. SHARE OPTION SCHEME (CONTINUED)**

The following assumptions were used to calculate the fair value of the share options granted:

Grant date fair value per share	HK\$0.10
Expected life	6 years
Expected volatility	31.93%
Dividend yield	7.39%
Risk-free interest rate	1.44%

Expected volatility is estimated taking into account historical average share price volatility. The Black-Scholes option-pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the Directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

**23. BANK BORROWINGS**

	HK\$'000
<b>Six months ended 30 June 2020:</b>	
Opening amount at 1 January 2020	657,612
Proceeds from new bank borrowings	1,086,556
Repayment of bank borrowings	(1,184,845)
<b>Closing amount at 30 June 2020</b>	<b>559,323</b>
<b>Six months ended 30 June 2021:</b>	
Opening amount at 1 January 2021	<b>377,008</b>
Proceeds from new bank borrowings	<b>1,293,802</b>
Repayment of bank borrowings	<b>(1,181,377)</b>
<b>Closing amount at 30 June 2021</b>	<b>489,433</b>

## INTERIM REPORT

### 24. CAPITAL COMMITMENTS

	<b>30 June</b>	31 December
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
Capital expenditure contracted for but not yet incurred:		
Acquisition of property, plant and equipment	<b>1,810</b>	2,736

### 25. RELATED PARTY TRANSACTIONS

Related parties refer to entities in which the Company has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or directors or officers of the Company and its subsidiaries.

The Group is ultimately controlled by Mr. Senta Wong, chairman of the board of directors.

- (a) During the period, the Group entered into the following transactions with its related parties:

	Six months ended		Amounts due from related parties	
	30 June	2020	30 June	31 December
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Service fee income (Notes i and iii)	<b>59</b>	59	-	-
Rental expense (Notes ii and iii)	<b>498</b>	498	-	-

## INTERIM REPORT

### 25. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) (Continued)

Notes:

- (i) Related party is Wesi Technology Limited, a joint venture of the Group.
- (ii) Related party is a company of which Mr. Senta Wong is a director having control or significant influence over that company.
- (iii) All of the transactions were carried out in the normal course of the Group's business and the terms as agreed between the transacting parties.

(b) Key management remuneration

The remuneration of key management during the period was as follows:

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Salaries, wages, commission and allowances	26,446	26,325
Share options granted to key management	832	1,505
Post-employment benefits	1,051	1,019
	<b>28,329</b>	28,849

## MANAGEMENT DISCUSSION AND ANALYSIS

### INTERIM DIVIDEND

The Board of Directors has declared an interim dividend of HK\$0.02 (2020: Nil) per share for the six months ended 30 June 2021. The above-mentioned interim dividend will be payable on or about Thursday, 30 September 2021 to the shareholders whose names appear on the Register of Members of the Company on Wednesday, 15 September 2021.

### CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 13 September 2021 to Wednesday, 15 September 2021, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the 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 not later than 4:30 p.m. on Friday, 10 September 2021.

### BUSINESS REVIEW

The Group's turnover for the first half of 2021 was HK\$2.7 billion, reflecting an increase of approximately 34% compared to the same period last year. The Group's profit attributable to shareholders for the first half of 2021 was HK\$55.9 million, compared to the loss attributable to shareholders of HK\$16.4 million for the same period last year, as a result of increased demand from its customers. This was mainly driven by the continuing return to normal operations in 2021 as the pandemic remained under control in China, compared to the severe COVID-19 restrictions which adversely affected the operations of the Group and its customers through much of the first half of 2020.

## MANAGEMENT DISCUSSION AND ANALYSIS

The turnover of the Group's Industrial Products Trading and Distribution Division for the first half of 2021 was HK\$1.5 billion, representing an increase of approximately 61% compared to the same period last year. This was mainly due to the increased demand for the industrial products distributed by the Group. The Division's operating profit was HK\$117.1 million, reflecting an increase of approximately 343% compared to the corresponding period last year. The operations in the PRC contributed the majority of the Division's operating profit whilst a subsidiary in Taiwan continued to perform extremely well in the first half of this year. The Singapore operations also contributed to the Division's operating profit.

The turnover of the Group's OEM Manufacturing Division increased by approximately 9% to HK\$1.2 billion for the first half of 2021 compared to the same period last year. The Division's operating loss was HK\$17.9 million for the first half of 2021 as compared to an operating loss of HK\$20.8 million for the corresponding period last year.

### FINANCE

The Group has committed bank and other financing facilities totaling HK\$2,657 million, of which HK\$657 million was drawn down as at 30 June 2021. As at 30 June 2021, the Group's consolidated net cash amounted to HK\$299 million and its total equity amounted to HK\$1,827 million, resulting in a nil gearing ratio.

Most of the Group's sales were conducted in the same currencies as the corresponding purchase transactions. Foreign exchange contracts were used to hedge exposures where necessary.

### HUMAN RESOURCES

As at 30 June 2021, the Group had a total of 4,392 employees, of which 225 were based in Hong Kong, 3,784 in the PRC and 383 overseas. The remuneration of the Group's employees is mainly based on their performance and experience, taking into account current industry practices. Provident fund scheme, medical allowances, and in-house and external training programs are available to employees. Share options and discretionary bonuses may be provided to employees according to the performance of the individual and the Group. The remuneration policy and package of the Group's employees are regularly reviewed.

## MANAGEMENT DISCUSSION AND ANALYSIS

### PROSPECTS

In view of the prevailing worldwide coronavirus pandemic and the increasing disruptions brought about by shortages of components, it is anticipated that the Group's growth and financial performance in the second half of 2021 will remain uncertain. The shortages of components are now affecting the ability of the Group and its customers to manufacture their products, while the Industrial Products Trading and Distribution Division is experiencing delayed deliveries from its suppliers. These circumstances may hamper the Company's sales in the second half of 2021.

On behalf of the Board, I wish to thank all employees for their loyalty, support and hard work throughout this difficult pandemic period.

By Order of the Board  
**Byron Shu-Chan Ho**  
*Director*

Hong Kong, 26 August 2021

*As at the date of this report, the executive directors of the Company are Mr. Senta Wong, Mr. Edward Ying-Chun Tsui, Mr. Byron Shu-Chan Ho, Mr. Bengie Man-Hang Kwong, Mr. Vinci Wong and Mr. Victor Jui Shum Chang; the non-executive director is Mr. Hamed Hassan El-Abd; and the independent non-executive directors are Mr. Philip Wan-Chung Tse, Dr. Leung Kam Fong, Dr. Yip Wai Chun, Mr. Arnold Hin Lin Tse and Mr. Andrew Yiu Wing Lam.*

## DISCLOSURE OF INTERESTS

### INTERESTS OF DIRECTORS

As at 30 June 2021, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

#### Long positions in the shares of the Company

Name	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total Interests	Total Interests as % of the issued share capital %	Underlying shares (share options)	Total Interests (including underlying shares) as % of the share capital %
Senta Wong	4,750,000	-	122,012,723 (Note 1)	207,800,000 (Note 2)	334,562,723	45.87	5,000,000	46.55
Edward Ying-Chun Tsui	7,577,920	-	-	-	7,577,920	1.04	3,000,000	1.45
Byron Shu-Chan Ho	3,470,000	360,000	-	-	3,830,000	0.53	3,000,000	0.94
Bengie Man-Hang Kwong	5,400,000	-	-	-	5,400,000	0.74	3,000,000	1.15
Vinci Wong	-	-	32,454,028 (Note 3)	207,800,000 (Note 4)	240,254,028	32.94	3,000,000	33.35
Victor Jui Shum Chang	-	154,000	32,454,028 (Note 5)	207,800,000 (Note 6)	240,408,028	32.96	3,000,000	33.37
Hamed Hassan El-Abd	3,000,000	-	-	-	3,000,000	0.41	3,000,000	0.82
Philip Wan-Chung Tse	-	-	-	-	-	-	3,000,000	0.41
Leung Kam Fong	-	-	-	180,000 (Note 7)	180,000	0.02	3,000,000	0.44
Yip Wai Chun	-	-	-	-	-	-	3,000,000	0.41
Arnold Hin Lin Tse	-	-	-	-	-	-	3,000,000	0.41
Andrew Yiu Wing Lam	-	-	-	-	-	-	3,000,000	0.41

## DISCLOSURE OF INTERESTS

### Notes:

1. 122,012,723 shares were registered in the name of Wonder Luck International Limited, which was wholly owned by Senta Wong (BVI) Limited. The entire issued share capital of which was 50.25% owned by Mr. Senta Wong and 49.75% owned by his wife, Mrs. Wong Wu Lai Ming Lily. The references to 122,012,723 shares deemed to be interested by Mr. Senta Wong (as disclosed herein) and Senta Wong (BVI) Limited (as disclosed in the section headed "Interests of substantial shareholders") relate to the same block of shares.
2. 207,800,000 shares were registered in the name of Rewarding Limited, which was wholly owned by Greatfamily Inc. (which was in turn wholly owned by Greatguy (PTC) Inc.) for a discretionary trust, of which Mr. Senta Wong was regarded as the founder (by virtue of the SFO). The references to 207,800,000 shares deemed to be interested by Mr. Senta Wong (as disclosed herein), Mr. Vinci Wong and Mr. Victor Jui Shum Chang (as disclosed in Notes 4 and 6 below respectively), Greatfamily Inc. and Greatguy (PTC) Inc. (as disclosed in the section headed "Interests of substantial shareholders") relate to the same block of shares.
3. 32,454,028 shares were held by Max Return Group Limited, of which Mr. Vinci Wong owns 33.33% shares. The references to these 32,454,028 shares deemed to be interested by Mr. Vinci Wong (as disclosed herein) and Mr. Victor Jui Shum Chang (as disclosed in Note 5 below) relate to the same block of shares.
4. Mr. Vinci Wong was deemed (by virtue of the SFO) to be interested in 207,800,000 shares in the Company by virtue of him being a beneficiary of a discretionary trust.
5. Mr. Victor Jui Shum Chang was deemed (by virtue of the SFO) to be interested in 32,454,028 shares in the Company, which were held by Max Return Group Limited, of which his spouse owns 33.33% shares.
6. Mr. Victor Jui Shum Chang was deemed (by virtue of the SFO) to be interested in 207,800,000 shares in the Company by virtue of his spouse being a beneficiary of a discretionary trust.
7. These 180,000 shares were jointly held by Dr. Leung Kam Fong and his spouse.

## DISCLOSURE OF INTERESTS

Certain Directors held qualifying shares in certain subsidiaries of the Group on trust for the Company or other subsidiaries of the Group.

Save as disclosed herein, as at 30 June 2021, none of the Directors of the Company or his associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

### INTERESTS OF SUBSTANTIAL SHAREHOLDERS

The Company has been notified that, as at 30 June 2021, the following persons (other than Directors or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

#### Long positions in the shares of the Company

Name of substantial shareholders	Capacity	Number of shares held	Percentage of total issued shares %
Greatfamily Inc.	Interest of controlled corporation (Note 1)	207,800,000	28.49%
Greatguy (PTC) Inc.	Trustee (Note 1)	207,800,000	28.49%
Senta Wong (BVI) Limited	Interest of controlled corporation (Note 2)	122,012,723	16.73%
HSBC International Trustee Limited	Trustee	45,689,735	6.26%
Wong Chung Yin	Beneficial owner and interest of child or spouse (Note 3)	42,715,701	5.86%

## DISCLOSURE OF INTERESTS

Notes:

1. Please see Note 2 under the section headed “Interests of Directors”.
2. Please see Note 1 under the section headed “Interests of Directors”.
3. Mr. Wong Chung Yin was deemed (by virtue of the SFO) to be interested in 42,715,701 shares in the Company. These shares were held in the following capacity:
  - (a) 25,613,332 shares were held by Mr. Wong Chung Yin personally.
  - (b) 450 shares were held under the name of Ms. Woo Sin Ming, the wife of Mr. Wong Chung Yin.
  - (c) 17,101,919 shares were jointly held by Mr. Wong Chung Yin and his wife, Ms. Woo Sin Ming.

Save as disclosed, the Directors are not aware of any other persons who, as at 30 June 2021, had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

## SHARE OPTION SCHEME

A share option scheme (the “Scheme”) has been adopted by the shareholders of the Company on 22 June 2016. During the six months ended 30 June 2021, no share options were granted under the Scheme.

## DISCLOSURE OF INTERESTS

Particulars of the share options granted under the Scheme and their movements during the six months ended 30 June 2021 were as follows:

Grantee	Date of grant	Exercise price (HK\$)	Exercise period	Number of share options						
				Balance as at 01.01.2021	Transfer to other category during the period	Transfer from other category during the period	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	Balance as at 30.06.2021
(I) Directors										
Senta Wong	14.06.2019	0.906	14.06.2020 – 13.06.2029	5,000,000	-	-	-	-	-	5,000,000
Edward Ying-Chun Tsui	14.06.2019	0.906	14.06.2020 – 13.06.2029	3,000,000	-	-	-	-	-	3,000,000
Byron Shu-Chan Ho	14.06.2019	0.906	14.06.2020 – 13.06.2029	3,000,000	-	-	-	-	-	3,000,000
Bengie Man-Hang Kwong	14.06.2019	0.906	14.06.2020 – 13.06.2029	3,000,000	-	-	-	-	-	3,000,000
Vinci Wong	14.06.2019	0.906	14.06.2020 – 13.06.2029	3,000,000	-	-	-	-	-	3,000,000
Victor Jui Shum Chang	14.06.2019	0.906	14.06.2020 – 13.06.2029	3,000,000	-	-	-	-	-	3,000,000
Hamed Hassan El-Abd	14.06.2019	0.906	14.06.2020 – 13.06.2029	3,000,000	-	-	-	-	-	3,000,000
Hsu Hung Chieh (retired on 29 June 2021)	14.06.2019	0.906	14.06.2020 – 13.06.2029	3,000,000	(3,000,000)	-	-	-	-	-
Philip Wan-Chung Tse	14.06.2019	0.906	14.06.2020 – 13.06.2029	3,000,000	-	-	-	-	-	3,000,000
Leung Kam Fong	14.06.2019	0.906	14.06.2020 – 13.06.2029	3,000,000	-	-	-	-	-	3,000,000
Yip Wai Chun	14.06.2019	0.906	14.06.2020 – 13.06.2029	3,000,000	-	-	-	-	-	3,000,000
Arnold Hin Lin Tse	14.06.2019	0.906	14.06.2020 – 13.06.2029	3,000,000	-	-	-	-	-	3,000,000
Andrew Yiu Wing Lam	14.06.2019	0.906	14.06.2020 – 13.06.2029	3,000,000	-	-	-	-	-	3,000,000

## DISCLOSURE OF INTERESTS

Grantee	Date of grant	Exercise price (HK\$)	Exercise period	Number of share options						
				Balance as at 01.01.2021	Transfer to other category during the period	Transfer from other category during the period	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	Balance as at 30.06.2021
(II) Associates of Directors										
Ava Wong	14.06.2019	0.906	14.06.2020 - 13.06.2029	150,000	-	-	-	-	-	150,000
Orangeo Wendy Wong	14.06.2019	0.906	14.06.2020 - 13.06.2029	150,000	-	-	-	-	-	150,000
(III) Other employees	14.06.2019	0.906	14.06.2020 - 13.06.2029	27,400,000	-	3,000,000	-	-	(850,000)	29,550,000
Total				68,700,000	(3,000,000)	3,000,000	-	-	(850,000)	67,850,000

### Notes:

1. The share options can be exercised up to a maximum of 25% of the grant during the period from 14 June 2020 to 13 June 2021 and the balance of the grant during the period from 14 June 2021 to 13 June 2029.
2. The closing price of the shares of the Company immediately before the date on which the share options were granted was HK\$0.93.

Save as disclosed above, there were no outstanding share options under the Scheme during the six months ended 30 June 2021.

## DISCLOSURE OF INTERESTS

The fair value of the options determined at the date of grant using the Black-Scholes option-pricing model was approximately HK\$7,379,000, of which approximately HK\$1,103,000 was charged to the profit or loss for the six months ended 30 June 2021.

The following assumptions were used to calculate the fair value of the share options granted:

Grant date fair value per share	HK\$0.10
Expected life	6 years
Expected volatility	31.93%
Dividend yield	7.39%
Risk-free interest rate	<u>1.44%</u>

Expected volatility is estimated taking into account historical average share price volatility. The Black-Scholes option-pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the Directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

## CORPORATE GOVERNANCE

### CORPORATE GOVERNANCE

The Company has complied with the code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) during the six months ended 30 June 2021, with deviations as stated below:

#### **Code Provision A.4.1**

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

None of the existing Non-executive directors of the Company is appointed for a specific term. This constitutes a deviation from code provision A.4.1 of the CG Code. In accordance with the provisions of the Bye-laws of the Company, any Director appointed by the Board during the year shall retire and submit themselves for re-election at the next annual general meeting immediately following his/her appointment. Further, at each annual general meeting, one-third of the Directors for the time being, or if their number is not three or a multiple of three, then the number nearest to but not exceeding one-third, shall retire from office. The directors to retire by rotation shall be those who have been longest in office since their last re-election or appointment. As such, the Company considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are similar to those in the CG Code.

#### **Code Provision A.4.2**

Code Provision A.4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

According to the Bye-laws of the Company, all Directors (except the Executive Chairman or Managing or Joint Managing Director) of the Company are subject to retirement by rotations and re-elections at the annual general meeting of the Company. This constitutes a deviation from the CG Code. As continuation is a key factor to the successful implementation of any long term business plans, the Board believes that the present arrangement is most beneficial to the Company and the shareholders as a whole.

## CORPORATE GOVERNANCE

### **Code Provision A.6.7**

Code Provision A.6.7 stipulates that independent non-executive directors and other non-executive directors should attend general meetings to gain and develop a balanced understanding of the views of shareholders.

Due to the travel restrictions arising from the COVID-19 pandemic, a Non-Executive Director could not attend the annual general meeting of the Company held on 29 June 2021 (the “AGM”). However, at the aforesaid AGM, there were Executive Directors and Independent Non-Executive Directors present to enable the Board to develop a balanced understanding of the views of the shareholders of the Company.

### **Code Provision E.1.2**

Code Provision E.1.2 provides that the chairman of the board should attend the annual general meeting. Mr. Wong Senta, the Chairman of the Board, was unable to attend the AGM due to his other engagement. Mr. Tsui Ying-Chun, Edward, a Chief Executive Officer and an Executive Director of the Company who took the chair of the AGM, together with other members of the Board who attended the AGM, were of sufficient calibre for answering questions at the AGM and had answered questions at the AGM competently.

## **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 has purchased, sold or redeemed any of the Company's listed securities.

## **CORPORATE GOVERNANCE**

### **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company had adopted a code of conduct regarding securities transactions by Directors on no less exacting than the terms and required standard contained in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the “Model Code”). Having made specific enquiry of all the Directors, the Company had obtained confirmation from all the Directors that they have complied with the required standard set out in the Model Code and the code of conduct for securities transactions by Directors adopted by the Company throughout the six months ended 30 June 2021.

### **AUDIT COMMITTEE**

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, risk management and internal control systems and financial reporting matters including a review of the unaudited condensed consolidated interim financial information for the six months ended 30 June 2021.

