



WONG'S KONG KING INTERNATIONAL (HOLDINGS) LIMITED  
(Incorporated in Bermuda with limited liability)

INTERIM REPORT 2001

## INTERIM RESULTS

The Board of Directors of Wong's Kong King International (Holdings) Limited (the "Company") announce that the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30th June, 2001 together with comparative figures for the corresponding period in 2000 are as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

*For the six months ended 30th June, 2001*

	Notes	Six months ended	
		30th June,	
		2001	2000
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Turnover	2	1,259,812	1,065,131
Changes in inventories of finished goods and work in progress		(20,576)	(6,412)
Raw materials and consumables used		(662,844)	(379,014)
Purchase of finished goods		(333,454)	(434,170)
Staff costs		(113,406)	(106,780)
Depreciation		(14,339)	(9,644)
Other operating expenses		(73,911)	(84,336)
Profit from operations		41,282	44,775
Finance costs		(14,809)	(9,964)
Investment income		2,053	3,408
Gain on disposal of shares to minority interests		1,940	—
Gain on disposal of land and buildings		—	65,626
Share of results of jointly controlled entities		(1,900)	(1,928)
Profit before taxation	2	28,566	101,917
Taxation	3	(2,294)	(3,891)
		26,272	98,026
Profit attributable to minority interests		(1,548)	—
Net profit for the period		24,724	98,026
<b>EARNINGS PER SHARE</b>	4		
Basic		3.57 cents	14.24 cents
Diluted		N/A	14.20 cents

## INTERIM RESULTS

### CONDENSED CONSOLIDATED BALANCE SHEET

At 30th June, 2001

		30th June, 2001 (Unaudited) HK\$'000	31st December, 2000 (Audited) HK\$'000
	Notes		
<b>NON-CURRENT ASSETS</b>			
Fixed assets		417,572	355,365
Interests in associates		6,727	6,435
Interests in jointly controlled entities		41,158	38,061
Investments in securities		10,428	10,431
Other assets		15,312	15,117
		<b>491,197</b>	<b>425,409</b>
<b>CURRENT ASSETS</b>			
Inventories		209,720	305,803
Trade and other receivables	5	519,594	518,474
Bills receivable		4,671	5,577
Deposits and prepayments		22,848	25,270
Short term bills investment		9,142	—
Cash and bank balances		125,914	98,712
		<b>891,889</b>	<b>953,836</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	6	385,004	467,522
Bills payable		187,351	223,063
Bank borrowings			
— due within one year		171,445	124,130
Obligations under finance leases			
— due within one year		16,329	14,894
Proposed dividend		—	20,784
Tax payable		10,513	8,752
		<b>770,642</b>	<b>859,145</b>
<b>NET CURRENT ASSETS</b>		<b>121,247</b>	<b>94,691</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>612,444</b>	<b>520,100</b>

## INTERIM RESULTS

		30th June, 2001 (Unaudited) HK\$'000	31st December, 2000 (Audited) HK\$'000
	Notes		
<b>CAPITAL AND RESERVES</b>			
Share capital	7	69,279	69,279
Reserves	8	410,114	387,039
		<b>479,393</b>	<b>456,318</b>
<b>MINORITY INTERESTS</b>			
		<b>14,632</b>	<b>828</b>
<b>NON-CURRENT LIABILITIES</b>			
Bank borrowings			
— due after one year		96,000	31,043
Obligations under finance leases			
— due after one year		17,049	24,803
Deferred taxation		5,370	7,108
		<b>118,419</b>	<b>62,954</b>
		<b>612,444</b>	<b>520,100</b>

## INTERIM RESULTS

### CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

*For the six months ended 30th June, 2001*

	Six months ended 30th June, 2001 (Unaudited) HK\$'000
Exchange differences arising on translation of overseas operations	(1,722)
Net losses not recognised in the income statement	(1,722)
Net profit for the period	24,724
Total recognised gains and losses	23,002
Goodwill written back on disposal of shares to minority interests	106
	23,108

## INTERIM RESULTS

### CONDENSED CONSOLIDATED CASH FLOW STATEMENT

*For the six months ended 30th June, 2001*

	Six months ended 30th June, 2001 (Unaudited) HK\$'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	35,523
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	(33,809)
TAX PAID	(2,268)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(81,726)
NET CASH INFLOW FROM FINANCING	92,871
INCREASE IN CASH AND CASH EQUIVALENTS	10,591
CASH AND CASH EQUIVALENTS AT 1ST JANUARY, 2001	(20,745)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(2,235)
CASH AND CASH EQUIVALENTS AT 30TH JUNE, 2001	(12,389)
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS	
Cash and bank balances	70,967
Short-term bank loans and overdrafts	(83,356)
	(12,389)

## INTERIM RESULTS

### NOTES TO THE CONDENSED FINANCIAL STATEMENTS

*For the six months ended 30th June, 2001*

#### 1. ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain investments in securities.

The condensed financial statements have been prepared in accordance with Statement of Standard Accounting Practice No. 25 "Interim financial reporting" ("SSAP 25") issued by the Hong Kong Society of Accountants, except that comparative figures are not presented either for the condensed consolidated statement of recognised gains and losses or for the condensed consolidated cash flow statement, being the first cash flow statement to be included in the interim financial report relating to accounting period ended on or after 1st July, 2000. Such departures from SSAP 25 are permitted under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The accounting policies adopted are consistent with those followed in the Group's annual financial statements for the year ended 31st December, 2000.

Comparative figures in the condensed consolidated income statement have been restated to conform with current period's presentation as required under Hong Kong SSAP 1 (revised) "Presentation of Financial Statements".

## INTERIM RESULTS

### 2. SEGMENTAL INFORMATION

The analysis of the turnover of the Group and the contribution to profit before taxation by principal activity and geographical market were as follows:

	Turnover		Contribution to	
	Six months ended		profit before taxation	
	30th June,		Six months ended	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<hr/>				
By Principal Activity:				
Continuing operations:				
Trading and distribution				
— Industrial products	454,298	499,856	18,309	25,104
Manufacturing				
— Industrial products	779,069	511,744	14,761	23,194
Others	26,445	51,231	(4,544)	(4,735)
	<hr/>			
	1,259,812	1,062,831	28,526	43,563
Discontinued operations:				
Fast food business	—	2,300	—	(5,344)
	<hr/>			
	1,259,812	1,065,131	28,526	38,219
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Gain on disposal of shares to minority interests			1,940	—
Gain on disposal of land and buildings			—	65,626
Share of results of jointly controlled entities			(1,900)	(1,928)
			<hr/>	
Profit before taxation			28,566	101,917
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## INTERIM RESULTS

	Turnover				Contribution to profit before taxation			
	Six months ended 30th June, 2001		Six months ended 30th June, 2000		Six months ended 30th June, 2001		Six months ended 30th June, 2000	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Continuing	Discontinued	Continuing	Discontinued	Continuing	Discontinued	Continuing	Discontinued
By Geographical Market:								
Hong Kong	411,551	—	402,457	—	1,041	—	9,757	(717)
PRC* (other than Hong Kong)	242,728	—	134,596	2,300	9,827	—	1,129	(4,627)
South East Asia**	332,078	—	283,612	—	11,772	—	20,776	—
Europe	39,513	—	32,826	—	1,186	—	1,615	—
America	221,177	—	208,852	—	4,680	—	10,264	—
Others	12,765	—	488	—	20	—	22	—
	1,259,812	—	1,062,831	2,300	28,526	—	43,563	(5,344)
Gain on disposal of shares to minority interests					1,940	—	—	—
Gain on disposal of land and buildings					—	—	65,626	—
Share of results of jointly controlled entities					(1,900)	—	(1,928)	—
Profit before taxation					28,566	—	107,261	(5,344)

\* PRC denotes the People's Republic of China

\*\* For the purposes of this analysis South East Asia includes Taiwan, Thailand, Singapore, Japan and the Philippines

### 3. TAXATION

	Six months ended 30th June, 2001		2000
	HK\$'000	HK\$'000	HK\$'000
The charge comprises:			
Profits tax for the period			
Hong Kong		783	2,021
Other jurisdictions		2,311	1,870
Prior years			
Hong Kong		(800)	—
		2,294	3,891

## INTERIM RESULTS

Hong Kong Profits Tax is calculated at the rate of 16% on the estimated assessable profit for the period of each member of the Group in Hong Kong. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

#### 4. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	Six months ended 30th June,	
	2001	2000
	HK\$'000	HK\$'000
<b>Earnings</b>		
Earnings for the purposes of basic and diluted earnings per share	24,724	98,026
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic earnings per share	692,791,964	688,245,162
Effect of dilutive potential ordinary shares: Share options	—	1,981,218
Weighted average number of ordinary shares for the purposes of diluted earnings per share	692,791,964	690,226,380

Earnings per share for the six months ended 30th June, 2001 is not diluted by the Company's outstanding share options since the exercise price is higher than the fair value per share.

## INTERIM RESULTS

### 5. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables of HK\$492,970,000 (At 31st December, 2000 — HK\$498,027,000). The Group has a policy of allowing an average credit period of 60 days to its trade customers. The following is an aging analysis of the trade receivables at the reporting date:

	30th June, 2001 HK\$'000	31st December, 2000 HK\$'000
0 to 30 days	177,683	268,732
31 to 60 days	74,386	140,998
61 to 90 days	56,518	49,484
Over 90 days	184,383	38,813
	<b>492,970</b>	<b>498,027</b>

### 6. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$286,818,000 (At 31st December, 2000 — HK\$309,391,000). The following is an aging analysis of the trade payables at the reporting date:

	30th June, 2001 HK\$'000	31st December, 2000 HK\$'000
0 to 30 days	120,613	145,590
31 to 60 days	107,024	84,401
61 to 90 days	45,707	12,154
Over 90 days	13,474	67,246
	<b>286,818</b>	<b>309,391</b>

## INTERIM RESULTS

### 7. SHARE CAPITAL

	Number of ordinary shares of HK\$0.10 each	Amount HK\$'000
Issued and fully paid:		
At 31st December, 2000 & At 30th June, 2001	692,791,964	69,279

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

### 8. RESERVES

	Capital			Other reserve	Special reserve	Assets		Accumulated profits	Total
	Share premium	redemption reserve	Contributed surplus			revaluation reserve	Exchange reserve		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31st December, 2000	68,142	1,610	5,536	10	5,008	233	(15,220)	321,720	387,039
Share premium arisen on new issue of shares to minority interest	3,583	—	—	—	—	—	—	—	3,583
Share premium attributable to minority interest	(1,241)	—	—	—	—	—	—	—	(1,241)
Goodwill written back on disposal of shares to minority interest	—	—	106	—	—	—	—	—	106
Written off of reserve shared from an associate	—	—	—	(10)	—	—	—	—	(10)
Exchange adjustment	—	—	—	—	—	—	(1,722)	—	(1,722)
Profit for the period	—	—	—	—	—	—	—	24,724	24,724
Retained earnings attributable to minority interest	—	—	—	—	—	—	—	(2,365)	(2,365)
At 30th June, 2001	70,484	1,610	5,642	—	5,008	233	(16,942)	344,079	410,114

## INTERIM RESULTS

### 9. RELATED PARTY TRANSACTIONS

During the period, the Group has entered into the following transactions with related parties:

	Trade sales		Trade purchases		Rental income		Loan interest income	
	Six months		Six months		Six months		Six months	
	ended 30th June,		ended 30th June,		ended 30th June,		ended 30th June,	
	2001	2000	2001	2000	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Related parties*	10,591	11,724	—	—	—	—	—	—
Jointly controlled entities	—	—	3,464	19,191	1,224	1,516	1,136	1,063

\* *Related parties are companies of which Directors are close family members of Mr. Senta Wong.*

The prices of the above transactions were determined by the Directors by reference to market prices for similar transactions.

### 10. COMMITMENTS AND CONTINGENT LIABILITIES

	30th June, 2001 HK\$'000	31st December, 2000 HK\$'000
(a) Capital commitments contracted for in respect of acquisition of fixed assets	—	1,384
(b) Contingent liabilities in respect of — Bills discounted	14,376	2,100

### INTERIM DIVIDEND

The Directors do not recommend any interim dividend for the six months ended 30th June, 2001 (2000 — Nil).

## BUSINESS REVIEW AND PROSPECTS

### BUSINESS REVIEW

The Group's turnover has improved by approximately 18% to HK\$1.26 billion for the first half of 2001 as compared to the corresponding period last year, which was mainly due to an increase in sales by the OEM Manufacturing Division. However, the Group's profit from operations has been affected by the reduced profit margin resulting from the recent slowdown of the global economy and has decreased by approximately 8% to HK\$41.3 million compared to the corresponding period last year.

The OEM Manufacturing Division recorded a growth of approximately 52% in turnover in the first half of 2001 as compared to the corresponding period last year mainly because of an increase in orders from new customers and existing customers. Although the Group managed to secure additional business by striving for quality in its products and services, the profit margin has been under severe pressure amidst the prevailing market environment. As a result, the operating profit of the OEM Manufacturing Division for the first half of this year decreased by approximately 36% compared to the corresponding period last year.

The Group's Industrial Products Trading Division recorded a decrease in turnover and operating profit of approximately 9% and 27%, respectively, for the six months ended 30th June, 2001 as compared to the corresponding period last year. The trading of electronic products by the Group's China Trade Department performed well and achieved an increase of 48% in sales for the first half of 2001 compared to the corresponding period last year, whilst the revenue from the operation in Taiwan has also increased slightly. However, the trading and distribution operations of industrial products in Hong Kong, Singapore, Thailand and the Philippines suffered from a reduction in revenue as affected by the downturn in the electronics industry.

### FINANCE

The Group has been maintaining a conservative approach in its funding and treasury policies. The Group's working capital has been closely monitored to maximize the return on investments and to minimize finance costs.

## BUSINESS REVIEW AND PROSPECTS

The Group has committed bank and other financing facilities totalling HK\$773.9 million, of which HK\$488.2 million were drawn down as at 30th June, 2001.

During the six months ended 30th June, 2001, the Group has drawn down a three year term loan of HK\$120 million with banks for the purpose of financing the development of the Group's new manufacturing facilities in Changping, Dongguan, PRC. The development is expected to be completed by the end of 2001.

As at 30th June, 2001, the Group's consolidated net borrowings amounted to approximately HK\$362.3 million and its shareholders' equity amounted to approximately HK\$479.4 million, resulting a gearing ratio of approximately 76%.

The core business operations of the Group are mainly transacted in US dollars and Japanese Yen. Most of the Group's sales are conducted in the same currency as the corresponding purchase transaction. To minimize any impact on sales margin arising out of exchange rate fluctuations, the Group has entered into forward contracts in foreign currency for hedging purposes where necessary.

The Group has been actively seeking opportunities to reduce its finance costs in the light of the recent rate cuts and interest rate deregulation among the banks in Hong Kong. Apart from refinancing short-term loans by long-term loans to match the term of the Group's investments, the Group has entered into interest swap contracts to hedge the interest payable in the three year term loan facility of HK\$120 million mentioned above.

## CAPITAL STRUCTURE

There had been no material change in capital structure of the Group since 31st December, 2000.

## BUSINESS REVIEW AND PROSPECTS

### EMPLOYEES

As at 30th June, 2001, the Group had a total of 3,637 employees, of whom 401 were based in Hong Kong, 3,016 in the PRC and 220 overseas. The remuneration packages of the Group's employees are mainly based on their performance and experience, taking into account current industry practices.

In addition to the provision of provident fund scheme, medical allowance, in-house and external training programs, discretionary bonus and share option scheme are also available to employees based on their performance. The remuneration policy and packages of the Group's employees are reviewed regularly.

### PROSPECTS

The Directors expect that the global economy may remain weak and the tough market environment may continue in the near future. With our counterparts in the electronics industry undertaking costs cutting exercises, the demand for industrial products distributed by the Group is expected to be low for the rest of this year.

The Directors are, however, optimistic that the Group's OEM Manufacturing Division can secure more orders for the rest of this year, albeit at a lower profit margin in the current market environment.

The Directors are optimistic that given the volume of orders in hand and the Group's operational strength, barring unforeseen circumstances, satisfactory results can be achieved in 2001.

On behalf of the Directors, I wish to thank the management and staff of the Group for their dedication and commitments to the Group throughout the period.

By Order of the Board  
**Senta Wong**  
*Chairman*

Hong Kong, 3rd September, 2001



## CORPORATE GOVERNANCE

### DIRECTOR'S INTERESTS IN SHARES

At 30th June, 2001, the interests of the Directors and of their associates in the issued share capital of the Company and its associated corporation as recorded in the register kept by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") 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:

#### (A) Company

Name of Directors	Number of Ordinary Shares in the Company				Total Interests
	Personal Interests	Family Interests	Corporate Interests	Other Interests	
Senta Wong	—	1,886,000	—	185,640,044 (Note)	187,526,044
Edward Ying-Chun Tsui	7,311,920	—	—	—	7,311,920
Byron Shu-Chan Ho	2,300,000	1,520,000	—	—	3,820,000
Bengie Man-Hang Kwong	2,700,000	—	—	—	2,700,000
Gene Howard Weiner	180,000	—	—	—	180,000

*Note:* The 185,640,044 shares were beneficially owned by Greatway Company Inc., the entire share capital of which was held by the trustee of a discretionary trust established for the benefit of the family of Mr. Senta Wong.

## CORPORATE GOVERNANCE

### (B) Share Options

At 30th June, 2001, the Directors had personal interests in the share options to subscribe for ordinary shares of the Company granted under the share option scheme as follows:

Name of Director	Date granted	Exercisable period	Exercise Price HK\$	Outstanding as at 1.1.2001	Number of share options			Outstanding as at 30.6.2001
					Granted during the year	Exercised during the year	Lapsed during the year	
Senta Wong	25th July, 1997	25th July, 1998 to 24th July, 2002	0.39	2,300,000	—	—	—	2,300,000

Save as disclosed above, none of the Directors or chief executives, nor their associates, had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance, and none of the Directors or chief executives, nor their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the period.

### (C) Associated Corporation

Mr. Senta Wong beneficially owned 25 ordinary shares, representing 12.5%, in the issued share capital of Golden Crown Limited, an associated company of the Company.

Apart from the foregoing, at no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## CORPORATE GOVERNANCE

### SUBSTANTIAL SHAREHOLDERS

At 30th June, 2001, those persons or corporations (not being a Director or the chief executive of the Company) having, directly or indirectly, an interest in 10% or more of the issued share capital of the Company as recorded in the register kept by the Company pursuant to Section 16(1) of the SDI Ordinance were as follows:

<b>Shareholders</b>	<b>No. of Ordinary Shares</b>
(1) W.S. Wong & Sons Company Limited	144,993,445 (Note 1)
(2) Greatway Company Inc.	185,640,044 (Note 2)

Notes:

- (1) W.S. Wong & Sons Company Limited was controlled by the Wong family.
- (2) The entire share capital of Greatway Company Inc. was held by the trustee of a discretionary trust established for the benefit of the family of Mr. Senta Wong.

Save as disclosed above, no other person was recorded in the register kept pursuant to Section 16(1) of the SDI Ordinance as having an interest in 10% or more of the issued share capital of the Company.

## CORPORATE GOVERNANCE

### AUDIT COMMITTEE

The Audit Committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including the review of this interim report.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

### PRACTICE NOTE 19 TO THE LISTING RULES

The Company and a group of its wholly-owned subsidiaries have entered into a loan agreement with banks, which are independent third parties, for a transferable term loan facility of up to HK\$120 million made available to WKK Technology Limited, an indirectly wholly-owned subsidiary of the Company. The final repayment date of the loan is 18th May, 2004. Under the terms and conditions of the loan agreement, the followings would constitute an event of default: (a) if Mr. Senta Wong and his associates, together with any company beneficially owned or controlled by any of them, cease to be the largest single shareholder, or group of shareholders, in the Company; (b) if Mr. Senta Wong, his associates and his other family members, together with any company beneficially owned or controlled by any of them, cease to own or control (directly or indirectly) 35% or more of the issued share capital of the Company; or (c) if Mr. Senta Wong ceases to be actively involved in the management of the Company. Under the loan agreement, if any of the above occurs, all amounts outstanding and owing under the facility may become immediately due and payable. As at the date of this report, none of the events of default has occurred.

## CORPORATE GOVERNANCE

### CODE OF BEST PRACTICE

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30th June, 2001 in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, except that the Independent Non-Executive Directors are not appointed for a specific term but are subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the provisions of the Company's Bye-Laws.