



WONG'S KONG KING INTERNATIONAL (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

INTERIM REPORT 2002

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, 2002 together with comparative figures for the corresponding period in 2001 are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June, 2002

		Six months ended 30th June,	
		2002	2001
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
Turnover	2	1,169,776	1,259,812
Changes in inventories of finished goods and work in progress		4,018	(20,576)
Raw materials and consumables used		(584,588)	(662,844)
Purchase of finished goods		(348,043)	(333,454)
Staff costs		(119,090)	(113,406)
Depreciation		(15,638)	(14,339)
Other operating expenses		(83,359)	(73,911)
Profit from operations		23,076	41,282
Finance costs		(5,533)	(14,809)
Investment income		5,982	2,053
Gain on disposal of partial interest in a subsidiary		1,253	1,940
Share of results of jointly controlled entities		(3,799)	(1,900)
Share of result of an associate		(83)	—
Profit before taxation	2	20,896	28,566
Taxation	3	(5,347)	(2,294)
Profit attributable to minority interests		15,549	26,272
		(2,993)	(1,548)
Net profit for the period		12,556	24,724
EARNINGS PER SHARE	4		
Basic		1.81 cents	3.57 cents
Diluted		N/A	N/A

INTERIM RESULTS

CONDENSED CONSOLIDATED BALANCE SHEET

At 30th June, 2002

		30th June, 2002 (Unaudited) HK\$'000	31st December, 2001 (Audited) HK\$'000
	Notes		
NON-CURRENT ASSETS			
Fixed assets		597,495	513,794
Interests in associates		5,259	3,708
Interests in jointly controlled entities		35,638	39,104
Investments in securities		14,469	15,074
Other assets		10,381	10,282
		663,242	581,962
CURRENT ASSETS			
Inventories		178,352	166,518
Trade and other receivables	5	580,838	466,564
Bills receivable		4,971	4,005
Deposits and prepayments		29,011	19,111
Tax recoverable		458	1,263
Pledged fixed deposits		—	51,089
Cash and bank balances		82,153	58,338
		875,783	766,888
CURRENT LIABILITIES			
Trade and other payables	6	403,222	333,610
Bank borrowings			
— due within one year		474,211	388,600
Obligations under finance leases			
— due within one year		15,094	16,217
Tax payable		4,972	4,629
		897,499	743,056
NET CURRENT ASSETS		(21,716)	23,832
		641,526	605,794

INTERIM RESULTS

		30th June, 2002 (Unaudited) HK\$'000	31st December, 2001 (Audited) HK\$'000
	Notes		
CAPITAL AND RESERVES			
Share capital	7	69,279	69,279
Reserves		432,182	416,444
		501,461	485,723
MINORITY INTERESTS			
		23,296	14,933
NON-CURRENT LIABILITIES			
Bank borrowings			
— due after one year		108,500	89,500
Obligations under finance leases			
— due after one year		2,505	9,149
Deferred taxation		5,764	6,489
		116,769	105,138
		641,526	605,794

INTERIM RESULTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2002

	Share		Capital	Contributed	Special	Assets	Exchange	Accumulated	Total
	capital	premium	redemption	surplus	reserve	revaluation	reserve	profits	HK\$'000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January, 2002	69,279	68,142	1,610	26,624	5,008	233	(18,132)	332,959	485,723
Profit for the period	—	—	—	—	—	—	—	12,556	12,556
Exchange adjustment	—	—	—	—	—	—	3,182	—	3,182
At 30th June, 2002	69,279	68,142	1,610	26,624	5,008	233	(14,950)	345,515	501,461

	Share		Capital	Contributed	Other	Special	Assets	Exchange	Accumulated	Total
	capital	premium	redemption	surplus	reserve	reserve	revaluation	reserve	profits	HK\$'000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January, 2001	69,279	68,142	1,610	26,624	10	5,008	233	(15,220)	322,282	477,968
— as restated	—	—	—	—	—	—	—	—	—	—
Release of reserve upon written-off an associate	—	—	—	—	(10)	—	—	628	—	618
Profit for the period	—	—	—	—	—	—	—	—	24,724	24,724
Exchange adjustment	—	—	—	—	—	—	—	(2,350)	—	(2,350)
Final dividend for 2000 paid	—	—	—	—	—	—	—	—	(20,784)	(20,784)
At 30th June, 2001	69,279	68,142	1,610	26,624	—	5,008	233	(16,942)	326,222	480,176

INTERIM RESULTS

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June, 2002

	Six months ended 30th June,	
	2002	2001
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES	43,335	18,446
CASH FLOWS FROM INVESTING ACTIVITIES	(38,952)	(79,942)
CASH FLOWS FROM FINANCING ACTIVITIES	(10,433)	72,087
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(6,050)	10,591
CASH AND CASH EQUIVALENTS AT 1ST JANUARY	(72,260)	(20,745)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	3,555	(2,235)
CASH AND CASH EQUIVALENTS AT 30TH JUNE	(74,755)	(12,389)
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	82,153	70,967
Short-term bank loans and overdrafts	(156,908)	(83,356)
	(74,755)	(12,389)

INTERIM RESULTS

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th June, 2002

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 the requirements set out in Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" ("SSAP 25") issued by the Hong Kong Society of Accountants. The accounting policies adopted are consistent with those followed in the Group's annual financial statements for the year ended 31st December, 2001, except the Group has adopted the following accounting policies and presentations in accordance with the new and revised SSAPs which became effective on 1st January, 2002.

In accordance with the revised SSAP 1 "Presentation of Financial Statements", the Statement of Recognised Gains and Losses was replaced by the Statement of Changes in Equity.

In accordance with the revised SSAP 15 "Cash Flow Statements", it reclassifies cash flows under three headings namely operating, investing and financing activities.

Comparative figures in the condensed consolidated cash flow statement have been restated to conform with current period's presentation as required under Hong Kong SSAP 25 (revised) "Interim Financial Reporting".

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 profit before taxation	
	Six months ended 30th June,		Six months ended 30th June,	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
By Principal Activity:				
Continuing operations:				
Trading and distribution				
— Industrial products	466,561	454,298	9,376	18,309
Manufacturing				
— Industrial products	695,209	779,069	11,245	14,761
Others	8,006	26,445	2,904	(4,544)
	1,169,776	1,259,812	23,525	28,526
Gain on disposal of partial interest in a subsidiary			1,253	1,940
Share of results of jointly controlled entities			(3,799)	(1,900)
Share of result of an associate			(83)	—
Profit before taxation			20,896	28,566
By Geographical Market:				
Hong Kong	297,975	411,551	2,781	1,041
PRC* (other than Hong Kong)	216,325	242,728	(5,213)	9,827
South East Asia**	306,530	332,078	17,571	11,772
Europe	115,441	39,513	1,852	1,186
America	233,291	221,177	6,527	4,680
Others	214	12,765	7	20
	1,169,776	1,259,812	23,525	28,526
Gain on disposal of partial interest in a subsidiary			1,253	1,940
Share of results of jointly controlled entities			(3,799)	(1,900)
Share of result of an associate			(83)	—
Profit before taxation			20,896	28,566

* 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.

INTERIM RESULTS

3. Taxation

	Six months ended 30th June,	
	2002	2001
	HK\$'000	HK\$'000
The charge comprises:		
Profits tax for the period		
Hong Kong	1,513	783
Other jurisdictions	3,834	2,311
Prior years		
Hong Kong	—	(800)
	5,347	2,294

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,	
	2002	2001
	HK\$'000	HK\$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share	12,556	24,724
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	692,791,964	692,791,964

Earnings per share for the six months ended 30th June, 2002 and 2001 are not diluted by the Company's outstanding share options since the exercise price is higher than their fair value per share.

INTERIM RESULTS

5. Trade and other receivables

Included in trade and other receivables are trade receivables of HK\$564,079,000 (At 31st December, 2001: HK\$446,262,000). The Group has a policy of allowing an average credit period of 60 days to its trade customers. The following is an aged analysis of trade receivables at the reporting date:

	30th June, 2002	31st December, 2001
	HK\$'000	HK\$'000
0 to 30 days	216,221	182,909
31 to 60 days	106,879	104,425
61 to 90 days	79,886	40,019
Over 90 days	161,093	118,909
	564,079	446,262

6. Trade and other payables

Included in trade and other payables are trade payable of HK\$264,105,000 (At 31st December, 2001: HK\$207,176,000). The following is an aged analysis of trade payables at the reporting date:

	30th June, 2002	31st December, 2001
	HK\$'000	HK\$'000
0 to 30 days	112,000	108,536
31 to 60 days	25,263	33,667
61 to 90 days	8,706	5,714
Over 90 days	118,136	59,259
	264,105	207,176

7. Share capital

	Number of ordinary shares of HK\$0.10 each	Amount HK\$'000
Issued and fully paid:		
At 31st December, 2001 & At 30th June, 2002	692,791,964	69,279

INTERIM RESULTS

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

8. 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 ended		Six months ended		Six months ended		Six months ended	
	30 June,		30 June,		30 June,		30 June,	
	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Related parties*	5,368	10,591	—	—	—	—	—	—
Jointly controlled entities	—	—	2,903	3,464	1,400	1,224	526	1,136

* *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.

9. Commitments and contingent liabilities

		30th June, 2002	31st December, 2001
		HK\$'000	HK\$'000
(a)	Capital commitments contracted for in respect of acquisition of fixed assets	50,000	78,584
(b)	Contingent liabilities in respect of:		
	— Bills discounted	2,333	2,576
	— Guarantees given in respect of leasing facilities utilised by jointly controlled entities	434	714

INTERIM DIVIDEND

The Directors do not recommend any interim dividend for the six months ended 30th June, 2002 (2001—Nil).

BUSINESS REVIEW AND PROSPECTS

BUSINESS REVIEW

The Group's turnover was HK\$1.17 billion for the first half of 2002, representing a decrease of approximately 7% from that of the corresponding period last year, mainly due to the prolonged slowdown of the global economy. The Group's profit from operations was HK\$23.1 million, representing a decrease of approximately 44% as compared to the corresponding period last year.

Although the turnover of the Group's Industrial Products Trading Division in the first half of this year was slightly higher than that in the corresponding period last year, the operating profit dropped by approximately 49% due to squeezed profit margins resulting from increased competition. Whilst the Group's operations in Taiwan in the first six months of this year maintained the same level of profitability as the same period last year and continued to be the major source of the Group's profit, trading in electronic assembly-related products by the Electronic Equipment Department of the Industrial Products Trading Division in Hong Kong also recorded outstanding performance in the first half of this year and contributed significantly to the profit of the Division. However, other operations of Industrial Products Trading Division in Hong Kong, the PRC, Singapore, Thailand and the Philippines suffered losses in the first half of this year as a result of the continuing depression in the electronics industry.

The OEM Manufacturing Division recorded a decrease of approximately 11% in revenue in the first six months of this year as compared to the same period last year, mainly due to the sluggish economic situation. The operating profit of the Division for the first half of this year decreased by approximately 24% to HK\$11.2 million.

FINANCE

The group has committed bank facilities and other financing facilities totalling HK\$856 million, of which HK\$603.6 million were drawn down as at 30th June, 2002.

BUSINESS REVIEW AND PROSPECTS

As at 30th June, 2002, the Group's consolidated net borrowings amounted to HK\$518.2 million and its shareholders' equity amounted to HK\$501.5 million, resulting in a gearing ratio of 103%.

Most of the Group's sales are conducted in the same currencies as the corresponding purchase transactions. The Group has entered into forward contracts in foreign currencies for hedging purposes where necessary to minimize any impact on the sales margin arising out of exchange rate fluctuations.

CAPITAL STRUCTURE

There has been no material change in the capital structure of the Group since 31st December, 2001.

EMPLOYEES

As at 30th June, 2002, the Group had a total of 4,426 employees, of whom 373 were based in Hong Kong, 3,854 in the PRC and 199 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 a provident fund scheme, medical allowance, in-house and external training programs, a 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 from time to time.

PROSPECTS

As a turnaround of the sluggish electronics industry is generally not expected to occur within this year, the demand for industrial products distributed by the Group is expected to be weak. However, operations in Taiwan and Hong Kong in relation to the trading in electronic assembly-related products are expected to continue to outperform the rest of the Group in the second half of this year.

BUSINESS REVIEW AND PROSPECTS

Despite the current economic condition, the Directors are optimistic that given the volume of orders in hand, the Group's OEM Manufacturing Division will be able to maintain a level of business for the whole year comparable to that achieved last year.

On behalf of the Directors. I wish to thank all employees for their support, dedication and hard work.

By Order of the Board
Senta Wong
Chairman

Hong Kong, 19th September, 2002

CORPORATE GOVERNANCE

DIRECTOR'S INTERESTS IN SHARES

At 30th June, 2002, 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	—	241,902,100 ⁽ⁱ⁾	243,788,100
Edward Ying-Chun Tsui	7,311,920	—	—	—	7,311,920
Byron Shu-Chan Ho	2,300,000	2,230,000	—	—	4,530,000
Bengie Man-Hang Kwong	2,700,000	—	—	—	2,700,000
Gene Howard Weiner	180,000	—	—	—	180,000

Note: (i) Amongst the 241,902,100 shares:

- (a) 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 Mr. Senta Wong and certain charitable objects in Hong Kong; and
- (b) 56,262,056 shares were held by Senta Wong Company Limited, which is wholly-owned by Mr. Senta Wong, his wife, Mrs. Wong Wu Lai Ming, and their three children, namely, Vinci Wong, Ava Wong and Orangeo Wendy Wong.

CORPORATE GOVERNANCE

(B) Share Options

At 30th June, 2002, 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\$	Number of share options				Outstanding as at 30.6.2002
				Outstanding as at 1.1.2002	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
Hamed Hassan EL-ABD	25th July, 1997	25th July, 1998 to 24th July, 2002	0.39	500,000	—	—	—	500,000

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, 2002, 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:

Shareholders	No. of Ordinary Shares
(1) W.S. Wong & Sons Company Limited ⁽ⁱ⁾	144,993,445
(2) Greatway Company Inc. ^(ii & iii)	185,640,044

Notes:

- (i) W.S. Wong & Sons Company Limited was controlled by the Wong family.
- (ii) The entire share capital of Greatway Company Inc. was held by the trustee of a discretionary trust established for the benefit of Mr. Senta Wong and certain charitable objects in Hong Kong.
- (iii) On 1st November, 2001, the legal title in 19,816,749 shares was transferred by W.S. Wong & Sons Company Limited to Greatway Company Inc.. However, since these shares are held by Greatway Company Inc. as bare trustee for W.S. Wong & Sons Company Limited, such transfer did not constitute a notifiable transaction under the SDI Ordinance and accordingly such transfer is not reflected in the above table.

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, 2002 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.