



WONG'S KONG KING INTERNATIONAL (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

INTERIM REPORT 2004

INTERIM RESULTS

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 30th June 2004 together with comparative figures for the corresponding period in 2003 are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June 2004

		Six months ended 30th June,	
		2004	2003
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
Turnover	2	1,863,568	1,368,359
Investment income		299	1,122
Changes in inventories of finished goods and work in progress		(24,883)	(33,914)
Raw materials and consumables used		(775,171)	(647,620)
Purchase of finished goods		(702,209)	(409,384)
Staff costs		(138,534)	(113,873)
Depreciation		(26,944)	(26,312)
Other operating expenses		(100,243)	(86,025)
Profit from operations		95,883	52,353
Finance costs		(12,358)	(12,248)
Gain on disposal of partial interest in a subsidiary		—	1,703
Allowance for amounts due from jointly controlled entities		—	(6,988)
Share of result of an associate		(21)	(821)

INTERIM RESULTS

CONDENSED CONSOLIDATED INCOME STATEMENT *(continued)* *For the six months ended 30th June 2004*

		Six months ended 30th June,	
		2004	2003
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
Profit before taxation	2	83,504	33,999
Taxation	3	(16,740)	(9,821)
		66,764	24,178
Profit attributable to minority interests		(4,976)	(2,831)
Net profit for the period		61,788	21,347
DIVIDEND		6,928	—
EARNINGS PER SHARE	4		
Basic		8.92 cents	3.08 cents
Diluted		N/A	N/A

INTERIM RESULTS

CONDENSED CONSOLIDATED BALANCE SHEET

At 30th June, 2004

		30th June, 2004 (Unaudited) HK\$'000	31st December, 2003 (Audited) HK\$'000
	Notes		
NON-CURRENT ASSETS			
Fixed assets		678,327	694,748
Interests in associates		1,861	1,891
Investments in securities		11,067	11,126
Advances to investee companies		3,806	3,806
Net retirement asset		429	—
Other assets		13,450	9,414
Deferred tax asset		2,386	2,280
		711,326	723,265
CURRENT ASSETS			
Inventories		404,932	264,242
Trade and other receivables	5	840,641	718,779
Bills receivable		5,497	4,042
Deposits and prepayments		22,563	22,660
Tax recoverable		1,109	2,664
Pledged bank deposits		243	238
Cash and bank balances		184,752	108,874
		1,459,737	1,121,499
CURRENT LIABILITIES			
Trade and other payables	6	833,281	642,988
Bank borrowings			
— due within one year		428,490	341,263
Obligations under finance leases			
— due within one year		991	144
Tax payable		21,548	11,673
		1,284,310	996,068
NET CURRENT ASSETS		175,427	125,431
		886,753	848,696

INTERIM RESULTS

CONDENSED CONSOLIDATED BALANCE SHEET *(continued)*

At 30th June, 2004

	Notes	30th June, 2004 (Unaudited) HK\$'000	31st December, 2003 (Audited) HK\$'000
CAPITAL AND RESERVES			
Share capital	7	69,279	69,279
Reserves		548,705	484,391
		617,984	553,670
MINORITY INTERESTS			
		36,072	30,919
NON-CURRENT LIABILITIES			
Shareholders' loan		30,000	30,000
Bank borrowings			
— due after one year		200,000	231,000
Obligations under finance leases			
— due after one year		686	397
Retirement benefit obligation		1,330	486
Deferred tax liability		681	2,224
		232,697	264,107
		886,753	848,696

INTERIM RESULTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2004

	Share	Share	Capital	Contributed	Special	Assets	Exchange	Accumulated	Proposed	Total
	capital	premium	redemption	surplus	reserve	revaluation				
	reserve	reserve	reserve	reserve	reserve	reserve	reserve	profits	dividend	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January, 2004	69,279	68,142	1,610	26,624	5,008	233	(17,112)	399,886	—	553,670
Profit for the period	—	—	—	—	—	—	—	61,788	—	61,788
Proposed interim dividend	—	—	—	—	—	—	—	(6,928)	6,928	—
Exchange translation difference	—	—	—	—	—	—	2,526	—	—	2,526
At 30th June, 2004	69,279	68,142	1,610	26,624	5,008	233	(14,586)	454,746	6,928	617,984

	Share	Share	Capital	Contributed	Special	Negative	Assets	Exchange	Accumulated	Total
	capital	premium	redemption	surplus	reserve	goodwill	revaluation			
	reserve	reserve	reserve	reserve	reserve	reserve	reserve	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, 2003	69,279	68,142	1,610	26,624	5,008	—	233	(17,895)	355,384	508,385
Profit for the period	—	—	—	—	—	—	—	—	21,347	21,347
Exchange translation difference	—	—	—	—	—	—	—	(1,379)	—	(1,379)
Negative goodwill reserve	—	—	—	—	—	185	—	—	—	185
Negative goodwill reserve amortization	—	—	—	—	—	(37)	—	—	—	(37)
At 30th June, 2003	69,279	68,142	1,610	26,624	5,008	148	233	(19,274)	376,731	528,501

INTERIM RESULTS

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June, 2004

	Six months ended 30th June,	
	2004	2003
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH FROM OPERATING ACTIVITIES	126,486	66,056
NET CASH USED IN INVESTING ACTIVITIES	(13,892)	(8,354)
NET CASH USED IN FINANCING ACTIVITIES	(34,123)	(32,431)
INCREASE IN CASH AND CASH EQUIVALENTS	78,471	25,271
CASH AND CASH EQUIVALENTS AT 1ST JANUARY	98,233	38,734
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	2,318	(2,005)
CASH AND CASH EQUIVALENTS AT 30TH JUNE	179,022	62,000
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	184,752	74,831
Bank overdrafts	(5,730)	(12,831)
	179,022	62,000

INTERIM RESULTS

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th June, 2004

1. Basis of Preparation and 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 Institute of Certified Public Accountants (formerly known as 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, 2003.

2. Segmental Information

The analysis of the turnover of the Group and the contribution to profit before taxation by principal activity was as follow:

	Turnover		Contribution to profit before taxation	
	Six months ended 30th June,		Six months ended 30th June,	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By Principal Activity:				
Continuing operations:				
Trading and distribution				
— Industrial products	915,655	550,441	92,935	41,939
Manufacturing				
— Industrial products	926,478	812,573	(7,589)	1,458
Others	21,435	5,345	(1,821)	(3,292)
	1,863,568	1,368,359	83,525	40,105
Gain on disposal of partial interest in a subsidiary			—	1,703
Allowance for amounts due from jointly controlled entities			—	(6,988)
Share of result of an associate			(21)	(821)
			83,504	33,999
Profit before taxation			83,504	33,999

INTERIM RESULTS

3. Taxation

	Six months ended 30th June,	
	2004	2003
	HK\$'000	HK\$'000
The charge comprises:		
The Company and its subsidiaries		
Hong Kong	9,395	3,840
Other jurisdictions	7,333	5,924
An associate		
Other jurisdiction	12	57
	<hr/>	<hr/>
	16,740	9,821
	<hr/>	<hr/>

Hong Kong Profits Tax is calculated at the rate of 17.5% (2003: 17.5%) 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 earnings per share is based on the earnings of HK\$61,788,000 (2003: HK\$21,347,000) and the weighted average number of ordinary shares of 692,791,964 shares (2003: 692,791,964 shares).

No diluted earnings per share has been presented for both periods ended 30 June 2004 & 2003 as there is no dilutive potential ordinary shares in issue during the periods.

INTERIM RESULTS

5. Trade and other receivables

Included in trade and other receivables are trade receivables of HK\$814,777,000 (At 31st December, 2003: HK\$693,471,000). 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, 2004 HK\$'000	31st December, 2003 HK\$'000
0 to 30 days	276,381	213,454
31 to 60 days	180,647	151,380
61 to 90 days	91,207	81,933
Over 90 days	266,542	246,704
	814,777	693,471

6. Trade and other payables

Included in trade and other payables are trade payable of HK\$575,746,000 (At 31st December, 2003: HK\$463,124,000). The following is an aged analysis of trade payables at the reporting date:

	30th June, 2004 HK\$'000	31st December, 2003 HK\$'000
0 to 30 days	208,952	169,738
31 to 60 days	152,882	119,421
61 to 90 days	9,419	23,537
Over 90 days	204,493	150,428
	575,746	463,124

INTERIM RESULTS

7. Share capital

	Number of ordinary shares of HK\$0.10 each	Amount HK\$'000
Issued and fully paid:		
At 31st December, 2003 & At 30th June, 2004	692,791,964	69,279

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		Rental Expense		Loan interest income	
	Six months ended		Six months ended		Six months ended		Six months ended		Six months ended	
	30 June,		30 June,		30 June,		30 June,		30 June,	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Related parties*	3,643	1,740	9,563	6,668	—	—	145	145	—	—
Jointly controlled entities	—	—	—	5,064	—	1,524	—	—	—	923

* *Related parties are companies of which Directors are close family members of Mr. Senta Wong and a company which is a supervisor of a subsidiary of the Group in Taiwan.*

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

INTERIM RESULTS

9. Commitments and contingent liabilities

	30th June, 2004 HK\$'000	31st December, 2003 HK\$'000
(a) Capital commitments contracted for in respect of acquisition of fixed assets	—	2,573
(b) Contingent liabilities in respect of:		
— Bills discounted	15,977	12,046
— Trade receivables discounted with recourse	8,267	8,652

INTERIM DIVIDEND

The Board of Directors has declared an interim dividend of HK1 cent (2003: Nil) per share for the six months ended 30th June, 2004. The afore-mentioned interim dividend will be payable on 20th October, 2004 to the shareholders whose names appear on the Register of Members of the Company on 15th October, 2004.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 12th October, 2004 to 15th October, 2004, 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 share registrars, Standard Registrars Limited, at G/F Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on 11th October, 2004.

BUSINESS REVIEW AND PROSPECTS

BUSINESS REVIEW

The Group achieved a record half-yearly turnover of HK\$1.9 billion for the first half of 2004, up approximately 36% compared to the corresponding period last year. The Group's profit before taxation was HK\$83.5 million, representing a growth of approximately 146% over the same period last year.

Following the record sales last year, the Group's Industrial Products Trading Division continued to benefit from the rebound in the electronics industry and saw an improvement in the turnover and operating profit of approximately 66% and 122%, respectively, for the first half of this year as compared to the same period last year. All operations of the Division in Hong Kong, the PRC, Taiwan, Singapore, Thailand and the Philippines recorded growth both in terms of sales and operating profits.

The turnover of the OEM Manufacturing Division increased by approximately 14% in the first half of 2004 compared to the corresponding period last year. Despite the recovery in the electronics industry, competitions remained very keen. The erosion of profit margins resulted in operating losses being recorded by the Division for the first half of 2004, as compared to a slight profit in the same period last year.

FINANCE

The Group has committed bank facilities and other financing facilities totalling HK\$1,072.8 million, of which HK\$650.3 million were drawn down as at 30th June, 2004.

As at 30th June, 2004, the Group's consolidated net borrowings amounted to HK\$445.2 million and its shareholders' equity amounted to HK\$618 million, resulting in a gearing ratio of 72%.

Most of the Group's sales are conducted in the same currencies as the purchase transactions. Foreign exchange contracts were entered into to hedge against exchange rate exposures where necessary.

BUSINESS REVIEW AND PROSPECTS

CAPITAL STRUCTURE

There had been no material change in the capital structure of the Group since 31st December, 2003.

EMPLOYEES

As at 30th June, 2004, the Group had a total of 5,415 employees, of whom 281 were based in Hong Kong, 4,919 in the PRC and 215 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, discretionary bonuses are also available to employees based on their performance. The remuneration policy and packages of the Group's employees are reviewed regularly.

PROSPECT

After achieving record sales in the past one and a half years as a result of the recovery of the electronics industry, it is expected that the demand for the industrial products distributed by the Group will slow down in the second half of this year because of sales cycle. However, the Directors are optimistic that the Industrial Products Trading Division will achieve satisfactory results for the whole year.

The Directors are confident that the Group's OEM Manufacturing Division will secure more orders for the rest of this year, compared to the first half of this year.

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

By Order of the Board
Senta Wong
Chairman

Hong Kong, 14th September, 2004

CORPORATE GOVERNANCE

INTERESTS OF DIRECTORS

As at 30th June 2004, the interests or short positions of the Directors and chief executives 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:

(A) Long positions in shares of the Company

Name of Director	Capacity	Number of shares held	Percentage of total issued shares of the Company
Senta Wong	Interest of child or spouse, interest of controlled corporations and founder of discretionary trust (Note 1)	325,068,723	46.92%
Edward Ying-Chun Tsui	Beneficial owner	2,973,920	0.42%
Byron Shu-Chan Ho	Beneficial owner	1,000,000	0.14%
Bengie Man-Hang Kwong	Beneficial owner	2,700,000	0.39%
Gene Howard Weiner	Beneficial owner	180,000	0.03%

CORPORATE GOVERNANCE

Notes:

1. Mr. Senta Wong was deemed (by virtue of the SFO) to be interested in 325,068,723 shares in the Company. These shares were held in the following capacity:
 - (a) 1,886,000 shares were held by Ms. Wong Wu Lai Ming, wife of Mr. Senta Wong.
 - (b) 115,382,723 shares were held by Senta Wong (BVI) Limited, the entire issued share capital of which is owned by Mr. Senta Wong. The references to 115,382,723 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.
 - (c) 207,800,000 shares were held by Greatfamily Inc. (which was in turn wholly owned by Greatguy Inc.) for a discretionary trust, of which Mr. Senta Wong and Batsford Limited were regarded as the founders (by virtue of the SFO). The references to 207,800,000 shares deemed to be interested by Mr. Senta Wong (as disclosed herein), Greatfamily Inc., and Greatguy Inc. (as disclosed in the section headed “Interests of substantial shareholders”), and Batsford Limited (as disclosed in Note 1(a) under the section headed “Interests of substantial shareholders”) relate to the same block of shares.

CORPORATE GOVERNANCE

(B) Long positions in shares of associated corporations of the Company

Name of Director	Associated corporation	Capacity	Number of shares held	Percentage of total issued shares of the associated corporation
Senta Wong	Golden Crown Limited	Beneficial Owner	25	12.5%

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 30th June 2004, none of the Directors or chief executives of the Company or their respective 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.

At no time during the six months ended 30 June 2004 was the Company, its subsidiaries or its associated corporations a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates to acquire benefits by an acquisition of shares or underlying shares in, or debentures of, the Company or its associated corporations.

CORPORATE GOVERNANCE

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

So far as is known to any Director or chief executive of the Company, as at 30th June 2004, persons (other than a Director or chief executive of the Company) who 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 shares of the Company

Name of substantial shareholders	Capacity	Number of ordinary shares	Percentage interests
Batsford Limited	Founder of discretionary trust and trustee (Note 1)	239,149,332	34.51%
Greatfamily Inc.	Beneficial owner (Note 2)	207,800,000	29.99%
Greatguy Inc.	Trustee (Note 2)	207,800,000	29.99%
Senta Wong (BVI) Limited	Beneficial owner (Note 3)	115,382,723	16.65%
Wong Chung Yin	Beneficial owner, interest of child or spouse and founder of discretionary trust (Note 4)	71,705,251	10.35%
HSBC International Trustee Limited	Interest of controlled corporations	49,803,881	7.19%

Notes:

1. Batsford Limited was deemed (by virtue of the SFO) to be interested in 239,149,332 shares in the Company. These shares were held in the following capacity:
 - (a) 207,800,000 shares were held by Greatfamily Inc. (which was in turn wholly owned by Greatguy Inc.) for a discretionary trust, of which Mr. Senta Wong and Batsford Limited were regarded as the founders (by virtue of the SFO). Please see Note 1(c) under the section headed "Interests of Directors".
 - (b) 31,349,332 shares were held by Levy Investment Limited (which was in turn wholly owned by Batsford Limited) for a discretionary trust, of which Mr. Wong Chung Yin was regarded as the founder (by virtue of the SFO). The references to 31,349,332 shares deemed to be interested by Batsford Limited (as disclosed herein) and Mr. Wong Chung Yin (as disclosed in Note 4(c) below) relate to the same block of shares.
2. Please see Note 1(c) under the section headed "Interests of Directors".

CORPORATE GOVERNANCE

3. Please see Note 1(b) under the section headed "Interests of Directors".
4. Mr. Wong Chung Yin was deemed (by virtue of the SFO) to be interested in 71,705,251 shares in the Company. These shares were held in the following capacity:
 - (a) 4,772,000 shares were held by Mr. Wong Chung Yin personally.
 - (b) 2,000,000 shares were held under the name of Mr. Wong Chung Yin and his wife, Ms. Woo Sin Ming.
 - (c) 31,349,332 shares were held by Levy Investment Limited (which was in turn wholly owned by Batsford Limited) for a discretionary trust, of which Mr. Wong Chung Yin was regarded as the founder (by virtue of the SFO). Please see Note 1(b) above.
 - (d) 33,583,919 shares were held for The Pacific Way Unit Trust, of which Guardian Trustee Limited was regarded as the beneficiary (by virtue of the SFO). Mr. Wong Chung Yin was regarded as the founder of the trust (by virtue of the SFO) in relation to the same block of shares.

Save as disclosed, the Directors are not aware of any other persons who, as at 30th June 2004, 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.

AUDIT COMMITTEE

The Audit Committee of the Company, which comprises the three independent non-executive directors 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.

CORPORATE GOVERNANCE

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 six months ended 30th June, 2004.

COMPLIANCE WITH CHAPTER 13 OF THE LISTING RULES

The following information is disclosed pursuant to rules 13.18 and 13.21 of Chapter 13 of the Listing Rules:

On 6th August, 2003, the Company entered into a loan agreement on 6 August, 2003 with a syndicate of banks for a 4-year term loan facility of up to HK\$250 million to refinance a previous loan facility and for general working capital purposes. This loan agreement includes conditions to the effect that: (a) Mr. Senta Wong, the controlling shareholder of the Company, together with his associates, must remain the single largest shareholder of the Company; (b) Mr. Senta Wong, together with his associates and his other family members, must hold more than 50% of the issued share capital of the Company; and (c) Mr. Senta Wong must remain as the Chairman and the Chief Executive Officer of the Company. Under this loan agreement, if such an event of default occurs, all amounts outstanding and owing under the facility may become immediately due and payable. As at the latest practicable date, none of the above 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, 2004 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.