

MANAGEMENT DISCUSSION & ANALYSIS

used to refinance the syndicated loan that was drawn down during the second half of 2003, and the balance was used for general working capital.

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

CAPITAL STRUCTURE

There had been no material change in the capital structure of the Group since 31 December, 2004.

EMPLOYEES

As at 30 June, 2005, the Group had a total of 6,167 employees, of whom 279 were based in Hong Kong, 5,659 in the PRC and 229 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 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 tough market environment is expected to affect the performance of the Group's Industrial Products Trading Division for the rest of this year. However, it is expected that operations in Taiwan will continue to perform well in the second half of this year.

With the Group's continuous efforts in advancing its technology level and offering value-adding services to customers, it is expected that the Group's OEM Manufacturing Division will secure more orders for the rest of this year.

On behalf of the Board, I wish to thank all employees for their dedication, support and commitment to the Group throughout the period.

By Order of the Board
Wong's Kong King International (Holdings) Limited
Byron Shu-Chan Ho
Director

Hong Kong, 15 September, 2005