

WKK

WONG'S KONG KING INTERNATIONAL (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0532)



INTERIM REPORT 2012

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 30 June 2012 together with comparative figures for the corresponding period in 2011 are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2012

		Six months ended 30 June	
	Note	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Revenue	3	2,445,128	2,567,435
Investment income		7,149	208
Raw materials and consumables used		(1,326,926)	(1,335,336)
Purchases of finished goods		(566,305)	(730,151)
Changes in inventories of finished goods and work in progress		(40,012)	6,598
Other manufacturing overhead		(40,407)	(39,899)
Employee benefits expense		(297,976)	(277,074)
Depreciation and amortisation		(31,407)	(29,933)
Other expenses		(108,176)	(121,828)
Operating profit		41,068	40,020
Finance income	4	7,549	35,733
Finance costs	4	(16,239)	(16,586)
Finance (costs)/income, net	4	(8,690)	19,147
Share of results of an associate		-	(670)
Write back/(addition) of allowance for doubtful debt on amount due from a jointly controlled entity		608	(215)
Profit before income tax	3	32,986	58,282
Income tax expense	5	(14,332)	(22,395)
Profit for the period		18,654	35,887
Attributable to:			
Equity holders of the Company		14,726	31,286
Non-controlling interests		3,928	4,601
		18,654	35,887
DIVIDENDS		-	7,397
EARNINGS PER SHARE (expressed in HK cents per share)	6		
- basic		1.99	4.23
- diluted		1.98	4.19

INTERIM RESULTS

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2012

	30 June 2012 (Unaudited) Note	31 December 2011 (Audited)
	HK\$'000	HK\$'000
ASSETS		
NON-CURRENT ASSETS		
Land use rights	14,523	14,748
Property, plant and equipment	611,712	604,315
Prepayment for acquisition of plant and equipment	10,998	13,276
Intangible assets	10,979	11,634
Interest in an associate	–	2,599
Interests in jointly controlled entities	2,098	1,490
Deferred tax assets	8,317	8,906
Available-for-sale financial assets	32,845	29,639
Long term deposits	2,837	1,970
Retirement benefit assets	17	615
Club membership and debentures	15,158	15,162
TOTAL NON-CURRENT ASSETS	709,484	704,354
CURRENT ASSETS		
Inventories	810,555	748,464
Trade and other receivables	7 1,405,746	1,251,091
Deposits and prepayments	83,397	66,659
Tax recoverable	218	1,135
Derivative financial instruments	113	4
Bank balances and cash	497,078	1,111,369
TOTAL CURRENT ASSETS	2,797,107	3,178,722
TOTAL ASSETS	3,506,591	3,883,076
LIABILITIES		
NON-CURRENT LIABILITIES		
Obligations under finance leases		
– due after one year	2,844	3,468
Deferred tax liabilities	3	–
Retirement benefit obligations	–	381
TOTAL NON-CURRENT LIABILITIES	2,847	3,849

INTERIM RESULTS

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

AT 30 JUNE 2012

		30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
	Note		
CURRENT LIABILITIES			
Trade, bill and other payables	8	1,114,757	981,716
Current income tax liabilities		9,200	6,107
Bank borrowings – due within one year	10	907,977	1,426,236
Bank overdraft, secured		12,044	11,763
Obligations under finance leases – due within one year		1,214	1,201
Derivative financial instruments		25	10,945
TOTAL CURRENT LIABILITIES		2,045,217	2,437,968
TOTAL LIABILITIES		2,048,064	2,441,817
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	9	73,967	73,967
Reserves		1,292,034	1,288,097
		1,366,001	1,362,064
Non-controlling interests		92,526	79,195
TOTAL EQUITY		1,458,527	1,441,259
TOTAL EQUITY AND LIABILITIES		3,506,591	3,883,076
NET CURRENT ASSETS		751,890	740,754
TOTAL ASSETS LESS CURRENT LIABILITIES		1,461,374	1,445,108

INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Profit for the period	18,654	35,887
OTHER COMPREHENSIVE INCOME		
Currency translation differences	(3,365)	7,399
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	15,289	43,286
ATTRIBUTABLE TO:		
Equity holders of the Company	11,334	37,449
Non-controlling interests	3,955	5,837
	15,289	43,286

INTERIM RESULTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Attributable to equity holders of the Company									Non-controlling interests	Total equity
	Share capital	Share premium	Capital redemption reserve	Contributed surplus	Special reserve	Translation reserve	Share options reserve	Retained profits	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
Balance at 1 January 2012	73,967	89,714	1,610	26,624	5,008	15,099	758	1,149,284	1,362,064	79,195	1,441,259
Comprehensive income											
Profit for the period	-	-	-	-	-	-	-	14,726	14,726	3,928	18,654
Other comprehensive income											
Currency translation differences	-	-	-	-	-	(3,392)	-	-	(3,392)	27	(3,365)
Total comprehensive income for the period ended 30 June 2012	-	-	-	-	-	(3,392)	-	14,726	11,334	3,955	15,289
2011 final dividend	-	-	-	-	-	-	-	(7,397)	(7,397)	-	(7,397)
Changes in ownership interests in subsidiaries that do not result in a loss of control	-	-	-	-	-	-	-	-	-	17,126	17,126
Dividend payable to non-controlling interests	-	-	-	-	-	-	-	-	-	(7,750)	(7,750)
Balance at 30 June 2012	73,967	89,714	1,610	26,624	5,008	11,707	758	1,156,613	1,366,001	92,526	1,458,527

	Attributable to equity holders of the Company									Non-controlling interests	Total equity
	Share capital	Share premium	Capital redemption reserve	Contributed surplus	Special reserve	Translation reserve	Share options reserve	Retained profits	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
Balance at 1 January 2011	73,952	89,645	1,610	26,624	5,008	10,243	772	1,096,004	1,303,858	91,946	1,395,804
Comprehensive income											
Profit for the period	-	-	-	-	-	-	-	31,286	31,286	4,601	35,887
Other comprehensive income											
Currency translation differences	-	-	-	-	-	6,163	-	-	6,163	1,236	7,399
Total comprehensive income for the period ended 30 June 2011	-	-	-	-	-	6,163	-	31,286	37,449	5,837	43,286
Issue of ordinary shares upon exercise of share options	15	69	-	-	-	-	(7)	7	84	-	84
2010 final dividend	-	-	-	-	-	-	-	(14,793)	(14,793)	-	(14,793)
Dividend payable to non-controlling interests	-	-	-	-	-	-	-	-	-	(20,367)	(20,367)
Balance at 30 June 2011	73,967	89,714	1,610	26,624	5,008	16,406	765	1,112,504	1,326,598	77,416	1,404,014

INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
NET CASH USED IN OPERATING ACTIVITIES	(69,509)	(173,184)
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	461,324	(338,527)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	(526,121)	560,806
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(134,306)	49,095
CASH AND CASH EQUIVALENTS AT 1 JANUARY	425,752	228,568
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(2,794)	4,388
CASH AND CASH EQUIVALENTS AT 30 JUNE	288,652	282,051
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash (excluding short-term time deposit)	300,696	293,655
Bank overdrafts, secured	(12,044)	(11,604)
	288,652	282,051

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2012

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2012 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 and with Hong Kong Accounting Standard 34 *“Interim Financial Reporting”* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial information has been prepared in consistent with those principal accounting policies followed in the Annual Report 2011 except the adoption of new 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 2012.

- (a) Standards, amendments and interpretations to existing standards effective in 2012 but are not relevant or have no significant impact to the Group.
- HKAS 12 (Amendment), ‘Deferred tax: Recovery of underlying assets’
 - HKFRS 1 (Amendment), ‘Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters’
 - HKFRS 7 (Amendment), ‘Disclosures – Transfers of financial assets’

INTERIM RESULTS

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

- (b) The following new standards and amendments to standards have been issued and relevant to the Group but are not effective for the financial year beginning 1 January 2012 and have not been early adopted:

		Effective for annual periods beginning on or after
HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income	1 July 2012
HKAS 19 (2011)	Employee benefits	1 January 2013
HKAS 27 (2011)	Separate financial statements	1 January 2013
HKAS 28 (2011)	Investment in associates and joint ventures	1 January 2013
HKFRS 9	Financial instruments	1 January 2015
HKFRS 10	Consolidated financial statements	1 January 2013
HKFRS 11	Joint arrangements	1 January 2013
HKFRS 12	Disclosure of interests in other entities	1 January 2013
HKFRS 13	Fair value measurement	1 January 2013

INTERIM RESULTS

3. SEGMENTAL INFORMATION

The Chief Operation Decision-Maker (“CODM”) has been identified as directors of the Company. 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.

- 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 2012 are as follows:

	Trading HK\$'000	Manufacturing HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Revenue					
External sales	857,973	1,555,065	32,090	-	2,445,128
Inter-segment sales	152,138	1,387	12,669	(166,194)	-
Total	1,010,111	1,556,452	44,759	(166,194)	2,445,128
Results					
Segment results after finance income/(costs)	23,666	16,868	(7,757)	(399)	32,378
Write back of allowance for doubtful debt on amount due from a jointly controlled entity					608
Profit before income tax					32,986

INTERIM RESULTS

3. SEGMENTAL INFORMATION (CONTINUED)

The segment information for the six months ended 30 June 2011 are as follows:

	Trading HK\$'000	Manufacturing HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Revenue					
External sales	1,081,115	1,461,012	25,308	-	2,567,435
Inter-segment sales	165,684	1,335	15,338	(182,357)	-
Total	1,246,799	1,462,347	40,646	(182,357)	2,567,435
Results					
Segment results after finance income/(costs)	45,131	24,735	(10,199)	(500)	59,167
Share of results of an associate					(670)
Allowance for doubtful debt on amount due from a jointly controlled entity					(215)
Profit before income tax					58,282

4. FINANCE (COSTS)/INCOME, NET

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Interest income	7,549	16,466
Net foreign exchange gain on bank deposits	-	19,267
	7,549	35,733
Interest expense	(12,088)	(12,261)
Fair value loss on foreign exchange forward contracts and interest rate swap	(3,802)	(4,325)
Net foreign exchange loss on bank deposits	(349)	-
	(16,239)	(16,586)
Finance (costs)/income, net	(8,690)	19,147

INTERIM RESULTS

5. INCOME TAX EXPENSE

Hong Kong Profits Tax is calculated at the rate of 16.5% (2011: 16.5%) on the estimated assessable profit for the period of each member of the Group in Hong Kong. The subsidiaries established in the PRC are subject to enterprise income tax rate of 25% (2011: 12.5% to 25%). The subsidiaries in Taiwan are subject to corporate income tax rate of 17% (2011: 17%). Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Current income tax		
Hong Kong profits tax	4,109	5,058
Other jurisdictions including PRC income tax	7,012	9,322
Withholding tax on dividend declared by subsidiaries	3,211	8,015
	14,332	22,395

6. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2012	2011
Profit attributable to equity holders of the Company (Hong Kong thousands dollar)	14,726	31,286
Weighted average number of ordinary shares in issue (thousands)	739,670	739,656
Basic earnings per share (Hong Kong cents per share)	1.99	4.23

INTERIM RESULTS

6. EARNINGS PER SHARE (CONTINUED)

(b) Diluted

Diluted earnings per share is calculated by adjusting weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

	Six months ended 30 June	
	2012	2011
Profit attributable to equity holders of the Company (Hong Kong thousands dollar)	14,726	31,286
Weighted average number of ordinary shares in issue (thousands)	739,670	739,656
Adjustments for share options (thousands)	3,902	6,807
Weighted average number of ordinary shares for diluted earnings per share (thousands)	743,572	746,463
Diluted earnings per share (Hong Kong cents per share)	1.98	4.19

INTERIM RESULTS

7. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables (including amounts due from related parties of trading in nature) of HK\$1,393,699,000 (At 31 December 2011: HK\$1,238,988,000). 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 is granted.

The ageing analysis of trade receivables based on invoice date net of provision for impairment at the end of reporting period is as follows:

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
0 to 30 days	640,029	463,243
31 to 60 days	267,010	321,942
61 to 90 days	213,947	179,625
Over 90 days	272,713	274,178
	1,393,699	1,238,988

INTERIM RESULTS

8. TRADE, BILL AND OTHER PAYABLES

Included in trade, bill and other payables are trade and bill payable (including amounts due to related parties of trading in nature) of HK\$823,223,000 (At 31 December 2011: HK\$727,481,000).

The following is an ageing analysis of trade and bill payables based on invoice date at the end of reporting period:

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
0 to 30 days	656,649	393,621
31 to 60 days	90,682	191,950
61 to 90 days	31,867	77,360
Over 90 days	44,025	64,550
	823,223	727,481

9. SHARE CAPITAL

	Number of ordinary shares of HK\$0.10 each	Amount HK\$'000
Issued and fully paid:		
At 31 December 2011 and 30 June 2012	739,669,964	73,967

INTERIM RESULTS

10. BANK BORROWING

	HK\$'000
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Six months ended 30 June 2011:	
Opening amount as at 1 January 2011	1,287,257
New bank borrowing	2,651,485
Repayment of bank borrowing	(2,038,667)
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Closing amount as at 30 June 2011	1,900,075
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Six months ended 30 June 2012:	
Opening amount as at 1 January 2012	1,426,236
New bank borrowing	1,828,146
Repayment of bank borrowing	(2,346,405)
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Closing amount as at 30 June 2012	907,977
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11. CAPITAL COMMITMENTS

As at 30 June 2012, the Group is committed to acquisition of plant and equipment amounted to HK\$4,686,000 (At 31 December 2011: HK\$2,479,000).

12. 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.

The Group is ultimately controlled by Mr. Senta Wong.

INTERIM RESULTS

12. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Six months ended		Amount	Amount
	30 June		due from/ (to) related	due from/ (to) related
	2012	2011	parties 30 June	parties 31 December
	HK\$'000	HK\$'000	2012 HK\$'000	2011 HK\$'000
Ticketing and touring income (note i, iv and v)	111	86	8	-
Ticketing and touring income (note ii, iv and v)	27	30	1	22
Trade sales (note iii and v)	-	22	-	-
Trade purchases (note iii and v)	-	347	-	(240)
Rental income (note iii and v)	-	102	-	-
Rental expense (note i, iv and v)	498	498	-	-

Notes:

- (i) Related parties are Mr. Senta Wong, his close family members and companies of which Mr. Senta Wong or his close family members are directors.
- (ii) Related parties are Mr. John Ho and his close family members.
- (iii) Related party is THT Technology Company Limited, an associate of the Group in Taiwan. The associate has become a subsidiary of the Group since the increase in shareholding by the Group on the associate during the period ended 30 June 2012.
- (iv) Ticketing and touring income of HK\$138,000 (2011: HK\$116,000) and rental expense of HK\$498,000 (2011: HK\$498,000) constitute continuing connected transactions under the Listing Rules. These continuing connected transactions are exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under chapter 14A.33 of the Listing Rules.
- (v) The prices of the above transactions were determined with reference to market prices for similar transactions.

INTERIM RESULTS

12. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Key management remuneration

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

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Salaries, fee, bonus, wages, commission and allowances	11,351	11,267
Post-employment benefits	523	509
	<u>11,874</u>	<u>11,776</u>

MANAGEMENT DISCUSSION & ANALYSIS

INTERIM DIVIDEND

The Board of Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2012 (2011: HK\$1.0 cent).

BUSINESS REVIEW

The Group's turnover and profit attributable to shareholders was HK\$2.4 billion and HK\$14.7 million respectively for the first half of 2012, reflecting decreases of approximately 5% and 53% compared to the same period last year.

Affected by both the euro-zone sovereign debt crisis and the global economic slowdown, the Group's Industrial Products Trading Division recorded sales of HK\$0.9 billion during first half of this year, representing a decline of approximately 21% and, as a result, the operating profit dropped by approximately 50% compared to the same period last year. Whilst operations in Taiwan managed to sustain the same level of profitability, all of the Division's other major operations registered decreases in operating profits in the first half of 2012 compared to the corresponding period last year.

The turnover of the Group's OEM Manufacturing Division was HK\$1.6 billion in the first half of 2012, representing an increase of approximately 6% compared to the same period last year, mainly due to the Group's more diversified customer base. However, the operating profit decreased by approximately 31% largely due to keen competition and increases in wages for workers in the PRC.

FINANCE

The Group has committed bank and other financing facilities totaling HK\$4,234 million, of which HK\$1,177 million was drawn down as at 30 June 2012. As at 30 June 2012, the Group's consolidated net borrowings amounted to HK\$427 million and total equity amounted to HK\$1,459 million, resulting in a net gearing ratio of 29%.

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 when necessary.

MANAGEMENT DISCUSSION & ANALYSIS

CAPITAL STRUCTURE

There have been no material changes in the capital structure of the Group since 31 December 2011.

HUMAN RESOURCES

As at 30 June 2012, the Group had a total of 6,768 employees of whom 321 were based in Hong Kong, 6,116 in the PRC and 331 overseas. The remuneration packages of the Group's employees are 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 are provided to employees according to the performance of the individual and the Group. The remuneration policy and packages of the Group's employees are regularly reviewed.

PROSPECTS

In the absence of any turnaround in sight for the global economic slowdown, the directors expect that demand for the industrial products distributed by the Group will continue to be soft during the rest of this year.

It is expected that, based on orders on hand, the turnover of the Group's OEM manufacturing division will continue to be healthy. However, profitability is likely to be adversely affected by continuing keen competition and higher labour costs brought about by the increase in wages for workers in the PRC which came into effect earlier in the 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, 30 August 2012

DISCLOSURE OF INTERESTS

INTERESTS OF DIRECTORS

At 30 June 2012, 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:

(I) 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	4,000,000	1,572,000	122,012,723 (Note 1)	207,800,000 (Note 2)	335,384,723	45.34	-	45.34
Edward Ying-Chun Tsui	4,577,920	-	-	-	4,577,920	0.62	3,000,000	1.02
Byron Shu-Chan Ho	2,470,000	360,000	-	-	2,830,000	0.38	3,000,000	0.79
Bengie Man-Hang Kwong	3,150,000	-	-	-	3,150,000	0.43	2,250,000	0.73
Hamed Hassan El-Abd	750,000	-	-	-	750,000	0.10	2,250,000	0.41
Hsu Hung Chieh	2,564,000	-	-	-	2,564,000	0.35	750,000	0.45
Gene Howard Weiner	330,000	-	-	-	330,000	0.04	450,000	0.11

DISCLOSURE OF INTERESTS

(II) The Company's associated corporation – Taiwan Kong King Co., Ltd.

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 %
Hsu Hung-Chieh	164,615	4,716	-	-	169,331	0.47	-	0.47

Notes:

- 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, Ms. 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.
- 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 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.

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

DISCLOSURE OF INTERESTS

Save as disclosed herein, as at 30 June 2012, 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 2012, 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 shares of the Company

Name of substantial shareholders	Capacity	Number of shares held	Percentage of total issued shares %
Batsford Limited	Founder of discretionary trust and trustee (Note 1)	207,800,000	28.09%
Greatfamily Inc.	Interest of controlled corporation (Note 2)	207,800,000	28.09%
Greatguy Inc.	Trustee (Note 2)	207,800,000	28.09%
Senta Wong (BVI) Limited	Interest of controlled corporation (Note 3)	122,012,723	16.50%
Wong Chung Yin	Beneficial owner, interest of child or spouse and interest of controlled corporations (Note 4)	68,537,701	9.27%
HSBC International Trustee Limited	Interest of controlled corporations	47,066,952	6.36%
LIM Asia Arbitrage Fund Inc.	Beneficial owner	36,988,000	5.00%

DISCLOSURE OF INTERESTS

Notes:

1. Batsford Limited was deemed (by virtue of the SFO) to be interested in 207,800,000 shares in the Company. The 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 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 2 under the section headed "Interests of Directors".
2. Please see Note 2 under the section headed "Interests of Directors".
3. Please see Note 1 under the section headed "Interests of Directors".
4. Mr. Wong Chung Yin was deemed (by virtue of the SFO) to be interested in 68,537,701 shares in the Company. These shares were held in the following capacity:
 - (a) 3,500,000 shares were held by Mr. Wong Chung Yin personally.
 - (b) 840,450 shares were held under the name of Mr. Wong Chung Yin and his wife, Ms. Woo Sin Ming.
 - (c) 30,613,332 shares were held by Levy Investment Limited. The entire issued share capital of which was 100% owned by Mr. Wong Chung Yin.
 - (d) 33,583,919 shares were held by Pacific Way Limited. The entire issued share capital of which was 50% owned by Mr. Wong Chung Yin and 50% owned by his wife, Ms. Woo Sin Ming.

Save as disclosed, the Directors are not aware of any other persons who, as at 30 June 2012, 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.

DISCLOSURE OF INTERESTS

SHARE OPTIONS

As at 30 June 2012, the directors and employees of the Company had the following personal interests in options to subscribe for shares of the Company granted under the share option scheme:

	Date of Grant	Exercise Price	Exercisable Period	Vesting Period	Outstanding at 1 January 2012	Granted during the period	Exercised during the period	Cancelled/lapsed during the period	Outstanding at 30 June 2012
Category 1:									
Directors									
Edward Ying-Chun Tsui	22.7.2005	HK\$0.56	22.7.2006-21.7.2015	22.7.2005-21.7.2006	-	-	-	-	-
			22.7.2007-21.7.2015	22.7.2005-21.7.2007	3,000,000	-	-	-	3,000,000
Byron Shu-Chan Ho	22.7.2005	HK\$0.56	22.7.2006-21.7.2015	22.7.2005-21.7.2006	-	-	-	-	-
			22.7.2007-21.7.2015	22.7.2005-21.7.2007	3,000,000	-	-	-	3,000,000
Bengie Man-Hang Kwong	22.7.2005	HK\$0.56	22.7.2006-21.7.2015	22.7.2005-21.7.2006	-	-	-	-	-
			22.7.2007-21.7.2015	22.7.2005-21.7.2007	2,250,000	-	-	-	2,250,000
Hamed Hassan, El-Abd	22.7.2005	HK\$0.56	22.7.2006-21.7.2015	22.7.2005-21.7.2006	-	-	-	-	-
			22.7.2007-21.7.2015	22.7.2005-21.7.2007	2,250,000	-	-	-	2,250,000
Hsu Hung Chieh	22.7.2005	HK\$0.56	22.7.2006-21.7.2015	22.7.2005-21.7.2006	-	-	-	-	-
			22.7.2007-21.7.2015	22.7.2005-21.7.2007	750,000	-	-	-	750,000
Gene Howard Weiner	22.7.2005	HK\$0.56	22.7.2006-21.7.2015	22.7.2005-21.7.2006	-	-	-	-	-
			22.7.2007-21.7.2015	22.7.2005-21.7.2007	450,000	-	-	-	450,000
Total for directors					11,700,000	-	-	-	11,700,000
Category 2:									
Employees									
	22.7.2005	HK\$0.56	22.7.2006-21.7.2015	22.7.2005-21.7.2006	-	-	-	-	-
			22.7.2007-21.7.2015	22.7.2005-21.7.2007	4,016,000	-	-	-	4,016,000
	26.9.2005	HK\$0.59	26.9.2006-25.9.2015	26.9.2005-25.9.2006	50,000	-	-	-	50,000
			26.9.2007-25.9.2015	26.9.2005-25.9.2007	678,000	-	-	-	678,000
Total for employees					4,744,000	-	-	-	4,744,000
Total for all categories					16,444,000	-	-	-	16,444,000

DISCLOSURE OF INTERESTS

These fair values were calculated using the Black-Scholes-Merton Option Pricing Model. The inputs into the model were as follows:

	Date of grant	
	22.7.2005	26.9.2005
Closing share price on date of grant	HK\$0.56	HK\$0.58
Exercise price	HK\$0.56	HK\$0.59
Risk free rate	3.12-3.22%	3.68-3.87%
Expected volatility	8.36%	4.22%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous one year before the grant date.

The risk-free interest rate equals to the 12 months fixed deposit rates as quoted by the bank at valuation date for 1st 25% share options and equals to yield of 2-Year Exchange Fund Notes at valuation date for 75% share options.

The Group recognised the total expense of HK\$Nil for the period ended 30 June 2012 (2011: Nil) in relation to share options granted by the Company.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

The Company has complied with the code provisions of the Code on Corporate Governance Practices during the period from 1 January 2012 to 31 March 2012 and the Corporate Governance Code (the “CG Code”) during the period from 1 April 2012 to 30 June 2012 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”), with deviations as stated below:

Code Provision A.2.1

The Company does not have a separate Chairman and Chief Executive Officer and Mr. Senta Wong currently holds both positions. The Board believes that vesting the roles of both Chairman and Chief Executive Officer in the same person provides the Group with strong and consistent leadership and allows for more effective planning and execution of long term business strategies. The Board also believes that the Company already has a strong corporate governance structure in place to ensure effective supervision of management. Such a structure provides many of the benefits of having a separate Chairman and Chief Executive Officer. The structure includes:

- Having the Audit Committee composed exclusively of Independent Non-executive Directors.
- Having the Remuneration Committee composed exclusively of Independent Non-executive Directors.
- Ensuring that Independent Non-executive Directors have free and direct access to both the Company’s external and internal auditors and independent professional advice where considered necessary.

The Board believes that these measures will ensure that our Independent Non-executive Directors continue to effectively supervise the Group’s Management and to provide vigorous control of key issues relating to strategy, risk and integrity. The Board continually reviews the effectiveness of the Group’s corporate governance structure to assess whether any changes, including the separation of the positions of Chairman and Chief Executive Officer, are necessary.

Code Provision A.4.1

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 first 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

According to the Bye-laws of the Company, all Directors (except Executive Chairman or Deputy 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, together with the reasons for deviation from Code Provision A.2.1, that the present arrangement is most beneficial to the Company and the shareholders as a whole.

Code Provision A.6.7

All the Non-executive Directors (including the Independent Non-executive Directors) attended the annual general meeting ("AGM") of the Company held on 21 June 2012 except two Independent Non-executive Directors who cannot attend the AGM due to personal or other business engagements.

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 30 June 2012.

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 2012.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited interim accounts for the six months ended 30 June 2012.

