

WKK

WONG'S KONG KING INTERNATIONAL (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0532)



INTERIM REPORT 2013

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 2013 together with comparative figures for the corresponding period in 2012 are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Note	Six months ended 30 June	
		2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Revenue	3	2,648,723	2,445,128
Other gains		2,496	7,149
Raw materials and consumables used		(1,785,015)	(1,326,926)
Purchases of finished goods		(436,103)	(566,305)
Changes in inventories of finished goods and work in progress		104,210	(40,012)
Other manufacturing overheads		(44,944)	(40,407)
Employee benefit expenses		(324,408)	(297,976)
Depreciation and amortisation		(28,400)	(31,407)
Other expenses		(114,313)	(108,176)
Operating profit		22,246	41,068
Finance income	4	9,871	7,549
Finance costs	4	(8,043)	(16,239)
Finance income/(costs), net	4	1,828	(8,690)
Share of results of a joint venture		768	-
Write back of allowance for doubtful debts on amount due from a joint venture		79	608
Profit before income tax	3	24,921	32,986
Income tax expense	5	(14,165)	(14,332)
Profit for the period		10,756	18,654
Attributable to:			
Equity holders of the Company		7,606	14,726
Non-controlling interests		3,150	3,928
		10,756	18,654
EARNINGS PER SHARE (expressed in HK cents per share)	6		
- basic		1.03	1.99
- diluted		1.02	1.98
DIVIDENDS		-	-

INTERIM RESULTS

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2013

	Note	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) (Restated) HK\$'000
ASSETS			
NON-CURRENT ASSETS			
Land use rights		14,162	14,387
Property, plant and equipment		625,464	619,023
Prepayment for acquisition of plant and equipment		11,950	11,666
Intangible assets		9,213	10,099
Interests in joint ventures		1,461	608
Deferred tax assets		8,790	9,432
Available-for-sale financial assets		32,661	32,669
Long term deposits		2,615	2,419
Club membership and debentures		15,126	15,145
TOTAL NON-CURRENT ASSETS		721,442	715,448
CURRENT ASSETS			
Inventories		959,700	788,476
Trade and other receivables	7	1,480,917	1,229,973
Deposits and prepayments		46,178	68,009
Tax recoverable		785	646
Derivative financial instruments		139	45
Bank balances and cash		806,006	453,028
TOTAL CURRENT ASSETS		3,293,725	2,540,177
TOTAL ASSETS		4,015,167	3,255,625
LIABILITIES			
NON-CURRENT LIABILITIES			
Obligations under finance leases – due after one year		1,657	2,242
Provision for assets retirement obligation		1,710	1,710
Retirement benefit obligations		10,139	10,666
TOTAL NON-CURRENT LIABILITIES		13,506	14,618

INTERIM RESULTS

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED) AT 30 JUNE 2013

		30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) (Restated) HK\$'000
	Note		
CURRENT LIABILITIES			
Trade, bills and other payables	8	1,097,258	914,193
Current income tax liabilities		17,911	17,682
Bank borrowings – due within one year	10	1,403,978	815,794
Bank overdrafts, secured		–	776
Obligations under finance leases – due within one year		1,237	1,226
Derivative financial instruments		1,154	1,955
TOTAL CURRENT LIABILITIES		2,521,538	1,751,626
TOTAL LIABILITIES		2,535,044	1,766,244
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	9	73,967	73,967
Reserves		1,315,824	1,317,613
		1,389,791	1,391,580
Non-controlling interests		90,332	97,801
TOTAL EQUITY		1,480,123	1,489,381
TOTAL EQUITY AND LIABILITIES		4,015,167	3,255,625
NET CURRENT ASSETS		772,187	788,551
TOTAL ASSETS LESS CURRENT LIABILITIES		1,493,629	1,503,999

INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Profit for the period	10,756	18,654
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified to profit or loss		
Currency translation differences	(404)	(3,365)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	10,352	15,289
ATTRIBUTABLE TO:		
Equity holders of the Company	9,306	11,334
Non-controlling interests	1,046	3,955
	10,352	15,289

INTERIM RESULTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2013

	(Unaudited)										Non- controlling interests	Total equity
	Attributable to equity holders of the Company											
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Special reserve HK\$'000	Translation reserve HK\$'000	Share option reserve HK\$'000	Capital reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000		
Balance at 1 January 2013, as previously reported	73,967	89,714	1,610	26,624	5,008	15,534	758	240	1,184,188	1,397,643	100,854	1,498,497
Adjustment (Note 2)	-	-	-	-	-	(85)	-	-	(5,978)	(6,063)	(3,053)	(9,116)
Balance at 1 January 2013, as restated	73,967	89,714	1,610	26,624	5,008	15,449	758	240	1,178,210	1,391,580	97,801	1,489,381
Comprehensive income												
Profit for the period	-	-	-	-	-	-	-	-	7,606	7,606	3,150	10,756
Other comprehensive income												
Items that may be reclassified to profit or loss												
Currency translation differences	-	-	-	-	-	1,700	-	-	-	1,700	(2,104)	(404)
Total comprehensive income for the period ended 30 June 2013	-	-	-	-	-	1,700	-	-	7,606	9,306	1,046	10,352
2012 final dividend	-	-	-	-	-	-	-	-	(11,095)	(11,095)	-	(11,095)
Dividends payable to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(8,515)	(8,515)
Balance at 30 June 2013	73,967	89,714	1,610	26,624	5,008	17,149	758	240	1,174,721	1,389,791	90,332	1,480,123

INTERIM RESULTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED) FOR THE SIX MONTHS ENDED 30 JUNE 2013

	(Unaudited)									Non-controlling interests	Total equity
	Attributable to equity holders of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Special reserve HK\$'000	Translation reserve HK\$'000	Share option reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000		
Balance at 1 January 2012, as previously reported	73,967	89,714	1,610	26,624	5,008	15,099	758	1,149,284	1,362,064	79,195	1,441,259
Adjustment (Note 2)	-	-	-	-	-	280	-	(6,016)	(5,736)	(3,229)	(8,965)
Balance at 1 January 2012, as restated	73,967	89,714	1,610	26,624	5,008	15,379	758	1,143,268	1,356,328	75,966	1,432,294
Comprehensive income											
Profit for the period	-	-	-	-	-	-	-	14,726	14,726	3,928	18,654
Other comprehensive income											
Items that may be reclassified to profit or loss											
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	11,987	758	1,150,597	1,360,265	89,297	1,449,562

INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
NET CASH USED IN OPERATING ACTIVITIES	(178,278)	(69,509)
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES	(198,767)	461,324
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	561,818	(526,121)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	184,773	(134,306)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	183,077	425,752
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(539)	(2,794)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	367,311	288,652
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash (excluding short-term time deposit)	367,311	300,696
Bank overdrafts, secured	–	(12,044)
	367,311	288,652

INTERIM RESULTS

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2013

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2013 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 2012, 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 2012 except the adoption of the following new/revised 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 2013.

- HKAS 1 (Amendments), “Presentation of Items of Other Comprehensive Income”
- HKAS 19 (2011), “Employee Benefits”
- HKAS 27 (2011), “Separate Financial Statements”
- HKAS 28 (2011), “Investments in Associates and Joint Ventures”
- HKFRS 1 (Amendments), “Government Loans”
- HKFRS 7 (Amendments), “Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities”

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

- HKFRS 10, “Consolidated Financial Statements”
- HKFRS 11, “Joint Arrangements”
- HKFRS 12, “Disclosure of Interests in Other Entities”
- HKFRS 13, “Fair Value Measurement”
- HK(IFRIC) – Int 20, “Stripping Costs in the Production Phase of a Surface Mine”

The adoption of these new/revised HKFRSs does not have implication to the Group’s accounting policies applied in this unaudited condensed consolidated financial information except for below:

HKFRS 10 “Consolidated Financial Statements” provides additional guidance on the determination of control. Under HKFRS 10, the Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has applied HKFRS 10 retrospectively in accordance with the standard which has no significant impact on the results and the financial position of the Group.

HKFRS 11 “Joint Arrangements” classifies joint arrangements as either joint operations or joint ventures. The determination of whether a joint arrangement is a joint operation or a joint venture is based on the parties’ rights and obligations under the arrangement and the existence of a separate legal vehicle is no longer a key factor. The Group has applied HKFRS 11 retrospectively in accordance with the standard which has no significant impact on the results and the financial position of the Group.

HKFRS 13 “Fair Value Measurements” defines fair value and provides a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements do not extend the use of fair value accounting. The Group has applied the new fair value measurement and disclosure requirements prospectively in accordance with the standard.

INTERIM RESULTS

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

HKAS 19 (2011), "Employee Benefits", eliminates the corridor approach and calculates finance costs on a net funding basis. This standard requires that all actuarial gains and losses have to be recognised immediately in other comprehensive income, to ensure that the net pension asset or liability recognised in consolidated balance sheet can reflect the full value of the planned deficit or surplus. The Group has applied HKAS 19 (2011) retrospectively in accordance with the standard and the impact on the financial position of the Group as at the beginning of comparative periods are as follows:

	At 1 January 2012 (as previously reported)		At 31 December 2012 (as previously reported)		At 31 December 2012 (as restated)	
	HK\$'000	Adjustments HK\$'000	HK\$'000	HK\$'000	Adjustments HK\$'000	HK\$'000
	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)
Retained earnings	(1,149,284)	6,016	(1,143,268)	(1,184,188)	5,978	(1,178,210)
Deferred tax assets	8,906	1,836	10,742	7,565	1,867	9,432
Retirement benefit obligations, net	234	(10,801)	(10,567)	317	(10,983)	(10,666)
Non-controlling interests	(79,195)	3,229	(75,966)	(100,854)	3,053	(97,801)
Translation reserve	(15,099)	(280)	(15,379)	(15,534)	85	(15,449)

INTERIM RESULTS

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

The following new standards and amendments to standards have been issued but are not effective for the financial period beginning 1 January 2013 and have not been early adopted:

		Effective for annual periods beginning on or after
HKAS 32 (Amendment)	Financial instruments: Presentation – Offsetting financial assets and financial liabilities	1 January 2014
HKAS 36 (Amendment)	Recoverable Amount Disclosures for Non- financial Assets	1 January 2014
HKFRS 9	Financial instruments	1 January 2015
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory effective date and transition disclosures	1 January 2015
HKFRS 10, HKFRS 12 and HKAS 27 (Amendment)	Investment Entities	1 January 2014
HK(IFRIC) Int 21	Levies	1 January 2014

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 2013 is as follows:

	Trading HK\$'000	Manufacturing HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Revenue					
External sales	754,921	1,864,525	29,277	-	2,648,723
Inter-segment sales	134,804	2,076	12,100	(148,980)	-
Total	889,725	1,866,601	41,377	(148,980)	2,648,723
Results					
Segment results after finance income/(costs)	10,980	25,977	(11,576)	(1,307)	24,074
Share of result of a joint venture					768
Write back of allowance for doubtful debts on amount due from a joint venture					79
Profit before income tax					24,921

INTERIM RESULTS

3. SEGMENTAL INFORMATION (CONTINUED)

The segment information for the six months ended 30 June 2012 is 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 debts on amount due from a joint venture					608
Profit before income tax					32,986

4. FINANCE INCOME/(COSTS), NET

	Six months ended 30 June	
	2013 HK\$'000	2012 HK\$'000
Interest income	5,072	7,549
Fair value gain on foreign exchange forward contracts and interest rate swap	730	-
Net foreign exchange gain on bank deposits	4,069	-
	9,871	7,549
Interest expense	(8,043)	(12,088)
Fair value loss on foreign exchange forward contracts and interest rate swap	-	(3,802)
Net foreign exchange loss on bank deposits	-	(349)
	(8,043)	(16,239)
Finance income/(costs), net	1,828	(8,690)

INTERIM RESULTS

5. INCOME TAX EXPENSE

Hong Kong Profits Tax is calculated at the rate of 16.5% (2012: 16.5%) on the estimated assessable profit for the period. The subsidiaries established in the PRC are subject to enterprise income tax rate of 25% (2012: 25%). The subsidiaries in Taiwan are subject to corporate income tax rate of 17% (2012: 17%). Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
Current income tax		
Hong Kong profits tax	3,398	4,109
Other jurisdictions including PRC income tax	8,011	7,012
Withholding tax on dividend declared by subsidiaries	2,756	3,211
	14,165	14,332

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	
	2013	2012
Profit attributable to equity holders of the Company (Hong Kong thousands dollar)	7,606	14,726
Weighted average number of ordinary shares in issue (thousands)	739,670	739,670
Basic earnings per share (Hong Kong cents per share)	1.03	1.99

INTERIM RESULTS

6. EARNINGS PER SHARE (CONTINUED)

(b) Diluted

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

	Six months ended 30 June	
	2013	2012
Profit attributable to equity holders of the Company (Hong Kong thousands dollar)	7,606	14,726
Weighted average number of ordinary shares in issue (thousands)	739,670	739,670
Adjustments for share options (thousands)	4,545	3,902
Weighted average number of ordinary shares for diluted earnings per share (thousands)	744,215	743,572
Diluted earnings per share (Hong Kong cents per share)	1.02	1.98

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\$1,465,776,000 (At 31 December 2012: HK\$1,217,487,000). 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 2013 HK\$'000	31 December 2012 HK\$'000
0 to 30 days	668,644	410,368
31 to 60 days	288,542	357,125
61 to 90 days	204,811	164,705
Over 90 days	303,779	285,289
	1,465,776	1,217,487

8. TRADE, BILLS AND OTHER PAYABLES

Included in trade, bills and other payables are trade and bills payable (including amounts due to related parties of trading in nature) of HK\$829,661,000 (At 31 December 2012: HK\$674,962,000).

INTERIM RESULTS

8. TRADE, BILLS AND OTHER PAYABLES (CONTINUED)

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

	30 June 2013 HK\$'000	31 December 2012 HK\$'000
0 to 30 days	562,525	335,861
31 to 60 days	214,280	194,449
61 to 90 days	35,822	99,043
Over 90 days	17,034	45,609
	829,661	674,962

9. SHARE CAPITAL

	Number of ordinary shares of HK\$0.10 each	Amount HK\$'000
Issued and fully paid: At 31 December 2012 and 30 June 2013	739,669,964	73,967

10. BANK BORROWINGS

	HK\$'000
Six months ended 30 June 2012:	
Opening amount at 1 January 2012	1,426,236
Proceeds from new bank borrowings	1,828,146
Repayment of bank borrowings	(2,346,405)
Closing amount at 30 June 2012	907,977
Six months ended 30 June 2013:	
Opening amount at 1 January 2013	815,794
Proceeds from new bank borrowings	2,155,382
Repayment of bank borrowings	(1,567,198)
Closing amount at 30 June 2013	1,403,978

INTERIM RESULTS

11. CAPITAL COMMITMENTS

	30 June 2013 HK\$'000	31 December 2012 HK\$'000
Capital expenditure contracted for but not yet incurred:		
Acquisition of plant and equipment	1,868	6,194

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 and its subsidiaries.

The Group is ultimately controlled by Mr. Senta Wong.

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

	Six months ended		Amount due from related parties 30 June 2013 HK\$'000	Amount due from related parties 31 December 2012 HK\$'000
	30 June 2013 HK\$'000	2012 HK\$'000		
Ticketing and touring income (note i, iv and v)	171	111	63	9
Ticketing and touring income (note ii, iv and v)	28	27	-	2
Service fee income (note iii and v)	20	-	-	-
Rental expense (note i, iv and v)	498	498	-	-
Employee benefit expenses (note i, iv and v)	1,200	1,162	-	-

INTERIM RESULTS

12. RELATED PARTY TRANSACTIONS (CONTINUED)

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 having control or significant influence over those companies.
 - (ii) Related parties are Mr. John Ho, Mr. Edward Tsui and Mr. Hamed Hassan El-Abd and their close family members and a company of which Mr. John Ho is a director having control or significant influence over that company.
 - (iii) Related party is Wesi Technology Limited, a joint venture of the Group.
 - (iv) Ticketing and touring income of HK\$199,000 (2012:HK\$138,000), rental expense of HK\$498,000 (2012: HK\$498,000) and employee benefit expenses of HK\$1,200,000 (2012: HK\$1,162,000) 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.
- (b) Key management remuneration

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

	Six months ended	
	30 June	
	2013	2012
	HK\$'000	HK\$'000
Salaries, fee, bonus, wages, commission and allowances	12,522	11,351
Post-employment benefits	586	523
	13,108	11,874

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 2013 (2012: Nil).

BUSINESS REVIEW

The Group's turnover for the first half of this year was HK\$2.6 billion, representing an increase of approximately 8% compared to the same period in 2012. However, the Group's profit attributable to shareholders was HK\$7.6 million for the first half of this year, reflecting a decrease of approximately 48% compared to the same period last year, mainly due to poor performance of the Group's Industrial Products Trading Division.

In the absence of a more stable global economic environment which has not yet materialised, the Group's Industrial Products Trading Division registered sales of HK\$0.8 billion during the first half of this year. This represented a decline of approximately 12% and, as a result, the Division's operating profit decreased by approximately 54% compared to the same period last year. All of the Division's major operations with the exception of sales of PCB related products recorded drops both in sales and operating profits.

The turnover of the Group's OEM Manufacturing Division grew by approximately 20% to HK\$1.9 billion in the first half of 2013 compared to the same period last year mainly because of an increase in the volume of orders from a major customer. The operating profit improved by approximately 54% as a result.

FINANCE

The Group has committed bank and other financing facilities totaling HK\$3,627 million, of which HK\$1,605 million was drawn down as at 30 June, 2013. As at 30 June, 2013, the Group's consolidated net borrowings amounted to HK\$601 million and total equity amounted to HK\$1,480 million, resulting in a net gearing ratio of 41%.

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 where necessary.

MANAGEMENT DISCUSSION & ANALYSIS

CAPITAL STRUCTURE

There have been no material changes in the capital structure of the Group since 31 December, 2012.

HUMAN RESOURCES

As at 30 June 2013, the Group had a total of 7,018 employees of whom 315 were based in Hong Kong, 6,370 in the PRC and 333 overseas. The remunerations 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

The directors expect that the demand for the industrial products distributed by the Group will continue to be soft for the remainder of this year given the current economic situation.

Despite the current economic conditions, the Group's OEM Manufacturing Division is expected to secure more orders for the second half of this year compared to the first half of this year, based on orders on hand.

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

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

Hong Kong, 29 August 2013

DISCLOSURE OF INTERESTS

INTERESTS OF DIRECTORS

At 30 June 2013, 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
Leung Kam Fong	-	-	-	180,000 (Note 3)	180,000	0.02	-	0.02
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	178,615	4,716	-	-	183,331	0.51	-	0.51

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 was regarded as the founder (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") relate to the same block of shares.
- These 180,000 shares were jointly held by Mr. Leung Kam Fong and his spouse.

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 2013, 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 2013, 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 %
Greatfamily Inc.	Interest of controlled corporation (Note 1)	207,800,000	28.09%
Greatguy Inc.	Trustee (Note 1)	207,800,000	28.09%
Senta Wong (BVI) Limited	Interest of controlled corporation (Note 2)	122,012,723	16.50%
Wong Chung Yin	Beneficial owner, interest of child or spouse and interest of controlled corporations (Note 3)	63,191,701	8.54%
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. Please see Note 2 under the section headed “Interests of Directors”.
2. Please see Note 1 under the section headed “Interests of Directors”.
3. Mr. Wong Chung Yin was deemed (by virtue of the SFO) to be interested in 63,191,701 shares in the Company. These shares were held in the following capacity:
 - (a) 2,700,000 shares were held by Mr. Wong Chung Yin personally.
 - (b) 450 shares were held under the name of Ms. Woo Sin Ming, the wife of Mr. Wong Chung Yin.
 - (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) 29,877,919 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 2013, 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 2013, 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 2013	Granted during the period	Exercised during the period	Cancelled/lapsed during the period	Outstanding at 30 June 2013
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 2013 (2012: Nil) in relation to share options granted by the Company.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

The Company has complied with the code provisions of the Corporate Governance Code (the “CG Code”) 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”) during the six months ended 30 June 2013, with deviations as stated below:

Code Provision A.2.1

Code Provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

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.

CORPORATE GOVERNANCE

Code Provision A.4.1

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

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 next 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

Code Provision A.4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

According to the Bye-laws of the Company, all Directors (except Executive 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.

CORPORATE GOVERNANCE

Code Provision A.6.7

Code provision A.6.7 stipulates that independent non-executive directors and other non-executive directors should also attend general meetings.

All the Non-executive Directors (including the Independent Non-executive Directors) attended the annual general meeting of the Company held on 11 June 2013 except an Independent Non-executive Director who cannot attend the annual general meeting due to personal engagement.

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 2013.

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 2013.

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 2013.

