

WKK

WONG'S KONG KING INTERNATIONAL (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0532)



INTERIM REPORT 2017

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 2017 together with comparative figures for the corresponding period in 2016 are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2017

		Six months ended 30 June	
	Note	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Revenue	6	2,262,713	2,038,411
Gain on disposal of a subsidiary		–	7,760
Other gains		–	512
Raw materials and consumables used		(1,193,441)	(1,118,532)
Purchases of finished goods		(642,197)	(443,205)
Changes in inventories of finished goods and work in progress		66,857	6,998
Employee benefit expenses		(304,187)	(308,711)
Depreciation and amortisation		(24,904)	(30,070)
Other expenses		(120,841)	(125,787)
Operating profit		44,000	27,376
Finance income	7	1,436	1,771
Finance costs	7	(3,365)	(2,086)
Finance costs, net	7	(1,929)	(315)
Share of profit/(loss) of a joint venture		1,147	(221)
Write-back of/(provision for) impairment on amount due from a joint venture		305	(260)
Profit before income tax	6	43,523	26,580
Income tax expense	8	(20,273)	(13,862)
Profit for the period		23,250	12,718
Attributable to:			
Owners of the Company		21,376	8,166
Non-controlling interests		1,874	4,552
		23,250	12,718
Earnings per share for profit attributable to the owners of the Company during the period (expressed in HK cents per share)	9		
– basic		2.84	1.09
– diluted		2.84	1.09
DIVIDENDS	10	7,522	–

INTERIM RESULTS

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2017

	Note	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
ASSETS			
NON-CURRENT ASSETS			
Land use rights		12,719	12,944
Property, plant and equipment		532,264	532,180
Deposits and prepayments		5,088	5,352
Intangible assets		4,494	5,804
Interests in joint ventures		1,834	377
Deferred tax assets		3,962	4,656
Available-for-sale financial assets		44,604	44,264
Club membership and debentures		14,422	14,422
TOTAL NON-CURRENT ASSETS		619,387	619,999
CURRENT ASSETS			
Inventories		764,052	565,843
Trade and other receivables	11	1,327,342	1,270,449
Deposits and prepayments		46,749	55,813
Tax recoverable		651	2,255
Derivative financial instruments		–	2
Short-term time deposits		314,744	78,732
Cash and cash equivalents		299,514	229,238
TOTAL CURRENT ASSETS		2,753,052	2,202,332
TOTAL ASSETS		3,372,439	2,822,331
LIABILITIES			
NON-CURRENT LIABILITIES			
Obligations under finance leases			
– due after one year		99	106
Provision for assets retirement obligations		1,710	1,710
Deferred tax liabilities		624	832
Retirement benefit obligations		7,766	7,425
TOTAL NON-CURRENT LIABILITIES		10,199	10,073

INTERIM RESULTS

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED) AT 30 JUNE 2017

	Note	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
CURRENT LIABILITIES			
Trade, bills and other payables	12	974,882	834,254
Current income tax liabilities		14,394	20,104
Bank borrowings – due within one year	14	775,927	372,175
Obligations under finance leases – due within one year		34	33
Derivative financial instruments		1,577	1,276
TOTAL CURRENT LIABILITIES		1,766,814	1,227,842
TOTAL LIABILITIES		1,777,013	1,237,915
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	13	75,224	75,224
Reserves		1,430,121	1,417,911
		1,505,345	1,493,135
Non-controlling interests		90,081	91,281
TOTAL EQUITY		1,595,426	1,584,416
TOTAL EQUITY AND LIABILITIES		3,372,439	2,822,331

INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit for the period	23,250	12,718
OTHER COMPREHENSIVE INCOME		
<u>Items that may be reclassified to</u>		
<u>profit or loss</u>		
Currency translation differences	22,319	(2,728)
Fair value (losses)/gains on available-for-sale financial assets, net of tax	(326)	3,713
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	45,243	13,703
ATTRIBUTABLE TO:		
Owners of the Company	38,606	6,511
Non-controlling interests	6,637	7,192
	45,243	13,703

INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2017

	(Unaudited)										Non- controlling interests	Total equity
	Attributable to owners of the Company											
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Special reserve HK\$'000	Available- for-sale financial assets revaluation reserve HK\$'000	Translation reserve HK\$'000	Capital reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000		
Balance at 1 January 2017	75,224	96,083	1,610	26,624	5,008	1,302	(26,274)	240	1,313,318	1,493,135	91,281	1,584,416
Comprehensive income												
Profit for the period	-	-	-	-	-	-	-	-	21,376	21,376	1,874	23,250
Other comprehensive income												
Items that may be reclassified to profit or loss												
Currency translation differences	-	-	-	-	-	-	17,450	-	-	17,450	4,869	22,319
Fair value losses on available-for-sale financial assets, net of tax	-	-	-	-	-	(220)	-	-	-	(220)	(106)	(326)
Total comprehensive income for the period ended 30 June 2017	-	-	-	-	-	(220)	17,450	-	21,376	38,606	6,637	45,243
Transactions with owners												
Dividends payable to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(7,905)	(7,905)
2016 final dividend	-	-	-	-	-	-	-	-	(26,328)	(26,328)	-	(26,328)
Transaction with non-controlling interests	-	-	-	-	-	-	-	-	(68)	(68)	68	-
Balance at 30 June 2017	75,224	96,083	1,610	26,624	5,008	1,082	(8,824)	240	1,308,298	1,505,345	90,081	1,595,426

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	(Unaudited)											Non- controlling interests	Total equity
	Attributable to owners of the Company												
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Special reserve HK\$'000	Available- for-sale financial assets revaluation 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 2016	75,224	96,083	1,610	26,624	5,008	(363)	(5,717)	172	240	1,292,117	1,490,998	90,678	1,581,676
Comprehensive income													
Profit for the period	-	-	-	-	-	-	-	-	-	8,166	8,166	4,552	12,718
Other comprehensive income													
Items that may be reclassified to profit or loss													
Currency translation differences	-	-	-	-	-	-	(4,159)	-	-	-	(4,159)	1,431	(2,728)
Fair value gains on available-for-sale financial assets, net of tax	-	-	-	-	-	2,504	-	-	-	-	2,504	1,209	3,713
Total comprehensive income for the period ended 30 June 2016	-	-	-	-	-	2,504	(4,159)	-	-	8,166	6,511	7,192	13,703
Transactions with owners													
Dividends payable to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(9,151)	(9,151)
2015 final dividend	-	-	-	-	-	-	-	-	-	(22,567)	(22,567)	-	(22,567)
Balance at 30 June 2016	75,224	96,083	1,610	26,624	5,008	2,141	(9,876)	172	240	1,277,716	1,474,942	88,719	1,563,661

INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES	(82,868)	112,336
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES	(254,119)	74,954
NET CASH GENERATED FROM FINANCING ACTIVITIES	400,381	25,579
NET INCREASE IN CASH AND CASH EQUIVALENTS	63,394	212,869
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	229,238	215,896
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	6,882	2,147
CASH AND CASH EQUIVALENTS AT END OF PERIOD	299,514	430,912
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank balances and cash (excluding short-term time deposits)	299,514	430,912

INTERIM RESULTS

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

1. GENERAL INFORMATION

The Group is principally engaged in the trading and distribution of chemicals, materials and equipment used in the manufacture of printed circuit boards and electronic products and the manufacture of electrical and electronic products for original equipment manufacturer (“OEM”) customers.

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11 Bermuda and its principal place of business is 17/F, Octa Tower, No.8 Lam Chak Street, Kowloon Bay, Hong Kong.

The unaudited condensed consolidated interim financial information are presented in Hong Kong dollars (“HK\$”), unless otherwise stated.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2017 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 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

3. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial information has been prepared in consistent with those principal accounting policies followed in the Annual Report 2016 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 2017.

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2017:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	Disclosure of Interests in Other Entities

The adoption of these new HKFRSs does not have material impacts to the Group’s accounting policies applied in this unaudited condensed consolidated interim financial information.

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3. 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 2017 and have not been early adopted:

		Effective for annual periods beginning on or after
Amendments to HKAS 28	Investments in Associates and Joint Ventures	1 January 2018
Amendments to HKAS 40	Transfer of Investment Property	1 January 2018
Amendments to HKFRS 1	First Time Adoption of HKFRS	1 January 2018
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
Amendments to HKFRS 15	Clarifications to HKFRS 15	1 January 2018
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
HKFRS 16	Leases	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Impact of standards issued but not yet applied by the Group

(a) HKFRS 9 Financial instruments

HKFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Group has decided not to adopt HKFRS 9 until it becomes mandatory on 1 January 2018.

HKFRS 9 has three financial asset classification categories for investments in debt instruments: amortised cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss. Classification is driven by the entity's business model for managing the debt instruments and their contractual cash flow characteristics. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.

The Group is in the process of making an assessment of the classification and measurement of financial assets and it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until a detailed review is performed by the Group.

For financial liabilities there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognised in OCI, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss. There is no subsequent recycling of the amounts in OCI to profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss.

INTERIM RESULTS

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Impact of standards issued but not yet applied by the Group (Continued)

(a) HKFRS 9 Financial instruments (Continued)

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new hedging accounting rules have no impact to the Group since the Group does not have any hedging relationships.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. The Group will perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements, for estimation of expected credit losses on its trade and other receivables upon the adoption of HKFRS 9.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Impact of standards issued but not yet applied by the Group (Continued)

(b) HKFRS 15 Revenue from contracts with customers

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers revenue arising from the sale of goods and the rendering of services and HKAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption. The new standard is effective for first interim periods within annual reporting periods beginning on or after 1 January 2018. The Group will adopt the new standard from 1 January 2018.

HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach:

- (1) Identify the contract(s) with customer;
- (2) Identify separate performance obligations in a contract;
- (3) Determine the transaction price;
- (4) Allocate transaction price to performance obligations;
and
- (5) Recognise revenue when performance obligation is satisfied.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2018. The Group is in the process of making an assessment of the potential impact of the application of HKFRS 15 and it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until a detailed review is performed by the Group.

INTERIM RESULTS

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Impact of standards issued but not yet applied by the Group (Continued)

(c) HKFRS 16 Leases

HKFRS 16 was issued in January 2016. It will results in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK\$52,246,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The Group expects to adopt HKFRS 16 on 1 January 2019 and is currently assessing the impact of HKFRS 16 upon adoption.

The Group has commenced an assessment of the impact of the other new and amended HKFRSs, but is not yet in a position to state whether they would have significant impacts on its results of operations and financial position.

INTERIM RESULTS

4. ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing this unaudited condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2016.

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value and cash flow interest rate risk), credit risk and liquidity risk.

The unaudited condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2016.

There have been no changes in the risk management policies since 31 December 2016.

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5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

5.2 Fair value estimation

The financial instruments measured at fair value are disclosed by the following measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

At the end of the reporting period, listed investment classified as available-for-sale financial assets and derivative financial instruments that are measured at fair value are classified under level 1 and level 2, respectively.

There were no transfers between levels 1 and 2 during the period.

There were no other changes in valuation techniques during the period.

INTERIM RESULTS

6. 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 2017 is as follows:

	Trading HK\$'000	Manufacturing HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Revenue					
External sales	937,043	1,309,973	15,697	-	2,262,713
Inter-segment sales	83,258	1,546	8,601	(93,405)	-
Total	1,020,301	1,311,519	24,298	(93,405)	2,262,713
Results					
Segment results	20,264	34,200	(10,855)	391	44,000
Finance income	1,208	208	20	-	1,436
Finance costs	(324)	(3,041)	-	-	(3,365)
	21,148	31,367	(10,835)	391	42,071
Share of profit of a joint venture					1,147
Write-back of impairment on amount due from a joint venture					305
Profit before income tax					43,523

INTERIM RESULTS

6. SEGMENTAL INFORMATION (CONTINUED)

The segment information for the six months ended 30 June 2016 is as follows:

	Trading HK\$'000	Manufacturing HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Revenue					
External sales	762,989	1,239,412	36,010	-	2,038,411
Inter-segment sales	79,238	1,396	6,223	(86,857)	-
Total	842,227	1,240,808	42,233	(86,857)	2,038,411
Results					
Segment results	9,575	18,381	(1,094)	514	27,376
Finance income	1,368	102	301	-	1,771
Finance costs	(169)	(1,915)	(2)	-	(2,086)
	10,774	16,568	(795)	514	27,061
Share of loss of a joint venture					(221)
Provision for impairment on amount due from a joint venture					(260)
Profit before income tax					26,580

7. FINANCE COSTS, NET

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Interest income	1,436	1,771
Interest expense	(3,365)	(2,086)
Finance costs, net	(1,929)	(315)

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8. INCOME TAX EXPENSE

Hong Kong profits tax has been provided for at 16.5% (2016: 16.5%) on the estimated assessable profit for the period. The subsidiaries established in the People's Republic of China (the "PRC") are subject to corporate income tax rate of 25% (2016: 25%). The subsidiaries in Taiwan are subject to corporate income tax rate of 17% (2016: 17%). Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Current income tax		
Hong Kong profits tax	5,568	3,230
Other jurisdictions including PRC corporate income tax	12,403	7,776
Withholding tax on dividends declared by subsidiaries	2,302	2,856
	20,273	13,862

9. EARNINGS PER SHARE

(a) Basic

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

	Six months ended 30 June	
	2017	2016
Profit attributable to owners of the Company (Hong Kong thousands dollar)	21,376	8,166
Weighted average number of ordinary shares in issue (thousands)	752,236	752,236
Basic earnings per share (Hong Kong cents per share)	2.84	1.09

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9. EARNINGS PER SHARE (CONTINUED)

(b) Diluted

Diluted earnings per share were the same as the basic earnings per share for the six months ended 30 June 2017 and 2016 as there were no dilutive potential ordinary shares in existence during both periods.

10. DIVIDENDS

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Interim dividend – HK\$0.01 (2016: Nil) per share	7,522	–

The Board of Directors has declared an interim dividend of HK\$0.01 per share for the six months ended 30 June 2017 (2016: Nil) which will be payable on or about Friday, 29 September 2017 to the shareholders whose names appear on the Register of Members of the Company on Friday, 15 September 2017. This interim dividend, amounting to HK\$7,522,000 (2016: Nil) has not been recognised as a liability in this unaudited condensed consolidated interim financial information. It will be recognised in shareholders' equity in the year ending 31 December 2017.

11. 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\$1,288,543,000 (At 31 December 2016: HK\$1,249,120,000). 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 may be granted.

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11. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	30 June 2017 HK\$'000	31 December 2016 HK\$'000
0 to 30 days	500,428	421,143
31 to 60 days	224,428	300,992
61 to 90 days	173,088	182,872
Over 90 days	390,599	344,113
	1,288,543	1,249,120

12. TRADE, BILLS AND OTHER PAYABLES

Included in trade, bills and other payables are trade and bills payables (including amounts due to related parties of trading in nature) of HK\$655,986,000 (At 31 December 2016: HK\$566,637,000).

The following is an ageing analysis of trade and bills payables based on goods received dates at the end of reporting period:

	30 June 2017 HK\$'000	31 December 2016 HK\$'000
0 to 30 days	450,161	341,296
31 to 60 days	52,611	133,466
61 to 90 days	112,029	52,513
Over 90 days	41,185	39,362
	655,986	566,637

INTERIM RESULTS

13. SHARE CAPITAL

	Number of ordinary shares of HK\$0.10 each	Amount HK\$'000
Issued and fully paid:		
At 31 December 2016 and 30 June 2017	752,235,964	75,224

14. BANK BORROWINGS

	HK\$'000
Six months ended 30 June 2016:	
Opening amount at 1 January 2016	502,502
Proceeds from new bank borrowings	1,176,245
Repayment of bank borrowings	(1,148,741)
Closing amount at 30 June 2016	530,006
Six months ended 30 June 2017:	
Opening amount at 1 January 2017	372,175
Proceeds from new bank borrowings	1,563,961
Repayment of bank borrowings	(1,160,209)
Closing amount at 30 June 2017	775,927

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15. CAPITAL COMMITMENTS

	30 June	31 December
	2017	2016
	HK\$'000	HK\$'000
Capital expenditure contracted for but not yet incurred:		
Acquisition of plant and equipment	2,236	1,163

16. 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, chairman of the board of directors.

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

	Six months ended		Amounts due from related parties	Amounts due from/(to) related parties
	30 June	2016	30 June	31 December
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Ticketing and touring income (notes i and iv)	355	269	-	(29)
Ticketing and touring income (notes ii and iv)	129	196	128	7
Service fee income (notes iii and iv)	59	59	-	-
Rental expense (notes i and iv)	498	498	-	-

INTERIM RESULTS

16. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) (Continued)

Notes:

- (i) Related party is a company of which Mr. Senta Wong is a director having control or significant influence over that company.
- (ii) Related party is Mr. Edward Tsui.
- (iii) Related party is Wesi Technology Limited, a joint venture of the Group.
- (iv) All of the transactions were carried out in the normal course of the Group's business and the terms as agreed between the transacting parties.

(b) Key management remuneration

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

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Salaries, wages, commission and allowances	28,053	27,378
Post-employment benefits	1,111	1,084
	29,164	28,462

MANAGEMENT DISCUSSION & ANALYSIS

INTERIM DIVIDEND

The Board of Directors has declared an interim dividend of HK\$1.0 cent (2016: Nil) per share for the six months ended 30 June 2017. The above-mentioned interim dividend will be payable on or about Friday, 29 September 2017 to the shareholders whose names appear on the Register of Members of the Company on Friday, 15 September 2017.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 13 September 2017 to Friday, 15 September 2017, 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 Hong Kong branch share registrar, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 12 September 2017.

BUSINESS REVIEW

The Group's turnover for the first half of this year was HK\$2.3 billion, reflecting an increase of approximately 11% compared to the same period last year. The Group's profit attributable to shareholders was HK\$21.4 million. This compared to a profit attributable to shareholders of HK\$8.2 million for the same period last year which included a profit of HK\$7.8 million on the disposal of a non-core subsidiary which owned a yacht berthing right.

The turnover of the Group's Industrial Products Trading Division for the first half of 2017 was HK\$0.9 billion, representing an increase of approximately 23% compared to the same period last year. The Division's operating profit was HK\$21.1 million, representing an improvement of approximately 96% compared to the same period last year. This was mainly due to the excellent performance of the operations in the PRC. The Division continued to perform well in trading products related to Printed Circuit Boards and this contributed a major part of the Division's profit.

MANAGEMENT DISCUSSION & ANALYSIS

The turnover of the Group's OEM Manufacturing Division increased by approximately 6% to HK\$1.3 billion in the first half of 2017 compared to the same period last year. The Division's operating profit increased by approximately 89% to HK\$31.4 million as compared to the same period last year mainly due to a shift in its sales mix towards higher margin products.

FINANCE

The Group has committed bank and other financing facilities totaling HK\$2,477 million, of which HK\$1,092 million was drawn down as at 30 June 2017. As at 30 June 2017, the Group's consolidated net borrowings amounted to HK\$162 million and its total equity amounted to HK\$1,595 million, resulting in a net gearing ratio of 10.2%.

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.

CAPITAL STRUCTURE

There have been no material changes in the capital structure of the Group since 31 December 2016.

HUMAN RESOURCES

As at 30 June 2017, the Group had a total of 5,865 employees, of whom 246 were based in Hong Kong, 5,293 in the PRC and 326 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 may be 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.

MANAGEMENT DISCUSSION & ANALYSIS

PROSPECTS

Despite the recent improvement in the global economy, uncertainties remain. It is expected that the performance of the Group's Industrial Products Trading Division will experience a tougher market environment in the second half of this year.

However, given the orders on hand, the Directors are confident, in the absence of unforeseeable circumstances, that the Group's OEM Manufacturing Division will secure more orders in the second half of this year compared to the first half.

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

By Order of the Board
Byron Shu-Chan Ho
Director

Hong Kong, 28 August 2017

As at the date of this report, the executive directors of the Company are Mr. Senta Wong, Mr. Edward Ying-Chun Tsui, Mr. Byron Shu-Chan Ho, Mr. Bengie Man-Hang Kwong and Mr. Hamed Hassan El-Abd; the non-executive director is Mr. Hsu Hung Chieh; and the independent non-executive directors of the Company are Mr. Philip Wan-Chung Tse, Dr. Leung Kam Fong, Dr. Yip Wai Chun and Mr. Arnold Hin Lin Tse.

DISCLOSURE OF INTERESTS

INTERESTS OF DIRECTORS

As at 30 June 2017, 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	4,750,000	1,572,000	122,012,723 (Note 1)	207,800,000 (Note 2)	336,134,723	44.68	-	44.68
Edward Ying-Chun Tsui	7,577,920	-	-	-	7,577,920	1.01	-	1.01
Byron Shu-Chan Ho	3,470,000	360,000	-	-	3,830,000	0.51	-	0.51
Bengie Man-Hang Kwong	5,400,000	-	-	-	5,400,000	0.72	-	0.72
Hamed Hassan El-Abd	3,000,000	-	-	-	3,000,000	0.40	-	0.40
Hsu Hung Chieh	2,314,000	-	-	-	2,314,000	0.31	-	0.31
Leung Kam Fong	-	-	-	180,000 (Note 3)	180,000	0.02	-	0.02
Gene Howard Weiner	450,000	-	-	-	450,000	0.06	-	0.06

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, Mrs. 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 (PTC) Inc. (formerly known as "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 (PTC) Inc. (formerly known as "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 2017, 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 2017, 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	27.62%
Greatguy (PTC) Inc. (formerly known as "Greatguy Inc.")	Trustee (Note 1)	207,800,000	27.62%
Senta Wong (BVI) Limited	Interest of controlled corporation (Note 2)	122,012,723	16.22%
HSBC International Trustee Limited	Trustee	45,689,735	6.07%
Wong Chung Yin	Beneficial owner, interest of child or spouse and interest of controlled corporations (Note 3)	43,495,701	5.78%

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 43,495,701 shares in the Company. These shares were held in the following capacity:
 - (a) 2,000,000 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) 25,613,332 shares were held by Levy Investment Limited. The entire issued share capital of which was 100% owned by Mr. Wong Chung Yin.
 - (d) 15,881,919 shares were jointly held by Mr. Wong Chung Yin and his wife, Ms. Woo Sin Ming.

Save as disclosed, the Directors are not aware of any other persons who, as at 30 June 2017, 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.

SHARE OPTION SCHEME

A share option scheme (the “Scheme”) has been adopted by the shareholders of the Company on 22 June 2016. No option has been granted under the Scheme since its adoption date and up to 30 June 2017.

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 2017, with deviations as stated below:

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 the 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 the present arrangement is most beneficial to the Company and the shareholders as a whole.

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 2017.

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 2017.

CHANGES IN THE INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in the information of Directors of the Company required to be disclosed are shown as follows:

- (a) Mr. John Ho retired as an Independent Non-executive Director of the Company on 1 July 2017.
- (b) Mr. Gene Howard Weiner retired as an Independent Non-executive Director of the Company on 1 July 2017.
- (c) Mr. Tse Hin Lin Arnold has been appointed as an Independent Non-executive Director of the Company on 1 July 2017.
- (d) Dr. Leung Kam Fong has been re-designated from a Non-executive Director to an Independent Non-executive Director of the Company on 1 July 2017.
- (e) Mr. John Ho resigned as the chairman of each of the Audit Committee and the Remuneration Committee, and a member of the Nomination Committee of the Company on 1 July 2017.

CORPORATE GOVERNANCE

- (f) Mr. Tse Wan-Chung Philip has been appointed as the chairman of each of the Audit Committee and the Remuneration Committee of the Company on 1 July 2017.
- (g) Dr. Leung Kam Fong has been appointed as a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company on 1 July 2017.
- (h) Mr. Vinci Wong has been appointed as an Executive Director of the Company on 1 September 2017.
- (i) Mr. Chang Jui Shum Victor has been appointed as an Executive Director of the Company on 1 September 2017. He has also been appointed as the President of WKK Distribution Limited, a subsidiary of the Company on 1 September 2017.
- (j) Mr. Hamed Hassan EI-Abd has been re-designated from an Executive Director to a Non-executive Director of the Company on 1 September 2017. He has also been appointed as the Chairman of Product Development Committee of WKK Distribution Limited, a subsidiary of the Company on 4 September 2017. Mr. Hamed Hassan EI-Abd is entitled to receive a monthly fee of HK\$40,000 for being the Chairman of Product Development Committee of WKK Distribution Limited.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, risk management and internal control systems and financial reporting matters including a review of the unaudited interim accounts for the six months ended 30 June 2017.

