

WKK

WONG'S KONG KING INTERNATIONAL (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0532)



INTERIM REPORT 2014

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 2014 together with comparative figures for the corresponding period in 2013 are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2014

		Six months ended 30 June	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
	Note		
Revenue	3	2,591,240	2,648,723
Gain on disposal of land and building		23,899	-
Other gains		137	2,496
Raw materials and consumables used		(1,560,371)	(1,785,015)
Purchases of finished goods		(495,486)	(436,103)
Changes in inventories of finished goods and work in progress		(10,311)	104,210
Employee benefit expenses		(323,706)	(324,408)
Depreciation and amortisation		(30,369)	(28,400)
Other expenses		(154,425)	(159,257)
Operating profit		40,608	22,246
Finance income	4	8,116	9,871
Finance costs	4	(7,614)	(8,043)
Finance income, net	4	502	1,828
Share of results of a joint venture		(443)	768
Write back of allowance for doubtful debts on amount due from a joint venture		-	79
Profit before income tax	3	40,667	24,921
Income tax expense	5	(14,320)	(14,165)
Profit for the period		26,347	10,756
Attributable to:			
Equity holders of the Company		25,202	7,606
Non-controlling interests		1,145	3,150
		26,347	10,756
EARNINGS PER SHARE (expressed in HK cents per share)	6		
- basic		3.41	1.03
- diluted		3.40	1.02
DIVIDENDS		-	-

INTERIM RESULTS

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2014

	Note	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
ASSETS			
NON-CURRENT ASSETS			
Land use rights		13,802	14,026
Property, plant and equipment		597,171	613,507
Prepayment for acquisition of plant and equipment		797	13,015
Intangible assets		7,432	8,319
Interests in joint ventures		903	1,346
Deferred tax assets		4,133	5,472
Available-for-sale financial assets		39,312	32,686
Long term deposits		3,129	2,496
Club membership and debentures		15,089	15,085
TOTAL NON-CURRENT ASSETS		681,768	705,952
CURRENT ASSETS			
Inventories		843,909	732,468
Trade and other receivables	7	1,521,355	1,233,969
Deposits and prepayments		48,263	56,803
Tax recoverable		236	52
Derivative financial instruments		107	-
Bank balances and cash		559,882	677,987
TOTAL CURRENT ASSETS		2,973,752	2,701,279
TOTAL ASSETS		3,655,520	3,407,231
LIABILITIES			
NON-CURRENT LIABILITIES			
Obligations under finance leases - due after one year		358	992
Provision for assets retirement obligations		1,710	1,710
Retirement benefit obligations		9,166	9,479
TOTAL NON-CURRENT LIABILITIES		11,234	12,181

INTERIM RESULTS

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED) AT 30 JUNE 2014

	Note	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
CURRENT LIABILITIES			
Trade, bills and other payables	8	1,190,470	934,943
Current income tax liabilities		8,715	7,073
Bank borrowings – due within one year	10	913,137	921,710
Obligations under finance leases – due within one year		1,262	1,250
Derivative financial instruments		–	737
TOTAL CURRENT LIABILITIES		2,113,584	1,865,713
TOTAL LIABILITIES		2,124,818	1,877,894
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	9	73,967	73,967
Reserves		1,367,658	1,358,746
		1,441,625	1,432,713
Non-controlling interests		89,077	96,624
TOTAL EQUITY		1,530,702	1,529,337
TOTAL EQUITY AND LIABILITIES		3,655,520	3,407,231
NET CURRENT ASSETS		860,168	835,566
TOTAL ASSETS LESS CURRENT LIABILITIES		1,541,936	1,541,518

INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Profit for the period	26,347	10,756
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified to profit or loss		
Currency translation differences	(3,721)	(404)
Fair value gains of available-for-sale financial assets, net of tax	2,334	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	24,960	10,352
ATTRIBUTABLE TO:		
Equity holders of the Company	23,705	9,306
Non-controlling interests	1,255	1,046
	24,960	10,352

INTERIM RESULTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2014

	(Unaudited)										Non- controlling interests	Total equity	
	Attributable to equity holders of the Company												
	Share capital	Share premium	Capital		Contributed surplus	Special reserve	Translation reserve	Share option reserve	Capital reserve	Retained earnings			Total
			reserve	surplus									
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Balance at 1 January 2014	73,967	89,714	1,610	26,624	5,008	22,116	758	240	1,212,676	1,432,713	96,624	1,529,337	
Comprehensive income													
Profit for the period	-	-	-	-	-	-	-	-	25,202	25,202	1,145	26,347	
Other comprehensive income													
Items that may be reclassified to profit or loss													
Currency translation differences	-	-	-	-	-	(3,071)	-	-	-	(3,071)	(650)	(3,721)	
Fair value gains of available- for-sale financial assets, net of tax	-	-	-	-	-	-	-	-	1,574	1,574	760	2,334	
Total comprehensive income for the period ended 30 June 2014	-	-	-	-	-	(3,071)	-	-	26,776	23,705	1,255	24,960	
2013 final dividend	-	-	-	-	-	-	-	-	(14,793)	(14,793)	-	(14,793)	
Dividends payable to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(8,802)	(8,802)	
Balance at 30 June 2014	73,967	89,714	1,610	26,624	5,008	19,045	758	240	1,224,659	1,441,625	89,077	1,530,702	

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			Special reserve HK\$'000	Translation reserve HK\$'000	Share option reserve HK\$'000	Capital reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000	
			redemption reserve HK\$'000	Contributed surplus HK\$'000	reserve							
Balance at 1 January 2013	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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
NET CASH USED IN OPERATING ACTIVITIES	(124,055)	(178,278)
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	34,169	(198,767)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	(16,809)	561,818
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(106,695)	184,773
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	534,604	183,077
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(3,402)	(539)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	424,507	367,311
ANALYSIS OF CASH AND CASH EQUIVALENTS Bank balances and cash (excluding short-term time deposit)	424,507	367,311

INTERIM RESULTS

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2014

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2014 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 2013, 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 2013 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 2014.

- HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendments), “Investment Entities”
- HKAS 32 (Amendment), “Offsetting Financial Assets and Financial Liabilities”
- HKAS 36 (Amendment), “Recoverable Amount Disclosure for Non-Financial Assets”
- HKAS 39 (Amendment), “Novation of Derivatives and Continuation of Hedge Accounting”
- HK(IFRIC) –Int 21, “Levies”

INTERIM RESULTS

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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

The following new standards and amendments to standards have been issued but are not effective for the financial period beginning 1 January 2014 and have not been early adopted:

		Effective for annual periods beginning on or after
HKAS 16 and HKAS 38 (Amendments)	Classification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
HKAS 19 (2011) (Amendment)	Defined Benefit Plans: Employee Contribution	1 January 2015
HKFRS 9	Financial Instruments	1 January 2015
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
HKFRS 15	Revenue from Contracts with Customers	1 January 2017
HKFRSs (Amendments)	Improvements to HKFRSs 2010 – 2012 Cycles	1 January 2015
HKFRSs (Amendments)	Improvements to HKFRSs 2011 – 2013 Cycles	1 January 2015

During the period, the Group's other manufacturing overhead expenses are included in other expenses, the comparative figures have been regrouped to conform with the current period's presentation.

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 2014 is as follows:

	Trading HK\$'000	Manufacturing HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Revenue					
External sales	814,146	1,733,780	43,314	-	2,591,240
Inter-segment sales	150,017	1,410	7,667	(159,094)	-
Total	964,163	1,735,190	50,981	(159,094)	2,591,240
Results					
Segment results before					
finance income/(costs)	28,928	22,754	(11,065)	(9)	40,608
Finance income	1,891	4,674	1,551	-	8,116
Finance costs	(321)	(7,257)	(36)	-	(7,614)
	30,498	20,171	(9,550)	(9)	41,110
Share of loss of a joint venture					(443)
Profit before income tax					40,667

INTERIM RESULTS

3. SEGMENTAL INFORMATION (CONTINUED)

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 before					
finance income/(costs)	10,315	24,567	(11,329)	(1,307)	22,246
Finance income	1,231	8,154	486	-	9,871
Finance costs	(566)	(6,744)	(733)	-	(8,043)
	10,980	25,977	(11,576)	(1,307)	24,074
Share of profit 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

4. FINANCE INCOME, NET

	Six months ended	
	30 June	
	2014	2013
	HK\$'000	HK\$'000
Interest income	8,116	5,072
Fair value gain on foreign exchange forward contracts and interest rate swap	–	730
Net foreign exchange gain on bank deposits	–	4,069
	8,116	9,871
Interest expense	(7,614)	(8,043)
Finance income, net	502	1,828

5. INCOME TAX EXPENSE

Hong Kong Profits Tax is calculated at 16.5% (2013: 16.5%) on the estimated assessable profit for the period. The subsidiaries established in the PRC are subject to corporate income tax rate of 25% (2013: 25%). The subsidiaries in Taiwan are subject to corporate income tax rate of 17% (2013: 17%). Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

	Six months ended	
	30 June	
	2014	2013
	HK\$'000	HK\$'000
Current income tax		
Hong Kong profits tax	4,668	3,398
Other jurisdictions including PRC income tax	6,512	8,011
Withholding tax on dividend declared by subsidiaries	3,140	2,756
	14,320	14,165

INTERIM RESULTS

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	
	2014	2013
Profit attributable to equity holders of the Company (Hong Kong thousands dollar)	25,202	7,606
Weighted average number of ordinary shares in issue (thousands)	739,670	739,670
Basic earnings per share (Hong Kong cents per share)	3.41	1.03

INTERIM RESULTS

6. EARNINGS PER SHARE (CONTINUED)

(b) Diluted

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

	Six months ended 30 June	
	2014	2013
Profit attributable to equity holders of the Company (Hong Kong thousands dollar)	25,202	7,606
Weighted average number of ordinary shares in issue (thousands)	739,670	739,670
Adjustments for share options (thousands)	2,575	4,545
Weighted average number of ordinary shares for diluted earnings per share (thousands)	742,245	744,215
Diluted earnings per share (Hong Kong cents per share)	3.40	1.02

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\$1,498,593,000 (At 31 December 2013: HK\$1,217,271,000). 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 invoices dates net of provision for impairment at the end of reporting period is as follows:

	30 June 2014 HK\$'000	31 December 2013 HK\$'000
0 to 30 days	693,571	436,548
31 to 60 days	330,989	340,116
61 to 90 days	178,271	184,775
Over 90 days	295,762	255,832
	1,498,593	1,217,271

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\$902,204,000 (At 31 December 2013: HK\$669,663,000).

INTERIM RESULTS

8. TRADE, BILLS AND OTHER PAYABLES (CONTINUED)

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

	30 June 2014 HK\$'000	31 December 2013 HK\$'000
0 to 30 days	656,156	310,868
31 to 60 days	145,190	235,060
61 to 90 days	33,306	51,955
Over 90 days	67,552	71,780
	902,204	669,663

9. SHARE CAPITAL

	Number of ordinary shares of HK\$0.10 each	Amount HK\$'000
Issued and fully paid:		
At 31 December 2013 and 30 June 2014	739,669,964	73,967

10. BANK BORROWINGS

	HK\$'000
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
Six months ended 30 June 2014:	
Opening amount at 1 January 2014	921,710
Proceeds from new bank borrowings	1,539,716
Repayment of bank borrowings	(1,548,289)
Closing amount at 30 June 2014	913,137

INTERIM RESULTS

11. CAPITAL COMMITMENTS

	30 June	31 December
	2014	2013
	HK\$'000	HK\$'000
Capital expenditure contracted for but not yet incurred:		
Acquisition of plant and equipment	711	1,822

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	Amount due from related parties
	30 June		30 June	31 December
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Ticketing and touring income (note i, iv and v)	162	171	46	14
Ticketing and touring income (note ii, iv and v)	381	28	45	1
Service fee income (note iii and v)	58	20	-	-
Rental expense (note i, iv and v)	498	498	-	-
Employee benefit expenses (note i, iv and v)	1,243	1,200	-	-

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.
 - (iii) Related party is Wesi Technology Limited, a joint venture of the Group.
 - (iv) Ticketing and touring income of HK\$543,000 (2013:HK\$199,000), rental expense of HK\$498,000 (2013: HK\$498,000) and employee benefit expenses of HK\$1,243,000 (2013: HK\$1,200,000) 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	
	2014	2013
	HK\$'000	HK\$'000
Salaries, fee, bonus, wages, commission and allowances	13,091	12,522
Post-employment benefits	611	586
	13,702	13,108

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 2014 (2013: Nil).

BUSINESS REVIEW

The Group's turnover for the first half of this year was HK\$2.6 billion, representing a decrease of approximately 2% compared to the same period last year. However, the Group registered a profit attributable to shareholders of HK\$25.2 million for the first half of 2014 as compared to a profit attributable to shareholders of HK\$7.6 million for the same period last year, mainly due to a profit of HK\$23.9 million on the disposal of a property in Singapore recorded earlier this year.

The sales of the Group's Industrial Product Trading Division grew by approximately 8% to HK\$0.8 billion in the first half of 2014 compared to the same period last year. However, the Division's operating profit overall decreased by approximately 39.9% mainly due to the tough market environment for the Division. Whilst the PCB related Products Sales Division performed excellently, the operations in Taiwan recorded a significant drop in operating profit. The operations in the PRC incurred operating losses in the first half of this year.

The Group's OEM Manufacturing Division registered sales of HK\$1.7 billion during the first half of 2014. This represented a decline of approximately 7% and as a result, the Division's operating profit decreased by approximately 22% compared to the same period last year.

FINANCE

The Group has committed bank and other financing facilities totaling HK\$3,583 million, of which HK\$1,051 million was drawn down as at 30 June 2014. As at 30 June 2014, the Group's consolidated net borrowings amounted to HK\$355 million and total equity amounted to HK\$1,531 million, resulting in a net gearing ratio of 23%.

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 2013.

HUMAN RESOURCES

As at 30 June 2014, the Group had a total of 7,667 employees of whom 302 were based in Hong Kong, 7,045 in the PRC and 320 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

The Directors had expected that the demand for the industrial products distributed by the Group would be stronger during the rest of this year than in the first half of 2014. This expectation has now been affected by the recent tensions between Russia and the USA and Eurozone countries, and the Directors now only anticipate a slight improvement in demand.

It is expected that, given the volume of orders on hand, the Group's OEM Manufacturing Division should perform better in the second half than in the first half of this year.

On behalf of the board, I wish to thank all employees for their dedication and commitments 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, 28 August 2014

DISCLOSURE OF INTERESTS

INTERESTS OF DIRECTORS

At 30 June 2014, 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	Underlying shares	Total Interests (including underlying shares)
						as % of the issued share capital	(share options)	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 2014, 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 2014, 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)	54,701,701	7.40%
HSBC International Trustee Limited	Interest of controlled corporations	47,066,952	6.36%

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 54,701,701 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) 21,387,919 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 2014, 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 2014, 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 2014	Granted during the period	Exercised during the period	Cancelled/lapsed during the period	Outstanding at 30 June 2014
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 2014 (2013: 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 2014, 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 17 June 2014 except a Non-executive Director who cannot attend the annual general meeting as he was overseas at the time.

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 2014.

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 2014.

UPDATE ON DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

On 9 June 2014, Mr. Senta Wong, an executive Director and Chairman and Chief Executive Officer of the Company, was appointed as an independent non-executive Director, chairman of each of the Remuneration Committee, Nomination Committee and member of the Audit Committee of Hang Fat Ginseng Holdings Company Limited whose shares have been listed on the Stock Exchange since 27 June 2014.

CORPORATE GOVERNANCE

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 2014.

