

# WKK

**WONG'S KONG KING INTERNATIONAL (HOLDINGS) LIMITED**

(Incorporated in Bermuda with limited liability)

(Stock Code: 0532)



**INTERIM REPORT 2015**

## 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 2015 together with comparative figures for the corresponding period in 2014 are as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2015

		Six months ended 30 June	
	Note	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Revenue	3	2,400,751	2,591,240
Gain on disposal of land and building		–	23,899
Other gains		368	137
Raw materials and consumables used		(1,402,890)	(1,560,371)
Purchases of finished goods		(485,211)	(495,486)
Changes in inventories of finished goods and work in progress		23,085	(10,311)
Employee benefit expenses		(337,622)	(323,706)
Depreciation and amortisation		(30,905)	(30,369)
Other expenses		(142,186)	(154,425)
Operating profit		25,390	40,608
Finance income	4	3,524	8,116
Finance costs	4	(5,161)	(7,614)
Finance (costs)/income, net	4	(1,637)	502
Share of profit/(loss) of a joint venture		304	(443)
Write back of allowance for doubtful debts on amount due from a joint venture		44	–
Profit before income tax	3	24,101	40,667
Income tax expense	5	(12,393)	(14,320)
Profit for the period		11,708	26,347
<b>Attributable to:</b>			
Equity holders of the Company		9,926	25,202
Non-controlling interests		1,782	1,145
		11,708	26,347
<b>EARNINGS PER SHARE</b> (expressed in HK cents per share)	6		
– basic		1.34	3.41
– diluted		1.33	3.40
<b>DIVIDENDS</b>		–	–

## INTERIM RESULTS

### CONDENSED CONSOLIDATED BALANCE SHEET AT 30 JUNE 2015

	30 June 2015 (Unaudited) Note	31 December 2014 (Audited)
	HK\$'000	HK\$'000
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Land use rights	13,441	13,666
Property, plant and equipment	573,313	578,968
Prepayments	798	798
Intangible assets	14,481	16,624
Interests in joint ventures	992	639
Deferred tax assets	4,073	4,358
Available-for-sale financial assets	37,045	36,543
Long-term deposits	2,929	2,948
Club membership and debentures	14,953	14,956
<b>TOTAL NON-CURRENT ASSETS</b>	<b>662,025</b>	669,500
<b>CURRENT ASSETS</b>		
Inventories	766,222	719,159
Trade and other receivables	7 1,410,612	1,337,813
Deposits and prepayments	35,571	48,552
Tax recoverable	389	403
Derivative financial instruments	45	3
Short-term time deposits	135,210	99,721
Cash and cash equivalents	326,932	282,063
<b>TOTAL CURRENT ASSETS</b>	<b>2,674,981</b>	2,487,714
<b>TOTAL ASSETS</b>	<b>3,337,006</b>	3,157,214
<b>LIABILITIES</b>		
<b>NON-CURRENT LIABILITIES</b>		
Provision for assets retirement obligations	1,710	1,710
Deferred tax liabilities	1,456	1,665
Retirement benefit obligations	8,006	8,187
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>11,172</b>	11,562

## INTERIM RESULTS

### CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

AT 30 JUNE 2015

		30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
	Note		
<b>CURRENT LIABILITIES</b>			
Trade, bills and other payables	8	1,001,964	879,370
Current income tax liabilities		7,722	7,226
Bank borrowings – due within one year	10	751,253	689,246
Obligations under finance leases – due within one year		357	992
Derivative financial instruments		748	816
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,762,044</b>	1,577,650
<b>TOTAL LIABILITIES</b>		<b>1,773,216</b>	1,589,212
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital	9	74,761	73,967
Reserves		1,400,870	1,403,774
		<b>1,475,631</b>	1,477,741
Non-controlling interests		88,159	90,261
<b>TOTAL EQUITY</b>		<b>1,563,790</b>	1,568,002
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3,337,006</b>	3,157,214
<b>NET CURRENT ASSETS</b>		<b>912,937</b>	910,064
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,574,962</b>	1,579,564

## INTERIM RESULTS

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Six months ended	
	30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Profit for the period	11,708	26,347
OTHER COMPREHENSIVE INCOME		
<u>Items that may be reclassified to</u>		
<u>profit or loss</u>		
Currency translation differences	3,301	(3,721)
Fair value gains of available-for-sale financial assets, net of tax	334	2,334
TOTAL COMPREHENSIVE INCOME		
FOR THE PERIOD	15,343	24,960
ATTRIBUTABLE TO:		
Equity holders of the Company	12,131	23,705
Non-controlling interests	3,212	1,255
	15,343	24,960

# INTERIM RESULTS

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2015

	(Unaudited)											Non-controlling interests	Total equity	
	Attributable to equity holders of the Company													
	Share capital	Share premium	Capital redemption reserve		Contributed surplus	Special reserve	Revaluation reserve	Translation reserve	Share option reserve	Capital reserve	Retained earnings			Total
			HKS'000	HKS'000										
Balance at 1 January 2015	73,967	89,714	1,610	26,624	5,008	152	15,135	758	240	1,264,533	1,477,741	90,261	1,568,002	
Comprehensive income														
Profit for the period	-	-	-	-	-	-	-	-	-	9,926	9,926	1,782	11,708	
Other comprehensive income														
Items that may be reclassified to profit or loss														
Currency translation differences	-	-	-	-	-	-	1,980	-	-	-	1,980	1,321	3,301	
Fair value gains of available-for-sale financial assets, net of tax	-	-	-	-	-	225	-	-	-	-	225	109	334	
Total comprehensive income for the period ended 30 June 2015	-	-	-	-	-	225	1,980	-	-	9,926	12,131	3,212	15,343	
2014 final dividend	-	-	-	-	-	-	-	-	-	(18,690)	(18,690)	-	(18,690)	
Issue of ordinary shares upon exercise of share options	794	3,655	-	-	-	-	-	(370)	-	370	4,449	-	4,449	
Dividends payable to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(5,314)	(5,314)	
Balance at 30 June 2015	74,761	93,369	1,610	26,624	5,008	377	17,115	388	240	1,256,139	1,475,631	88,159	1,563,790	

## INTERIM RESULTS

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED) FOR THE SIX MONTHS ENDED 30 JUNE 2014

	(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	Available- for-sale financial assets		Share option reserve HK\$'000	Capital reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000		
			redemption reserve HK\$'000	Contributed surplus HK\$'000		revaluation reserve HK\$'000	Translation reserve 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	-	-	-	-	-	1,574	(3,071)	-	-	25,202	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	1,574	19,045	758	240	1,223,085	1,441,625	89,077	1,530,702

## INTERIM RESULTS

### CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	37,798	(124,055)
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES	(53,405)	34,169
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	60,660	(16,809)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	45,053	(106,695)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	282,063	534,604
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(184)	(3,402)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	326,932	424,507
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank balances and cash (excluding short-term time deposits)	326,932	424,507

# INTERIM RESULTS

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

*For the six months ended 30 June 2015*

### 1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2015 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 2014, 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 2014 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 2015.

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2015:

HKAS 19 (2011) (Amendment)	Defined Benefit Plans: Employee Contribution
HKFRSs (Amendments)	Improvements to HKFRSs 2010 – 2012 Cycles
HKFRSs (Amendments)	Improvements to HKFRSs 2011 – 2013 Cycles

## 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 2015 and have not been early adopted:

		Effective for annual periods beginning on or after
HKAS 1 (Amendments)	Disclosure Initiative	1 January 2016
HKAS 16 and HKAS 38 (Amendments)	Classification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants	1 January 2016
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements	1 January 2016
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 10 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception	1 January 2016
HKFRS 10 and HKAS 28 (Amendments)	The Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
HKFRS 11 (Amendments)	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 2012 – 2014 Cycles	1 January 2016

## 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 2015 is as follows:

	Trading HK\$'000	Manufacturing HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<b>Revenue</b>					
External sales	835,643	1,494,758	70,350	-	2,400,751
Inter-segment sales	101,794	1,401	6,968	(110,163)	-
<b>Total</b>	<b>937,437</b>	<b>1,496,159</b>	<b>77,318</b>	<b>(110,163)</b>	<b>2,400,751</b>
<b>Results</b>					
Segment results	17,260	16,661	(8,789)	258	25,390
Finance income	1,419	232	1,873	-	3,524
Finance costs	(290)	(4,775)	(96)	-	(5,161)
	18,389	12,118	(7,012)	258	23,753
Share of profit of a joint venture					304
Write back of allowance for doubtful debts on amount due from a joint venture					44
<b>Profit before income tax</b>					<b>24,101</b>

## INTERIM RESULTS

### 3. SEGMENTAL INFORMATION (CONTINUED)

The segment information for the six months ended 30 June 2014 was as follows:

	Trading HK\$'000	Manufacturing HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<b>Revenue</b>					
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
<b>Results</b>					
Segment results	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

### 4. FINANCE (COSTS)/INCOME, NET

	Six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000
Interest income	3,524	8,116
Interest expense	(5,161)	(7,614)
Finance (costs)/income, net	(1,637)	502

### 5. INCOME TAX EXPENSE

Hong Kong Profits Tax is calculated at 16.5% (2014: 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% (2014: 25%). The subsidiaries in Taiwan are subject to corporate income tax rate of 17% (2014: 17%). Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

	Six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000
Current income tax		
Hong Kong profits tax	3,463	4,668
Other jurisdictions including PRC corporate income tax	6,826	6,512
Withholding tax on dividend declared by subsidiaries	2,104	3,140
	12,393	14,320

## 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	
	2015	2014
Profit attributable to equity holders of the Company (Hong Kong thousands dollar)	9,926	25,202
Weighted average number of ordinary shares in issue (thousands)	740,352	739,670
Basic earnings per share (Hong Kong cents per share)	1.34	3.41

## 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	
	2015	2014
Profit attributable to equity holders of the Company (Hong Kong thousands dollar)	9,926	25,202
Weighted average number of ordinary shares in issue (thousands)	740,352	739,670
Adjustments for share options (thousands)	5,044	2,575
Weighted average number of ordinary shares for diluted earnings per share (thousands)	745,396	742,245
Diluted earnings per share (Hong Kong cents per share)	1.33	3.40

## 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\$1,382,721,000 (At 31 December 2014: HK\$1,318,026,000). 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:

	<b>30 June 2015 HK\$'000</b>	31 December 2014 HK\$'000
0 to 30 days	<b>477,131</b>	476,601
31 to 60 days	<b>288,382</b>	403,153
61 to 90 days	<b>244,149</b>	161,134
Over 90 days	<b>373,059</b>	277,138
	<b>1,382,721</b>	1,318,026

### 8. 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\$745,491,000 (At 31 December 2014: HK\$625,085,000).

## 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:

	<b>30 June 2015 HK\$'000</b>	31 December 2014 HK\$'000
0 to 30 days	<b>607,403</b>	278,018
31 to 60 days	<b>59,206</b>	227,641
61 to 90 days	<b>40,832</b>	52,449
Over 90 days	<b>38,050</b>	66,977
	<b>745,491</b>	625,085

### 9. SHARE CAPITAL

	<b>Number of ordinary shares of HK\$0.10 each</b>	<b>Amount HK\$'000</b>
Issued and fully paid:		
At 31 December 2014	739,669,964	73,967
Exercise of share options	7,940,000	794
At 30 June 2015	747,609,964	74,761

### 10. BANK BORROWINGS

	<b>HK\$'000</b>
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
Six months ended 30 June 2015:	
Opening amount at 1 January 2015	689,246
Proceeds from new bank borrowings	1,512,534
Repayment of bank borrowings	(1,450,527)
Closing amount at 30 June 2015	751,253

## INTERIM RESULTS

### 11. CAPITAL COMMITMENTS

	<b>30 June</b>	31 December
	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
Capital expenditure contracted for but not yet incurred:		
Acquisition of plant and equipment	<b>4,710</b>	11,037

### 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		<b>Amount due from related parties</b>	Amount due from related parties
	30 June	2014	<b>30 June</b>	31 December
	<b>2015</b>	2014	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
Ticketing and touring income (notes i, iv and v)	<b>143</b>	162	<b>44</b>	30
Ticketing and touring income (notes ii, iv and v)	<b>464</b>	381	<b>5</b>	38
Service fee income (notes iii and v)	<b>59</b>	59	-	-
Rental expense (notes i, iv and v)	<b>498</b>	498	-	-
Employee benefit expenses (notes i, iv and v)	<b>1,291</b>	1,243	-	-

## INTERIM RESULTS

### 12. RELATED PARTY TRANSACTIONS (CONTINUED)

Notes:

- (i) Related parties are Mr. Senta Wong, his close family members and a company of which Mr. Senta Wong or his close family members are directors having control or significant influence over that company.
  - (ii) Related parties are Mr. John Ho and his close family members, Mr. Edward Tsui, Mr. Hamed Hassan El-Abd 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\$607,000 (2014: HK\$543,000), rental expense of HK\$498,000 (2014: HK\$498,000) and employee benefit expenses of HK\$1,291,000 (2014: HK\$1,243,000) 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	
	2015	2014
	HK\$'000	HK\$'000
Salaries, fee, bonus, wages, commission and allowances	15,384	13,091
Post-employment benefits	634	611
	<b>16,018</b>	13,702

## 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 2015 (2014: Nil).

### BUSINESS REVIEW

The Group's turnover for the first half of this year was HK\$2.4 billion, reflecting a reduction of approximately 7% compared to the same period last year. The Group's profit attributable to shareholders was HK\$9.9 million as compared to a profit attributable to shareholders of HK\$25.2 million which included a profit of HK\$23.7 million on the disposal of a property in Singapore for the same period last year.

The Group's Industrial Product Trading Division registered sales of HK\$0.8 billion during the first half of 2015. This represented an increase of approximately 3% and as a result, the Division's operating profit improved by HK\$11.6 million compared to the same period last year. All of the Division's major operations recorded improvements in operating profits with the exception of trading operations in the PRC which recorded a slight drop.

The turnover of the Group's OEM Manufacturing Division decreased by approximately 14% to HK\$1.5 billion in the first half of this year compared to the same period last year, due to a cyclical reduction in sales volume of some of the OEM products manufactured by the Division. The operating profit reduced by approximately 40% as a result.

### FINANCE

The Group has committed bank and other financing facilities totaling HK\$3,324 million, of which HK\$881 million was drawn down as at 30 June 2015. As at 30 June 2015, the Group's consolidated net borrowings amounted to HK\$289 million and total equity amounted to HK\$1,564 million, resulting in a net gearing ratio of 18.5%.

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 2014.

### HUMAN RESOURCES

As at 30 June 2015, the Group had a total of 6,186 employees of whom 291 were based in Hong Kong, 5,573 in the PRC and 322 overseas. The remuneration packages of the Group's employees are mainly based on their performance and experience, taking into account current industry practices. Provident fund scheme, medical allowances, and in-house and external training programs are available to employees. Share options and discretionary bonuses are provided to employees according to the performance of the individual and the Group. The remuneration policy and packages of the Group's employees are regularly reviewed.

### PROSPECTS

In view of the uncertainties in the global economic recovery, it is expected that demand for the industrial products distributed by the Group will slow down and the Division will experience a difficult trading environment for the rest of the year.

Orders for the OEM Manufacturing Division in the second half of this year are expected to be slightly improved compared with those in the first half of this year, although orders for the whole of 2015 are anticipated to be less than the orders last year. Costs cutting measures are being implemented in order to alleviate the impact on profitability.

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

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

Hong Kong, 27 August 2015

## DISCLOSURE OF INTERESTS

### INTERESTS OF DIRECTORS

As at 30 June 2015, 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	44.86	-	44.86
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	2,000,000	0.78
Bengie Man-Hang Kwong	5,400,000	-	-	-	5,400,000	0.72	-	0.72
Hamed Hassan El-Abd	750,000	-	-	-	750,000	0.10	2,250,000	0.40
Hsu Hung Chieh	2,564,000	-	-	-	2,564,000	0.34	750,000	0.44
Leung Kam Fong	-	-	-	180,000 (Note 3)	180,000	0.02	-	0.02
Gene Howard Weiner	780,000	-	-	-	780,000	0.10	-	0.10

## 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 2015, 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 2015, 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	27.80%
Greatguy Inc.	Trustee (Note 1)	207,800,000	27.80%
Senta Wong (BVI) Limited	Interest of controlled corporation (Note 2)	122,012,723	16.32%
Wong Chung Yin	Beneficial owner, interest of child or spouse and interest of controlled corporations (Note 3)	45,033,701	6.02%

## 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 45,033,701 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) 25,629,332 shares were held by Levy Investment Limited. The entire issued share capital of which was 100% owned by Mr. Wong Chung Yin.
  - (d) 17,403,919 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 2015, 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 OPTIONS

The Company’s Share Option Scheme (the “Scheme”) came into effect on 30 May 2005. The Scheme has been expired at the close of business on 29 May 2015. No further options would be granted under the Scheme but all other provisions of the Scheme shall remain in force and all options granted prior to such termination shall continue to be valid and exercisable in accordance with the provisions of the Scheme.

## DISCLOSURE OF INTERESTS

As at 30 June 2015, 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 2015	Granted during the period	Exercised during the period	Cancelled/lapsed during the period	Outstanding at 30 June 2015
<b>Category 1:</b>									
<b>Directors</b>									
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	-	1,000,000	-	2,000,000
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	-	6,700,000	-	5,000,000
<b>Category 2:</b>									
<b>Employees</b>									
	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	-	1,164,000	-	2,852,000
	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	-	76,000	-	602,000
Total for employees					4,744,000	-	1,240,000	-	3,504,000
Total for all categories					16,444,000	-	7,940,000	-	8,504,000

## 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 2015 (2014: 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 2015, 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**

### **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 12 June 2015 except an Independent 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 2015.

### **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 2015.

### **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 2015.

