



WONG'S KONG KING INTERNATIONAL (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

INTERIM REPORT 2003

INTERIM RESULTS

The Board of Directors of Wong's Kong King International (Holdings) Limited (the "Company") announce that the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30th June, 2003 together with comparative figures for the corresponding period in 2002 are as follows :

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June, 2003

		Six months ended 30th June,	
	Notes	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Turnover	2	1,368,359	1,169,776
Investment income		1,122	5,982
Changes in inventories of finished goods and work in progress		(33,914)	4,018
Raw materials and consumables used		(647,620)	(584,588)
Purchase of finished goods		(409,384)	(348,043)
Staff costs		(113,873)	(119,090)
Depreciation		(26,312)	(15,638)
Other operating expenses		(86,025)	(83,359)
Profit from operations		52,353	29,058
Finance costs		(12,248)	(5,533)
Gain on disposal of partial interest in a subsidiary		1,703	1,253
Allowance for amounts due from jointly controlled entities		(6,988)	—
Share of results of jointly controlled entities		—	(3,799)
Share of result of an associate		(821)	(83)
Profit before taxation	2	33,999	20,896
Taxation	3	(9,821)	(5,347)
Profit attributable to minority interests		24,178	15,549
		(2,831)	(2,993)
Net profit for the period		21,347	12,556
EARNINGS PER SHARE	4		
Basic		3.08 cents	1.81 cents
Diluted		N/A	N/A

INTERIM RESULTS

CONDENSED CONSOLIDATED BALANCE SHEET

At 30th June, 2003

	Notes	30th June, 2003 (Unaudited) HK\$'000	31st December, 2002 (Audited) HK\$'000
NON-CURRENT ASSETS			
Fixed assets		674,101	692,207
Interests in associates		8,170	8,967
Interests in jointly controlled entities		29,507	34,129
Investments in securities		10,659	10,658
Advances to investee companies		3,806	3,806
Other assets		9,290	9,298
		735,533	759,065
CURRENT ASSETS			
Inventories		150,441	244,183
Trade and other receivables	5	652,665	522,507
Bills receivable		7,462	3,859
Deposits and prepayments		19,542	21,339
Tax recoverable		1,221	359
Pledged bank deposits		230	238
Cash and bank balances		74,831	58,931
		906,392	851,416
CURRENT LIABILITIES			
Trade and other payables	6	535,834	521,797
Bank borrowings			
— due within one year		483,061	459,194
Obligations under finance leases			
— due within one year		8,608	8,689
Tax liabilities		11,397	9,731
		1,038,900	999,411
NET CURRENT LIABILITIES		(132,508)	(147,995)
		603,025	611,070

INTERIM RESULTS

		30th June, 2003 (Unaudited) HK\$'000	31st December, 2002 (Audited) HK\$'000
	Notes		
CAPITAL AND RESERVES			
Share capital	7	69,279	69,279
Reserves		459,222	439,106
		528,501	508,385
SHAREHOLDER LOAN			
		10,287	—
MINORITY INTERESTS			
		25,520	25,033
NON-CURRENT LIABILITIES			
Bank borrowings			
— due after one year		32,000	75,833
Obligations under finance leases			
— due after one year		5,833	678
Deferred taxation		884	1,141
		38,717	77,652
		603,025	611,070

INTERIM RESULTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2003

	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Special reserve HK\$'000	Negative goodwill reserve HK\$'000	Assets revaluation reserve HK\$'000	Exchange reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
At 1st January, 2003	69,279	68,142	1,610	26,624	5,008	—	233	(17,895)	355,384	508,385
Profit for the period	—	—	—	—	—	—	—	—	21,347	21,347
Exchange translation difference	—	—	—	—	—	—	—	(1,379)	—	(1,379)
Negative goodwill reserve	—	—	—	—	—	185	—	—	—	185
Negative goodwill reserve amortization	—	—	—	—	—	(37)	—	—	—	(37)
At 30th June, 2003	69,279	68,142	1,610	26,624	5,008	148	233	(19,274)	376,731	528,501

	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Special reserve HK\$'000	Assets revaluation reserve HK\$'000	Exchange reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
At 1st January, 2002	69,279	68,142	1,610	26,624	5,008	233	(18,132)	332,959	485,723
Profit for the period	—	—	—	—	—	—	—	12,556	12,556
Exchange translation difference	—	—	—	—	—	—	3,182	—	3,182
At 30th June, 2002	69,279	68,142	1,610	26,624	5,008	233	(14,950)	345,515	501,461

INTERIM RESULTS

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June, 2003

	Six months ended 30th June,	
	2003	2002
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH FROM OPERATING ACTIVITIES	66,056	43,335
NET CASH USED IN INVESTING ACTIVITIES	(8,354)	(38,952)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(32,431)	2,595
INCREASE IN CASH AND CASH EQUIVALENTS	25,271	6,978
CASH AND CASH EQUIVALENTS AT 1ST JANUARY	38,734	49,402
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(2,005)	3,555
CASH AND CASH EQUIVALENTS AT 30TH JUNE	62,000	59,935
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	74,831	82,153
Bank overdrafts	(12,831)	(22,218)
	62,000	59,935

INTERIM RESULTS

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th June, 2003

1. Accounting policies

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain investments in securities.

The condensed financial statements have been prepared in accordance with the requirements set out in Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" ("SSAP 25") issued by the Hong Kong Society of Accountants. The accounting policies adopted are consistent with those followed in the Group's annual financial statements for the year ended 31st December, 2002, except for the adoption of SSAP 12 (Revised) "Income Taxes" issued by the HKSA which is effective for accounting periods commencing on or after 1 January 2003.

The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. The adoption of SSAP 12 (Revised) has no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment is required.

INTERIM RESULTS

2. Segmental information

The analysis of the turnover of the Group and the contribution to profit before taxation by principal activity and geographical market were as follows:

	Turnover		Contribution to profit	
	Six months ended		before taxation	
	30th June,		Six months ended	
	2003		30th June,	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By Principal Activity:				
Continuing operations:				
Trading and distribution				
— Industrial products	550,441	466,561	41,939	9,376
Manufacturing				
— Industrial products	812,573	695,209	1,458	11,245
Others	5,345	8,006	(3,292)	2,904
	1,368,359	1,169,776	40,105	23,525
Gain on disposal of partial interest in a subsidiary			1,703	1,253
Allowance for amounts due from jointly controlled entities			(6,988)	—
Share of results of jointly controlled entities			—	(3,799)
Share of result of an associate			(821)	(83)
Profit before taxation			33,999	20,896
By Geographical Market:				
Hong Kong	285,057	297,975	11,024	2,781
PRC* (other than Hong Kong)	377,503	216,325	4,997	(5,213)
South East Asia**	274,179	306,530	20,985	17,571
Europe	194,798	115,441	1,125	1,852
America	234,819	233,291	1,955	6,527
Others	2,003	214	19	7
	1,368,359	1,169,776	40,105	23,525
Gain on disposal of partial interest in a subsidiary			1,703	1,253
Allowance for amounts due from jointly controlled entities			(6,988)	—
Share of results of jointly controlled entities			—	(3,799)
Share of result of an associate			(821)	(83)
Profit before taxation			33,999	20,896

* PRC denotes the People's Republic of China

** For the purposes of this analysis South East Asia includes Taiwan, Thailand, Singapore, Japan and the Philippines.

INTERIM RESULTS

3. Taxation

	Six months ended 30th June,	
	2003	2002
	HK\$'000	HK\$'000
The charge comprises:		
The Company and its subsidiaries		
Hong Kong	3,840	1,513
Other jurisdictions	5,924	3,834
An associate		
Other jurisdiction	57	—
	9,821	5,347

Hong Kong Profits Tax is calculated at the rate of 17.5% (2002: 16%) on the estimated assessable profit for the period of each member of the Group in Hong Kong. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

4. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

	Six months ended 30th June,	
	2003	2002
	HK\$'000	HK\$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share	21,347	12,556
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	692,791,964	692,791,964

Earnings per share for the six months ended 30th June, 2003 and 2002 are not diluted by the Company's outstanding share options since the exercise price is higher than their fair value per share.

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5. Trade and other receivables

Included in trade and other receivables are trade receivables of HK\$649,687,000 (At 31st December, 2002: HK\$502,260,000). The Group has a policy of allowing an average credit period of 60 days to its trade customers. The following is an aged analysis of trade receivables at the reporting date:

	30th June, 2003 HK\$'000	31st December, 2002 HK\$'000
0 to 30 days	249,722	150,424
31 to 60 days	115,916	121,928
61 to 90 days	86,220	65,579
Over 90 days	197,829	164,329
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	649,687	502,260

6. Trade and other payables

Included in trade and other payables are trade payable of HK\$391,462,000 (At 31st December, 2002: HK\$328,149,000). The following is an aged analysis of trade payables at the reporting date:

	30th June, 2003 HK\$'000	31st December, 2002 HK\$'000
0 to 30 days	143,665	171,397
31 to 60 days	67,334	73,053
61 to 90 days	46,322	18,488
Over 90 days	134,141	65,211
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	391,462	328,149

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7. Share capital

	Number of ordinary shares of HK\$0.10 each	Amount HK\$'000
Issued and fully paid:		
At 31st December, 2002 & At 30th June, 2003	692,791,964	69,279

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

8. Related party transactions

During the period, the Group has entered into the following transactions with related parties:

	Trade sales		Trade purchases		Rental income		Loan interest income	
	Six months ended		Six months ended		Six months ended		Six months ended	
	30 June,		30 June,		30 June,		30 June,	
	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Related parties*	1,740	45	—	—	—	—	—	—
Jointly controlled entities	—	—	5,064	2,903	1,524	1,400	923	526

* *Related parties are companies of which Directors are close family members of Mr. Senta Wong.*

The prices of the above transactions were determined by the Directors by reference to market prices for similar transactions.

INTERIM RESULTS

9. Commitments and contingent liabilities

	30th June, 2003 HK\$'000	31st December, 2002 HK\$'000
(a) Capital commitments contracted for in respect of acquisition of fixed assets	164	250
(b) Contingent liabilities in respect of:		
— Bills discounted	8,595	17,393
— Guarantees given in respect of leasing facilities utilized by jointly controlled entities	—	21
— Trade receivables discounted with recourse	—	9,625

INTERIM DIVIDEND

The Directors do not recommend any interim dividend for the six months ended 30th June, 2003 (2002 — Nil).

BUSINESS REVIEW AND PROSPECTS

BUSINESS REVIEW

The Group's turnover was HK\$1.37 billion for the first half of 2003, representing an increase of approximately 17% from that of the corresponding period last year. The Group's profit before taxation was HK\$34 million, representing an increase of approximately 63% compared to the same period last year.

The Group's Industrial Products Trading Division recorded considerable growth because of strong demand for the industrial products distributed by the Group. Its turnover and operating profit increased by approximately 18% and 347%, respectively, for the first six months of this year as compared to the corresponding period last year. The major share of the Division's profit was derived from the strong performance of the Division's operations in Taiwan, the trading of electronic products in Hong Kong and the PRC, whilst other operations of the Division in Hong Kong, Singapore, Thailand and the Philippines also made positive contributions to the profit of the Division.

Despite delays in finalising some new businesses with our customers as a result of the outbreak of severe acute respiratory syndrome in Hong Kong and the PRC, the OEM Manufacturing Division recorded an increase in turnover of approximately 17% for the first half of this year as compared to the same period last year, mainly due to the Group's continuing efforts to explore business opportunities and improved manufacturing facilities. However, the Division reported only a slight profit for the first six months of this year mainly because of severe pressure on the profit margin, as a result of the lingering sluggishness of the global economy and the increased overheads for the new factory.

FINANCE

The Group has committed bank facilities and other financing facilities totalling HK\$855.4 million, of which HK\$548.8 million were drawn down as at 30th June, 2003.

As at 30th June, 2003, the Group's consolidated net borrowings amounted to HK\$454.4 million and its shareholders' equity amounted to HK\$538.8 million, resulting in a gearing ratio of 84%.

BUSINESS REVIEW AND PROSPECTS

Most of the Group's sales are conducted in the same currencies as the corresponding purchase transactions. Where necessary, the Group has entered into forward contracts in foreign currencies for hedging purposes to minimize any impact arising out of exchange rate fluctuations.

CAPITAL STRUCTURE

There had been no material change in the capital structure of the Group since 31st December, 2002.

EMPLOYEES

As at 30th June, 2003, the Group had a total of 4,679 employees, of whom 356 were based in Hong Kong, 4,122 in the PRC and 201 overseas. The remuneration packages of the Group's employees are mainly based on their performance and experience, taking into account current industry practices. In addition to the provision of a provident fund scheme, medical allowance, in-house and external training programs, discretionary bonuses are also available to employees based on their performance. The remuneration policy and packages of the Group's employees are reviewed from time to time.

PROSPECTS

The Directors are optimistic that the demand for the industrial products distributed by the Group will continue to be strong for the remainder of this year.

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

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

By Order of the Board
Senta Wong
Chairman

Hong Kong, 16th September, 2003

CORPORATE GOVERNANCE

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

As at 30th June 2003, the interests or short positions of the Directors and chief executives 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:

(A) Long positions in shares of the Company

<u>Name of Directors</u>	<u>Capacity</u>	<u>Number of ordinary shares</u>	<u>Percentage interests</u>
Senta Wong	Interest of child or spouse, interest of controlled corporations and founder of discretionary trust (Note 1)	325,068,723	46.92%
Edward Ying-Chun Tsui	Beneficial owner	7,311,920	1.06%
Byron Shu-Chan Ho	Beneficial owner and interest of child or spouse (Note 2)	4,130,000	0.60%
Bengie Man-Hang Kwong	Beneficial owner	2,700,000	0.39%
Gene Howard Weiner	Beneficial owner	180,000	0.03%

CORPORATE GOVERNANCE

Notes:

1. Mr. Senta Wong was deemed (by virtue of the SFO) to be interested in 325,068,723 shares in the Company. These shares were held in the following capacity:
 - (a) 1,886,000 shares were held by Ms. Wong Wu Lai Ming, wife of Mr. Senta Wong.
 - (b) 115,382,723 shares were held by Senta Wong (BVI) Limited, the entire issued share capital of which is owned by Mr. Senta Wong. The references to 115,382,723 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.
 - (c) 207,800,000 shares were held by Greatfamily Inc. (which was in turn wholly owned by Greatguy Inc.) for a discretionary trust, of which Mr. Senta Wong and Batsford Limited were regarded as the founders (by virtue of the SFO). The references to 207,800,000 shares deemed to be interested by Mr. Senta Wong (as disclosed herein), Greatfamily Inc., and Greatguy Inc. (as disclosed in the section headed "Interests of substantial shareholders"), and Batsford Limited (as disclosed in Note 1(a) under the section headed "Interests of substantial shareholders") relate to the same block of shares.
2. Mr. Byron Shu-Chan Ho was deemed (by virtue of the SFO) to be interested in 4,130,000 shares in the Company. These shares were held in the following capacity:
 - (a) 2,300,000 shares were held by Mr. Byron Shu-Chan Ho personally.
 - (b) 1,830,000 shares were held by Ms. Wong Shukkwan, Goretta, wife of Mr. Byron Shu-Chan Ho.

CORPORATE GOVERNANCE

(B) Long positions in shares of associated corporations of the Company

Name of Director	Associated corporation	Capacity	Number of ordinary shares	Percentage interests
Senta Wong	Golden Crown Limited	Beneficial Owner	25	12.5%

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

Save as disclosed herein, as at 30th June 2003, none of the Directors or chief executives of the Company or their respective 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.

At no time during the six months ended 30 June 2003 was the Company, its subsidiaries or its associated corporations a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates to acquire benefits by an acquisition of shares or underlying shares in, or debentures of, the Company or its associated corporations.

CORPORATE GOVERNANCE

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

So far as is known to any Director or chief executive of the Company, as at 30th June 2003, persons (other than a Director or chief executive of the Company) who 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 ordinary shares	Percentage interests
Batsford Limited	Founder of discretionary trust and trustee (Note 1)	242,623,332	35.02%
Greatfamily Inc.	Beneficial owner (Note 2)	207,800,000	29.99%
Greatguy Inc.	Trustee (Note 2)	207,800,000	29.99%
Senta Wong (BVI) Limited	Beneficial owner (Note 3)	115,382,723	16.65%
Wong Chung Yin	Beneficial owner, interest of child or spouse and founder of discretionary trust (Note 4)	76,039,251	10.98%
Guardian Trustee Limited	Beneficiary of trust (Note 5)	59,984,468	8.66%
Levy Investment Limited	Beneficial owner (Note 6)	34,823,332	5.03%

Notes:

1. Batsford Limited was deemed (by virtue of the SFO) to be interested in 242,623,332 shares in the Company. These shares were held in the following capacity:
 - (a) 207,800,000 shares were held by Greatfamily Inc. (which was in turn wholly owned by Greatguy Inc.) for a discretionary trust, of which Mr. Senta Wong and Batsford Limited were regarded as the founders (by virtue of the SFO). Please see Note 1(c) under the section headed "Interests of Directors and chief executives".
 - (b) 34,823,332 shares were held by Levy Investment Limited (which was in turn wholly owned by Batsford Limited) for a discretionary trust, of which Mr. Wong Chung Yin was regarded as the founder (by virtue of the SFO). The references to 34,823,332 shares deemed to be interested by Batsford Limited (as disclosed herein), Mr. Wong Chung Yin (as disclosed in Note 4(c) below) and Levy Investment Limited (as disclosed in this section) relate to the same block of shares.

CORPORATE GOVERNANCE

2. Please see Note 1(c) under the section headed “Interests of Directors and chief executives”.
3. Please see Note 1(b) under the section headed “Interests of Directors and chief executives”.
4. Mr. Wong Chung Yin was deemed (by virtue of the SFO) to be interested in 76,039,251 shares in the Company. These shares were held in the following capacity:
 - (a) 5,132,000 shares were held by Mr. Wong Chung Yin personally.
 - (b) 2,500,000 shares were held under Mr. Wong Chung Yin and his wife, Ms. Woo Sin Ming.
 - (c) 34,823,332 shares were held by Levy Investment Limited (which was in turn wholly owned by Batsford Limited) for a discretionary trust, of which Mr. Wong Chung Yin was regarded as the founder (by virtue of the SFO). Please see Note 1(b) above.
 - (d) 33,583,919 shares were held for The Pacific Way Unit Trust, of which Guardian Trustee Limited was regarded as the beneficiary (by virtue of the SFO). Mr. Wong Chung Yin was regarded as the founder of the trust (by virtue of the SFO) in relation to the same block of shares. The references to 33,583,919 shares deemed to be interested by Mr. Wong Chung Yin (as disclosed herein) and Guardian Trustee Limited (as disclosed in Note 5(a) below) relate to the same block of shares.
5. Guardian Trustee Limited was deemed (by virtue of the SFO) to be interested in 59,984,468 shares in the Company. These shares were held in the following capacity:
 - (a) 33,583,919 shares were held for The Pacific Way Unit Trust, of which Guardian Trustee Limited was regarded as the beneficiary (by virtue of the SFO). Mr. Wong Chung Yin was regarded as the founder of the trust (by virtue of the SFO) in relation to the same block of shares. Please see Note 4(d) above.
 - (b) 26,400,549 shares were held for The Floral Unit Trust. Guardian Trustee Limited was regarded as the beneficiary of the trust (by virtue of the SFO) in relation to these shares.
6. Please see Note 1(b) above.

CORPORATE GOVERNANCE

Save as disclosed, the Directors are not aware of any other persons who, as at 30th June 2003, 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.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including the review of this interim report.

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 30th June, 2003.

DISCLOSURE PURSUANT TO PRACTICE NOTE 19

The following information is disclosed pursuant to paragraphs 3.7.1 and 3.9 of Practice Note 19 to the Listing Rules:

- (a) The Company and a group of its wholly-owned subsidiaries have entered into a loan agreement with banks, which are independent third parties, for a transferable term loan facility of up to HK\$120 million made available to WKK Technology Limited, an indirectly wholly-owned subsidiary of the Company (the "Old Facility"). The final repayment date of the loan is 18th May, 2004. Under the terms and conditions of this loan agreement, the followings would constitute an event of default: (a) if Mr. Senta Wong and his associates, together with any company beneficially owned or controlled by any of them, cease to be the largest single shareholder, or group of shareholders, in the Company; (b) if Mr. Senta Wong, his associates and his other family members, together with any company beneficially owned or controlled by any of them, cease to own or control (directly or indirectly) 35% or more of the issued share capital of the Company; or (c) if Mr. Senta Wong ceases to be actively involved in the management of the

CORPORATE GOVERNANCE

Company. Under this loan agreement, if any of the above occurs, all amounts outstanding and owing under the facility may become immediately due and payable. The Old Facility was repaid in full on 18th August, 2003.

- (b) On 6th August, 2003, the Company entered into a loan agreement on 6 August, 2003 with a syndicate of banks for a 4-year term loan facility of up to HK\$250 million to refinance the Old Facility and for general working capital purposes. This loan agreement includes conditions to the effect that: (a) Mr. Senta Wong, the controlling shareholder of the Company, together with his associates, must remain the single largest shareholder of the Company; (b) Mr. Senta Wong, together with his associates and his other family members, must hold more than 50% of the issued share capital of the Company; and (c) Mr. Senta Wong must remain as the Chairman and the Chief Executive Officer of the Company. Under this loan agreement, if such an event of default occurs, all amounts outstanding and owing under the facility may become immediately due and payable. As at the latest practicable date, none of the above events of default has occurred.

CODE OF BEST PRACTICE

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30th June, 2003 in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, except that the Independent Non-Executive Directors are not appointed for a specific term but are subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the provisions of the Company's Bye-Laws.