WKK

WONG'S KONG KING INTERNATIONAL (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 532)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

The Board of Directors of Wong's Kong King International (Holdings) Limited (the "Company") announces that the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2008, together with comparative figures for the corresponding period in 2007 are as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	2008 HK$'000	2007 HK$'000
Revenue	2	**4,442,440**	4,538,540
Other income		**382**	4,098
Raw materials and consumables used		**(2,039,078)**	(1,949,423)
Purchases of finished goods		**(1,375,317)**	(1,555,734)
Changes in inventories of finished goods and work in progress		**(74,003)**	(62,247)
Other manufacturing overhead		**(100,872)**	(84,962)
Employee benefits expense		**(492,479)**	(446,422)
Depreciation and amortisation		**(64,265)**	(64,500)
Other expenses		**(166,248)**	(182,800)
Operating profit		**130,560**	196,550
Finance income		**16,272**	4,433
Finance costs		**(27,530)**	(29,454)
Finance costs, net		**(11,258)**	(25,021)

	Note	2008 HK$'000	2007 HK$'000
Share of results of associates		**633**	(460)
Share of results of jointly controlled entities		**(556)**	(1,095)
Write back of impairment loss on properties		**–**	15,532
Gain on disposal of jointly controlled entities		**1,646**	–
Allowance for doubtful debt on amount due from a jointly controlled entity		**(944)**	–
		779	13,977
Profit before income tax		**120,081**	185,506
Income tax expense	*3*	**(42,875)**	(63,477)
Profit for the year	*2*	**77,206**	122,029
Attributable to:			
Equity holders of the Company		**55,899**	108,523
Minority interest		**21,307**	13,506
		77,206	122,029
Dividends	*7*	**11,090**	29,488
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in HK cents per share)			
– basic	*4*	**7.57**	15.09
– diluted	*4*	**7.49**	14.65

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2008

	Note	2008 HK$'000	2007 HK$'000
ASSETS			
Non-current assets			
Land use rights		**15,831**	16,268
Property, plant and equipment		**626,796**	646,631
Intangible assets		**7,810**	–
Interest in an associate		**3,633**	3,343
Interests in jointly controlled entities		**914**	2,360
Amount due from an investee company		**1,444**	1,444
Deferred tax assets		**1,808**	2,114
Available-for-sale financial assets		**42,784**	42,786
Long term deposits		**1,973**	–
		702,993	714,946
Current assets			
Inventories		**461,944**	587,536
Trade and other receivables	5	**826,231**	1,050,750
Deposits and prepayments		**40,320**	21,805
Tax recoverable		**8,222**	3,260
Derivative financial instruments		**615**	–
Bank balances and cash		**581,596**	244,863
		1,918,928	1,908,214
Total assets		**2,621,921**	2,623,160
LIABILITIES			
Non-current liabilities			
Bank borrowings – due after one year		**18,000**	142,000
Obligations under finance leases – due after one year		**484**	94
Deferred tax liabilities		**1,012**	634
Retirement benefit obligations		**2,618**	2,243
		22,114	144,971

	Note	2008 HK$'000	2007 HK$'000
Current liabilities			
Trade, bill and other payables	6	**661,866**	915,015
Current income tax liabilities		**20,175**	8,183
Bank borrowings – due within one year		**631,455**	303,582
Bank overdraft, secured		**10,496**	7,477
Obligations under finance leases			
– due within one year		**187**	350
Derivative financial instrument		**29**	–
		1,324,208	1,234,607
Total liabilities		**1,346,322**	1,379,578
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**73,930**	73,610
Reserves		**1,125,005**	1,102,663
		1,198,935	1,176,273
Minority interest		**76,664**	67,309
Total equity		**1,275,599**	1,243,582
Total equity and liabilities		**2,621,921**	2,623,160
Net current assets		**594,720**	673,607
Total assets less current liabilities		**1,297,713**	1,388,553

NOTES:

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"). In addition, the consolidated financial statements include the applicable disclosures required by the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

In the current year, the Company and its subsidiaries (collectively referred as the "Group") has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by HKICPA, which are effective for the Group's financial year beginning on 1 January 2008. The adoption of the new HKFRSs has no material effect on the results and financial position of the Group.

The Group has not early adopted the new and revised standards, amendment or interpretations that have been issued but are not yet effective for the Group's current financial year. The Group is in the process of assessment of the impact of these amendments to the Group and anticipates that no significant impacts to the results and financial position of the Group.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

Certain comparative figures have been reclassified to conform with the current year's presentation.

2. SEGMENTAL INFORMATION

The Group is currently organised into two operating divisions – trading and manufacturing. These divisions are the basis on which the Group reports its primary segment 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 results for the year ended 31 December 2008 are as follows:

	Trading	**Manu-facturing**	**Other**	**Eliminations**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Revenue					
External sales	**1,945,171**	**2,453,618**	**43,651**	**–**	**4,442,440**
Inter-segment sales	**261,208**	**2,312**	**17,423**	**(280,943)**	**–**
Total	**2,206,379**	**2,455,930**	**61,074**	**(280,943)**	**4,442,440**
Results					
Segment results	**83,636**	**68,313**	**(21,389)**	**–**	**130,560**
Finance income (costs), net	**263**	**(11,975)**	**454**	**–**	**(11,258)**
	83,899	**56,338**	**(20,935)**	**–**	**119,302**
Share of results of associates					**633**
Share of results of jointly controlled entities					**(556)**
Gain on disposal of jointly controlled entities					**1,646**
Allowance for doubtful debt on amount due from a jointly controlled entity					**(944)**
Profit before income tax					**120,081**
Income tax expense					**(42,875)**
Profit for the year					**77,206**

The segment results for the year ended 31 December 2007 are as follows:

	Trading	Manu-facturing	Other	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue					
External sales	2,077,735	2,414,052	46,753	–	4,538,540
Inter-segment sales	56,694	2,214	27,052	(85,960)	–
Total	2,134,429	2,416,266	73,805	(85,960)	4,538,540
Results					
Segment results	131,302	105,755	(18,507)	(22,000)	196,550
Finance income (costs), net	(12,439)	(35,127)	545	22,000	(25,021)
	118,863	70,628	(17,962)	–	171,529
Share of results of jointly controlled entities					(1,095)
Share of results of associates					(460)
Write-back of impairment loss recognised in respect of properties					15,532
Profit before income tax					185,506
Income tax expense					(63,477)
Profit for the year					122,029

3. INCOME TAX EXPENSE

	2008	2007
	HK$'000	*HK$'000*
Current income tax		
– Hong Kong profits tax	**5,880**	14,728
– Other jurisdictions including PRC income tax	**32,502**	11,618
	38,382	26,346
(Over)/under provision in prior years		
– Hong Kong	**(380)**	27,938
– Other jurisdictions including PRC income tax	**80**	–
	(300)	27,938
Deferred income tax	**684**	2,890
	38,766	57,174
Withholding tax on dividend declared by subsidiaries	**4,109**	6,303
	42,875	63,477

Hong Kong profits tax is calculated at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits for the year. The subsidiaries established in the PRC are subject to enterprise income tax rates ranging from 12.5% to 25%. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

4. 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 year.

	2008	2007
Profit attributable to equity holders of the Company (Hong Kong thousands dollar)	**55,899**	108,523
Weighted average number of ordinary shares in issue (thousands)	**738,660**	719,043
Basic earnings per share (Hong Kong cents per share)	**7.57**	15.09

(b) Diluted

Diluted earnings per share is calculated by adjusting weighted average number of ordinary shares outstanding to assume all outstanding options had been exercised at nil consideration.

	2008	2007
Profit attributable to equity holders of the Company (Hong Kong thousands dollar)	**55,899**	108,523
Weighted average number of ordinary shares in issue (thousands)	**738,660**	719,043
Adjustments for share options (thousands)	**7,167**	21,965
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**745,827**	741,008
Diluted earnings per share (Hong Kong cents per share)	**7.49**	14.65

5. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables of HK$804,374,000 (At 31 December, 2007: HK$1,038,278,000). The Group has a policy of allowing an average credit period of 30 days – 180 days to its trade customers. The following is an aging analysis of trade receivables net of provision for impairment at the balance sheet date:

	2008	2007
	HK$'000	*HK$'000*
0 to 30 days	**258,962**	745,616
31 to 60 days	**207,944**	103,395
61 to 90 days	**160,721**	59,250
Over 90 days	**176,747**	130,017
	804,374	1,038,278

6. TRADE, BILL AND OTHER PAYABLES

Included in trade, bill and other payables are trade and bill payable of HK$440,305,000 (At 31 December, 2007: HK$743,575,000). The following is an aging analysis of trade and bill payables at the balance sheet date:

	2008	2007
	HK$'000	*HK$'000*
0 to 30 days	**237,188**	610,124
31 to 60 days	**95,382**	54,448
61 to 90 days	**67,208**	24,697
Over 90 days	**40,527**	54,306
	440,305	743,575

7. DIVIDENDS

	2008	2007
	HK$'000	*HK$'000*
Interim dividend, paid: HK$0.015 (2007: HK$0.015) per share	**11,090**	11,005
Final dividend: Nil (2007: HK$0.025) per share	**–**	18,483
	11,090	29,488

DIVIDEND

The Board of Directors do not recommend any payment of dividend for the year ended 31 December 2008 (2007: HK$0.025).

BUSINESS REVIEW

The Group's turnover and profit attributable to shareholders for the year 2008 was HK$4.4 billion and HK$55.9 million respectively, reflecting a decrease of approximately 2% and 48% compared to last year.

Trading and Distribution Division (WKK Distribution)

In spite of the increase in sales of approximately 18% in the first half of this year as compared to last year, the Trading and Distribution Division registered sales of HK$1.95 billion for the whole year, representing a decrease of approximately 6% compared to 2007. The operating profit for the year reduced by approximately 29% compared to last year. This was mainly attributable to the collapse of demand for the industrial products distributed by the Group in the fourth quarter of 2008 as a result of the recession of the global economy. Although the operations of the Division in Taiwan made a small operating profit in the last quarter, their contribution to the operating profits of the Division increased by 62% for the whole year as compared to last year mainly because of their good performance in the first three quarters of 2008. The operations of the Division in Hong Kong, the PRC and Thailand recorded decreases in operating profits and the operations in Singapore and Philippines registered operating losses for the whole year.

OEM Manufacturing Division (WKK Technology)

The turnover of the OEM Manufacturing Division was HK$2.45 billion for the year 2008, reflecting a slight increase of approximately 2% compared to 2007. The orders from customers decreased significantly in the last quarter as compared to the corresponding period last year due to the economic downturn. The operating profit was down by approximately 20% for the year as compared to last year mainly because of the appreciation of Renminbi and the escalating wages in the PRC.

FINANCE

The Group has committed bank and other financing facilities totaling HK$2,075 million, of which HK$696 million was drawn down as at 31 December 2008. As at 31 December 2008, the Group's consolidated net borrowings amounted to HK$79 million and shareholders' equity amounted to HK$1,199 million, resulting in a gearing ratio of 6.6%.

Most of the Group's sales were conducted in the same currencies as the corresponding purchase transactions. Foreign exchange contracts were used to hedge exposures where necessary.

CAPITAL STRUCTURE

There had been no material change in the capital structure of the Group since 31 December 2007.

HUMAN RESOURCES

As at 31 December 2008, the Group had a total of 5,655 employees, of whom 347 were based in Hong Kong, 5,049 in the PRC and 259 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 allowances, in-house and external training programs are also available to employees. The grant of share options and the payment of discretionary bonuses are generally subject to the individual performance of the employees and the Group's overall financial performance. The remuneration package of the employees are regularly reviewed.

PROSPECTS

In view of the global financial crisis, the economic downturn and the disminished capital expenditure of our customers, the directors expect that the demand for the industrial products distributed by the Trading and Distribution Division will remain to be weak in the foreseeable future. As the global recession deepens, it is expected that the orders for the OEM Manufacturing Division for this year will be affected.

Cost-saving measures have been taken to alleviate the impact of the adverse market environment. The operations in the Philippines will be closed in the second quarter of this year.

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 securities during the year.

CORPORATE GOVERNANCE

The Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2008, with deviations from code provisions A.2.1, A.4.1 and A.4.2 of the Code in respect of the separate roles of chairman and chief executive officer, service term and rotation of directors:–

Code Provision A.2.1

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.

Code Provision A.4.1

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 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 first 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 Code.

Code Provision A.4.2

All Directors (except Executive Chairman or Deputy 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 at least once every three years.

DIRECTORS' SECURITIES TRANSACTION

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Code") as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors, all Directors have confirmed that they had complied with the required standard set out in the Model Code during the year ended 31 December 2008.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management the audited financial statements of the Group for the year ended 31 December 2008.

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

By Order of the Board
Senta Wong
Chairman

Hong Kong, 3 April 2009

As at the date of this announcement, the executive directors of the Company are Messrs. Senta Wong, Edward Ying-Chun Tsui, Byron Shu-Chan Ho, Bengie Man-Hang Kwong and Hamed Hassan EL-ABD; the non-executive director is Mr. Hsu Hung Chieh; and the independent non-executive directors are Messrs. Peter Chung-Yin Lee, John Ho, Philip Wan-Chung Tse and Gene Howard Weiner.