WKK

WONG'S KONG KING INTERNATIONAL (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 532)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009

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 2009, together with comparative figures for the corresponding period in 2008 are as follows:

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	2009 HK$'000	2008 HK$'000
Revenue	2	**3,095,362**	4,442,440
Other income		**2,981**	382
Raw materials and consumables used		**(1,613,597)**	(2,039,078)
Purchases of finished goods		**(814,063)**	(1,375,317)
Changes in inventories of finished goods and work in progress		**15,781**	(74,003)
Other manufacturing overhead		**(69,496)**	(100,872)
Employee benefit expense		**(412,417)**	(492,479)
Depreciation and amortisation		**(60,456)**	(64,265)
Other expenses		**(162,463)**	(166,248)
Operating (loss)/profit		**(18,368)**	130,560
Finance income		**3,856**	16,272
Finance costs		**(8,290)**	(27,530)
Finance costs, net		**(4,434)**	(11,258)

	Notes	**2009** *HK$'000*	2008 *HK$'000*
Share of results of an associate		**(867)**	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		**(708)**	(944)
		(1,575)	779
(Loss)/profit before income tax		**(24,377)**	120,081
Income tax expense	*3*	**(11,849)**	(42,875)
(Loss)/profit for the year	*2*	**(36,226)**	77,206
Attributable to:			
Equity holders of the Company		**(41,245)**	55,899
Minority interest		**5,019**	21,307
		(36,226)	77,206
(Loss)/earnings per share for (loss)/profit attributable to the equity holders of the Company during the year (expressed in HK cents per share)			
– basic	*4*	**(5.58)**	7.57
– diluted	*4*	**(5.55)**	7.49
Dividends	*7*	**–**	11,090

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2009

	Notes	2009 HK$'000	2008 HK$'000
ASSETS			
Non-current assets			
Land use rights		**15,470**	15,831
Property, plant and equipment		**579,672**	626,796
Intangible assets		**13,066**	7,810
Interest in an associate		**2,847**	3,633
Interests in jointly controlled entities		**988**	914
Amount due from an investee company		**–**	1,444
Deferred tax assets		**9,655**	1,808
Available-for-sale financial assets		**33,218**	33,286
Long term deposits		**1,973**	1,973
Club membership and debentures		**11,795**	9,498
		668,684	702,993
Current assets			
Inventories		**470,761**	461,944
Trade and other receivables	5	**845,432**	826,231
Deposits and prepayments		**52,132**	40,320
Tax recoverable		**1,645**	8,222
Derivative financial instruments		**–**	615
Bank balances and cash		**293,854**	581,596
		1,663,824	1,918,928
Total assets		**2,332,508**	2,621,921
LIABILITIES			
Non-current liabilities			
Bank borrowings – due after one year		**–**	18,000
Obligations under finance leases – due after one year		**318**	484
Deferred tax liabilities		**1**	1,012
Retirement benefit obligations		**793**	2,618
		1,112	22,114

	Notes	**2009** HK$'000	2008 HK$'000
Current liabilities			
Trade, bill and other payables	6	**686,540**	661,866
Current income tax liabilities		**5,303**	20,175
Bank borrowings – due within one year		**402,087**	631,455
Bank overdraft, secured		**3,553**	10,496
Obligations under finance leases – due within one year		**153**	187
Derivative financial instruments		**1,264**	29
		1,098,900	1,324,208
Total liabilities		**1,100,012**	1,346,322
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**73,930**	73,930
Reserves		**1,090,328**	1,125,005
		1,164,258	1,198,935
Minority interest		**68,238**	76,664
Total equity		**1,232,496**	1,275,599
Total equity and liabilities		**2,332,508**	2,621,921
Net current assets		**564,924**	594,720
Total assets less current liabilities		**1,233,608**	1,297,713

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2009

	2009	2008
	HK$'000	*HK$'000*
(Loss)/profit for the year	**(36,226)**	77,206
Other comprehensive income:		
Currency translation differences	**8,343**	(7,519)
Total comprehensive income for the year	**(27,883)**	69,687
Attributable to:		
Equity holders of the Company	**(34,677)**	50,442
Minority interest	**6,794**	19,245
	(27,883)	69,687

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 2009. 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 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 polices.

2. 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 equipments used in the manufacturing of printed circuit boards and electronic products
Manufacturing	–	manufacturing of electrical and electronic products

The segment information for the year ended 31 December 2009 are as follows:

	Trading	Manufacturing	Others	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue					
External sales	**1,148,821**	**1,900,896**	**45,645**	**–**	**3,095,362**
Inter-segment sales	**171,757**	**2,320**	**19,802**	**(193,879)**	**–**
Total	**1,320,578**	**1,903,216**	**65,447**	**(193,879)**	**3,095,362**
Results					
Segment results	**(23,716)**	**11,821**	**(6,473)**	**–**	**(18,368)**
Finance (costs)/income, net	**(1,401)**	**(3,038)**	**5**	**–**	**(4,434)**
	(25,117)	**8,783**	**(6,468)**	**–**	**(22,802)**
Share of results of an associate					**(867)**
Allowance for doubtful debt on amount due from a jointly controlled entity					**(708)**
Loss before income tax					**(24,377)**
Income tax expense					**(11,849)**
Loss for the year					**(36,226)**

The segment information for the year ended 31 December 2008 are as follows:

	Trading	Manufacturing	Others	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

3. INCOME TAX EXPENSE

	2009 *HK$'000*	2008 *HK$'000*
Current income tax		
– Hong Kong profits tax	**1,177**	5,880
– Other jurisdictions including PRC income tax	**10,846**	32,502
	12,023	38,382
Under/(over) provision in prior years		
– Hong Kong	**1,995**	(380)
– Other jurisdictions including PRC income tax	**46**	80
	2,041	(300)
Deferred income tax	**(8,858)**	684
Withholding tax on dividend declared by subsidiaries	**6,643**	4,109
	11,849	42,875

Hong Kong profits tax is calculated at 16.5% (2008: 16.5%) 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%. The subsidiaries in Taiwan are subject to corporate income tax rate of 25% (2008: 25%). Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

4. (LOSS)/EARNINGS PER SHARE

(a) Basic

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2009	2008
(Loss)/profit attributable to equity holders of the Company (Hong Kong thousands dollar)	**(41,245)**	55,899
Weighted average number of ordinary shares in issue (thousands)	**739,304**	738,660
Basic (loss)/earnings per share (Hong Kong cents per share)	**(5.58)**	7.57

(b) Diluted

Diluted (loss)/earnings per share is calculated by adjusting weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

	2009	2008
(Loss)/profit attributable to equity holders of the Company (Hong Kong thousands dollar)	**(41,245)**	55,899
Weighted average number of ordinary shares in issue (thousands)	**739,304**	738,660
Adjustments for share options (thousands)	**3,201**	7,167
Weighted average number of ordinary shares for diluted (loss)/earnings per share (thousands)	**742,505**	745,827
Diluted (loss)/earnings per share (Hong Kong cents per share)	**(5.55)**	7.49

5. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 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 aging analysis of trade receivables net of provision for impairment at the balance sheet date is as follows:

	2009	2008
	HK$'000	*HK$'000*
0 to 30 days	**330,346**	258,962
31 to 60 days	**240,535**	207,944
61 to 90 days	**126,468**	160,721
Over 90 days	**137,709**	176,747
	835,058	804,374

6. TRADE, BILL AND OTHER PAYABLES

Included in trade, bill and other payables are trade and bill payables of HK$501,306,000 (At 31 December 2008: HK$440,305,000). The following is an aging analysis of trade and bill payables at the balance sheet date:

	2009	2008
	HK$'000	*HK$'000*
0 to 30 days	**335,627**	237,188
31 to 60 days	**107,109**	95,382
61 to 90 days	**32,570**	67,208
Over 90 days	**26,000**	40,527
	501,306	440,305

7. DIVIDENDS

	2009	2008
	HK$'000	*HK$'000*
Interim dividend, paid of nil (2008: HK$0.015) per share	**–**	11,090
Final dividend, declared of nil (2008: nil) per share	**–**	–
	–	11,090

DIVIDEND

The Board of Directors do not recommend any payment of dividend for the year ended 31 December 2009 (2008: NIL).

BUSINESS REVIEW

The Group's turnover for the year 2009 was HK$3.1 billion reflecting a decrease of approximately 30% compared to last year. The Group registered a loss attributable to shareholders of HK$41.2 million as compared to a profit attributable to shareholders of HK$55.9 million last year.

Trading and Distribution Division (WKK Distribution)

The Trading and Distribution Division registered sales of HK$1.15 billion for the year 2009, representing a decline of approximately 41% compared to 2008, mainly due to the global financial crisis and the economic downturn, in spite of improvements in the demand for the industrial products distributed by the Group in the second half of the year. Down from an operating loss of HK$50.6 million for the first half of the year, the operating loss for the whole year was HK$25.1 million as compared to an operating profit of HK$83.9 million last year. The Division's operations in Taiwan performed well in the second half of the year and contributed positively to the results of the Group for the whole year. The operations of the Division in Hong Kong, the PRC and Singapore recorded operating losses, whilst the Thailand operations just broke even for the year 2009.

OEM Manufacturing Division (WKK Technology)

The turnover of the OEM Manufacturing Division was HK$1.9 billion for the year 2009, reflecting a decline of approximately 23% compared to 2008, mainly because of the global recession. However, the OEM Manufacturing Division registered an operating profit for the year, because orders for the Division in the second half of this year were more than those for the first half-year, as well as effective cost saving measures.

FINANCE

The Group has committed bank and other financing facilities totaling HK$1,896 million, of which HK$450 million was drawn down as at 31 December, 2009. As at 31 December 2009, the Group's consolidated net borrowings amounted to HK$112 million and shareholders' equity amounted to HK$1,164 million, resulting in a gearing ratio of 9.6%.

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 2008.

HUMAN RESOURCES

As at 31 December 2009, the Group had a total of 5,568 employees, of whom 325 were based in Hong Kong, 5,027 in the PRC and 216 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 schemes, 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 signs of economic recovery, though uncertainty still remains, it is expected that the demand for the industrial products distributed by the Trading and Distribution Division for the year 2010 will be stronger than those of last year. It is also expected that the orders for the OEM Manufacturing Division this year will be more than those of last year. However, because of the escalating workers' wages in the PRC and the foreseeable increasing of material prices, the profit margins will be under tremendous pressure.

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 2009, 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 2009.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management the audited financial statements of the Group for the year ended 31 December 2009.

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, 31 March 2010

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.