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 2011

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 2011, together with comparative figures for the corresponding period in 2010 are as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	**2011** **HK$'000**	2010 HK$'000
Revenue	*2*	**5,237,518**	5,192,120
Other income		**2,362**	4,614
Raw materials and consumables used		**(2,795,081)**	(2,429,414)
Purchases of finished goods		**(1,412,138)**	(1,807,082)
Changes in inventories of finished goods and work in progress		**(3,098)**	90,717
Other manufacturing overheads		**(87,631)**	(73,494)
Employee benefit expenses		**(571,322)**	(526,859)
Depreciation and amortisation		**(60,326)**	(59,080)
Other expenses		**(221,938)**	(197,879)
Operating profit		**88,346**	193,643
Finance income		**75,940**	21,803
Finance costs		**(47,731)**	(22,400)
Finance income/(costs), net		**28,209**	(597)

	Note	2011 *HK$'000*	2010 *HK$'000*
Share of results of an associate		**(978)**	723
Write back/(addition) of allowance for doubtful debts on amount due from a jointly controlled entity		**793**	(291)
		(185)	432
Profit before income tax		**116,370**	193,478
Income tax expense	*3*	**(31,824)**	(31,783)
Profit for the year	*2*	**84,546**	161,695
Attributable to:			
Equity holders of the Company		**75,456**	135,102
Non-controlling interests		**9,090**	26,593
		84,546	161,695
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in HK cents per share)			
– basic	*4*	**10.20**	18.27
– diluted	*4*	**10.12**	18.16
Dividends	*7*	**14,794**	22,188

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2011

	Note	2011 HK$'000	2010 HK$'000
ASSETS			
Non-current assets			
Land use rights		**14,748**	15,109
Property, plant and equipment		**604,315**	596,317
Prepayment for acquisition of plant and equipment		**13,276**	–
Intangible assets		**11,634**	15,363
Interests in an associate		**2,599**	3,949
Interests in jointly controlled entities		**1,490**	697
Amount due from an investee company		**–**	–
Deferred tax assets		**8,906**	8,741
Available-for-sale financial assets		**29,639**	29,330
Long term deposits		**1,970**	1,892
Retirement benefit assets		**615**	–
Club membership and debentures		**15,162**	12,250
		704,354	683,648
Current assets			
Inventories		**748,464**	683,713
Trade and other receivables	*5*	**1,251,091**	1,126,492
Deposits and prepayments		**66,659**	65,851
Tax recoverable		**1,135**	1,423
Derivative financial instruments		**4**	2,114
Bank balances and cash		**1,111,369**	1,083,337
		3,178,722	2,962,930
Total assets		**3,883,076**	3,646,578
LIABILITIES			
Non-current liabilities			
Obligations under finance leases – due after one year		**3,468**	178
Deferred tax liabilities		**–**	12
Retirement benefit obligations		**381**	1,044
		3,849	1,234

	Note	**2011**	2010
		HK$'000	*HK$'000*
Current liabilities			
Trade, bills and other payables	*6*	**981,716**	916,525
Current income tax liabilities		**6,107**	22,071
Bank borrowings – due within one year		**1,426,236**	1,287,257
Bank overdrafts, secured		**11,763**	11,951
Obligations under finance leases			
– due within one year		**1,201**	171
Derivative financial instruments		**10,945**	11,565
		2,437,968	2,249,540
Total liabilities		**2,441,817**	2,250,774
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**73,967**	73,952
Reserves		**1,288,097**	1,229,906
		1,362,064	1,303,858
Non-controlling interests		**79,195**	91,946
Total equity		**1,441,259**	1,395,804
Total equity and liabilities		**3,883,076**	3,646,578
Net current assets		**740,754**	713,390
Total assets less current liabilities		**1,445,108**	1,397,038

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2011

	2011	2010
	HK$'000	*HK$'000*
Profit for the year	**84,546**	161,695
Other comprehensive income:		
Currency translation differences	**4,998**	19,439
Release of exchange reserve upon dissolution of a subsidiary	**(1,750)**	(1,505)
Total comprehensive income for the year	**87,794**	179,629
Attributable to:		
Equity holders of the Company	**80,312**	146,874
Non-controlling interests	**7,482**	32,755
	87,794	179,629

NOTES:

1. BASIS OF PREPARATION

The consolidated financial information have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). In addition, the consolidated financial information 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 information 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 standard, amendment and interpretations ("new HKFRS") issued by HKICPA, which are effective for the Group's financial year beginning on 1 January 2011. The adoption of the new HKFRS 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 information in conformity with HKFRS 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 2011 are as follows:

	Trading *HK$'000*	Manufacturing *HK$'000*	Others *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
Revenue					
External sales	**2,122,308**	**3,043,618**	**71,592**	**–**	**5,237,518**
Inter-segment sales	**348,812**	**2,792**	**31,499**	**(383,103)**	**–**
Total	**2,471,120**	**3,046,410**	**103,091**	**(383,103)**	**5,237,518**
Results					
Segment results	**87,815**	**17,070**	**(16,539)**	**–**	**88,346**
Finance income	**1,474**	**74,456**	**10**	**–**	**75,940**
Finance costs	**(6,204)**	**(39,509)**	**(2,018)**	**–**	**(47,731)**
	83,085	**52,017**	**(18,547)**	**–**	**116,555**
Share of results of an associate					**(978)**
Write back of allowance for doubtful debts on amount due from a jointly controlled entity					**793**
Profit before income tax					**116,370**
Income tax expense					**(31,824)**
Profit for the year					**84,546**

The segment information for the year ended 31 December 2010 are as follows:

	Trading *HK$'000*	Manufacturing *HK$'000*	Others *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
Revenue					
External sales	2,449,113	2,689,936	53,071	–	5,192,120
Inter-segment sales	348,278	2,487	32,494	(383,259)	–
Total	2,797,391	2,692,423	85,565	(383,259)	5,192,120
Results					
Segment results	152,123	42,011	(491)	–	193,643
Finance income	1,033	20,764	6	–	21,803
Finance costs	(3,979)	(17,790)	(631)	–	(22,400)
	149,177	44,985	(1,116)	–	193,046
Share of results of an associate					723
Allowance for doubtful debts on amount due from a jointly controlled entity					(291)
Profit before income tax					193,478
Income tax expense					(31,783)
Profit for the year					161,695

3. INCOME TAX EXPENSE

	2011 ***HK$'000***	2010 *HK$'000*
Current income tax		
– Hong Kong profits tax	**864**	3,067
– Other jurisdictions including PRC income tax	**23,098**	24,390
	23,962	27,457
Under/(over) provision in prior years		
– Hong Kong	**(1)**	–
– Other jurisdictions including PRC income tax	**78**	107
	77	107
Deferred income tax	**(177)**	925
Withholding tax on dividend declared by subsidiaries	**7,962**	3,294
	31,824	31,783

Hong Kong profits tax is calculated at 16.5% (2010: 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 17% (2010: 17%). 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.

	2011	2010
Profit attributable to equity holders of the Company (Hong Kong thousands dollar)	**75,456**	135,102
Weighted average number of ordinary shares in issue (thousands)	**739,663**	739,463
Basic earnings per share (Hong Kong cents per share)	**10.20**	18.27

(b) Diluted

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

	2011	2010
Profit attributable to equity holders of the Company (Hong Kong thousands dollar)	**75,456**	135,102
Weighted average number of ordinary shares in issue (thousands)	**739,663**	739,463
Adjustments for share options (thousands)	**5,936**	4,373
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**745,599**	743,836
Diluted earnings per share (Hong Kong cents per share)	**10.12**	18.16

5. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables of HK$1,238,988,000 (2010: HK$1,114,954,000).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 net of provision for impairment at the end of reporting period is as follows:

	2011	2010
	HK$'000	*HK$'000*
0 to 30 days	**463,243**	469,083
31 to 60 days	**321,942**	286,278
61 to 90 days	**179,625**	181,167
Over 90 days	**274,178**	178,426
	1,238,988	1,114,954

6. TRADE, BILLS AND OTHER PAYABLES

Included in trade, bills and other payables are trade and bills payables of HK$727,481,000 (2010: HK$656,442,000).

The following is an ageing analysis of trade and bills payables at the end of reporting period:

	2011	2010
	HK$'000	*HK$'000*
0 to 30 days	**393,621**	377,499
31 to 60 days	**191,950**	158,191
61 to 90 days	**77,360**	88,409
Over 90 days	**64,550**	32,343
	727,481	656,442

7. DIVIDENDS

	2011	2010
	HK$'000	*HK$'000*
Interim dividend, paid of HK$0.01 (2010: HK$0.01) per share	**7,397**	7,395
Final dividend, proposed of HK$0.01 (2010: HK$0.02) per share	**7,397**	14,793
	14,794	22,188

DIVIDEND

The Board of Directors recommends a final dividend of HK$0.01 per share be paid in respect of the year ended 31 December 2011. The proposed final dividend will be payable on or about Tuesday, 31 July 2012, subject to approval at the Annual General Meeting, to shareholders whose names appear on the Register of Members of the Company on Thursday, 28 June 2012.

CLOSURE OF REGISTER OF MEMBERS

1. Book Close for determining the entitlement to attend and vote at the annual general meeting

   The Register of Members of the Company will be closed from Tuesday, 19 June 2012 to Thursday, 21 June 2012, both days inclusive, during which period no transfer of shares will be registered, for the purpose of determining shareholders who are entitled to attend and vote at the forthcoming annual general meeting. In order to qualify for attending and voting at the forthcoming annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong Registrar, Tricor Standard Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Monday, 18 June 2012.

2. Book Close for determining the qualification for the proposed final dividend

   The Register of Members of the Company will be closed from Wednesday, 27 June 2012 to Thursday, 28 June 2012, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong Registrar, Tricor Standard Limited at the aforementioned address not later than 4:00 p.m. on Tuesday, 26 June 2012.

BUSINESS REVIEW

The Group's turnover for the year 2011 was HK$5.2 billion, representing an increase of approximately 1% compared to 2010 mainly due to the good performance of the Group's OEM Manufacturing Division which registered record sales of HK$3 billion. However, the Group's profit attributable to shareholders for the year was HK$75.5 million reflecting a decline of approximately 44% compared to last year.

Trading and Distribution Division (WKK Distribution)

The Trading and Distribution Division registered sales of HK$2.1 billion during 2011, representing a decline of approximately 13% compared to 2010. Demand for the Group's product ranges continued to soften in the second half of 2011, mainly due to the unsettling effects of the debt crisis in Europe and the economic slowdown in the U.S. Operating profit dropped by approximately 44% compared to 2010. Although the operations of the Division in the PRC was the main contributor to the Division's profit for the whole of 2011, its growth in operating profit reduced from 81% in the first half of the year to only 9% for the whole year compared to the previous year. All of the Division's other operations performed less well in the second half of the year than in the first half.

OEM Manufacturing Division (WKK Technology)

The Group's OEM Manufacturing Division recorded turnover of HK$3 billion in 2011, reflecting an increase of approximately 13% compared to 2010. This was largely due to the Group's continuous efforts in broadening its customer base and maintaining a high degree of production flexibility. Its operating profit was HK$52 million, reflecting an increase of approximately 16% compared to the year before.

FINANCE

The Group has committed bank and other financing facilities totalling HK$3,194 million, of which HK$1,516 million was drawn down as at 31 December 2011. As at 31 December 2011, the Group's consolidated net borrowings amounted to HK$331 million and total equity amounted to HK$1,441 million, resulting in a net gearing ratio of 23%.

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

CAPITAL STRUCTURE

There have been no material changes in the capital structure of the Group since 31 December 2010.

HUMAN RESOURCES

As at 31 December 2011, the Group had a total of 5,397 employees, of whom 321 were based in Hong Kong, 4,747 in the PRC and 329 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 euro-zone sovereign debt crisis as well as uncertainties in the global economy especially in Europe and the USA, the Directors expect that the soft demand for the industrial products distributed by the Group will continue and the Industrial Products Trading Division will continue to encounter tough market conditions in the near future.

With the Group's continuous efforts to explore opportunities and the Group's diversified customer base, it is expected that the Group's OEM Manufacturing Division will, in the coming year, enjoy a level of business comparable to the previous year. However, it is expected that the Division's performance will be affected by rising wages for workers in the PRC.

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 2011, 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 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 during the year ended 31 December 2011.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management the audited consolidated financial information of the Group for the year ended 31 December 2011.

On behalf of the Board, I wish to thank all employees for their loyalty, support and hard work throughout the year.

By Order of the Board
Senta Wong
Chairman

Hong Kong, 29 March 2012

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.