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 2012

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 2012, together with comparative figures for the corresponding period in 2011 are as follows:

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	**2012** **HK$'000**	2011 HK$'000
Revenue	*2*	**5,249,294**	5,237,518
Other gains, net		**7,537**	2,362
Raw materials and consumables used		**(3,227,260)**	(2,795,081)
Purchases of finished goods		**(994,340)**	(1,412,138)
Changes in inventories of finished goods and work in progress		**33,235**	(3,098)
Other manufacturing overheads		**(89,631)**	(87,631)
Employee benefit expenses		**(630,614)**	(571,322)
Depreciation and amortisation		**(60,212)**	(60,326)
Other expenses		**(194,281)**	(221,938)
Operating profit		**93,728**	88,346
Finance income		**13,848**	75,940
Finance costs		**(28,520)**	(47,731)
Finance (costs)/income, net		**(14,672)**	28,209

	Note	2012 HK$'000	2011 HK$'000
Share of results of an associate		–	(978)
Write back of allowance for doubtful debts on amount due from a jointly controlled entity		**1,071**	793
		1,071	(185)
Profit before income tax		**80,127**	116,370
Income tax expense	*3*	**(31,027)**	(31,824)
Profit for the year	*2*	**49,100**	84,546
Attributable to:			
Equity holders of the Company		**42,301**	75,456
Non-controlling interests		**6,799**	9,090
		49,100	84,546
Earnings per share for profit attributable to the equity holders of the Company during the year *(expressed in HK cents per share)*			
– basic	*4*	**5.72**	10.20
– diluted	*4*	**5.69**	10.12
Dividends	*7*	**11,095**	14,794

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2012

	Note	**2012** **HK$'000**	2011 HK$'000
ASSETS			
Non-current assets			
Land use rights		**14,387**	14,748
Property, plant and equipment		**619,023**	604,315
Prepayment for acquisition of plant and equipment		**11,666**	13,276
Intangible assets		**10,099**	11,634
Interests in an associate		**–**	2,599
Interests in jointly controlled entities		**608**	1,490
Amount due from an investee company		**–**	–
Deferred tax assets		**7,565**	8,906
Available-for-sale financial assets		**32,669**	29,639
Long term deposits		**2,419**	1,970
Retirement benefit assets		**735**	615
Club membership and debentures		**15,145**	15,162
		714,316	704,354
Current assets			
Inventories		**788,476**	748,464
Trade and other receivables	*5*	**1,229,973**	1,251,091
Deposits and prepayments		**68,009**	66,659
Tax recoverable		**646**	1,135
Derivative financial instruments		**45**	4
Bank balances and cash		**453,028**	1,111,369
		2,540,177	3,178,722
Total assets		**3,254,493**	3,883,076
LIABILITIES			
Non-current liabilities			
Obligations under finance leases – due after one year		**2,242**	3,468
Provision for assets retirement obligation		**1,710**	–
Retirement benefit obligations		**418**	381
		4,370	3,849

	Note	2012 *HK$'000*	2011 *HK$'000*
Current liabilities			
Trade, bills and other payables	*6*	**914,193**	981,716
Current income tax liabilities		**17,682**	6,107
Bank borrowings – due within one year		**815,794**	1,426,236
Bank overdrafts, secured		**776**	11,763
Obligations under finance leases – due within one year		**1,226**	1,201
Derivative financial instruments		**1,955**	10,945
		1,751,626	2,437,968
Total liabilities		**1,755,996**	2,441,817
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**73,967**	73,967
Reserves		**1,323,676**	1,288,097
		1,397,643	1,362,064
Non-controlling interests		**100,854**	79,195
Total equity		**1,498,497**	1,441,259
Total equity and liabilities		**3,254,493**	3,883,076
Net current assets		**788,551**	740,754
Total assets less current liabilities		**1,502,867**	1,445,108

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2012

	2012	2011
	HK$'000	*HK$'000*
Profit for the year	**49,100**	84,546
Other comprehensive income:		
Currency translation differences	**6,600**	4,998
Release of translation reserve upon dissolution of a subsidiary	**(4,646)**	(1,750)
Total comprehensive income for the year	**51,054**	87,794
Attributable to:		
Equity holders of the Company	**42,736**	80,312
Non-controlling interests	**8,318**	7,482
	51,054	87,794

NOTES:

1. BASIS OF PREPARATION

The consolidated financial information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). In addition, the consolidated financial information includes 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 has 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 HKFRS") issued by HKICPA, which are effective for the Group's financial year beginning on 1 January 2012. 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, amendments 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 policies.

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 2012 are as follows:

	Trading *HK$'000*	Manufacturing *HK$'000*	Others *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
Revenue					
External sales	**1,662,352**	**3,516,506**	**70,436**	**–**	**5,249,294**
Inter-segment sales	**267,972**	**2,751**	**24,005**	**(294,728)**	**–**
Total	**1,930,324**	**3,519,257**	**94,441**	**(294,728)**	**5,249,294**
Results					
Segment results	**35,820**	**70,111**	**(11,365)**	**(838)**	**93,728**
Finance income	**1,837**	**11,876**	**135**	**–**	**13,848**
Finance costs	**(4,985)**	**(21,719)**	**(1,816)**	**–**	**(28,520)**
	32,672	**60,268**	**(13,046)**	**(838)**	**79,056**
Write back of allowance for doubtful debts on amount due from a jointly controlled entity					**1,071**
Profit before income tax					**80,127**
Income tax expense					**(31,027)**
Profit for the year					**49,100**

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

3. INCOME TAX EXPENSE

	2012 ***HK$'000***	2011 *HK$'000*
Current income tax		
– Hong Kong profits tax	**4,833**	864
– Other jurisdictions including PRC income tax	**21,451**	23,098
	26,284	23,962
Under/(over) provision in prior years		
– Hong Kong	**(34)**	(1)
– Other jurisdictions including PRC income tax	**225**	78
	191	77
Deferred income tax	**1,341**	(177)
Withholding tax on dividend declared by subsidiaries	**3,211**	7,962
	31,027	31,824

Hong Kong profits tax is calculated at 16.5% (2011: 16.5%) on the estimated assessable profit for the year. The subsidiaries established in the PRC are subject to enterprise income tax rates of 25% (2011:12.5% to 25%). The subsidiaries in Taiwan are subject to corporate income tax rate of 17% (2011: 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.

	2012	2011
Profit attributable to equity holders of the Company (Hong Kong thousands dollar)	**42,301**	75,456
Weighted average number of ordinary shares in issue (thousands)	**739,670**	739,663
Basic earnings per share (Hong Kong cents per share)	**5.72**	10.20

(b) Diluted

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

	2012	2011
Profit attributable to equity holders of the Company (Hong Kong thousands dollar)	**42,301**	75,456
Weighted average number of ordinary shares in issue (thousands)	**739,670**	739,663
Adjustments for share options (thousands)	**3,992**	5,936
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**743,662**	745,599
Diluted earnings per share (Hong Kong cents per share)	**5.69**	10.12

5. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables of HK$1,217,487,000 (2011: HK$1,238,988,000). 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:

	2012	2011
	HK$'000	*HK$'000*
0 to 30 days	**410,368**	463,243
31 to 60 days	**357,125**	321,942
61 to 90 days	**164,705**	179,625
Over 90 days	**285,289**	274,178
	1,217,487	1,238,988

6. TRADE, BILLS AND OTHER PAYABLES

Included in trade, bills and other payables are trade and bills payables of HK$674,962,000 (2011: HK$727,481,000).

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

	2012	2011
	HK$'000	*HK$'000*
0 to 30 days	**335,861**	393,621
31 to 60 days	**194,449**	191,950
61 to 90 days	**99,043**	77,360
Over 90 days	**45,609**	64,550
	674,962	727,481

7. DIVIDENDS

	2012	2011
	HK$'000	*HK$'000*
No interim dividend paid (2011: HK$0.01 per share)	**–**	7,397
Final dividend, proposed of HK$0.015 (2011: HK$0.01) per share	**11,095**	7,397
	11,095	14,794

DIVIDEND

The Board of Directors recommends a final dividend of HK$0.015 per share be paid in respect of the year ended 31 December 2012. The proposed final dividend will be payable on or about Tuesday, 23 July 2013, subject to approval at the Annual General Meeting, to shareholders whose names appear on the Register of Members of the Company on Wednesday, 19 June 2013.

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 Monday, 10 June 2013 to Tuesday, 11 June 2013, 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 Friday, 7 June 2013.

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

   The Register of Members of the Company will be closed from Tuesday, 18 June 2013 to Wednesday, 19 June 2013, 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 Monday, 17 June 2013.

BUSINESS REVIEW

The Group's turnover for the year 2012 was HK$5.2 billion, reflecting a slight increase of approximately 0.2% compared to 2011 mainly due to record sales achieved by the Group's OEM Manufacturing Division which more than offset a drop in sales by the Trading and Distribution Division. However, the Group's profit attributable to shareholders for the year was HK$42.3 million, reflecting a decline of approximately 44% compared to last year.

Trading and Distribution Division (WKK Distribution)

The Trading and Distribution Division recorded sales of HK$1.7 billion during 2012, representing a decrease of approximately 22% compared to 2011. As a result of the continuing global economic slowdown, demand for the Group's product range in the second half of this year dropped by approximately 6% compared to that in the first half of this year. Operating profit dropped by approximately 62% as all of the Division's major operations registered decreases in operating profits compared to last year.

OEM Manufacturing Division (WKK Technology)

The Group's OEM Manufacturing Division achieved a record turnover of HK$3.5 billion in 2012, reflecting an increase of approximately 16% compared to 2011, mainly because of the Group's more diversified customer base. Operating profit increased by approximately 17% compared to last year partly as a result of the increased use of factory automation to mitigate the impact of escalating labour costs in the PRC.

FINANCE

The Group has committed bank and other financing facilities totalling HK$4,477 million, of which HK$1,060 million was drawn down as at 31 December 2012. As at 31 December 2012, the Group's consolidated net borrowings amounted to HK$367 million and total equity amounted to HK$1,498 million, resulting in a net gearing ratio of 24%.

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 2011.

HUMAN RESOURCES

As at 31 December 2012, the Group had a total of 5,881 employees, of whom 316 were based in Hong Kong, 5,234 in the PRC and 331 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

Given the currently more stable economic environment in 2013 after the third round of quantitative easing measures in the USA and the European Central Bank's rescue measures for the euro-zone, it is expected that demand for industrial products distributed by the Group will be slightly stronger for the coming year than last year. Nevertheless, market competition will remain tough.

The directors expect that, with the Group's diversified customer base and based on orders on hand, the revenue of the Group's OEM Manufacturing Division will continue to grow in the coming year. The Group will continue to enhance factory automation to alleviate the impact of continuing increases in labour costs 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 provisions of the Code on Corporate Governance Practices during the period from 1 January 2012 to 31 March 2012 and the Corporate Governance Code (the "CG Code") during the period from 1 April 2012 to 31 December 2012 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"), with deviations as stated below:

Code Provision A.2.1

Code Provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

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

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 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, together with the reasons for deviation from Code Provision A.2.1, that the present arrangement is most beneficial to the Company and the shareholders as a whole.

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 21 June 2012 except two Independent Non-executive Directors who cannot attend the annual general meeting due to personal or other business engagements.

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 during the year ended 31 December 2012.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management the audited consolidated financial information of the Group for the year ended 31 December 2012.

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

By Order of the Board
Senta Wong
Chairman

Hong Kong, 27 March 2013

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 directors are Messrs. Hsu Hung Chieh and Leung Kam Fong; and the independent non-executive directors are Messrs. Peter Chung-Yin Lee, John Ho, Philip Wan-Chung Tse and Gene Howard Weiner.