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 2016

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 2016, together with comparative figures for the corresponding period in 2015 are as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	**2016** *HK$'000*	2015 *HK$'000*
Revenue	2	**4,289,354**	4,921,570
Gain on disposal of a subsidiary		**7,760**	–
Other gains		**11,538**	6,253
Raw materials and consumables used		**(2,381,965)**	(2,831,452)
Purchases of finished goods		**(930,753)**	(884,352)
Changes in inventories of finished goods and work in progress		**21,976**	(89,568)
Employee benefit expenses		**(615,207)**	(677,603)
Depreciation and amortisation		**(57,704)**	(66,294)
Other expenses		**(250,053)**	(289,855)
Operating profit		**94,946**	88,699
Finance income		**4,555**	7,012
Finance costs		**(5,622)**	(8,872)
Finance costs, net		**(1,067)**	(1,860)

	Note	2016 HK$'000	2015 HK$'000
Share of (loss)/profit of a joint venture		**(221)**	221
(Provision for)/write-back of impairment on amount due from a joint venture		**(305)**	44
		(526)	265
Profit before income tax		**93,353**	87,104
Income tax expense	*3*	**(41,152)**	(30,034)
Profit for the year	*2*	**52,201**	57,070
Attributable to:			
Owners of the Company		**45,164**	47,037
Non-controlling interests		**7,037**	10,033
		52,201	57,070
Earnings per share for profit attributable to the owners of the Company during the year *(expressed in HK cents per share)*			
– basic	*4*	**6.00**	6.30
– diluted	*4*	**6.00**	6.28

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2016

	Note	**2016**	2015
		HK$'000	*HK$'000*
ASSETS			
Non-current assets			
Land use rights		**12,944**	13,305
Property, plant and equipment		**532,180**	562,722
Deposits and prepayments		**5,352**	4,393
Intangible assets		**5,804**	8,031
Interests in joint ventures		**377**	908
Deferred tax assets		**4,656**	4,309
Available-for-sale financial assets		**44,264**	35,512
Club membership and debentures		**14,422**	14,803
		619,999	643,983
Current assets			
Inventories		**565,843**	497,750
Trade and other receivables	*5*	**1,270,449**	1,375,867
Deposits and prepayments		**55,813**	56,176
Tax recoverable		**2,255**	99
Derivative financial instruments		**2**	–
Short-term time deposits		**78,732**	185,313
Cash and cash equivalents		**229,238**	215,896
		2,202,332	2,331,101
Total assets		**2,822,331**	2,975,084
LIABILITIES			
Non-current liabilities			
Obligations under finance leases – due after one year		**106**	15
Provision for assets retirement obligations		**1,710**	1,710
Deferred tax liabilities		**832**	1,248
Retirement benefit obligations		**7,425**	7,855
		10,073	10,828

	Note	**2016**	2015
		HK$'000	*HK$'000*
Current liabilities			
Trade, bills and other payables	*6*	**834,254**	870,944
Current income tax liabilities		**20,104**	9,108
Bank borrowings – due within one year		**372,175**	502,502
Obligations under finance leases – due within one year		**33**	3
Derivative financial instruments		**1,276**	23
		1,227,842	1,382,580
Total liabilities		**1,237,915**	1,393,408
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		**75,224**	75,224
Reserves		**1,417,911**	1,415,774
		1,493,135	1,490,998
Non-controlling interests		**91,281**	90,678
Total equity		**1,584,416**	1,581,676
Total equity and liabilities		**2,822,331**	2,975,084

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 HK$'000	2015 HK$'000
Profit for the year	**52,201**	57,070
Other comprehensive (loss)/income:		
Items that will not be reclassified subsequently to profit or loss		
Remeasurements of post-employment benefit obligations	**(53)**	(1,183)
Items that may be reclassified to profit or loss		
Currency translation differences	**(20,159)**	(24,487)
Fair value gains/(loss) on available-for-sale financial assets, net of tax	**2,469**	(762)
Total comprehensive income for the year	**34,458**	30,638
Attributable to:		
Owners of the Company	**26,192**	24,907
Non-controlling interests	**8,266**	5,731
	34,458	30,638

NOTES:

1. BASIS OF PREPARATION

The consolidated financial information has been prepared in accordance with all applicable 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 financial instruments) at fair value through profit or loss, which are carried at fair value.

In the current year, the Company and its subsidiaries (collectively the "Group") has applied, for the first time, a number of new standards, amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants, which are effective for the Group's financial year beginning on 1 January 2016.

The following new and amended standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2016:

- HKAS 1 (Amendment), "Disclosure initiative"
- HKAS 16 and HKAS 38 (Amendments), "Clarification of acceptable methods of depreciation and amortisation"
- HKAS 27 (Amendment), "Equity method in separate financial statements"
- HKFRS 10, HKFRS 12 and HKAS 28 (Amendments), "Investment entities: applying the consolidation exception"
- HKFRS 11 (Amendment), "Accounting for acquisitions of interests in joint operations"
- Annual improvement project, "Improvements to HKFRS 2012 – 2014 Cycle"

The adoption of the above new and amended standards has no significant impact on the Group's financial statements.

Other new and amended standards are effective for the financial year beginning 1 January 2016 but are not relevant to the Group:

- HKAS 16 and HKAS 41 (Amendments), "Agriculture: Bearer Plants"
- HKFRS 14, "Regulatory Deferral Accounts"

The Group has not early adopted the new standards and amendments or interpretations to standards that have been issued but are not yet effective for the Group's current financial year. The Group has already commenced an assessment of the impact of these new and amended standards but is not yet in a position to state whether these new and amended standards would have a significant impact on its results of operations and financial position.

2. SEGMENTAL INFORMATION

The Chief Operation Decision-Maker ("CODM") has been identified as directors of the Company. The CODM reviews the Group's internal reporting in order to assess performance and allocate resources. It 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 2016 is as follows:

	Trading *HK$'000*	Manufacturing *HK$'000*	Others *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
Revenue					
External sales	**1,609,297**	**2,616,917**	**63,140**	**–**	**4,289,354**
Inter-segment sales	**180,176**	**2,877**	**12,596**	**(195,649)**	**–**
Total	**1,789,473**	**2,619,794**	**75,736**	**(195,649)**	**4,289,354**
Results					
Segment results	**38,703**	**67,324**	**(12,110)**	**1,029**	**94,946**
Finance income	**2,504**	**1,678**	**373**	**–**	**4,555**
Finance costs	**(506)**	**(5,114)**	**(2)**	**–**	**(5,622)**
	40,701	**63,888**	**(11,739)**	**1,029**	**93,879**
Share of loss of a joint venture					**(221)**
Provision for impairment on amount due from a joint venture					**(305)**
Profit before income tax					**93,353**
Income tax expense					**(41,152)**
Profit for the year					**52,201**

The segment information for the year ended 31 December 2015 is as follows:

	Trading *HK$'000*	Manufacturing *HK$'000*	Others *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
Revenue					
External sales	1,623,299	3,164,090	134,181	–	4,921,570
Inter-segment sales	172,359	2,770	13,385	(188,514)	–
Total	1,795,658	3,166,860	147,566	(188,514)	4,921,570
Results					
Segment results	49,698	60,977	(22,754)	778	88,699
Finance income	2,821	484	3,707	–	7,012
Finance costs	(617)	(8,100)	(155)	–	(8,872)
	51,902	53,361	(19,202)	778	86,839
Share of profit of a joint venture					221
Write-back of impairment on amount due from a joint venture					44
Profit before income tax					87,104
Income tax expense					(30,034)
Profit for the year					57,070

The segment assets and liabilities as at 31 December 2016 are as follows:

	Trading ***HK$'000***	**Manufacturing** ***HK$'000***	**Others** ***HK$'000***	**Consolidated** ***HK$'000***
Assets				
Segment assets	**959,327**	**1,723,806**	**139,198**	**2,822,331**
Liabilities				
Segment liabilities	**336,176**	**875,718**	**26,021**	**1,237,915**

The segment assets and liabilities as at 31 December 2015 are as follows:

	Trading *HK$'000*	Manufacturing *HK$'000*	Others *HK$'000*	Consolidated *HK$'000*
Assets				
Segment assets	908,681	1,825,632	240,771	2,975,084
Liabilities				
Segment liabilities	327,868	1,021,187	44,353	1,393,408

3. INCOME TAX EXPENSE

	2016	2015
	HK$'000	*HK$'000*
Current income tax		
– Hong Kong profits tax	**4,368**	7,326
– Other jurisdictions including PRC corporate income tax	**22,756**	19,253
	27,124	26,579
Under/(over) provision in prior years		
– Hong Kong	**(184)**	(2)
– Other jurisdictions including PRC	**5,703**	1
	5,519	(1)
Deferred income tax	**(1,173)**	(134)
Withholding tax on dividends paid by subsidiaries	**7,390**	2,104
Withholding tax on management/service fee paid by subsidiaries	**2,292**	1,486
	41,152	30,034

Hong Kong profits tax has been provided for at 16.5% (2015: 16.5%) on the estimated assessable profit for the year. The subsidiaries established in the PRC are subject to corporate income tax rate of 25% (2015: 25%). The subsidiaries in Taiwan are subject to corporate income tax rate of 17% (2015: 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 owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2016	2015
Profit attributable to owners of the Company (Hong Kong thousand dollars)	**45,164**	47,037
Weighted average number of ordinary shares in issue (thousands)	**752,236**	746,256
Basic earnings per share (Hong Kong cents per share)	**6.00**	6.30

(b) Diluted

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

	2016	2015
Profit attributable to owners of the Company (Hong Kong thousand dollars)	**45,164**	47,037
Weighted average number of ordinary shares in issue (thousands)	**752,236**	746,256
Adjustments for share options (thousands) *(Note)*	**–**	2,598
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**752,236**	748,854
Diluted earnings per share (Hong Kong cents per share)	**6.00**	6.28

Note:

The Company's new share option scheme was adopted pursuant to a shareholder resolution passed on 22 June 2016. No share options were granted since its adoption.

The share option scheme adopted on 30 May 2005 expired on 29 May 2015.

5. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables of HK$1,249,120,000 (2015: HK$1,352,644,000).

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 may be granted.

The ageing analysis of trade receivables based on invoice dates net of provision for impairment at the end of reporting period is as follows:

	2016	2015
	HK$'000	*HK$'000*
0 to 30 days	**421,143**	458,976
31 to 60 days	**300,992**	344,683
61 to 90 days	**182,872**	234,800
Over 90 days	**344,113**	314,185
	1,249,120	1,352,644

6. TRADE, BILLS AND OTHER PAYABLES

Included in trade, bills and other payables are trade and bills payables of HK$566,637,000 (2015: HK$589,397,000).

The following is an ageing analysis of trade and bills payables based on goods receipt dates at the end of reporting period:

	2016	2015
	HK$'000	*HK$'000*
0 to 30 days	**341,296**	217,569
31 to 60 days	**133,466**	210,621
61 to 90 days	**52,513**	84,311
Over 90 days	**39,362**	76,896
	566,637	589,397

7. DIVIDENDS

	2016	2015
	HK$'000	*HK$'000*
Final dividend, proposed, of HK$0.035 (2015: HK$0.03) per share	**26,328**	22,567

DIVIDENDS

The Board of Directors recommends a final dividend of HK$0.035 per share (2015: HK$0.03 per share) be paid in respect of the year ended 31 December 2016. The proposed final dividend will be payable on or about Monday, 24 July 2017, subject to approval at the Annual General Meeting, to shareholders whose names appear on the Register of Members of the Company on Wednesday, 5 July 2017.

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,19 June 2017 to Thursday, 22 June 2017, 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 branch share registrar, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Friday, 16 June 2017.

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

   The Register of Members of the Company will be closed from Monday, 3 July 2017 to Wednesday, 5 July 2017, 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 branch share registrar, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Friday, 30 June 2017.

BUSINESS REVIEW

The Group's turnover for the year 2016 was HK$4.3 billion, reflecting a decrease of approximately 13% compared to 2015. The Group's profit attributable to shareholders was HK$45 million which included a profit of HK$7.8 million on the disposal of a non-core subsidiary which owned a yacht berthing right. This compares to a profit attributable to shareholders of HK$47 million last year.

Trading and Distribution Division (WKK Distribution)

The turnover of the Group's Industrial Products Trading and Distribution Division for the year 2016 was HK$1.6 billion representing a slight reduction of 1% as compared to last year. The Division's operating profit was HK$40.7 million reflecting a decrease of approximately 22% compared to last year. This was mainly due to a decrease in profit margins as a result of keen competition in a sluggish market environment.

The Division's trading in Printed Circuit Board related products contributed a major part of the Division's profit. However, the Division incurred operating losses at its trading operations in the PRC and in its trading of electronic assembly related products.

OEM Manufacturing Division (WKK Technology)

The turnover of the Group's OEM Manufacturing Division in 2016 was HK$2.6 billion which represented a decrease of approximately 17% as compared to last year due to the prevailing weak global economic situation. However, the Division continued its efforts to move its sales mix towards higher margin products and implement further cost cutting measures. As a result, the Division's net profit after taxation in 2016 increased to HK$41.2 million as compared to HK$40.7 million last year.

FINANCE

As at 31 December 2016, the Group had committed bank and other financing facilities totaling HK$2,501 million, of which HK$470 million was drawn down. As of 31 December 2016, the Group's consolidated net borrowings amounted to HK$64 million and its total equity amounted to HK$1,584 million, resulting in a net gearing ratio of 4%.

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 2015.

HUMAN RESOURCES

As of 31 December 2016, the Group had a total of 5,255 employees, of whom 257 were based in Hong Kong, 4,671 in the PRC and 327 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. Shares options and discretionary bonuses may be 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.

ENVIRONMENTAL MANAGEMENT

The Group is committed to making contributions in various areas of sustainable development, including environment protection. The Group has established a green council to lead and organize various environmental protection activities and programs.

The Group has set up various systems, including a sewage treatment plant, solar panels for warming water supplies for workers, LED and solar energy lighting systems, computerized filing systems to limit paper usage, selective flux and soldering systems, an ISO14001 certified environmental management system since 2002, an IECQ QC080000 hazardous substance process management system, an ISO14064-1 specification with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals, as well as an ISO50001 energy management system for the monitoring and improvement of greenhouse gas emissions and energy consumption.

The Group applies environmentally friendly designs and packaging and complies with green procurement policies. Moreover, the supply chain and the entire product life-cycle are in keeping with a clean and green manufacturing policy, thus producing consistently high-quality green products from start to finish. The Group constantly instils an awareness of environmental protection in its employees, the main internal stakeholders, thereby setting a good example to external stakeholders.

The Group's success in the field of environmental protection has earned recognition from the Government, industry, customers and suppliers.

SOCIAL RESPONSIBILITY

Corporate social responsibility is one of the core management philosophies in the Group. The Group actively engages in social activities, helping and nurturing those in need. The Group's staff have formed a volunteer team who contribute their free time in the service of society by visiting and organizing activities at centres for elderly people. The Group has made donations to various charities, and also provides scholarships to eligible students who otherwise cannot afford to further their studies at university.

As a result, the Group has been awarded the "10 Years Plus Caring Company" logo by the Hong Kong Council of Social Service.

In addition, we have repeatedly formed visiting group for students of secondary schools and universities to tour our PRC factory to enhance their knowledge of green production facilities.

LEGAL AND REGULATORY COMPLIANCE

The Group complies with all relevant laws and regulations that have a significant impact on the operations of the Group.

PROSPECTS

In light of the uncertainties in the global economic condition, it is anticipated that there will be a sustained weakening of demand for the industrial products distributed by the Trading and Distribution Division in the foreseeable future. However, the Division will continue its efforts to expand into a more sophisticated product range, in order to diversify sales and improve profit margins.

Given the prevailing economic circumstances and the rise in trade protectionism, it is expected that the Group's OEM Manufacturing Division will face a challenging business environment and the orders for this division may be affected in the coming year. The Group is endeavoring to approach new customers and take steps to implement further automation of its production processes so as to increase efficiency and lower production costs.

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 had complied with the code provisions in the Corporate Governance Code (the "CG Code") 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") throughout the year ended 31 December 2016, with deviations as stated below:

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 the present arrangement is most beneficial to the Company and the shareholders as a whole.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has 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 2016.

SCOPE OF WORK OF THE AUDITOR

The financial information of the Group for the year ended 31 December 2016 is based on the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2016. The figures in this preliminary announcement of the results of the Group have been agreed to the amounts set out in the Group's consolidated financial statements for the year by the auditor of the Company, PricewaterhouseCoopers. The work of PricewaterhouseCoopers in this respect, did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management the audited consolidated financial information of the Group for the year ended 31 December 2016.

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, 27 March 2017

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 Dr. Leung Kam Fong and Mr. Hsu Hung Chieh; and the independent non-executive directors are Messrs. John Ho, Philip Wan-Chung Tse, Gene Howard Weiner and Dr. Yip Wai Chun.