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WONG'S KONG KING INTERNATIONAL (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 532)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

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 2017, together with comparative figures for the corresponding period in 2016 are as follows:

CONSOLIDATED INCOME STATEMENT *FOR THE YEAR ENDED 31 DECEMBER 2017*

	<i>Note</i>	2017 HK\$'000	2016 HK\$'000
Revenue	2	4,928,306	4,289,354
Gain on disposal of a subsidiary		–	7,760
Other gains		7,071	11,538
Raw materials and consumables used		(2,548,438)	(2,381,965)
Purchases of finished goods		(1,302,853)	(930,753)
Changes in inventories of finished goods and work in progress		43,942	21,976
Employee benefit expenses		(653,117)	(615,207)
Depreciation and amortisation		(50,043)	(57,704)
Other expenses		(265,316)	(250,053)
Operating profit		159,552	94,946
Finance income		3,390	4,555
Finance costs		(10,928)	(5,622)
Finance costs, net		(7,538)	(1,067)

	<i>Note</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Share of profit/(loss) of a joint venture		711	(221)
Write-back of/(provision for) impairment of amount due from a joint venture		<u>305</u>	<u>(305)</u>
		<u>1,016</u>	<u>(526)</u>
Profit before income tax		153,030	93,353
Income tax expense	3	<u>(39,182)</u>	<u>(41,152)</u>
Profit for the year	2	<u>113,848</u>	<u>52,201</u>
Attributable to:			
Owners of the Company		111,471	45,164
Non-controlling interests		<u>2,377</u>	<u>7,037</u>
		<u>113,848</u>	<u>52,201</u>
Earnings per share for profit attributable to the owners of the Company during the year <i>(expressed in HK cents per share)</i>			
– basic	4	<u>14.85</u>	<u>6.00</u>
– diluted	4	<u>14.85</u>	<u>6.00</u>

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2017

	<i>Note</i>	2017 HK\$'000	2016 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Land use rights		12,584	12,944
Property, plant and equipment		519,077	532,180
Deposits and prepayments		7,557	5,352
Intangible assets		3,185	5,804
Interests in joint ventures		1,405	377
Deferred tax assets		4,424	4,656
Available-for-sale financial assets		43,881	44,264
Club membership and debentures		14,422	14,422
		606,535	619,999
Current assets			
Inventories		811,652	565,843
Trade and other receivables	5	1,402,954	1,270,449
Deposits and prepayments		72,877	55,813
Tax recoverable		1,397	2,255
Derivative financial instruments		–	2
Short-term time deposits		78,489	78,732
Cash and cash equivalents		536,568	229,238
		2,903,937	2,202,332
Total assets		3,510,472	2,822,331
LIABILITIES			
Non-current liabilities			
Obligations under finance leases – due after one year		78	106
Provision for assets retirement obligations		1,710	1,710
Deferred tax liabilities		416	832
Retirement benefit obligations		8,797	7,425
		11,001	10,073

	<i>Note</i>	2017 HK\$'000	2016 <i>HK\$'000</i>
Current liabilities			
Trade, bills and other payables	6	1,085,855	834,254
Current income tax liabilities		22,443	20,104
Bank borrowings – due within one year		711,078	372,175
Obligations under finance leases – due within one year		34	33
Derivative financial instruments		667	1,276
		<u>1,820,077</u>	<u>1,227,842</u>
Total liabilities		<u>1,831,078</u>	<u>1,237,915</u>
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	7	73,771	75,224
Reserves		1,513,353	1,417,911
		<u>1,587,124</u>	<u>1,493,135</u>
Non-controlling interests		92,270	91,281
Total equity		<u>1,679,394</u>	<u>1,584,416</u>
Total equity and liabilities		<u>3,510,472</u>	<u>2,822,331</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 HK\$'000	2016 HK\$'000
Profit for the year	113,848	52,201
Other comprehensive (loss)/income:		
<i>Item that will not be reclassified subsequently to profit or loss</i>		
Remeasurements of post-employment benefit obligations, net of tax	(706)	(53)
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	41,694	(20,159)
Fair value (losses)/gains on available-for-sale financial assets, net of tax	(841)	2,469
Total comprehensive income for the year	153,995	34,458
Attributable to:		
Owners of the Company	145,206	26,192
Non-controlling interests	8,789	8,266
	153,995	34,458

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 “Hong Kong 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 2017.

The following amendments and interpretations have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2017:

- Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to HKAS 12
- Disclosure initiative – Amendments to HKAS 7
- Disclosure of Interest in Other Entities – Amendments to HKFRS 12

The adoption of the above amended standards has no significant impact on the Group’s consolidated financial statements.

New standards and amendments and interpretations to standards have been issued but are not effective for the financial period beginning 1 January 2017 and have not been adopted:

(i) HKFRS 9 ‘Financial Instruments’

Nature of change

HKFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Group has decided not to adopt HKFRS 9 until it becomes mandatory on 1 January 2018.

Impact

The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018.

The majority of the Group’s equity instruments that are currently classified as available-for-sale (AFS) will satisfy the conditions for classification as at fair value through other comprehensive income (FVOCI) and hence there will be no change to the accounting for these assets.

The other financial assets held by the Group include:

- equity instruments currently measured at fair value through profit or loss (FVPL) which will continue to be measured on the same basis under HKFRS 9

Accordingly, the Group does not expect the new guidance to affect the classification and measurement of these financial assets. However, gains or losses realised on the sale of financial assets at FVOCI will no longer be transferred to profit or loss on sale, but instead reclassified below the line from the FVOCI reserve to retained earnings. During the 2017 financial year, there was no disposal of available-for-sale financial assets.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new hedging accounting rules have no impact to the Group since the Group does not have any hedging relationships.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Group does not expect the adoption to have significant impact to the loss allowance for trade debtors.

Date of adoption by the Group

Must be applied for financial years commencing on or after 1 January 2018. The Group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

(ii) HKFRS 15 'Revenue from Contracts with Customers'

Nature of change

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Date of adoption by the Group

Mandatory for financial years commencing on or after 1 January 2018. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

Impact

Management has assessed the effects of applying the new standard on the Group's consolidated financial statements and does not expect the adoption to have a material impact on the Group's consolidated financial statements, other than presenting additional disclosure.

(iii) HKFRS 16 'Leases'

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

Impact

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK\$52,529,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

Date of adoption by the Group

Mandatory for financial years commencing on or after 1 January 2019. The Group expects to adopt HKFRS 16 on 1 January 2019 and is currently assessing the impact of HKFRS 16 upon adoption.

The Group has commenced an assessment of the impact of the other new and amended standards and interpretations, but is not yet in a position to state whether they would have significant impacts 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 2017 is as follows:

	Trading <i>HK\$'000</i>	Manufacturing <i>HK\$'000</i>	Others <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue					
External sales	2,039,642	2,855,547	33,117	–	4,928,306
Inter-segment sales	192,029	3,153	16,293	(211,475)	–
	<u>2,231,671</u>	<u>2,858,700</u>	<u>49,410</u>	<u>(211,475)</u>	<u>4,928,306</u>
Results					
Segment results	81,319	99,892	(21,850)	191	159,552
Finance income	2,632	733	25	–	3,390
Finance costs	(1,191)	(9,737)	–	–	(10,928)
	<u>82,760</u>	<u>90,888</u>	<u>(21,825)</u>	<u>191</u>	<u>152,014</u>
Share of profit of a joint venture					711
Write-back of impairment of amount due from a joint venture					<u>305</u>
Profit before income tax					153,030
Income tax expense					<u>(39,182)</u>
Profit for the year					<u><u>113,848</u></u>

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)	–
	<u>1,789,473</u>	<u>2,619,794</u>	<u>75,736</u>	<u>(195,649)</u>	<u>4,289,354</u>
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)
	<u>40,701</u>	<u>63,888</u>	<u>(11,739)</u>	<u>1,029</u>	<u>93,879</u>
Share of loss of a joint venture					(221)
Provision for impairment of amount due from a joint venture					<u>(305)</u>
Profit before income tax					93,353
Income tax expense					<u>(41,152)</u>
Profit for the year					<u>52,201</u>

The segment assets and liabilities as at 31 December 2017 are as follows:

	Trading HK\$'000	Manufacturing HK\$'000	Others HK\$'000	Consolidated HK\$'000
Assets				
Segment assets	<u>1,164,279</u>	<u>2,239,548</u>	<u>106,645</u>	<u>3,510,472</u>
Liabilities				
Segment liabilities	<u>489,105</u>	<u>1,318,508</u>	<u>23,465</u>	<u>1,831,078</u>

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	<u>959,327</u>	<u>1,723,806</u>	<u>139,198</u>	<u>2,822,331</u>
Liabilities				
Segment liabilities	<u>336,176</u>	<u>875,718</u>	<u>26,021</u>	<u>1,237,915</u>

3. INCOME TAX EXPENSE

	2017 HK\$'000	2016 HK\$'000
Current income tax		
– Hong Kong profits tax	12,512	4,368
– Other jurisdictions including PRC corporate income tax	21,910	22,756
	<u>34,422</u>	<u>27,124</u>
Under/(over) provision in prior years		
– Hong Kong	(187)	(184)
– Other jurisdictions including PRC	654	5,703
	<u>467</u>	<u>5,519</u>
Deferred income tax	440	(1,173)
Withholding tax on dividends paid by subsidiaries	2,300	7,390
Withholding tax on management/service fee paid by subsidiaries	1,553	2,292
	<u>39,182</u>	<u>41,152</u>

Hong Kong profits tax has been provided for at 16.5% (2016: 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% (2016: 25%). The subsidiaries in Taiwan are subject to corporate income tax rate of 17% (2016: 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.

	2017	2016
Profit attributable to owners of the Company (Hong Kong thousand dollars)	<u>111,471</u>	<u>45,164</u>
Weighted average number of ordinary shares in issue (thousands)	<u>750,680</u>	<u>752,236</u>
Basic earnings per share (Hong Kong cents per share)	<u>14.85</u>	<u>6.00</u>

(b) Diluted

Diluted earnings per share were the same as the basic earnings per share for the year ended 31 December 2017 and 2016 as there were no dilutive potential ordinary shares in existence during both years.

5. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables of HK\$1,369,890,000 (2016: HK\$1,249,120,000).

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:

	2017 HK\$'000	2016 HK\$'000
0 to 30 days	444,620	421,143
31 to 60 days	348,588	300,992
61 to 90 days	207,432	182,872
Over 90 days	369,250	344,113
	1,369,890	1,249,120

6. TRADE, BILLS AND OTHER PAYABLES

Included in trade, bills and other payables are trade and bills payables of HK\$766,897,000 (2016: HK\$566,637,000).

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

	2017 HK\$'000	2016 HK\$'000
0 to 30 days	480,040	341,296
31 to 60 days	149,074	133,466
61 to 90 days	88,447	52,513
Over 90 days	49,336	39,362
	766,897	566,637

7. SHARE CAPITAL

	<i>Number of ordinary shares of HK\$0.10 each</i>	Nominal value of ordinary shares <i>HK\$'000</i>	Treasury shares <i>HK\$'000</i>	Group total <i>HK\$'000</i>
Issued and fully paid:				
At 1 January 2016, 31 December 2016 and 1 January 2017	752,235,964	75,224	–	75,224
Shares repurchased (<i>Note (a)</i>)	–	–	(1,453)	(1,453)
Cancellation of shares (<i>Note (a)</i>)	(14,028,000)	(1,403)	1,403	–
At 31 December 2017	<u>738,207,964</u>	<u>73,821</u>	<u>(50)</u>	<u>73,771</u>

- (a) During the year ended 31 December 2017, the Company repurchased its own shares on Hong Kong Stock Exchange. Particulars of the repurchases are as follow:

Month of repurchase	Number of shares repurchased <i>'000</i>	Purchase price		Aggregate considerations (before expenses) <i>HK\$'000</i>
		Highest <i>HK\$</i>	Lowest <i>HK\$</i>	
October	1,390	1.18	1.04	1,571
November	10,142	1.19	1.18	12,069
December	<u>2,998</u>	<u>1.18</u>	<u>1.15</u>	<u>3,527</u>
	<u>14,530</u>			<u>17,167</u>

During the year ended 31 December 2017, the Company repurchased its own 14,530,000 shares, of which 14,028,000 shares have been cancelled as at 31 December 2017. The total consideration (before expenses) paid to repurchase of these shares was approximately HK\$17,167,000 and the transaction costs at HK\$97,000, which has been deducted from equity attributable to owners of the Company. The remaining shares had been cancelled on 31 January 2018.

8. DIVIDENDS

	2017 HK\$'000	2016 HK\$'000
Interim dividend, paid, of HK\$0.01 (2016: HK\$nil) per share	7,522	–
Final dividend, proposed, of HK\$0.06 (2016: HK\$0.035) per share	43,915	26,328
	<u>51,437</u>	<u>26,328</u>

9. SUBSEQUENT EVENTS

Subsequent to the consolidated balance sheet date and up to the date of the consolidated financial statements, the Company repurchased and cancelled its own 5,784,000 shares on the Hong Kong Stock Exchange. The total consideration (before expenses) paid to repurchase of these shares was approximately HK\$7,064,000 and the transaction costs at HK\$41,000, which has been deducted from equity attributable to owners of the Company subsequent to the consolidated balance sheet date.

DIVIDENDS

The Board of Directors recommends a final dividend of HK\$0.06 per share (2016: HK\$0.035 per share) be paid in respect of the year ended 31 December 2017. The proposed final dividend will be payable on or about Friday, 20 July 2018, subject to approval at the Annual General Meeting, to shareholders whose names appear on the Register of Members of the Company on Wednesday, 4 July 2018.

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 Friday, 15 June 2018 to Thursday, 21 June 2018, 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 4:30 p.m. on Thursday, 14 June 2018.

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

The Register of Members of the Company will be closed from Friday, 29 June 2018 to Wednesday, 4 July 2018, 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 4:30 p.m. on Thursday, 28 June 2018.

BUSINESS REVIEW

The Group's turnover for the year 2017 was HK\$4.9 billion, reflecting an increase of approximately 15% compared to 2016. The Group's profit attributable to shareholders was HK\$111 million. This compares to a profit attributable to shareholders of HK\$45 million last year which included a profit of HK\$7.8 million on the disposal of a non-core subsidiary which owned a yacht berthing right.

Trading and Distribution Division (WKK Distribution)

The turnover of the Group's Industrial Products Trading and Distribution Division for the year 2017 was HK\$2 billion, representing an increase of approximately 27% compared to last year mainly due to strong demand for the industrial products distributed by the Group resulting from the recovery of the global economy. The Division's operating profit was HK\$82.8 million reflecting an improvement of approximately 103% compared to last year. This was mainly due to the excellent performance of the operations in the PRC and the trading of Printed Circuit Board related products. However, a subsidiary of the Division in Taiwan has experienced a reduction in trading profit due to changes in products.

OEM Manufacturing Division (WKK Technology)

The turnover of the Group's OEM Manufacturing Division increased by approximately 9% to HK\$2.9 billion for the year 2017 compared to last year. The Division's operating profit increased by approximately 42% to HK\$90.9 million as compared to last year largely due to a shift in its sales mix towards higher margin products.

FINANCE

As at 31 December 2017, the Group had committed bank and other financing facilities totaling HK\$2,497 million, of which HK\$1,047 million was drawn down. As at 31 December 2017, the Group's consolidated net borrowings amounted to HK\$96 million and its total equity amounted to HK\$1,679 million, resulting in a net gearing ratio of 5.7%.

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.

SUBSEQUENT EVENTS

Subsequent to the consolidated balance sheet date and up to the date of the consolidated financial statements, the Company repurchased and cancelled its own 5,784,000 shares on the Hong Kong Stock Exchange. The total consideration (before expenses) paid to repurchase of these shares was approximately HK\$7,064,000 and the transaction costs at HK\$41,000, which has been deducted from equity attributable to owners of the Company subsequent to the consolidated balance sheet date.

HUMAN RESOURCES

As of 31 December 2017, the Group had a total of 5,816 employees, of whom 249 were based in Hong Kong, 5,243 in the PRC and 324 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 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.

After the 2018 Chinese New Year holiday, the average return rate of the factory workers in PRC is approximately 92.6%.

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 centers 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 groups 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 Groups.

PROSPECTS

In the absence of unforeseeable circumstances, it is expected that the demand for the industrial products distributed by the Trading and Distribution Division will continue to be strong for 2018.

Given the prevailing economic circumstances and orders on hand, the Directors expect that the Group’s OEM Manufacturing Division will maintain a comparable level of turnover in 2018 as compared to 2017. The Group will continue its factory automation process to offset the impact of constant increases in labour costs and overheads in the PRC.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the year ended 31 December 2017, the Company repurchased a total of 14,530,000 Shares on the Hong Kong Stock Exchange at an aggregate consideration (before expenses) of HK\$17,167,040. All the repurchased Shares were subsequently cancelled.

Particulars of the repurchases are as follow:

Month	Number of Shares repurchased	Purchase price		Aggregate consideration (before expenses)
		Highest	Lowest	
		(HK\$)	(HK\$)	(HK\$)
October	1,390,000	1.18	1.04	1,571,540
November	10,142,000	1.19	1.18	12,068,840
December	2,998,000	1.18	1.15	3,526,660
	<u>14,530,000</u>			<u>17,167,040</u>

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s securities during the year ended 31 December 2017.

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 2017, 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 2017.

SCOPE OF WORK OF THE AUDITOR

The consolidated financial information of the Group for the year ended 31 December 2017 is based on the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2017. The figures in this preliminary announcement of the results of the Group have been agreed to the amounts set out in the Group's audited consolidated financial statements for the year by the auditor of the Group, 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 2017.

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, 26 March 2018

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, Vinci Wong and Victor Jui-Shum Chang; the non-executive directors are Messrs. Hamed Hassan El-Abd and Hsu Hung Chieh; and the independent non-executive directors are Messrs. Philip Wan-Chung Tse, Dr. Leung Kam Fong, Dr. Yip Wai Chun and Mr. Arnold Hin Lin Tse.