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 2018

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 2018, together with comparative figures for the corresponding period in 2017 are as follows:

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 HK$'000	2017 HK$'000
Revenue	3	**5,296,411**	4,928,306
Other gains		**9,973**	7,071
Raw materials and consumables used		**(2,946,791)**	(2,548,438)
Purchases of finished goods		**(1,302,736)**	(1,302,853)
Changes in inventories of finished goods and work in progress		**101,095**	43,942
Employee benefit expenses		**(675,328)**	(653,117)
Depreciation and amortisation		**(54,195)**	(50,043)
Net impairment loss on financial assets		**(588)**	(5,063)
Other expenses		**(291,607)**	(260,253)
Operating profit		**136,234**	159,552
Finance income		**3,377**	3,390
Finance costs		**(20,253)**	(10,928)
Finance costs, net		**(16,876)**	(7,538)

	Note	2018 HK$'000	2017 HK$'000
Share of profit of a joint venture		**1,627**	711
Write-back of impairment of amount due from a joint venture		**–**	305
		1,627	1,016
Profit before income tax		**120,985**	153,030
Income tax expense	*4*	**(32,820)**	(39,182)
Profit for the year	*3*	**88,165**	113,848
Attributable to:			
Owners of the Company		**82,106**	111,471
Non-controlling interests		**6,059**	2,377
		88,165	113,848
Earnings per share for profit attributable to the owners of the Company during the year *(expressed in HK cents per share)*			
– basic	*5*	**11.23**	14.85
– diluted	*5*	**11.23**	14.85

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	2018	2017
	HK$'000	*HK$'000*
Profit for the year	**88,165**	113,848
Other comprehensive (loss)/income:		
Items that will not be reclassified subsequently to profit or loss		
Fair value gains on equity investments at fair value through other comprehensive income, net of tax	**9,334**	–
Remeasurements of post-employment benefit obligations, net of tax	**665**	(706)
Items that may be reclassified to profit or loss		
Currency translation differences	**(24,562)**	41,694
Fair value losses on available-for-sale financial assets, net of tax	**–**	(841)
Total comprehensive income for the year	**73,602**	153,995
Attributable to:		
Owners of the Company	**71,532**	145,206
Non-controlling interests	**2,070**	8,789
	73,602	153,995

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2018

	Note	2018 *HK$'000*	2017 *HK$'000*
ASSETS			
Non-current assets			
Land use rights		**12,223**	12,584
Property, plant and equipment		**488,550**	519,077
Deposits and prepayments		**7,969**	7,557
Intangible assets		**566**	3,185
Interests in joint ventures		**2,343**	1,405
Deferred tax assets		**7,361**	4,424
Available-for-sale financial assets		**–**	43,881
Financial assets at fair value through other comprehensive income		**57,597**	–
Financial assets at fair value through profit or loss		**3,632**	–
Club membership and debentures		**14,422**	14,422
Total non-current assets		**594,663**	606,535
Current assets			
Inventories		**972,182**	811,652
Trade and other receivables	*6*	**1,538,210**	1,402,954
Contract assets		**25,334**	–
Deposits and prepayments		**83,144**	72,877
Tax recoverable		**2,420**	1,397
Derivative financial instruments		**5**	–
Short-term time deposits		**71,027**	78,489
Cash and cash equivalents		**248,923**	536,568
Total current assets		**2,941,245**	2,903,937
Total assets		**3,535,908**	3,510,472
LIABILITIES			
Non-current liabilities			
Obligations under finance leases – due after one year		**49**	78
Provision for assets retirement obligations		**1,710**	1,710
Deferred tax liabilities		**–**	416
Retirement benefit obligations		**7,612**	8,797
Total non-current liabilities		**9,371**	11,001

	Note	2018 HK$'000	2017 HK$'000
Current liabilities			
Trade, bills and other payables	*7*	**882,224**	1,085,855
Contract liabilities		**75,017**	–
Current income tax liabilities		**20,789**	22,443
Bank borrowings – due within one year		**876,307**	711,078
Obligations under finance leases – due within one year		**35**	34
Derivative financial instruments		**–**	667
Total current liabilities		**1,854,372**	1,820,077
Total liabilities		**1,863,743**	1,831,078
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	*8*	**72,945**	73,771
Reserves		**1,529,332**	1,513,353
		1,602,277	1,587,124
Non-controlling interests		**69,888**	92,270
Total equity		**1,672,165**	1,679,394
Total equity and liabilities		**3,535,908**	3,510,472

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 ("Hong Kong Stock Exchange") and by the Hong Kong Companies Ordinance.

The consolidated financial information has been prepared under the historical cost convention, except for certain financial assets and financial liabilities (including derivative financial instruments), which are measured at fair value.

(a) New and amended standards, improvement and interpretation adopted by the Group

The Group has applied the following new and amended standards, improvements and interpretation for the first time for their annual reporting period commencing 1 January 2018:

- Financial Instruments – HKFRS 9
- Revenue from Contracts with Customers – HKFRS 15
- Classification and Measurement of Share-based Payment Transactions – HKFRS 2 (Amendments)
- Clarifications to HKFRS 15 – HKFRS 15 (Amendments)
- Annual Improvements Project HKFRS 1 and HKAS 28 – amendments to Annual Improvements 2014-2016 Cycle
- Foreign Currency Transactions and Advance Consideration – HK (IFRIC)-Int 22

The impact of the adoption of HKFRS 9 and HKFRS 15 and the new accounting policies are disclosed in Note 2 below. The adoption of other amended standards and interpretation did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

(b) New standards and interpretations not yet adopted

Certain new accounting standards, amendments and interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
Amendments to Annual Improvements project	Annual Improvements 2015-2017 Cycle	1 January 2019
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to HKAS 28	Long-term Interest in Associates and Joint Ventures	1 January 2019
Amendments to HKFRS 9	Prepayment features with negative compensation	1 January 2019
HKFRS 16	Leases	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2021
HK (IFRIC)-Int 23	Uncertainty over Income Tax Treatments	1 January 2019
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020
Amendments to HKFRS 10 and HKAS 28	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group's assessment of the impact of these new standards, amendments and interpretations is set out below.

(i) **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 31 December 2018, the Group has non-cancellable operating lease commitments of HK$57,767,000. Upon adoption of HKFRS 16 on 1 January 2019, approximately HK$56,056,000 operating lease commitments will be recognised in the consolidated balance sheet as right-of-use assets and lease liabilities. The lease liabilities would subsequently be measured at amortised cost and the right-of-use assets will be amortised on a straight-line basis during the lease term.

Date of adoption by Group

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

(ii) There are no other standards, amendments and interpretations that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior years.

(a) Impact on the financial statements

As a result of the changes in the Group's accounting policies, prior year financial statements had to be restated. As explained in Note 2(b) below, HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from new impairment rules are therefore not reflected in the restated balance sheet as at 31 December 2017, but are recognised in the opening consolidated balance sheet on 1 January 2018. As explained in Note 2(c) below, the Company has adopted HKFRS 15 using the cumulative effect method (with practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under HKAS 18 and related interpretations.

Consolidated balance sheet (extract)	31 December 2017 As originally presented	HKFRS 9	HKFRS 15	1 January 2018 Restated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Deferred tax assets	4,424	(15)	–	4,409
Available-for-sales financial assets ("AFS")	43,881	(43,881)	–	–
Financial assets at fair value through other comprehensive income ("FVOCI")	–	49,266	–	49,266
Financial assets at fair value through profit or loss ("FVPL")	–	3,655	–	3,655
Current assets				
Trade and other receivables	1,402,954	–	(50,321)	1,352,633
Contract assets	–	–	50,321	50,321
Current liabilities				
Trade, bills and other payables	1,085,855	–	(107,198)	978,657
Contract liabilities	–	–	107,198	107,198
Equity				
Reserves	1,513,353	9,006	–	1,522,359
Non-controlling interests	92,270	19	–	92,289

Consolidated income statement for the year ended 31 December 2017 (extract)	As originally presented	HKFRS 9	HKFRS 15	Restated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Net impairment loss on financial assets	–	5,063	–	5,063
Other expenses	265,316	(5,063)	–	260,253

(b) HKFRS 9 Financial instruments

HKFRS 9 replaces the provision of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustment to the amounts recognised in the consolidated financial statements. In accordance with the transitional provisions in HKFRS 9 (7.2.15), comparative figures have not been restated.

(i) Classification and measurements

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group, classified its financial instruments into the appropriate HKFRS 9 categories and remeasured its financial instruments at fair value. The main effects resulting from this reclassification and remeasurement are as follows:

	Note	FVOCI (AFS 2017) HK$'000	FVPL HK$'000
Closing balance 31 December 2017 – HKAS 39		43,881	–
Reclassify investments from AFS to FVPL	*(a)*	(3,655)	3,655
Remeasure unlisted equity securities at fair value	*(b)*	9,040	–
Opening balance 1 January 2018 – HKFRS 9		49,266	3,655

The impact of these changes on the Group's equity is as follows:

	Note	Effect on AFS revaluation reserve HK$'000	Effect on FVOCI reserve HK$'000	Effect on retained earnings HK$'000	Effect on non-controlling interest HK$'000
Closing balance 31 December 2017 – HKAS 39		735	–	1,390,396	92,270
Reclassify investments from AFS to FVPL	*(a)*	(834)	–	834	-
Reclassify unlisted equity securities from AFS to FVOCI	*(b)*	99	(99)	–	–
Remeasure unlisted equity securities at fair value, net with tax	*(b)*	–	9,006	–	19
Opening balance 1 January 2018 – HKFRS 9		–	8,907	1,391,230	92,289

(a) Reclassification from AFS to FVPL

Certain investments in listed equity securities were reclassified from AFS to FVPL. Related fair value gains of HK$834,000 were transferred from AFS revaluation reserve to retained earnings on 1 January 2018.

(b) Equity investments previously classified as AFS

The Group elected to present in other comprehensive income changes in the fair value of its investments in unlisted equity securities previously classified as AFS, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, assets with a fair value of HK$40,226,000 were reclassified from AFS to FVOCI and fair value losses of HK$99,000 were reclassified from the AFS revaluation reserve to the FVOCI revaluation reserve before remeasurement at fair value on 1 January 2018. The Group remeasured these investments at fair value. As a result, fair value gains of HK$9,006,000 were recognised in FVOCI revaluation reserve on 1 January 2018.

(ii) Impairment of financial assets

The Group has two types of financial assets that are subject to HKFRS 9's new expected credit loss model:

- Trade receivables for sale of goods and from provision of services
- Contract assets relating to sales of goods and from provision of services

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. There is no impact of the change in impairment methodology on the Company's retained earnings and equity.

The Group applies HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

The Group has assessed the expected credit loss model applied to the trade receivables and contract assets as at 1 January 2018 and the change in impairment methodologies has no significant impact of the Group's consolidated financial statements and the opening loss allowance is not restated in this respect.

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

(c) HKFRS 15 Revenue from Contract with Customers

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in this consolidated financial statements. In accordance with the transition provisions in HKFRS 15, the Group has adopted the cumulative effect method (with practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under HKAS 18, HKAS 11 and related interpretations.

The adoption of HKFRS 15 did not result in any significant impact on the Group's financial position and results of operations based on the current business model except that the Company has changed the presentation of certain amounts in the balance sheet to reflect the terminology of HKFRS 15 with effect from 1 January 2018:

- Contract assets recognised in relation to sales of goods and provision of service were previously presented as part of trade and other receivables (HK$50,321,000 as at 1 January 2018, net of impairment allowance). The contract assets primarily relate to the Group's rights to consideration for goods delivered but not billed at the reporting date. The contract assets are transferred to receivables when the Group issues an invoice to the customer.
- Contract liabilities primarily relate to the advance consideration received from customers for sales of goods and provision of service were previously presented as other payables (HK$107,198,000 as at 1 January 2018).

3. 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 2018 is as follows:

	Trading *HK$'000*	Manufacturing *HK$'000*	Others *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
Revenue					
External sales	**2,167,399**	**3,097,186**	**31,826**	**–**	**5,296,411**
Inter-segment sales	**313,996**	**3,235**	**15,331**	**(332,562)**	**–**
Total	**2,481,395**	**3,100,421**	**47,157**	**(332,562)**	**5,296,411**
Timing of revenue recognition					
At a point of time	**2,433,030**	**3,100,421**	**43,811**	**(322,610)**	**5,254,652**
Over time	**48,365**	**–**	**3,346**	**(9,952)**	**41,759**
	2,481,395	**3,100,421**	**47,157**	**(332,562)**	**5,296,411**
Results					
Segment results	**106,989**	**46,977**	**(17,435)**	**(297)**	**136,234**
Finance income	**2,930**	**439**	**8**	**–**	**3,377**
Finance costs	**(4,037)**	**(16,095)**	**(121)**	**–**	**(20,253)**
	105,882	**31,321**	**(17,548)**	**(297)**	**119,358**
Share of profit of a joint venture					**1,627**
Profit before income tax					**120,985**
Income tax expense					**(32,820)**
Profit for the year					**88,165**

The segment information for the year ended 31 December 2017 is as follows:

	Trading *HK$'000*	Manufacturing *HK$'000*	Others *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
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)	–
Total	2,231,671	2,858,700	49,410	(211,475)	4,928,306
Timing of revenue recognition					
At a point of time	2,174,881	2,858,700	47,128	(201,323)	4,879,386
Over time	56,790	–	2,282	(10,152)	48,920
	2,231,671	2,858,700	49,410	(211,475)	4,928,306
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)
	82,760	90,888	(21,825)	191	152,014
Share of profit of a joint venture					711
Write-back of impairment of amount due from a joint venture					305
Profit before income tax					153,030
Income tax expense					(39,182)
Profit for the year					113,848

The segment assets and liabilities as at 31 December 2018 are as follows:

	Trading ***HK$'000***	**Manufacturing** ***HK$'000***	**Others** ***HK$'000***	**Consolidated** ***HK$'000***
Assets				
Segment assets	**1,187,174**	**2,208,501**	**140,233**	**3,535,908**
Liabilities				
Segment liabilities	**547,479**	**1,279,367**	**36,897**	**1,863,743**

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

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

4. INCOME TAX EXPENSE

	2018	2017
	HK$'000	*HK$'000*
Current income tax		
– Hong Kong profits tax	**6,072**	12,512
– Other jurisdictions including PRC corporate income tax	**29,014**	21,910
	35,086	34,422
(Over)/under provision in prior years		
– Hong Kong	**(530)**	(187)
– Other jurisdictions including PRC	**(131)**	654
	(661)	467
Deferred income tax	**(3,167)**	440
Withholding tax on dividends paid by subsidiaries	**622**	2,300
Withholding tax on management/service fee paid by subsidiaries	**940**	1,553
	32,820	39,182

Hong Kong profits tax has been provided for at 16.5% (2017: 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% (2017: 25%). The subsidiaries in Taiwan are subject to corporate income tax rate of 20% (2017: 17%). Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

5. 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.

	2018	2017
Profit attributable to owners of the Company (Hong Kong thousand dollars)	**82,106**	111,471
Weighted average number of ordinary shares in issue (thousands)	**731,204**	750,680
Basic earnings per share (Hong Kong cents per share)	**11.23**	14.85

(b) Diluted

Diluted earnings per share were the same as the basic earnings per share for the year ended 31 December 2018 and 2017 as there were no dilutive potential ordinary shares in existence during both years.

6. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables of HK$1,508,693,000 (2017: HK$1,369,890,000).

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:

	2018	2017
	HK$'000	*HK$'000*
0 to 30 days	**509,925**	444,620
31 to 60 days	**415,451**	348,588
61 to 90 days	**200,496**	207,432
Over 90 days	**382,821**	369,250
	1,508,693	1,369,890

7. TRADE, BILLS AND OTHER PAYABLES

Included in trade, bills and other payables are trade and bills payables of HK$652,889,000 (2017: HK$766,897,000).

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

	2018	2017
	HK$'000	*HK$'000*
0 to 30 days	**469,718**	480,040
31 to 60 days	**101,614**	149,074
61 to 90 days	**35,646**	88,447
Over 90 days	**45,911**	49,336
	652,889	766,897

8. SHARE CAPITAL

	Number of ordinary shares of HK$0.10 each	**Nominal value of ordinary shares**	**Treasury shares**	**Group total**
		HK$'000	*HK$'000*	*HK$'000*
Issued and fully paid:				
At 1 January 2016, 31 December 2016 and 1 January 2017	752,235,964	75,224	–	75,224
Shares repurchased *(Note)*	–	–	(1,453)	(1,453)
Cancellation of shares *(Note)*	(14,028,000)	(1,403)	1,403	–
At 31 December 2017	738,207,964	73,821	(50)	73,771
Issued and fully paid:				
At 1 January 2018	**738,207,964**	**73,821**	**(50)**	**73,771**
Shares repurchased *(Note)*	**–**	**–**	**(826)**	**(826)**
Cancellation of shares *(Note)*	**(8,760,000)**	**(876)**	**876**	**–**
At 31 December 2018	**729,447,964**	**72,945**	**–**	**72,945**

Note: During the year, the Company repurchased its own 8,258,000 (2017: 14,530,000) shares from the Hong Kong Stock Exchange, of which 8,258,000 shares (2017: 14,028,000) have been cancelled as at year end. For those shares repurchased in 2017 which had not been cancelled as at year end, these had been cancelled on 31 January 2018. The total consideration (before expenses) paid to repurchase of these shares was approximately HK$10,107,000 (2017: HK$17,167,000) and the transaction costs at HK$59,000 (2017: HK$97,000), which has been deducted from equity attributable to owners of the Company. Particulars of the repurchases are as follow:

Year ended 31 December 2018

Month of repurchase	**Number of shares Repurchased**	**Purchase price Highest**	**Purchase price Lowest**	**Aggregate considerations (before Expenses)**
	'000	*HK$*	*HK$*	*HK$'000*
January	**2,232**	**1.23**	**1.18**	**2,704**
February	**3,552**	**1.23**	**1.20**	**4,360**
April	**2,342**	**1.23**	**1.23**	**2,881**
May	**132**	**1.23**	**1.23**	**162**
	8,258			**10,107**

Year ended 31 December 2017

Month of repurchase	Number of shares Repurchased	Purchase price Highest	Purchase price Lowest	Aggregate considerations (before Expenses)
	'000	*HK$*	*HK$*	*HK$'000*
October	1,390	1.18	1.04	1,571
November	10,142	1.19	1.18	12,069
December	2,998	1.18	1.15	3,527
	14,530			17,167

9. DIVIDENDS

	2018	2017
	HK$'000	*HK$'000*
Interim dividend, paid, of HK$0.015 (2017: HK$0.01) per share	**10,942**	7,522
Final dividend, proposed, of HK$0.05 (2017: HK$0.06) per share	**36,472**	43,915
	47,414	51,437

DIVIDENDS

The Board of Directors recommends a final dividend of HK$0.05 per share (2017: HK$0.06 per share) be paid in respect of the year ended 31 December 2018. The proposed final dividend will be payable on or about Tuesday, 25 June 2019, subject to approval at the Annual General Meeting, to shareholders whose names appear on the Register of Members of the Company on Wednesday, 5 June 2019.

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 Wednesday, 22 May 2019 to Monday, 27 May 2019, 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 Tuesday, 21 May 2019.

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 June 2019 to Wednesday, 5 June 2019, 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 Friday, 31 May 2019.

BUSINESS REVIEW

The Group's turnover for the year 2018 was HK$5.3 billion, reflecting an increase of approximately 7.5% compared to 2017. However, the Group's profit attributable to shareholders was HK$82 million, representing a decrease of approximately 26.3% largely due to a decline in the profitability of the Manufacturing Division due to a shortage of components and escalating labour costs and overheads in the PRC.

Trading and Distribution Division (WKK Distribution)

The turnover of the Group's Industrial Products Trading and Distribution Division for the year of 2018 was HK$2.2 billion, representing an improvement of approximately 6% compared to last year. Despite softening demand for the industrial products distributed by the Group due to the US-China trade war in the second half of 2018, which resulted in a reduction in profit in the second half of 2018 compared to the corresponding period in 2017, the Division's operating profit for the whole year was HK$105.9 million, reflecting an improvement of 28% compared to last year. While the trading of printed circuit board related products contributed the largest part of the Division's profit, the operations in Taiwan and Singapore recorded good improvements in operating profits. All other major trading operations contributed positively to the Division's profit with the exception of trading in Electronic Assembly related products by the Electronic Equipment Department.

OEM Manufacturing Division (WKK Technology)

The turnover of the Group's OEM Manufacturing Division increased by 8.5% to HK$3.1 billion for the year 2018 compared to last year. However, the Division's operating profit decreased to HK$31.3 million for the year 2018 from HK$90.9 million for last year mainly due to the tightening component environment and escalating labour costs and overheads in the PRC.

FINANCE

As at 31 December 2018, the Group had committed bank and other financing facilities totaling HK$2,576 million, of which HK$973 million was drawn down. As at 31 December 2018, the Group's consolidated net borrowings amounted to HK$556 million and its total equity amounted to HK$1,672 million, resulting in a net gearing ratio of 33.3%.

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.

HUMAN RESOURCES

As at 31 December 2018, the Group had a total of 5,617 employees, of whom 233 were based in Hong Kong, 5,059 in the PRC and 325 overseas. The remuneration packages of the Group's employees are mainly based on their performance and experience, taking into accounts 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 2019 Chinese New Year holiday, the average return rate of the factory workers in the PRC was approximately 91.4%.

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, 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 view of the ongoing US-China trade war and the unclear economic outlook, it is expected that the demand for the industrial products distributed by the Trading and Distribution Division will continue to be soft for the foreseeable future.

Given the souring market sentiment and level of orders on hand, the operating environment for the Group's OEM Manufacturing is expected to be difficult. The Group will continue to enhance factory automation to alleviate the impact of continuing increase in labour costs and overheads in the PRC.

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

During the year ended 31 December 2018, the Company repurchased a total of 8,258,000 Shares on the Hong Kong Stock Exchange at an aggregate consideration (before expenses) of HK$10,107,380. All the repurchased Shares were cancelled during the year ended 31 December 2018.

Particulars of the repurchases are as follow:

Month	Number of Shares repurchased	Purchase price Highest	Purchase price Lowest	Aggregate consideration (before expenses)
		(HK$)	*(HK$)*	*(HK$)*
January	2,232,000	1.23	1.18	2,704,060
February	3,552,000	1.23	1.20	4,360,300
March	–	–	–	–
April	2,342,000	1.23	1.23	2,880,660
May	132,000	1.23	1.23	162,360
	8,258,000			10,107,380

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 2018.

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 2018, 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 2018.

SCOPE OF WORK OF THE AUDITOR

The consolidated financial information of the Group for the year ended 31 December 2018 is based on the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2018. 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 2018.

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, 14 March 2019

As at the date of this announcement, the executive directors of the Company are Mr. Senta Wong, Mr. Edward Ying-Chun Tsui, Mr. Byron Shu-Chan Ho, Mr. Bengie Man-Hang Kwong, Mr. Vinci Wong and Mr. Victor Jui-Shum Chang; the non-executive directors are Mr. Hamed Hassan El-Abd and Mr. Hsu Hung Chieh; and the independent non-executive directors are Mr. Philip Wan-Chung Tse, Dr. Leung Kam Fong, Dr. Yip Wai Chun, Mr. Arnold Hin Lin Tse and Mr. Andrew Yiu Wing Lam.