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WONG'S KONG KING INTERNATIONAL (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 532)

2020 INTERIM RESULTS

The Board of Directors of Wong's Kong King International (Holdings) Limited (the "Company") announces that the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2020 together with comparative figures for the corresponding period in 2019 are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2020

		Six months ended 30 June	
		2020	2019
		(Unaudited)	(Unaudited)
	<i>NOTE</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	2,037,728	2,513,867
Other gains, net		2,708	2,914
Raw materials and consumables used		(810,846)	(1,419,613)
Purchases of finished goods		(667,982)	(537,842)
Changes in inventories of finished goods and work in progress		(165,493)	(17,762)
Employee benefit expenses		(276,680)	(338,667)
Depreciation and amortisation		(34,730)	(34,036)
Net write-back of impairment loss on financial assets		210	3,593
Other expenses		(82,581)	(116,719)
Operating profit		2,334	55,735
Finance income	4	971	1,791
Finance costs	4	(6,377)	(14,979)
Finance costs, net	4	(5,406)	(13,188)

CONDENSED CONSOLIDATED INCOME STATEMENT (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2020

		Six months ended 30 June	
		2020	2019
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
<i>NOTE</i>			
Share of profit of a joint venture		<u>710</u>	<u>1,018</u>
(Loss)/profit before income tax	3	(2,362)	43,565
Income tax expense	5	<u>(7,402)</u>	<u>(16,036)</u>
(Loss)/profit for the period		<u>(9,764)</u>	<u>27,529</u>
Attributable to:			
Owners of the Company		(16,445)	23,217
Non-controlling interests		<u>6,681</u>	<u>4,312</u>
		<u>(9,764)</u>	<u>27,529</u>
(Loss)/earnings per share for (loss)/profit attributable to the owners of the Company during the period	6		
<i>(expressed in HK cents per share)</i>			
– basic		<u>(2.25)</u>	<u>3.18</u>
– diluted		<u>(2.25)</u>	<u>3.18</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
(Loss)/profit for the period	(9,764)	27,529
Other comprehensive loss:		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Fair value losses on equity investments at fair value through other comprehensive income, net of tax	(820)	(373)
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	(6,624)	(5,333)
Total comprehensive (loss)/income for the period	(17,208)	21,823
Attributable to:		
Owners of the Company	(24,111)	18,730
Non-controlling interests	6,903	3,093
	(17,208)	21,823

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2020

		30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
	NOTE		
ASSETS			
Non-current assets			
Property, plant and equipment		457,981	474,527
Right-of-use assets		37,001	46,912
Deposits and prepayments		4,369	4,265
Intangible assets		420	469
Interests in joint ventures		5,578	4,868
Deferred tax assets		11,538	11,160
Financial assets at fair value through other comprehensive income		30,878	31,855
Financial assets at fair value through profit or loss		4,941	5,895
Club membership and debentures		14,942	14,942
Total non-current assets		567,648	594,893
Current assets			
Inventories		685,391	818,780
Trade, bills and other receivables	8	1,147,071	1,362,782
Contract assets		73,507	44,072
Deposits and prepayments		76,131	62,948
Tax recoverable		5,592	564
Derivative financial instruments		–	2
Short-term time deposits		50,781	43,026
Cash and cash equivalents		519,901	447,215
Total current assets		2,558,374	2,779,389
Total assets		3,126,022	3,374,282
LIABILITIES			
Non-current liabilities			
Lease liabilities		9,621	16,348
Provision for assets retirement obligations		1,710	1,710
Retirement benefit obligations		8,361	8,344
Total non-current liabilities		19,692	26,402

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)*AT 30 JUNE 2020*

		30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
	<i>NOTE</i>		
Current liabilities			
Trade, bills and other payables	9	767,628	923,742
Contract liabilities		104,374	60,720
Current income tax liabilities		13,991	21,709
Bank borrowings – due within one year		559,323	657,612
Lease liabilities		16,394	19,319
Derivative financial instruments		15	141
Total current liabilities		1,461,725	1,683,243
Total liabilities		1,481,417	1,709,645
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	10	72,945	72,945
Reserves		1,499,318	1,521,266
		1,572,263	1,594,211
Non-controlling interests		72,342	70,426
Total equity		1,644,605	1,664,637
Total equity and liabilities		3,126,022	3,374,282

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2020

1A. SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT INTERIM PERIOD

The worldwide outbreak of the coronavirus pandemic and widespread closure of borders to control the spread of the coronavirus, as well as social distancing and other measures directly and indirectly affect the operations of the Group. Demand for products manufactured by the Group is reduced in the current interim period. As such, the financial position and performance of the Group was affected, including reduction in revenue and no longer remain profitable during the current interim period.

1B. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2020 has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) and with Hong Kong Accounting Standard 34 “*Interim Financial Reporting*” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial information has been prepared in consistent with those principal accounting policies followed in the Annual Report 2019 except the adoption of the following new/ revised Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (hereinafter collectively referred to as “new HKFRSs”) which are effective for accounting periods commencing on or after 1 January 2020.

New and amended standards adopted by the Group

The following new amendments to standards and interpretations are mandatory for accounting period beginning on or after 1 January 2020:

		Effective for annual periods beginning on or after
HKAS 1 and HKAS 8 (Amendment)	Definition of Material	1 January 2020
HKFRS 3 (Amendment)	Definition of a Business	1 January 2020
HKFRS 10 and HKAS 28 (Amendment)	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKFRS 17	Insurance Contracts	1 January 2021
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020

There are no other amended standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on the Group.

The Group has not applied any new standards and interpretations that are not effective for current accounting period.

3. SEGMENTAL INFORMATION

The Chief Operation Decision-Maker (“CODM”) has been identified as directors of the Company. CODM reviews the Group’s internal reporting in order to assess performance and allocate resources. It has determined the operating segments based on these reports. The Group is currently organised into two operating segments – trading and manufacturing. These segments are the basis on which the Group reports its principal activities information.

Trading – trading and distribution of chemicals, materials and equipment used in the manufacturing of printed circuit boards and electronic products

Manufacturing – manufacturing of electrical and electronic products

The segment information for the six months ended 30 June 2020 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	952,104	1,067,143	18,481	–	2,037,728
Inter-segment sales	154,691	1,660	14,025	(170,376)	–
Total	<u>1,106,795</u>	<u>1,068,803</u>	<u>32,506</u>	<u>(170,376)</u>	<u>2,037,728</u>
Timing of revenue recognition					
At a point in time	1,083,822	1,068,803	30,239	(166,040)	2,016,824
Over time	22,973	–	2,267	(4,336)	20,904
	<u>1,106,795</u>	<u>1,068,803</u>	<u>32,506</u>	<u>(170,376)</u>	<u>2,037,728</u>
Results					
Segment results	27,539	(16,740)	(8,539)	74	2,334
Finance income	880	88	3	–	971
Finance costs	(1,962)	(4,173)	(242)	–	(6,377)
	<u>26,457</u>	<u>(20,825)</u>	<u>(8,778)</u>	<u>74</u>	<u>(3,072)</u>
Share of profit of a joint venture					<u>710</u>
Loss before income tax					<u>(2,362)</u>

The segment information for the six months ended 30 June 2019 is as follows:

	Trading HK\$'000	Manufacturing HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Revenue					
External sales	929,148	1,571,665	13,054	–	2,513,867
Inter-segment sales	160,604	1,567	19,591	(181,762)	–
	<u>1,089,752</u>	<u>1,573,232</u>	<u>32,645</u>	<u>(181,762)</u>	<u>2,513,867</u>
Total	1,089,752	1,573,232	32,645	(181,762)	2,513,867
Timing of revenue recognition					
At a point in time	1,065,252	1,573,232	32,160	(176,312)	2,494,332
Over time	24,500	–	485	(5,450)	19,535
	<u>1,089,752</u>	<u>1,573,232</u>	<u>32,645</u>	<u>(181,762)</u>	<u>2,513,867</u>
Results					
Segment results	18,158	45,245	(7,673)	5	55,735
Finance income	1,532	252	7	–	1,791
Finance costs	(2,778)	(11,829)	(372)	–	(14,979)
	<u>16,912</u>	<u>33,668</u>	<u>(8,038)</u>	<u>5</u>	<u>42,547</u>
Share of profit of a joint venture					1,018
Profit before income tax					<u>43,565</u>

4. FINANCE COSTS, NET

	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Interest income	971	1,791
Interest expense	<u>(6,377)</u>	<u>(14,979)</u>
Finance costs, net	<u>(5,406)</u>	<u>(13,188)</u>

5. INCOME TAX EXPENSE

Hong Kong profits tax has not been provided for as the Group has no estimated assessable profit for the period (2019: Hong Kong profits tax has been provided for at 16.5% on the estimated assessable profit for the period). The subsidiaries established in the People's Republic of China (the "PRC") are subject to corporate income tax rate of 25% (2019: 25%). The subsidiaries in Taiwan are subject to corporate income tax rate of 20% (2019: 20%). Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Current income tax		
Hong Kong profits tax	–	6,049
Other jurisdictions including PRC corporate income tax	5,659	8,321
Withholding tax on dividends declared by subsidiaries	2,169	1,666
	<u>7,828</u>	<u>16,036</u>
Deferred income tax	<u>(426)</u>	<u>–</u>
	<u>7,402</u>	<u>16,036</u>

6. (LOSS)/EARNINGS PER SHARE

(a) Basic

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2020	2019
(Loss)/profit attributable to owners of the Company (Hong Kong thousands dollar)	<u>(16,445)</u>	<u>23,217</u>
Weighted average number of ordinary shares in issue (thousands)	<u>729,448</u>	<u>729,448</u>
Basic (loss)/earnings per share (Hong Kong cents per share)	<u>(2.25)</u>	<u>3.18</u>

(b) Diluted

Diluted (loss)/earnings per share were the same as the basic (loss)/earnings per share for the six months ended 30 June 2020 and 2019, as the share options of the Company have an anti-dilutive effect on the basic (loss)/earnings per share and are ignored in the calculation of diluted (loss)/earnings per share.

7. DIVIDENDS

	Six months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividend – HK\$ Nil (2019: HK\$0.01) per share	–	7,294
	<u> </u>	<u> </u>

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2020.

8. TRADE, BILLS AND OTHER RECEIVABLES

Included in trade, bills and other receivables are trade and bills receivables (including amounts due from related parties of trading in nature) of HK\$1,118,411,000 (At 31 December 2019: HK\$1,329,897,000). 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 and bills receivables based on invoices dates net of provision for impairment at the end of reporting period is as follows:

	30 June	31 December
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	412,849	435,988
31 to 60 days	254,715	382,605
61 to 90 days	140,236	158,682
Over 90 days	310,611	352,622
	<u> </u>	<u> </u>
	1,118,411	1,329,897
	<u> </u>	<u> </u>

9. TRADE, BILLS AND OTHER PAYABLES

Included in trade, bills and other payables are trade and bills payables (including amounts due to related parties of trading in nature) of HK\$557,187,000 (At 31 December 2019: HK\$699,016,000).

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

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
0 to 30 days	351,460	443,394
31 to 60 days	97,065	192,149
61 to 90 days	50,453	20,515
Over 90 days	58,209	42,958
	557,187	699,016

10. SHARE CAPITAL

	Number of ordinary shares of HK\$0.10 each	Share capital HK\$'000
Issued and fully paid:		
At 31 December 2019, 1 January 2020 and 30 June 2020	729,447,964	72,945

INTERIM DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2020 (2019: HK\$0.01).

BUSINESS REVIEW

The Group's turnover for the first half of 2020 was HK\$2 billion representing a decrease of approximately 19% compared to the same period last year. The Group's loss attributable to shareholders for the first half of 2020 was HK\$16.4 million as compared to the profit attributable to shareholders for the same period last year of HK\$23.2 million, mainly as a result of the worldwide outbreak of the coronavirus pandemic. This is in line with the expectation, as indicated in the Prospects section of the Group's announcement of its final results on 26 March 2020, that the Group would not remain profitable in 2020.

The turnover of the Group's Industrial Products Trading Division for the first half of 2020 was HK\$1 billion, representing a slight increase of approximately 2% compared to the same period last year. This was mainly due to better than expected demand for the industrial products distributed by the Group as the Division's customers gradually resumed or increased production. The Division's operating profit was HK\$26.5 million, reflecting an increase of approximately 56% compared to the corresponding period last year, largely as a result of the excellent performance of a subsidiary in Taiwan which contributed a majority of the Division's operating profit. The Singapore operations also recorded an increase in operating profit compared to the same period last year, while the operations in the PRC registered a positive contribution to the Division's operating profit.

The turnover of the Group's OEM Manufacturing Division decreased by approximately 32% to HK\$1.1 billion for the first half of 2020 compared to the same period last year, mainly attributable to the widespread closure of borders to control the spread of the coronavirus resulting in all of the Division's customers outside the PRC being unable to visit the Group's facilities to develop orders for new projects. The Division's operating loss was HK\$20.8 million for the first half of 2020 as compared to an operating profit of 33.7 million for the same period last year. The Division has implemented cost control measures in response to the difficult trading conditions.

FINANCE

The Group has committed bank and other financing facilities totaling HK\$2,465 million, of which HK\$691 million was drawn down as at 30 June 2020. As at 30 June 2020, the Group's consolidated net borrowings amounted to HK\$15 million and its total equity amounted to HK\$1,645 million, resulting in a net gearing ratio of 0.9%.

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 30 June 2020, the Group had a total of 4,460 employees, of which 239 were based in Hong Kong, 3,890 in the PRC and 331 overseas. The remuneration of the Group's employees is 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 package of the Group's employees are regularly reviewed.

PROSPECTS

In view of the prevailing worldwide coronavirus pandemic and the worsening direction of the global economy, it is anticipated that the Group's performance as a whole in the second half of 2020 will most likely fall short of that of the first half of this year. This is despite the Group's best efforts to maintain its revenue and control its costs. However, the outlook is unpredictable given the many factors at play.

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

During the six months ended 30 June 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company has complied with the code provisions of 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") during the six months ended 30 June 2020, 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 the 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.

Code Provision A.6.7

Code Provision A.6.7 stipulates that independent non-executive directors and other non-executive directors should attend general meetings to gain and develop a balanced understanding of the views of shareholders.

Due to the travel restrictions arising from the COVID-19 pandemic, the two Non-Executive Directors could not attend the annual general meeting of the Company held on 23 June 2020. However, at the aforesaid annual general meeting, there were Executive Directors and Independent Non-Executive Directors present to enable the Board to develop a balanced understanding of the views of the shareholders of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted a code of conduct regarding securities transactions by Directors on no less exacting than the terms and required standard contained in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the “Model Code”). Having made specific enquiry of all the Directors, the Company had obtained confirmation from all the Directors that they have complied with the required standard set out in the Model Code and the code of conduct for securities transactions by Directors adopted by the Company throughout the six months ended 30 June 2020.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, risk management and internal control systems and financial reporting matters including a review of the unaudited condensed consolidated interim financial information for the six months ended 30 June 2020.

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

By Order of the Board
Byron Shu-Chan Ho
Director

Hong Kong, 18 August 2020

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.