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WONG'S KONG KING INTERNATIONAL (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 532)

2023 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 2023 together with comparative figures for the corresponding period in 2022 are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	<i>Note</i>	Six months ended 30 June	
		2023	2022
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Revenue	3	1,948,158	2,415,577
Other gains, net		6,639	10,522
Raw materials and consumables used		(769,440)	(1,026,502)
Purchases of finished goods		(635,956)	(881,243)
Changes in inventories of finished goods and work in progress		(127,428)	55,824
Employee benefit expenses		(304,578)	(346,688)
Depreciation and amortisation		(33,231)	(34,442)
Net write-back of impairment loss on financial assets		2,892	4,821
Other expenses		(107,521)	(105,555)
Operating (loss)/profit		(20,465)	92,314
Finance income	4	5,152	2,441
Finance costs	4	(20,972)	(3,524)
Finance costs, net	4	(15,820)	(1,083)

CONDENSED CONSOLIDATED INCOME STATEMENT (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023

		Six months ended 30 June	
		2023	2022
		(Unaudited)	(Unaudited)
	Note	HK\$'000	HK\$'000
Share of profit of joint ventures		<u>5,278</u>	<u>7,904</u>
(Loss)/profit before income tax	3	(31,007)	99,135
Income tax expense	5	<u>(9,214)</u>	<u>(32,928)</u>
(Loss)/profit for the period	3	<u>(40,221)</u>	<u>66,207</u>
Attributable to:			
Owners of the Company		(53,386)	44,454
Non-controlling interests		<u>13,165</u>	<u>21,753</u>
		<u>(40,221)</u>	<u>66,207</u>
(Loss)/earnings per share for (loss)/profit attributable to the owners of the Company during the period (expressed in HK cents per share)			
– basic	6	<u>(7.31)</u>	<u>6.09</u>
– diluted	6	<u>(7.31)</u>	<u>6.07</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
(Loss)/profit for the period	(40,221)	66,207
Other comprehensive (loss)/income:		
<i>Item that will not be reclassified subsequently to profit or loss</i>		
Fair value gains on equity investments at fair value through other comprehensive income, net of tax	352	1,623
<i>Item that may be reclassified subsequently to profit or loss</i>		
Currency translation differences	<u>(17,670)</u>	<u>(39,178)</u>
Total comprehensive (loss)/income for the period	<u>(57,539)</u>	<u>28,652</u>
Attributable to:		
Owners of the Company	(70,041)	13,205
Non-controlling interests	<u>12,502</u>	<u>15,447</u>
	<u>(57,539)</u>	<u>28,652</u>

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2023

	30 June 2023 (Unaudited) <i>HK\$'000</i>	31 December 2022 (Audited) <i>HK\$'000</i>
<i>Note</i>		
ASSETS		
Non-current assets		
Property, plant and equipment	414,508	434,287
Right-of-use assets	74,943	38,271
Deposits and prepayment	7,633	5,276
Intangible assets	1,237	178
Interests in joint ventures	23,808	28,760
Deferred tax assets	55,817	38,023
Financial assets at fair value through other comprehensive income	34,422	34,029
Financial assets at fair value through profit or loss	1,727	1,286
Club membership and debentures	15,087	15,087
	<u>629,182</u>	<u>595,197</u>
Total non-current assets	629,182	595,197
Current assets		
Inventories	882,815	1,035,848
Trade and other receivables	8 1,104,664	1,253,685
Contract assets	11,467	17,905
Deposits and prepayments	80,291	62,189
Tax recoverable	1,587	2,500
Short-term bank deposits	138,072	75,355
Cash and cash equivalents	562,095	672,770
	<u>2,780,991</u>	<u>3,120,252</u>
Total current assets	2,780,991	3,120,252
Total assets	3,410,173	3,715,449
LIABILITIES		
Non-current liabilities		
Lease liabilities	45,115	12,589
Provision for assets retirement obligations	1,710	1,710
Retirement benefit obligations	5,151	5,515
	<u>51,976</u>	<u>19,814</u>
Total non-current liabilities	51,976	19,814

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

AT 30 JUNE 2023

		30 June 2023	31 December 2022
		(Unaudited)	(Audited)
	<i>Note</i>	HK\$'000	HK\$'000
Current liabilities			
Trade and other payables	9	835,126	797,803
Contract liabilities		53,859	104,059
Current income tax liabilities		13,900	29,826
Bank borrowings		702,138	896,897
Lease liabilities		19,238	13,903
Derivative financial instruments		397	–
		<hr/>	<hr/>
Total current liabilities		1,624,658	1,842,488
		<hr/>	<hr/>
Total liabilities		1,676,634	1,862,302
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	10	72,990	72,990
Reserves		1,576,868	1,672,455
		<hr/>	<hr/>
		1,649,858	1,745,445
Non-controlling interests		83,681	107,702
		<hr/>	<hr/>
Total equity		1,733,539	1,853,147
		<hr/>	<hr/>
Total equity and liabilities		3,410,173	3,715,449
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2023

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2023 has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of 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 2022, 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 2022 except the adoption of the following new/ revised Hong Kong Financial Reporting Standards (“HKFRS”), Hong Kong Accounting Standards and Interpretations which are effective for accounting periods commencing on or after 1 January 2023.

(a) Amended standards adopted by the Group

The following new amendments to standards were required to be adopted by the Group effective from 1 January 2023:

HKFRS 17	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimate
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

The amended standards listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current period.

(b) New and amended standards not yet adopted

Certain new and amended standards have been published that are not mandatory for financial period beginning 1 January 2023 and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current; Non-current liabilities with covenants	1 January 2024
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements	1 January 2024
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to HKFRS 16	Lease liabilities in sale and lease back	1 January 2024
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group has commenced an assessment of the impact of these new and amended standards, but is not yet in a position to state whether they would have significant impacts on its results of operations and financial position.

3. SEGMENT 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 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 2023 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	1,049,172	887,580	11,406	–	1,948,158
Inter-segment sales	177,457	1,398	16,949	(195,804)	–
Total	1,226,629	888,978	28,355	(195,804)	1,948,158
Timing of revenue recognition					
At a point in time	1,206,895	888,978	22,767	(191,085)	1,927,555
Over time	19,734	–	5,588	(4,719)	20,603
	1,226,629	888,978	28,355	(195,804)	1,948,158
Results					
Segment results	38,468	(50,272)	(8,795)	134	(20,465)
Finance income	4,338	682	132	–	5,152
Finance costs	(1,753)	(18,983)	(236)	–	(20,972)
Segment operating profit/(loss)	41,053	(68,573)	(8,899)	134	(36,285)
Share of profit of joint ventures					5,278
Loss before income tax					(31,007)
Income tax expense					(9,214)
Loss for the period					(40,221)

The segment information for the six months ended 30 June 2022 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	1,313,337	1,078,301	23,939	–	2,415,577
Inter-segment sales	<u>322,738</u>	<u>1,635</u>	<u>15,939</u>	<u>(340,312)</u>	<u>–</u>
Total	<u><u>1,636,075</u></u>	<u><u>1,079,936</u></u>	<u><u>39,878</u></u>	<u><u>(340,312)</u></u>	<u><u>2,415,577</u></u>
Timing of revenue recognition					
At a point in time	1,615,711	1,079,936	36,611	(334,968)	2,397,290
Over time	<u>20,364</u>	<u>–</u>	<u>3,267</u>	<u>(5,344)</u>	<u>18,287</u>
	<u><u>1,636,075</u></u>	<u><u>1,079,936</u></u>	<u><u>39,878</u></u>	<u><u>(340,312)</u></u>	<u><u>2,415,577</u></u>
Results					
Segment results	123,459	(25,257)	(8,374)	2,486	92,314
Finance income	2,216	85	140	–	2,441
Finance costs	<u>(615)</u>	<u>(2,805)</u>	<u>(104)</u>	<u>–</u>	<u>(3,524)</u>
Segment operating profit/(loss)	<u>125,060</u>	<u>(27,977)</u>	<u>(8,338)</u>	<u>2,486</u>	91,231
Share of profit of joint ventures					<u>7,904</u>
Profit before income tax					99,135
Income tax expense					<u>(32,928)</u>
Profit for the period					<u><u>66,207</u></u>

The segment assets and liabilities as at 30 June 2023 are as follows:

	Trading <i>HK\$'000</i>	Manufacturing <i>HK\$'000</i>	Others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Assets				
Segment assets	<u>1,479,011</u>	<u>1,766,304</u>	<u>164,858</u>	<u>3,410,173</u>
Liabilities				
Segment liabilities	<u>519,938</u>	<u>1,092,319</u>	<u>64,377</u>	<u>1,676,634</u>

The segment assets and liabilities as at 31 December 2022 are as follows:

	Trading <i>HK\$'000</i>	Manufacturing <i>HK\$'000</i>	Others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Assets				
Segment assets	<u>1,622,284</u>	<u>1,928,718</u>	<u>164,447</u>	<u>3,715,449</u>
Liabilities				
Segment liabilities	<u>604,950</u>	<u>1,211,891</u>	<u>45,461</u>	<u>1,862,302</u>

4. FINANCE COSTS, NET

	Six months ended 30 June	
	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest income on:		
– bank deposits	5,132	2,426
– others	<u>20</u>	<u>15</u>
	<u>5,152</u>	<u>2,441</u>
Interest expense on:		
– bank borrowings	(19,805)	(3,277)
– lease liabilities	<u>(1,167)</u>	<u>(247)</u>
	<u>(20,972)</u>	<u>(3,524)</u>
Finance costs, net	<u>(15,820)</u>	<u>(1,083)</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 (2022: same). The subsidiaries established in the People's Republic of China (the "PRC") are subject to corporate income tax rate of 25% (2022: 25%). The subsidiaries in Taiwan are subject to corporate income tax rate of 20% (2022: 20%). Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Current income tax		
– Hong Kong profits tax	–	–
– PRC corporate income tax	(201)	6,354
– Taiwan corporate income tax	10,692	16,239
– Other jurisdictions	1,219	1,466
	<u>11,710</u>	<u>24,059</u>
Deferred income tax	(18,383)	–
Withholding tax on dividends declared by a subsidiary	15,887	8,869
	<u>9,214</u>	<u>32,928</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	
	2023	2022
(Loss)/profit attributable to owners of the Company (Hong Kong thousands dollar)	<u>(53,386)</u>	<u>44,454</u>
Weighted average number of ordinary shares in issue (thousands)	<u>729,898</u>	<u>729,863</u>
Basic (loss)/earnings per share (Hong Kong cents per share)	<u>(7.31)</u>	<u>6.09</u>

(b) Diluted

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

	Six months ended 30 June	
	2023	2022
(Loss)/profit attributable to owners of the Company (Hong Kong thousands dollar)	<u>(53,386)</u>	44,454
Weighted average number of ordinary shares in issue (thousands)	729,898	729,863
Adjustments for share options (thousands) (Note)	<u>–</u>	<u>2,820</u>
Weighted average number of ordinary shares for diluted earnings per share (thousands)	<u>729,898</u>	<u>732,683</u>
Diluted (loss)/earnings per share (Hong Kong cents per share)	<u>(7.31)</u>	<u>6.07</u>

Note: For the six months ended 30 June 2023, diluted loss per share was the same as the basic loss per share, as the share options of the Company had an anti-dilutive effect on the basic loss per share and was ignored in the calculation of diluted loss per share.

7. DIVIDENDS

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Interim dividend – HK\$nil (2022: HK\$0.015) per share	<u>–</u>	<u>10,948</u>

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2023.

8. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are accounts and bills receivables of HK\$1,074,558,000 (At 31 December 2022: HK\$1,202,601,000).

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 accounts and bills receivables based on invoices dates net of loss allowance at the end of reporting period is as follows:

	30 June 2023	31 December 2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	392,344	404,025
31 to 60 days	201,651	250,368
61 to 90 days	164,002	209,462
Over 90 days	316,561	338,746
	1,074,558	1,202,601

9. TRADE AND OTHER PAYABLES

Included in trade and other payables are accounts and bills payables of HK\$520,610,000 (At 31 December 2022: HK\$510,533,000).

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

	30 June 2023	31 December 2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	318,666	310,864
31 to 60 days	104,310	99,449
61 to 90 days	46,310	34,443
Over 90 days	51,324	65,777
	520,610	510,533

10. SHARE CAPITAL

	Number of ordinary shares of HK\$0.10 each	Share capital <i>HK\$'000</i>
Issued and fully paid:		
At 31 December 2022, 1 January 2023 and 30 June 2023	<u>729,897,964</u>	<u>72,990</u>

INTERIM DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2023 (2022: HK\$0.015).

BUSINESS REVIEW

The Group's turnover for the first half of 2023 was HK\$1.9 billion, reflecting a decline of approximately 19% compared to the same period last year. The Group recorded a net loss attributable to shareholders of HK\$53.4 million for the first half of 2023 as compared to a net profit attributable to shareholders of HK\$44.5 million for the corresponding period last year, mainly due to the global economic decline and rising interest rates.

The turnover of the Group's Industrial Products Trading and Distribution Division for the first half of 2023 was HK\$1 billion, representing a decrease of approximately 20% compared to the same period last year. This was due to the Division experiencing a reduction in orders over the Interim Period as a result of the global economic decline. The Division's operating profit was HK\$41.1 million, reflecting a decrease of approximately 67% compared to the corresponding period last year. Whilst the Division's operations in the PRC incurred an operating loss, each of its other major operations recorded an operating profit albeit at a much reduced level compared to the same period last year. The subsidiary in Taiwan continued to be the major contributor to the Division's operating profit though on a smaller scale than the same period last year.

The turnover of the Group's OEM Manufacturing Division decreased by approximately 18% to HK\$0.9 billion for the first half of 2023 compared to the same period last year. This was mainly due to the general global decline in economic activity, especially among the Group's customers based in Europe and the United States who together account for a major part of the Group's sales of manufactured products. These customers reduced their orders from the Group during the whole of the Interim Period, and particularly in the second quarter. The Division's operating loss was HK\$68.6 million for the first half of 2023 as compared to an operating loss of HK\$28 million for the corresponding period last year.

FINANCE

The Group has committed bank and other financing facilities totaling HK\$2,658 million, of which HK\$825 million was drawn down at 30 June 2023. As at 30 June 2023, the Group's consolidated net borrowings amounted to HK\$66 million and its total equity amounted to HK\$1,734 million, resulting in a net gearing ratio of 3.8%.

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 of 30 June 2023, the Group had a total of 3,653 employees, of whom 214 were based in Hong Kong, 2,850 in the PRC and 589 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 program 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 prolonged downward pressure on the global economy compounded by the effects of heightened geopolitical tensions, protectionism and inflationary pressure in many parts of the world, the Directors do not anticipate an improvement in demand for the industrial products distributed by the Trading and Distribution Division in the near future. The Group continues its cost control measures in the light of the expected difficult business environment.

With the Group's continuous efforts to explore opportunities, coupled with the new manufacturing facilities in Queretaro, Mexico, to better serve its global customers, especially those in North America, it is expected that more projects will be secured by the OEM Manufacturing Division in the last quarter of this year.

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

During the six months ended 30 June 2023, 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 2023, with deviations as stated below:

Code Provision B.2.2

Code Provision B.2.2 stipulates that 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 for 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 C.1.6

Code Provision C.1.6 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.

An independent non-executive director, namely, Mr. Tse Wan Chung Philip was unable to attend the annual general meeting of the Company held on 20 June 2023 (the “AGM”). However, at the aforesaid AGM, 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 2023.

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 2023.

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

By Order of the Board
Wong's Kong King International (Holdings) Limited
Ho Shu Chan Byron
Director

Hong Kong, 24 August 2023

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