

WONG'S INTERNATIONAL (HOLDINGS) LIMITED

王氏國際(集團)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 99)

ANNOUNCEMENT OF 2007 FINAL RESULTS

The Directors announce that the results of the Group for the year ended 31st December, 2007 were as follows:

CONSOLIDATED INCOME STATEMENT

	For the year ended	
	31st December,	
	2007	2006
	HK\$'000	HK\$'000
Revenue (<i>Note 4</i>)	3,363,777	3,713,784
Interest income	5,009	3,951
Other income	20,581	16,310
Changes in inventories of finished goods and work in progress	1,906	(4,978)
Raw materials and consumables used	(2,727,070)	(3,056,421)
Staff costs	(290,763)	(257,448)
Depreciation	(67,739)	(61,065)
Amortisation on development costs capitalised	(8,702)	(10,936)
Amortisation on prepaid lease payments	(2,166)	(2,154)
Increase in fair value of investment properties	31,500	3,440
Fair value changes on financial instruments	1,422	(707)
Other operating expenses	(218,465)	(231,624)
Finance costs	(22,850)	(26,867)
Impairment loss recognised in respect of goodwill of an associate	(1,990)	–
Impairment loss recognised in respect of other investments	(3,104)	–
Impairment loss recognised in respect of asset classified as held for sale	–	(8,795)
Share of results of associates	2,299	2,526
Impairment loss recognised in respect of development costs capitalised	(1,696)	(753)
Profit before taxation	81,949	78,263
Taxation (<i>Note 5</i>)	(11,081)	(16,320)
Profit for the year	70,868	61,943

	For the year ended	
	31st December,	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Attributable to:		
Equity holders of the Company	70,868	61,943
Minority interests	—	—
	<u>70,868</u>	<u>61,943</u>
Dividends (<i>Note 6</i>)	<u>14,008</u>	<u>23,347</u>
Earnings per share (<i>Note 7</i>)		
Basic	<u>HK\$0.15</u>	<u>HK\$0.13</u>
Diluted	<u>N/A</u>	<u>N/A</u>

CONSOLIDATED BALANCE SHEET

	At 31st December,	
	2007	2006
	HK\$'000	HK\$'000
Non-current assets		
Investment properties	58,710	27,210
Property, plant and equipment	251,197	260,154
Prepaid lease payments	84,998	86,724
Interests in associates	75,096	111,477
Available-for-sale investments	168	162
Other investments	4,688	7,792
Development costs capitalised	14,566	16,436
Deferred tax asset	2,642	1,884
	492,065	511,839
Current assets		
Prepaid lease payments	2,166	2,154
Inventories	317,581	360,364
Trade and other receivables (<i>Note 8</i>)	621,376	755,624
Tax reserve certificate	5,943	4,557
Deposits and prepayments	38,514	23,480
Bank balances and cash	195,846	246,527
	1,181,426	1,392,706
Asset classified as held for sale	6,001	6,001
	1,187,427	1,398,707
Current liabilities		
Trade and other payables (<i>Note 9</i>)	700,601	738,658
Bills payable	–	3,386
Tax payable	14,950	14,991
Amount due to an associate	3,183	7,008
Derivative financial instruments	–	1,422
Bank borrowings due within one year	92,148	272,987
	810,882	1,038,452
Net current assets	376,545	360,255
Total assets less current liabilities	868,610	872,094

	At 31st December,	
	2007	2006
	HK\$'000	HK\$'000
Non-current liabilities		
Bank borrowings due after one year	124,340	193,367
Deferred tax liability	5,994	3,278
	<u>130,334</u>	<u>196,645</u>
	<u>738,276</u>	<u>675,449</u>
Capital and reserves		
Share capital	46,692	46,692
Reserves	691,584	628,412
	<u>738,276</u>	<u>675,104</u>
Equity attributable to equity holders of the Company	738,276	675,104
Minority interests	–	345
	<u>738,276</u>	<u>675,449</u>

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared on the historical cost basis, except for investment properties and certain financial instruments, which are measured at fair value.

The consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). In addition, the consolidated financial statements included applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Companies Ordinance.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, the following new standards, amendment and interpretations (“new HKFRSs”) issued by the HKICPA that are relevant to the Group and effective for accounting periods beginning on or after 1st January, 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives

The adoption of these new and amended HKFRSs did not result in significant changes to the Group’s accounting policies but give rise to additional disclosures. The first time application of these new HKFRSs has not resulted any prior-year adjustments on cash flows, net income or balance sheet items. Accordingly, no adjustments on prior years are required.

3. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

2007

	EMS* division <i>HK\$'000</i>	ODM** division <i>HK\$'000</i>	Other divisions# <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue						
External sales	3,358,686	5,091	–	–	–	3,363,777
Inter-segment sales	–	–	–	–	–	–
Total	<u>3,358,686</u>	<u>5,091</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>3,363,777</u>
Result						
Segment result	<u>102,006</u>	<u>(26,069)</u>	<u>(1,056)</u>			74,881
Unallocated corporate expenses						(29,521)
Interest income						5,009
Unallocated other income and net fair value gains						52,131
Finance costs						(22,850)
Share of results of associates	–	(1,170)	–	3,469		<u>2,299</u>
Profit before taxation						81,949
Taxation						<u>(11,081)</u>
Profit for the year						<u>70,868</u>

2006

	EMS* division <i>HK\$'000</i>	ODM** division <i>HK\$'000</i>	Other divisions# <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue						
External sales	3,708,348	3,405	2,031	–	–	3,713,784
Inter-segment sales	–	2	–	–	(2)	–
Total	<u>3,708,348</u>	<u>3,407</u>	<u>2,031</u>	<u>–</u>	<u>(2)</u>	<u>3,713,784</u>
Result						
Segment result	<u>150,299</u>	<u>(17,753)</u>	<u>3,418</u>			135,964
Unallocated corporate expenses						(45,406)
Interest income						3,951
Unallocated other income						16,890
Finance costs						(26,867)
Impairment loss recognised in respect of asset classified as held for sale						(8,795)
Share of results of associates	–	–	3,473	(947)		<u>2,526</u>
Profit before taxation						78,263
Taxation						<u>(16,320)</u>
Profit for the year						<u>61,943</u>

* EMS denotes electronic manufacturing service

** ODM denotes original product development and marketing

Other divisions included sales of goods other than EMS and ODM products.

The transactions with inter-segments were carried out at the estimated market prices determined by the Company's directors.

Geographical Segments

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods or services:

	Sales revenue by geographical market	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
North America including USA, Mexico and Canada	425,580	704,544
Asia including the People's Republic of China ("PRC") and Japan other than Hong Kong	1,895,771	1,751,163
Europe including France, UK, Finland and Germany	323,025	561,693
Hong Kong	719,401	696,384
	<u>3,363,777</u>	<u>3,713,784</u>

4. REVENUE

Revenue, which is also the Group's turnover, represents the amounts received and receivable for goods sold by the Group to outside customers, less returns and discounts.

5. TAXATION

	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profits tax:		
Hong Kong		
– current year	8,704	11,184
– under-provision in prior years	413	6,605
	<u>9,117</u>	<u>17,789</u>
Other jurisdictions		
– current year	372	675
– over-provision in prior years	(366)	(8)
	<u>6</u>	<u>667</u>
Deferred tax:		
– current year	1,958	(2,136)
	<u>11,081</u>	<u>16,320</u>

Hong Kong Profits Tax is calculated at 17.5% on the estimated assessable profits for both years. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

On 16th March, 2007, the PRC promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6th December, 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the tax rates either from 33% to 25%, or from 15% to 18% for certain subsidiaries from 1st January, 2008.

Certain subsidiaries are eligible for 50% exemption from Hong Kong Profits Tax. Pursuant to the relevant tax laws in the PRC, certain subsidiaries in the PRC are entitled to full exemption from Enterprise Income Tax for two years starting from their first profit-making year, after offsetting all losses brought forward, followed by a 50% reduction for the next three years thereafter.

6. DIVIDENDS

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Interim dividend paid – HK\$0.01 (2006: HK\$0.02) per share	4,669	9,339
Proposed final dividend – HK\$0.02 (2006: HK\$0.03) per share	9,339	14,008
	<u>14,008</u>	<u>23,347</u>

The final dividend of HK\$0.02 (2006: HK\$0.03) per share has been proposed by the directors and is subject to approval by the shareholders at annual general meeting.

The final dividend in respect of previous financial year of HK\$0.03 (2006: HK\$0.02) per share, amounting to HK\$14,008,000 (2006: HK\$9,339,000) was approved and paid during the year.

7. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the Group's profit for the year attributable to equity holders of the Company of approximately HK\$70,868,000 (2006: HK\$61,943,000) and the number of ordinary shares of 466,921,794 (2006: 466,921,794) in issue during the year.

No diluted earnings per share have been presented as there were no potential ordinary shares in issue in both years.

8. TRADE AND OTHER RECEIVABLES

The credit period allowed by the Group to its trade customers mainly ranges from 30 days to 90 days and no interest is charged. The carrying amounts of the trade and other receivables are considered a reasonable approximation of fair value as these financial assets, which are measured at amortised cost, is expected to be paid within a short timescale, such that the time value of money impact is not significant.

The following is an aged analysis of the Group's trade receivables (net of allowance for doubtful debts) at the reporting date:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Trade receivables		
0-60 days	519,381	591,273
61-90 days	72,948	26,574
Over 90 days	13,707	119,004
	<hr/>	<hr/>
Other receivables	606,036	736,851
	15,340	18,773
	<hr/>	<hr/>
	621,376	755,624
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9. TRADE AND OTHER PAYABLES

The following is an aged analysis of the Group's trade payables at the reporting date:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Trade payables		
0-60 days	419,079	474,061
61-90 days	75,607	37,601
Over 90 days	67,251	124,683
	<hr/>	<hr/>
Other payables	561,937	636,345
	138,664	102,313
	<hr/>	<hr/>
	700,601	738,658
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Trade and other payables are non-interest bearing. The credit period on purchases of goods ranges from 30 days to 60 days.

The fair values of the Group's trade and other payables at 31st December, 2007 approximate to their corresponding carrying amounts due to their short-term maturities.

DIVIDENDS

The Company paid an interim dividend of HK\$0.01 per share (2006: HK\$0.02) for 2007. The Directors now recommend the payment of a final dividend of HK\$0.02 (2006: HK\$0.03) per share on Friday, 27th June, 2008 to the shareholders on the Register of Members on Tuesday, 17th June, 2008.

The Register of Members will be closed from Wednesday, 11th June, 2008 to Tuesday, 17th June, 2008, both days inclusive, during which period no transfer of shares will be effected. To qualify for the above dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrars, Tricor Standard Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Tuesday, 10th June, 2008.

REVIEW OF BUSINESS ACTIVITIES

The Group

Sales revenue of the Group decreased 9.4% from HK\$3.71 billion in 2006 to HK\$3.36 billion in 2007. The decrease in sales revenue was primarily due to reduced demand from existing customers in the Electronic Manufacturing Service Division (the "EMS Division").

Profit before taxation of the Group increased 4.7% from HK\$78.26 million in 2006 to HK\$81.95 million in 2007. However, excluding the gain from the increase in fair value of investment properties, profit before taxation would have decreased 32.6% to HK\$50.5 million in 2007. The decrease in profit was primarily due to a decline in sales revenue and the increases in staff costs for the EMS Division in 2007.

The EMS Division

The sales revenue of our factory in Shajing, Shenzhen fell 10.4% compared with 2006. Sales revenue in our factory in Suzhou increased by 18.9% in 2007 compared with 2006. To cope with the growth of the customer base for our Suzhou factory, we are building a new extension to our Suzhou factory, which is expected to be completed in the second half of 2008. The new extension will add 13,000 square meters to our Suzhou factory, with a combined area of 25,000 square meters.

Competition for the EMS business remains intense. We have continued to experience pricing pressure from our customers. In addition, the operating expenses related to salaries and wages, solder and chemical consumption, and continued appreciation of the Renminbi have made the operating environment of the EMS Division increasingly difficult. In order to maintain satisfactory operating income, the EMS Division will continue to streamline the production and implement costs control in both manufacturing and administration. In 2007, the Group has committed to purchase an industrial land in Hanoi, Vietnam which we expect to build a new factory and start production in early 2009.

The ODM Division

The Original Design and Marketing Division (the “ODM Division”) continued its focus on the development and marketing of RFID (radio frequency identification) products during 2007. Total sales revenue of the ODM Division increased by 50% from HK\$3.4 million in 2006 to HK\$5.1 million in 2007 and it is expected that the sales revenue will continue to increase in 2008.

In 2007, the ODM Division continued to sign up with new customers to develop RFID products for new areas of application such as payment terminals, oil refinery, on-field service for vending machines and smart card payment systems. It has become one of the leading companies in the world to provide a low cost, flexible and wireless reader solution to the RFID industry. The Group believed that it would be a valuable asset to the Group in the long term.

Property development

With respect to the residential development in the mid-levels (“the Project”), the Project has sold 14 residential units in 2007, realising total gross sales proceeds of HK\$126 million. As at 31st December, 2007, 5 residential units (including 4 duplexes and 1 combined unit) and 65 parking spaces remain unsold. If the current high demand in the high-end residential property market persists, we expect to sell all remaining residential units in 2008.

FINANCE

As at 31st December, 2007, the Group had net bank borrowings of about HK\$20.6 million (2006: HK\$219.8 million), representing 2.8% (2006: 32.5%) of the shareholders’ equity at that date.

Most of the Group’s sales are conducted in US dollars and costs and expenses are mainly in US dollars, Hong Kong dollars, Japanese Yen and Renminbi. Forward contracts are used to hedge foreign exchange exposures where necessary or practicable.

CAPITAL STRUCTURE

The capital structure of the Group consists of bank borrowings, cash and cash equivalents and equity attributable to equity holders of the Group, comprising issued share capital and reserves.

EMPLOYEES

As at 31st December, 2007, the Group employed approximately 6,700 employees of whom approximately 5,700 were production workers. In addition to the provision of annual bonuses, medical and life insurance, discretionary bonuses are also available to employees based on individual performance. The remuneration packages and policies are reviewed periodically.

The Group also provides in-house and external training programs to its employees.

PROSPECTS

Based on the level of orders received and forecasts provided by customers, the Directors expect that the sales of the EMS Division will continue to be flat during the first half of 2008. We are also cautious about the general business and economic outlook of the United States market which could affect the demand on our services.

With respect to the ODM Division, we expect the sales will continue to increase in 2008 due to increasing orders from new customers. It is the Directors' target to achieve break-even in terms of cash flow in 2008.

On behalf of the Directors, I would like to sincerely thank our customers, suppliers and business partners for their continued confidence in and support to the Group. I would also like to pay a special tribute to all of our employees for their loyal, diligent and professional services to the Group.

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

During the year ended 31st December, 2007, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the year ended 31st December, 2007, the Company has complied with the code provisions of the "Code on Corporate Governance Practices" (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, except for the following deviations:

1. Code provision A.2.1

Mr. Wong Chung Mat, Ben is the Group's Chairman and Chief Executive Officer and has occupied these two positions since February, 2003. In allowing the two positions to be occupied by the same person, the Company has considered the following:

- (a) Both positions require in-depth knowledge and considerable experience of the Group's business. Candidates with the suitable knowledge, experience and leadership are difficult to find both within and outside the Group. If either of the positions is occupied by an unqualified person, the Group's performance could be gravely compromised.
- (b) The Company believes that the supervision of the Board and its independent non-executive directors can provide an effective check and balance mechanism and ensures that the interests of the shareholders are adequately represented.

2. Code provision A.4.1

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 Code. However, every Director of the Company is now subject to retirement by rotation under Bye-law 112 of the Bye-laws of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

AUDIT COMMITTEE

The Audit Committee, which comprises all Independent Non-executive Directors, has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the audited financial statements for the year ended 31st December, 2007.

By Order of the Board
WONG CHUNG MAT, BEN
Chairman and Chief Executive Officer

Hong Kong, 15th April, 2008

As at the date of this announcement, the Executive Directors of the Company are Mr. Wong Chung Mat, Ben, Mr. Wong Chung Ah, Johnny, Mr. Chan Tsze Wah, Gabriel, Mr. Tan Chang On, Lawrence, Mr. Wan Man Keung and Ms. Wong Yin Man, Ada; and the Independent Non-executive Directors are Dr. Li Ka Cheung, Eric, G.B.S., O.B.E., J.P., Dr. Yu Sun Say, G.B.S., J.P. and Mr. Alfred Donald Yap, J.P.

* *For identification purpose only*