

**WONG'S INTERNATIONAL (HOLDINGS) LIMITED**

**王氏國際(集團)有限公司\***

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 99)

**INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2007**

The Directors announce that the unaudited consolidated results of the Group for the six months ended 30th June, 2007 were as follows:

**CONDENSED CONSOLIDATED INCOME STATEMENT  
FOR THE SIX MONTHS ENDED 30TH JUNE, 2007**

	<i>Notes</i>	<b>Six months ended 30th June,</b>	
		<b>2007</b>	<b>2006</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue	4	1,648,864	1,852,874
Interest income		2,053	2,037
Increase in fair value of investment properties		9,520	3,310
Fair value changes on financial instruments		(1,179)	(743)
Other income		18,089	10,740
Changes in inventories of finished goods and work-in-progress		(13,731)	6,118
Raw materials and consumables used		(1,320,230)	(1,539,446)
		<b>(1,333,961)</b>	<b>(1,533,328)</b>
Staff costs		(140,112)	(120,902)
Depreciation		(33,535)	(29,462)
Amortisation of prepaid lease payments		(1,080)	(1,076)
Amortisation on development costs capitalised		(4,351)	(3,448)
Impairment loss recognised		(17)	(3,845)
Other operating expenses		(119,883)	(107,479)
Finance costs		(12,690)	(11,530)
Share of results of associates		393	(682)
		<hr/>	<hr/>
Profit before taxation		32,111	56,466
Taxation	5	(7,260)	(7,235)
		<hr/>	<hr/>
Profit for the period		<b>24,851</b>	<b>49,231</b>

		<b>Six months ended 30th June,</b>	
	<i>Notes</i>	<b>2007</b>	2006
		<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
Attributable to:			
Equity holders of the Company		<b>24,851</b>	50,550
Minority interests		<b>—</b>	(1,319)
		<u><b>24,851</b></u>	<u>49,231</u>
Dividend		<u><b>4,669</b></u>	<u>9,339</u>
Earnings per share	6		
Basic		<u><b>HK\$0.05</b></u>	<u>HK\$0.11</u>
Diluted		<u><b>N/A</b></u>	<u>N/A</u>

**CONDENSED CONSOLIDATED BALANCE SHEET  
AT 30TH JUNE, 2007**

	At 30/6/2007 <i>HK\$'000</i> (Unaudited)	At 31/12/2006 <i>HK\$'000</i> (Audited)
Non-current assets		
Investment properties	36,730	27,210
Property, plant and equipment	258,804	260,154
Prepaid lease payments	85,833	86,724
Interests in associates	95,919	111,477
Available-for-sale investments	165	162
Other investments	7,792	7,792
Development costs capitalised	15,852	16,436
Deferred tax asset	1,554	1,884
	<u>502,649</u>	<u>511,839</u>
Current assets		
Prepaid lease payments	2,160	2,154
Inventories	324,173	360,364
Trade and other receivables	642,479	755,624
Tax reserve certificate	5,943	4,557
Deposits and prepayments	20,383	23,480
Bank balances and cash	323,814	246,527
	<u>1,318,952</u>	<u>1,392,706</u>
Asset classified as held for sale	6,001	6,001
	<u>1,324,953</u>	<u>1,398,707</u>
Current liabilities		
Trade and other payables	641,788	738,658
Bills payable	3,172	3,386
Tax payable	17,536	14,991
Amount due to an associate	7,008	7,008
Derivative financial instruments	2,601	1,422
Bank borrowings due within one year	306,396	272,987
	<u>978,501</u>	<u>1,038,452</u>
Net current assets	<u>346,452</u>	<u>360,255</u>
Total assets less current liabilities	<u>849,101</u>	<u>872,094</u>

	<b>At 30/6/2007</b> <i>HK\$'000</i> <b>(Unaudited)</b>	At 31/12/2006 <i>HK\$'000</i> <b>(Audited)</b>
Non-current liabilities		
Bank borrowings due after one year	<b>155,573</b>	193,367
Deferred tax liability	<b>3,686</b>	3,278
	<hr/> <b>159,259</b> <hr/>	<hr/> 196,645 <hr/>
	<hr/> <b>689,842</b> <hr/>	<hr/> 675,449 <hr/>
Capital and reserves		
Share capital	<b>46,692</b>	46,692
Reserves	<b>642,805</b>	628,412
	<hr/> <b>689,497</b> <hr/>	<hr/> 675,104 <hr/>
Equity attributable to equity holders of the Company	<b>345</b>	345
Minority interests	<hr/> <b>689,842</b> <hr/>	<hr/> 675,449 <hr/>

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Main Board of The Stock Exchange of Hong Kong Limited.

The condensed consolidated financial statements do not include all the information and disclosure required in the annual consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements as at 31st December, 2006.

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost basis, except for certain properties and financial assets and liabilities, which are stated at fair values or amortised cost, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the annual consolidated financial statements of the Company and its subsidiaries (“the Group”) for the year ended 31st December, 2006.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter collectively referred to as “new HKFRSs”) issued by the HKICPA that are effective for accounting periods beginning on or after 1st January, 2007 and relevant to the Group. The adoption of these new HKFRSs has had no material effect on how the results for the current and prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early adopted the following HKFRSs that have been issued but are not yet effective for the six months ended 30th June, 2007. The directors of the Company are currently assessing the impact of these HKFRSs but are not yet in the position to state whether they would have material financial impact on the condensed consolidated financial statements.

HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC) – Interpretation (“Int”) 11	HKFRS 2: Group and Treasury Share Transactions <sup>2</sup>
HK(IFRIC) – Int 12	Service Concession Arrangements <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2009.

<sup>2</sup> Effective for annual periods beginning on or after 1st March, 2007.

<sup>3</sup> Effective for annual periods beginning on or after 1st January, 2008.

## 3. SEGMENT INFORMATION

For management segment reporting purposes, the Group was organised into two operating divisions — EMS\* electronic products and ODM\*\* electronic products. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

EMS electronic products — manufacture and distribution of electronic products for EMS customers.

ODM electronic products — original product development and marketing for ODM customers.

\* EMS denotes electronic manufacturing service

\*\* ODM denotes original product development and marketing

Segment information for the six months ended 30th June, 2007 and 2006 is as follows :

### Business segments

	For the six months ended 30th June, 2007				Consolidated <i>HK\$'000</i> (Unaudited)
	EMS division <i>HK\$'000</i> (Unaudited)	ODM division <i>HK\$'000</i> (Unaudited)	Other divisions# <i>HK\$'000</i> (Unaudited)	Eliminations <i>HK\$'000</i> (Unaudited)	
<b>REVENUE</b>					
External sales	1,646,771	2,093	—	—	1,648,864
Inter-segment sales	40	—	—	(40)	—
Total	<u>1,646,811</u>	<u>2,093</u>	<u>—</u>	<u>(40)</u>	<u>1,648,864</u>
<b>SEGMENT RESULT</b>	<u>40,410</u>	<u>(8,598)</u>	<u>(489)</u>		31,323
Unallocated corporate expenses					(16,577)
Interest income					2,053
Unallocated other income					18,089
Increase in fair value of investment properties					9,520
Finance costs					(12,690)
Share of results of associates	—	(1,170)	1,563		393
Profit before taxation					<u>32,111</u>

	For the six months ended 30th June, 2006				Consolidated HK\$'000 (Unaudited)
	EMS division HK\$'000 (Unaudited)	ODM division HK\$'000 (Unaudited)	Other divisions# HK\$'000 (Unaudited)	Eliminations HK\$'000 (Unaudited)	
<b>REVENUE</b>					
External sales	1,848,868	2,547	1,459	—	1,852,874
Inter-segment sales	4,063	—	—	(4,063)	—
Total	<u>1,852,931</u>	<u>2,547</u>	<u>1,459</u>	<u>(4,063)</u>	<u>1,852,874</u>
<b>SEGMENT RESULT</b>	<u>74,933</u>	<u>(6,962)</u>	<u>679</u>		68,650
Unallocated corporate expenses					(16,059)
Interest income					2,037
Unallocated other income					10,740
Increase in fair value of investment properties					3,310
Finance costs					(11,530)
Share of results of associates	—	(1,170)	488		(682)
Profit before taxation					<u>56,466</u>

# Other divisions included property investment and 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.

#### 4. REVENUE

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

#### 5. TAXATION

	Six months ended 30th June,	
	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
The taxation comprises:		
Profits tax		
Hong Kong	3,996	7,274
Other jurisdictions	46	68
Under-provision in the previous period	2,480	145
Deferred tax	738	(252)
	<u>7,260</u>	<u>7,235</u>

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

## **6. EARNINGS PER SHARE**

The calculation of the basic earnings per share is based on the Group's profit for the period attributable to equity holders of the Company of approximately HK\$24,851,000 (six months ended 30th June, 2006 : HK\$50,550,000) and the number of ordinary shares of 466,921,794 (six months ended 30th June, 2006 : 466,921,794).

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

## **INTERIM DIVIDEND**

The Directors resolved to pay an interim dividend of HK\$0.01 per share (2006: HK\$0.02 per share) on Friday, 26th October, 2007 to the shareholders as recorded on the Register of Members on Thursday, 18th October, 2007.

The Register of Members will be closed from Monday, 15th October, 2007 to Thursday, 18th October, 2007, 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 certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Standard Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Friday, 12th October, 2007 .

## **REVIEW OF BUSINESS ACTIVITIES**

For the six months ended 30th June, 2007, the Group's turnover and profit before taxation decreased by 11.0% and 43.1%, respectively, compared to the same period in 2006. The decline in turnover was primarily attributable to softer demand from the customers of the Electronic Manufacturing Service Division (the "EMS Division").

The turnover of the EMS Division's plant in Shajing decreased by 11.5% compared to the first half of 2006 due to decrease in sales to certain existing customers, relocation of production lines from the Shajing plant to the Suzhou plant and the slower-than-expected business ramp-up from new customers in the first half of 2007. The plant's profit before taxation also decreased due to lower sales, continued rises in wages and material costs, and the appreciation of Renminbi against Hong Kong dollars.

However, the turnover of the Division's plant in Suzhou grew by 18.8% compared to the first half of 2006, and its operating results also improved compared to the same period in 2006. To meet the growing demand, the Suzhou plant is currently building an extension which, when completed, will double its current manufacturing capacity.

Product sales have continued to grow for the Original Product Development and Marketing Division (the "ODM Division") during the first half of 2007. The ODM Division also introduced the first low-frequency RFID (Radio Frequency Identification) card to the market.

Sales of apartments at the residential development in the Mid-levels were satisfactory in the first half of the year, and only a few units remained unsold. The average selling price per square foot for the units sold was higher than last year.



## **FINANCE**

As at 30th June, 2007, the Group had net bank borrowings of approximately HK\$138 million (31/12/2006: HK\$220 million) representing 20.0% (31/12/2006: 32.6%) of its shareholders' equity at that date.

As at 30th June, 2007, the Group had bank balances and cash of approximately HK\$324 million (31/12/2006: HK\$247 million).

Most of the Group's sales income is in United States dollars and the costs and expenses are mainly incurred in United States dollars, Hong Kong dollars, Japanese Yen and Renminbi. Forward exchange contracts are used to hedge exposures where necessary.

## **CAPITAL STRUCTURE**

There has been no change in the capital structure of the Group since 31st December, 2006.

## **EMPLOYEES**

As at 30th June, 2007, the Group employed 6,425 employees, out of which 5,266 are production workers. In addition to the provision of annual bonuses, medical and life insurance, discretionary bonuses are also available to employees on a performance basis. The Group also provides in-house and external training programs to its employees.

The remuneration policy and packages of the Group are reviewed from time to time.

## **PROSPECTS**

In order to enhance its competitiveness and profitability, the EMS Division will continue its efforts in tightening costs and expenses. A number of measures have been implemented to improve its operating expenses and productivity, such as realigning the business units, redeploying resources, minimizing variation in the manufacturing process and consolidating the supply chains. In addition, the EMS Division is also looking for other low-cost manufacturing sites to cope with the soaring operating costs.

The Directors do not expect the ODM Division to turn to a profit in the second half of 2007 though they are aiming to achieve break-even as soon as possible. The Division has signed up with more distributors for its SDID (Security Digital Identification) products and is in discussions with a number of OEM customers. The Directors expect product sales will continue to grow in the second half of 2007, and believe that the market for SDID products is emerging and the Division's focus on this category of products will benefit the Group's performance in the long term.

On behalf of the Directors, I would like to thank our customers, suppliers and business partners for their continued confidence in and support for 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 six months ended 30th June, 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 six months ended 30th June, 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 unaudited interim accounts for the six months ended 30th June, 2007.

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

Hong Kong, 19th September, 2007

*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 Miss 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*