WONG'S 王氏

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, 2006

The Directors announce that the unaudited consolidated results of the Group for the six months ended 30th June, 2006 were as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30TH JUNE, 2006

	Notes	**Six months ended 30th June, 2006** *HK$'000* **(Unaudited)**	2005 *HK$'000* (Unaudited)
Revenue	*4*	**1,852,874**	1,289,288
Interest income		**2,037**	4,603
Increase in fair value of investment properties		**3,310**	2,210
Fair value changes on financial instruments		**(743)**	(1,569)
Other income		**10,740**	8,415
Changes in inventories of finished goods and work-in-progress		**6,118**	(23,281)
Raw materials and consumables used		**(1,539,446)**	(1,022,094)
		(1,533,328)	(1,045,375)
Staff costs		**(120,902)**	(103,881)
Depreciation and amortisation of prepaid lease payments		**(30,538)**	(39,785)
Amortisation on development costs capitalised		**(3,448)**	(7,393)
Impairment loss recognised		**(3,845)**	–
Other operating expenses		**(107,479)**	(87,208)
Finance costs		**(11,530)**	(8,143)
Loss on disposal of interest in an associate		–	(378)
Share of results of associates		**(682)**	488
Write back of allowance for loan advanced to an associate		–	5,995
Profit before taxation		**56,466**	17,267
Taxation	*5*	**(7,235)**	(3,885)
Profit for the period		**49,231**	13,382
Attributable to:			
Equity holders of the Company		**50,550**	13,385
Minority interests		**(1,319)**	(3)
		49,231	13,382

Dividend		**9,339**	–
Earnings per share	*6*		
Basic		**HK$0.11**	HK$0.03
Diluted		**N/A**	N/A

CONDENSED CONSOLIDATED BALANCE SHEET AT 30TH JUNE, 2006

	At 30/6/2006	At 31/12/2005
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Non-current assets		
Investment properties	**23,680**	23,770
Property, plant and equipment	**269,245**	265,028
Prepaid lease payments	**86,702**	88,670
Interests in associates	**126,059**	137,911
Available-for-sale investments	**179**	299
Held-to-maturity investments	**4,003**	7,958
Development costs capitalised	**20,793**	19,606
	530,661	543,242
Current assets		
Prepaid lease payments	**2,151**	2,152
Inventories	**390,729**	381,159
Trade and other receivables	**711,141**	546,442
Tax reserve certificate	**4,557**	4,557
Deposits and prepayments	**16,008**	12,939
Derivative financial instruments	**–**	588
Bank balances and cash	**231,315**	195,900
	1,355,901	1,143,737
Current liabilities		
Trade and other payables	**682,980**	518,806
Bills payable	**1,416**	1,460
Tax payable	**19,642**	12,052
Amount due to an associate	**7,008**	7,008
Derivative financial instruments	**1,531**	1,376
Bank borrowings due within one year	**268,573**	233,979
	981,150	774,681
Net current assets	**374,751**	369,056
Total assets less current liabilities	**905,412**	912,298
Non-current liabilities		
Bank borrowings due after one year	**235,167**	278,958
Deferred taxation	**3,278**	3,530
	238,445	282,488
	666,967	629,810

Capital and reserves		
Share capital	**46,692**	46,692
Reserves	**619,931**	582,773
Equity attributable to equity holders of the Company	**666,623**	629,465
Minority interests	**344**	345
	666,967	629,810

Notes:

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 Stock Exchange of Hong Kong Limited.

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, 2005.

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 either effective for accounting periods beginning on or after 1st December, 2005 or 1st January, 2006. 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 applied the following new standards, interpretations and amendments that have been issued but are not yet effective at 30th June, 2006. The directors of the Company anticipate that the application of these new standards, interpretations and amendments will have no material impact on the results and financial position of the Group.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKFRS 7	Financial Instruments: Disclosures[1]
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[2]
HK(IFRIC)-Int 8	Scope of HKFRS 2[3]
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives[4]

[1] Effective for annual periods beginning on or after 1st January, 2007.
[2] Effective for annual periods beginning on or after 1st March, 2006.
[3] Effective for annual periods beginning on or after 1st May, 2006.
[4] Effective for annual periods beginning on or after 1st June, 2006.

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, 2006 and 2005 is as follows:

Business segments

	For the six months ended 30th June, 2006				
	EMS division *HK$'000* **Unaudited**	**ODM division** *HK$'000* **Unaudited**	**Other divisions#** *HK$'000* **Unaudited**	**Eliminations** *HK$'000* **Unaudited**	**Consolidated** *HK$'000* **Unaudited**
REVENUE					
External sales	**1,848,868**	**2,547**	**1,459**	**–**	**1,852,874**
Inter-segment sales	**4,063**	**–**	**–**	**(4,063)**	**–**
Total	**1,852,931**	**2,547**	**1,459**	**(4,063)**	**1,852,874**
SEGMENT RESULT	**74,933**	**(6,962)**	**679**		**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					**(682)**
Profit before taxation					**56,466**

	For the six months ended 30th June, 2005				
	EMS division *HK$'000* Unaudited	ODM division *HK$'000* Unaudited	Other divisions# *HK$'000* Unaudited	Eliminations *HK$'000* Unaudited	Consolidated *HK$'000* Unaudited
REVENUE					
External sales	1,272,923	15,930	435	–	1,289,288
Inter-segment sales	4,525	–	–	(4,525)	–
Total	1,277,448	15,930	435	(4,525)	1,289,288
SEGMENT RESULT	41,435	(29,591)	123		11,967
Unallocated corporate expenses					(7,890)
Interest income					4,603
Unallocated other income					8,415
Increase in fair value of investment properties					2,210
Finance costs					(8,143)
Write back of allowance for loan advanced to an associate					5,995
Loss on disposal of interest in an associate					(378)
Share of results of associates					488
Profit before taxation					17,267

\# 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.

4. REVENUE

Revenue represents 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,	
	2006	2005
	HK$'000	*HK$'000*
	Unaudited	Unaudited
The taxation comprises:		
Profits tax		
Hong Kong	**7,274**	4,204
Other jurisdictions	**68**	42
Under-provision in the previous period	**145**	772
Deferred tax	**(252)**	(1,133)
	7,235	3,885

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 of approximately HK$50,550,000 (six months ended 30th June, 2005: HK$13,385,000) and the number of ordinary shares of 466,921,794 (six months ended 30th June, 2005: 466,921,794).

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

INTERIM DIVIDEND

The Directors have resolved to pay an interim dividend of HK$0.02 per share (2005: Nil) on Friday, 27th October, 2006 to the shareholders on the Register of Members on Friday, 20th October, 2006.

The Register of Members will be closed from Monday, 16th October, 2006 to Friday, 20th October, 2006, both days inclusive, during which period no further 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 registrars, Standard Registrars Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Friday, 13th October, 2006.

REVIEW OF BUSINESS ACTIVITIES

The Group's turnover and profit before taxation increased by 43.7% and 227.0%, respectively, compared to the first half of 2005. This was mainly due to the substantial increase in turnover of the Electronic Manufacturing Service Division (the "EMS Division").

Due to the increase in sales to a number of customers, and orders from customers newly acquired by the Division in the last two years, the turnover of the EMS Division's plant in Shajing increased by 44.6% compared to the first half of 2005, and its profit margin also increased significantly due to economies of scale. The turnover of the Division's other plant in Suzhou grew by 22.1% compared to the first half of 2005, and its operating results also improved significantly. Despite the improvement in operating results, the EMS Division is faced with the problem of rising costs due to the continuous increases in wages, the increasing burden of social security contributions as well as the gradual appreciation of Renminbi. Due to the increase in business, the Division has also experienced a shortage in space in the current factory in Shajing.

The loss of the Original Product Development and Marketing Division (the "ODM" Division) for the first half of 2006 comprised mainly amortisation and impairment loss on deferred development costs. Due to technical issues, the commercial shipments of radio frequency identification reader/writer and storage terminal cards with security digital slots (the "SDID" cards) and the compact vehicle tracking device using global positioning system ("GPS") and global system of mobile communications ("GSM") technologies developed by the Division will be re-scheduled for the second half of 2006. The sales booked by the Division in the first half of 2006 represented sales of old products or samples. Throughout the first half of the year, the Division's product development focus continued to be on the SDID cards.

Sales of the apartments of the residential development in the Mid-levels (the "Project") were slow in the first half of the year, and there was no significant change in the price per square foot for those apartments which were sold in the first half of the year. The Directors do not consider any further adjustment in respect of the carrying value of the Project necessary.

FINANCE

As at 30th June, 2006, the Group had net bank borrowings of HK$272 million (31/12/2005: HK$317 million) representing 40.9% (31/12/2005: 50.4%) of its shareholders' equity at that date.

As at 30th June, 2006, the Group had bank balances and cash of HK$231 million (31/12/2005: HK$196 million).

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

CAPITAL STRUCTURE

There has been no change in the capital structure of the Group since 31st December, 2005.

EMPLOYEES

As at 30th June, 2006, the Group employed approximately 6,750 employees, out of which approximately 5,000 are production workers. In addition to the provision of annual bonuses, medical and life insurances, discretionary bonuses are also available to employees on a performance basis.

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

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

PROSPECTS

In order to enhance long-term competitiveness, the EMS Division will continue its efforts in tightening costs and expenses control. In 2005, the Division acquired the right of use of a piece of land of 40,000 square meters which is adjacent to its factory in Suzhou. The Division is now planning to build thereon an extension of the current factory to increase production space.

Based on the level of orders on hand and forecasts provided by customers, the Directors expect that the EMS Division's operating results in the second half of 2006 can be maintained.

The Directors do not expect the ODM Division to turn a profit in the second half of 2006 though they expect that its operating loss will decrease as a result of the Division's effort to reduce costs. The Directors do believe that the market for SDID products is emerging and fast growing 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 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 six months ended 30th June, 2006, 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, 2006, 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, 2006.

By Order of the Board
WONG CHUNG MAT, BEN
Chairman & CEO

Hong Kong, 20th September, 2006

As at the date of this announcement, the Directors of the Company are as follows:

Executive Directors:

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.

Independent Non-executive Directors:

Dr. Li Ka Cheung, Eric, G.B.S., O.B.E., J.P., Dr. Yu Sun Say, S.B.S., J.P. and Mr. Alfred Donald Yap, J.P.

* *For identification purpose only*

Please also refer to the published version of this announcement in South China Morning Post.