



WONG'S KONG KING INTERNATIONAL (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0532)

INTERIM REPORT 2010

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 2010 together with comparative figures for the corresponding period in 2009 are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2010

		Six months ended 30 June	
	Note	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Revenue	3	2,314,252	1,212,157
Investment income		3,108	2,981
Raw materials and consumables used		(1,035,856)	(677,913)
Purchases of finished goods		(852,404)	(280,645)
Changes in inventories of finished goods and work in progress		39,063	14,033
Other manufacturing overhead		(31,793)	(33,415)
Employee benefits expense		(240,469)	(192,507)
Depreciation and amortisation		(29,739)	(31,708)
Other expenses		(101,073)	(74,164)
Operating profit/(loss)		65,089	(61,181)
Finance income		1,483	3,402
Finance costs		(4,056)	(4,948)
Finance costs, net		(2,573)	(1,546)
Share of results of an associate		869	(650)
Allowance for doubtful debt on amount due from a jointly controlled entity		(97)	(338)
Profit/(loss) before income tax	3	63,288	(63,715)
Income tax expense	4	(15,160)	(10,450)
Profit/(loss) for the period		48,128	(74,165)
Attributable to:			
Equity holders of the Company		36,950	(72,201)
Non-controlling interests		11,178	(1,964)
		48,128	(74,165)
DIVIDENDS		7,395	-
EARNINGS/(LOSS) PER SHARE (expressed in HK cents per share)	5		
- basic		5.00	(9.77)
- diluted		4.97	(9.74)

INTERIM RESULTS

CONDENSED CONSOLIDATED BALANCE SHEET AT 30 JUNE 2010

	Note	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
ASSETS			
NON-CURRENT ASSETS			
Land use rights		15,245	15,470
Property, plant and equipment		580,466	579,672
Intangible assets		14,573	13,066
Interest in an associate		3,786	2,847
Interests in jointly controlled entities		891	988
Deferred tax assets		9,827	9,655
Available-for-sale financial assets		29,330	33,218
Long term deposits		1,892	1,973
Club membership and debentures		12,121	11,795
TOTAL NON-CURRENT ASSETS		668,131	668,684
CURRENT ASSETS			
Inventories		614,835	470,761
Trade and other receivables	6	1,031,092	845,432
Deposits and prepayments		66,774	52,132
Tax recoverable		1,422	1,645
Derivative financial instruments		1,910	–
Bank balances and cash		636,699	293,854
TOTAL CURRENT ASSETS		2,352,732	1,663,824
TOTAL ASSETS		3,020,863	2,332,508
LIABILITIES			
NON-CURRENT LIABILITIES			
Obligations under finance leases			
– due after one year		242	318
Deferred tax liabilities		1	1
Retirement benefit obligations		939	793
TOTAL NON-CURRENT LIABILITIES		1,182	1,112

INTERIM RESULTS

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED) AT 30 JUNE 2010

	Note	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
CURRENT LIABILITIES			
Trade, bill and other payables	7	1,016,673	686,540
Current income tax liabilities		11,146	5,303
Bank borrowings – due within one year	9	708,861	402,087
Bank overdraft, secured		10,140	3,553
Obligations under finance leases – due within one year		153	153
Derivative financial instruments		–	1,264
TOTAL CURRENT LIABILITIES		1,746,973	1,098,900
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TOTAL LIABILITIES		1,748,155	1,100,012
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EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	8	73,952	73,930
Reserves		1,127,973	1,090,328
		1,201,925	1,164,258
Non-controlling interests		70,783	68,238
TOTAL EQUITY		1,272,708	1,232,496
TOTAL EQUITY AND LIABILITIES		3,020,863	2,332,508
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NET CURRENT ASSETS		605,759	564,924
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TOTAL ASSETS LESS CURRENT LIABILITIES		1,273,890	1,233,608
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INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Six months ended	
	30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit/(loss) for the period	48,128	(74,165)
OTHER COMPREHENSIVE INCOME		
Currency translation differences	1,009	3,765
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	49,137	(70,400)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:		
– equity holders of the Company	37,546	(69,377)
– non-controlling interests	11,591	(1,023)
	49,137	(70,400)

INTERIM RESULTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Attributable to equity holders of the Company									Non-controlling interests	Total equity
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Special reserve HK\$'000	Translation reserve HK\$'000	Share options reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000		
Balance at 1 January 2010	73,930	89,546	1,610	26,624	5,008	(1,529)	781	968,288	1,164,258	68,238	1,232,496
Total comprehensive income for the period ended 30 June 2010	-	-	-	-	-	596	-	36,950	37,546	11,591	49,137
Issue of ordinary shares upon exercise of share options	22	99	-	-	-	-	-	-	121	-	121
Transfer of share option reserves on exercise of share options	-	-	-	-	-	-	(10)	10	-	-	-
Dividend payable to non-controlling interests	-	-	-	-	-	-	-	-	-	(9,046)	(9,046)
Balance at 30 June 2010	73,952	89,645	1,610	26,624	5,008	(933)	771	1,005,248	1,201,925	70,783	1,272,708

	Attributable to equity holders of the Company									Non-controlling interests	Total equity
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Special reserve HK\$'000	Translation reserve HK\$'000	Share options reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000		
Balance at 1 January 2009	73,930	89,546	1,610	26,624	5,008	(8,097)	781	1,009,533	1,198,935	76,664	1,275,599
Total comprehensive income for the period ended 30 June 2009	-	-	-	-	-	2,824	-	(72,201)	(69,377)	(1,023)	(70,400)
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	1,767	1,767
Dividend payable to non-controlling interests	-	-	-	-	-	-	-	-	-	(16,988)	(16,988)
Balance at 30 June 2009	73,930	89,546	1,610	26,624	5,008	(5,273)	781	937,332	1,129,558	60,420	1,189,978

INTERIM RESULTS

CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Six months ended 30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
NET CASH FROM OPERATING ACTIVITIES	67,030	19,599
NET CASH (USED IN)/FROM INVESTING ACTIVITIES	(215,136)	275,379
NET CASH FROM/(USED IN) FINANCING ACTIVITIES	293,717	(326,351)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	145,611	(31,373)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	245,750	276,278
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	824	5,367
CASH AND CASH EQUIVALENTS AT 30 JUNE	392,185	250,272
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash (excluding short-term time deposit)	402,325	259,626
Bank overdrafts	(10,140)	(9,354)
	392,185	250,272

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2010

1. BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 June 2010 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 and with Hong Kong Accounting Standard 34 “*Interim Financial Reporting*” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2009, which have been prepared in accordance with HKFRSs.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial information has been prepared in consistent with those principal accounting policies followed in the Annual Report 2009 except the adoption of new 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 2010.

- (a) Standards, amendments and interpretations to existing standards effective in 2010 but are not relevant or have no significant impact to the Group.
- HKAS 39 (Amendment), ‘Eligible hedged items’
 - HKFRS 1 (Amendment), ‘Additional exemptions for first-time adopters’
 - HKFRS 2 (Amendment), ‘Group cash-settled share-based payment transaction’
 - HKFRS 3 (Revised), ‘Business combination’

INTERIM RESULTS

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(a) (Continued)

- HK(IFRIC)-Int 17, 'Distributions of non-cash assets to owners'
- The first improvements project to HKFRSs were issued in October 2008 by the HKICPA
- The second improvements project to HKFRSs were issued in May 2009 by the HKICPA

(b) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted:

- HKFRS 9, 'Financial instruments'
- HKAS 24 (Revised), 'Related party disclosures'
- HKAS 32 (Amendment), 'Classification of rights issues'
- HK(IFRIC)-Int 14 (Amendment), 'Prepayments of a minimum funding requirement'
- HK(IFRIC)-Int 19, 'Extinguishing financial liabilities with equity instruments'
- HKFRS 1 (Amendment), 'Limited exemption from comparative IFRS/HKFRS 7 disclosures for first-time adopters'
- The third annual improvements project to HKFRSs were issued in May 2010 by the HKICPA

The Group has not early applied the new standards, interpretations and amendments that have been issued but are not yet effective for the six months ended 30 June 2010.

INTERIM RESULTS

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 2010 are as follows:

	Trading HK\$'000	Manufacturing HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Revenue					
External sales	1,129,521	1,158,366	26,365	-	2,314,252
Inter-segment sales	150,039	1,234	16,141	(167,414)	-
Total	1,279,560	1,159,600	42,506	(167,414)	2,314,252
Results					
Segment results after finance income/(costs)	55,529	11,957	(3,912)	(1,058)	62,516
Share of results of an associate					869
Allowance for doubtful debt on amount due from a jointly controlled entity					(97)
Profit before income tax					63,288

INTERIM RESULTS

3. SEGMENTAL INFORMATION (CONTINUED)

The segment information for the six months ended 30 June 2009 are as follows:

	Trading HK\$'000	Manufacturing HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Revenue					
External sales	414,100	780,117	17,940	-	1,212,157
Inter-segment sales	64,744	1,162	7,621	(73,527)	-
Total	478,844	781,279	25,561	(73,527)	1,212,157
Results					
Segment results after finance income/(costs)	(50,578)	(8,654)	(3,495)	-	(62,727)
Share of results of an associate					(650)
Allowance for doubtful debt on amount due from a jointly controlled entity					(338)
Loss before income tax					(63,715)

4. INCOME TAX EXPENSE

Hong Kong Profits Tax is calculated at the rate of 16.5% (2009: 16.5%) on the estimated assessable profit for the period of each member of the Group in Hong Kong. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

	Six months ended 30 June	
	2010 HK\$'000	2009 HK\$'000
Current income tax		
Hong Kong profits tax	1,630	(4)
Other jurisdictions including PRC income tax	10,236	3,811
Withholding tax on dividend declared by subsidiaries	3,294	6,643
	15,160	10,450

INTERIM RESULTS

5. EARNINGS/(LOSS) PER SHARE

(a) Basic

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

	30 June 2010	30 June 2009
Profit/(loss) attributable to equity holders of the Company (Hong Kong thousands dollar)	36,950	(72,201)
Weighted average number of ordinary shares in issue (thousands)	739,404	739,304
Basic earnings/(loss) per share (Hong Kong cents per share)	5.00	(9.77)

INTERIM RESULTS

5. EARNINGS/(LOSS) PER SHARE (CONTINUED)

(b) Diluted

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

	30 June 2010	30 June 2009
Profit/(loss) attributable to equity holders of the Company (Hong Kong thousands dollar)	36,950	(72,201)
Weighted average number of ordinary shares in issue (thousands)	739,404	739,304
Adjustments for share options (thousands)	3,737	1,720
Weighted average number of ordinary shares for diluted earnings/(loss) per share (thousands)	743,141	741,024
Diluted earnings/(loss) per share (Hong Kong cents per share)	4.97	(9.74)

INTERIM RESULTS

6. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables of HK\$1,011,727,000 (At 31 December 2009: HK\$835,058,000). The Group has a policy of allowing an average credit period of 30 days – 180 days to its trade customers. The following is an ageing analysis of trade receivables by invoice date at the reporting date:

	30 June 2010 HK\$'000	31 December 2009 HK\$'000
0 to 30 days	504,959	330,346
31 to 60 days	223,123	240,535
61 to 90 days	135,077	126,468
Over 90 days	148,568	137,709
	1,011,727	835,058

7. TRADE, BILL AND OTHER PAYABLES

Included in trade, bill and other payables are trade and bill payable of HK\$746,958,000 (At 31 December 2009: HK\$501,306,000). The following is an ageing analysis of trade and bill payables at the reporting date:

	30 June 2010 HK\$'000	31 December 2009 HK\$'000
0 to 30 days	617,504	335,627
31 to 60 days	64,539	107,109
61 to 90 days	35,136	32,570
Over 90 days	29,779	26,000
	746,958	501,306

INTERIM RESULTS

8. SHARE CAPITAL

	Number of ordinary shares of HK\$0.10 each	Amount HK\$'000
Issued and fully paid:		
At 31 December, 2009	739,303,964	73,930
Exercise of share options	216,000	22
At 30 June, 2010	739,519,964	73,952

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

9. BANK BORROWING

	HK\$'000
Six months ended 30 June 2009:	
Opening amount as at 1 January 2009	649,455
New bank borrowing	618,720
Repayment of bank borrowing	(924,772)
Closing amount as at 30 June 2009	343,403
Six months ended 30 June 2010:	
Opening amount as at 1 January 2010	402,087
New bank borrowing	1,183,809
Repayment of bank borrowing	(877,035)
Closing amount as at 30 June 2010	708,861

INTERIM RESULTS

10. RELATED PARTY TRANSACTIONS

- (a) During the period, the Group has entered into the following transactions with related parties:

	Six months ended		Amount due	Amount due
	30 June		from (to)	from (to)
	2010	2009	related	related
	HK\$'000	HK\$'000	parties	parties
			30 June	31 December
			2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade sales (note i and iv)	3,152	459	640	5
Trade sales (note iii and iv)	25	-	26	-
Ticketing and touring income (note i and iv)	15	13	73	67
Ticketing and touring income (note ii and iv)	9	5	124	37
Rental income (note iii and iv)	77	13	(1)	-
Trade purchases (note iii and iv)	19	44	(18)	(2)
Rental expense (note i and iv)	643	643	-	-
Current account due to related parties (note i)	-	-	(3,402)	(3,402)
Current account due from related parties (note i)	-	-	1,370	1,370
Provision for doubtful debts (note i)	-	-	(1,311)	(1,311)

Notes:

- (i) Related parties are Mr. Senta Wong, his close family members and companies of which Mr. Senta Wong or his close family members are directors.
- (ii) Related parties are Mr. John Ho or Mr. Edward Tsui and their close family members.
- (iii) Related party is an associate of the Company.
- (iv) The prices of the above transactions were determined with reference to market prices for similar transactions.

INTERIM RESULTS

10. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Key management remuneration

The remuneration of key management during the period was as follows:

	30 June 2010 HK\$'000	30 June 2009 HK\$'000
Salaries, fee, bonus, wages, commission and allowances	10,759	10,951
Post-employment benefits	483	474
	11,242	11,425

INTERIM RESULTS

INTERIM DIVIDEND

The Board of Directors has declared an interim dividend of HK\$1.0 cent (2009: Nil) per share for the six months ended 30 June 2010. The above-mentioned interim dividend will be payable on 30 September 2010 to the shareholders whose names appear on Register of Members of the Company on 22 September 2010.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 20 September 2010 to 22 September 2010, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars, Tricor Standard Limited, at 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 17 September 2010.

MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS REVIEW

The Group's turnover for the first half of 2010 was HK\$2.3 billion, reflecting an increase of approximately 91% compared to the same period last year. The Group registered a profit attributable to the shareholders of HK\$37 million for the first half of 2010 as compared to a loss attributable to shareholders of HK\$72.2 million for the same period last year.

The turnover of the Group's Industrial Products Trading Division was HK\$1.1 billion, an improvement of approximately 173% over the same period last year, and its operating profit was HK\$55.5 million as compared to an operating loss of HK\$50.6 million for the same period last year. This was mainly due to stronger demand for the industrial products distributed by the Group as a result of an improvement in the global economy. The Division's operations in Taiwan performed well and were the main contributor to the Division's profit. All of the Division's other major operations in Hong Kong, the PRC and Thailand recorded operating profits for the first half of this year, while its operation in Singapore recorded an operating loss.

The turnover of the OEM Division increased to HK\$1.2 billion for the first half of this year, up by approximately 48% compared to the corresponding period last year. This was also largely due to the improvement in the global economy. However, the profitability of the Division was affected by escalating workers' wages in the PRC and increasing material prices.

FINANCE

The Group has committed bank and other financing facilities totaling HK\$1,936 million, of which HK\$771 million were drawn down as at 30 June 2010.

As at 30 June 2010, the Group's consolidated net borrowings amounted to HK\$83 million and its shareholders equity amounted to HK\$1,202 million, resulting in a gearing ratio of 6.9%.

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.

MANAGEMENT DISCUSSION & ANALYSIS

CAPITAL STRUCTURE

There has been no material change in the capital structure of the Group since 31 December 2009.

HUMAN RESOURCES

As at 30 June 2010, the Group had a total of 7,200 employees of whom 321 were based in Hong Kong, 6,664 in the PRC and 215 overseas. The remuneration packages of the Group's employees are mainly based on their performance and experience, taking into account current industry practices. A provident fund scheme, medical allowances, and in-house and external training programs are available to employees. Share options and discretionary bonuses are provided to employees according to the performance of the individual and the Group. The remuneration policy and packages of the Group's employees are regularly reviewed.

PROSPECTS

Despite the recent improvement in the global economy, uncertainties remain. It is expected that the performance of the Group's Industrial Products Trading Division will be affected by a tougher market environment in the second half of this year. It is expected that the Group's OEM Manufacturing Division will secure more orders in the second half of this year compared to the first half. However, its profit margins will continue to feel pressure from the escalation in workers' wages in the PRC that took place earlier in the year, as well as from anticipated shortages in components and materials.

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

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

Hong Kong, 30 August 2010

DISCLOSURE OF INTERESTS

INTERESTS OF DIRECTORS

At 30 June 2010, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

The Company

Name	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total Interests	Total Interests	Underlying shares	Total Interests (including underlying shares)
						as % of the issued share capital	(share options)	as % of the share capital
						%		%
Senta Wong	4,000,000	1,572,000	122,012,723 (Note 1)	207,800,000 (Note 2)	335,384,723	45.35	-	45.35
Edward Ying-Chun Tsui	4,577,920	-	-	-	4,577,920	0.62	3,000,000	1.02
Byron Shu-Chan Ho	2,470,000	360,000	-	-	2,830,000	0.38	3,000,000	0.79
Bengie Man-Hang Kwong	3,150,000	-	-	-	3,150,000	0.43	2,250,000	0.73
Hamed Hassan El-Abd	750,000	-	-	-	750,000	0.10	2,250,000	0.41
Hsu Hung Chieh	2,314,000	-	-	-	2,314,000	0.31	750,000	0.41
Gene Howard Weiner	330,000	-	-	-	330,000	0.04	450,000	0.11

DISCLOSURE OF INTERESTS

Notes:

1. 122,012,723 shares were registered in the name of Wonder Luck International Limited, which was wholly owned by Senta Wong (BVI) Limited. The entire issued share capital of which was 50.25% owned by Mr. Senta Wong and 49.75% owned by his wife, Ms. Wong Wu Lai Ming Lily. The references to 122,012,723 shares deemed to be interested by Mr. Senta Wong (as disclosed herein) and Senta Wong (BVI) Limited (as disclosed in the section headed "Interests of substantial shareholders") relate to the same block of shares.
2. 207,800,000 shares were registered in the name of Rewarding Limited, which was wholly owned by Greatfamily Inc. (which was in turn wholly owned by Greatguy Inc.) for a discretionary trust, of which Mr. Senta Wong and Batsford Limited were regarded as the founders (by virtue of the SFO). The references to 207,800,000 shares deemed to be interested by Mr. Senta Wong (as disclosed herein). Greatfamily Inc. and Greatguy Inc. (as disclosed in the section headed "Interests of substantial shareholders") and Batsford Limited (as disclosed in Note 1(a) under the section headed "Interests of substantial shareholders") relate to the same block of shares.

Certain Directors held qualifying shares in certain subsidiaries of the Group on trust for the Company or other subsidiaries of the Group.

Save as disclosed herein, as at 30 June 2010, none of the Directors of the Company or his associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

DISCLOSURE OF INTERESTS

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

The Company has been notified that, as at 30 June 2010, the following persons (other than Directors or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Long positions in shares of the Company

Name of substantial shareholders	Capacity	Number of shares held	Percentage of total issued shares %
Batsford Limited	Founder of discretionary trust and trustee (Note 1)	238,413,332	32.24%
Greatfamily Inc.	Interest of controlled corporation (Note 2)	207,800,000	28.10%
Greatguy Inc.	Trustee (Note 2)	207,800,000	28.10%
Senta Wong (BVI) Limited	Interest of controlled corporation (Note 3)	122,012,723	16.50%
Wong Chung Yin	Beneficial owner, interest of child or spouse and founder of discretionary trust (Note 4)	69,017,251	9.33%
HSBC International Trustee Limited	Interest of controlled corporations	47,066,952	6.36%
LIM Asia Arbitrage Fund Inc.	Beneficial owner	36,988,000	5.00%

DISCLOSURE OF INTERESTS

Notes:

1. Batsford Limited was deemed (by virtue of the SFO) to be interested in 238,413,332 shares in the Company. These shares were held in the following capacity:
 - (a) 207,800,000 shares were registered in the name of Rewarding Limited, which was wholly owned by Greatfamily Inc. (which was in turn wholly owned by Greatguy Inc.) for a discretionary trust, of which Mr. Senta Wong and Batsford Limited were regarded as the founders (by virtue of the SFO). Please see Note 2 under the section headed “Interests of Directors”.
 - (b) 30,613,332 shares were held by Levy Investment Limited (which was in turn wholly owned by Batsford Limited) for a discretionary trust, of which Mr. Wong Chung Yin was regarded as the founder (by virtue of the SFO). The references to 30,613,332 shares deemed to be interested by Batsford Limited (as disclosed herein), Mr. Wong Chung Yin (as disclosed in Note 4(c) below) relate to the same block of shares.
2. Please see Note 2 under the section headed “Interests of Directors”.
3. Please see Note 1 under the section headed “Interests of Directors”.
4. Mr. Wong Chung Yin was deemed (by virtue of the SFO) to be interested in 69,017,251 shares in the Company. These shares were held in the following capacity:
 - (a) 3,500,000 shares were held by Mr. Wong Chung Yin personally.
 - (b) 1,320,000 shares were held under the name of Mr. Wong Chung Yin and his wife, Ms. Woo Sin Ming.
 - (c) 30,613,332 shares were held by Levy Investment Limited (which was in turn wholly owned by Batsford Limited) for a discretionary trust, of which Mr. Wong Chung Yin was regarded as the founder (by virtue of the SFO). Please see Note 1(b) above.
 - (d) 33,583,919 shares were held for The Pacific Way Unit Trust, of which Guardian Trustee Limited was regarded as the beneficiary (by virtue of the SFO). Mr. Wong Chung Yin was regarded as the founder of the trust (by virtue of the SFO) in relation to the same block of shares.

Save as disclosed, the Directors are not aware of any other persons who, as at 30 June 2010, had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

DISCLOSURE OF INTERESTS

SHARE OPTIONS

As at 30 June 2010, the directors and employees of the Company had the following personal interests in options to subscribe for shares of the Company granted under the share option scheme:

	Date of Grant	Exercise Price	Exercisable Period	Vesting Period	Outstanding at 1 January 2010	Granted during the period	Exercised during the period	Cancelled/lapsed during the period	Outstanding at 30 June 2010
Category 1:									
Directors									
Edward Ying-Chun Tsui	22.7.2005	HK\$0.56	22.7.2006-21.7.2015	22.7.2005-21.7.2006	-	-	-	-	-
			22.7.2007-21.7.2015	22.7.2005-21.7.2007	3,000,000	-	-	-	3,000,000
Byron Shu-Chan Ho	22.7.2005	HK\$0.56	22.7.2006-21.7.2015	22.7.2005-21.7.2006	-	-	-	-	-
			22.7.2007-21.7.2015	22.7.2005-21.7.2007	3,000,000	-	-	-	3,000,000
Bengie Man-Hang Kwong	22.7.2005	HK\$0.56	22.7.2006-21.7.2015	22.7.2005-21.7.2006	-	-	-	-	-
			22.7.2007-21.7.2015	22.7.2005-21.7.2007	2,250,000	-	-	-	2,250,000
Hamed Hassan, El-Abd	22.7.2005	HK\$0.56	22.7.2006-21.7.2015	22.7.2005-21.7.2006	-	-	-	-	-
			22.7.2007-21.7.2015	22.7.2005-21.7.2007	2,250,000	-	-	-	2,250,000
Hsu Hung Chieh	22.7.2005	HK\$0.56	22.7.2006-21.7.2015	22.7.2005-21.7.2006	-	-	-	-	-
			22.7.2007-21.7.2015	22.7.2005-21.7.2007	750,000	-	-	-	750,000
Gene Howard Weiner	22.7.2005	HK\$0.56	22.7.2006-21.7.2015	22.7.2005-21.7.2006	-	-	-	-	-
			22.7.2007-21.7.2015	22.7.2005-21.7.2007	450,000	-	-	-	450,000
Total for directors					11,700,000	-	-	-	11,700,000
Category 2:									
Employees									
	22.7.2005	HK\$0.56	22.7.2006-21.7.2015	22.7.2005-21.7.2006	-	-	-	-	-
			22.7.2007-21.7.2015	22.7.2005-21.7.2007	4,316,000	-	-	-	4,316,000
	26.9.2005	HK\$0.59	26.9.2006-25.9.2015	26.9.2005-25.9.2006	50,000	-	-	-	50,000
			26.9.2007-25.9.2015	26.9.2005-25.9.2007	678,000	-	-	-	678,000
Total for employees					5,044,000	-	-	-	5,044,000
Total for all categories					16,744,000	-	-	-	16,744,000

DISCLOSURE OF INTERESTS

These fair values were calculated using the Black-Scholes-Merton Option Pricing Model. The inputs into the model were as follows:

	Date of grant	
	22.7.2005	26.9.2005
Closing share price on date of grant	HK\$0.56	HK\$0.58
Exercise price	HK\$0.56	HK\$0.59
Risk free rate	3.12-3.22%	3.68-3.87%
Expected volatility	8.36%	4.22%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous one year before the grant date.

The risk-free interest rate equals to the 12 months fixed deposit rates as quoted by the bank at valuation date for 1st 25% share options and equals to yield of 2-Year Exchange Fund Notes at valuation dated for 75% share options.

The Group recognised the total expense of HK\$Nil for the period ended 30 June 2010 (2009: Nil) in relation to share options granted by the Company.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

The Company has complied with the code provisions of Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 of the Listing Rules during the six months ended 30 June 2010, with deviations as stated below:

Code Provision A.2.1

The Company does not have a separate Chairman and Chief Executive Officer and Mr. Senta Wong currently holds both positions. The Board believes that vesting the roles of both Chairman and Chief Executive Officer in the same person provides the Group with strong and consistent leadership and allows for more effective planning and execution of long term business strategies. The Board also believes that the Company already has a strong corporate governance structure in place to ensure effective supervision of management. Such a structure provides many of the benefits of having a separate Chairman and Chief Executive Officer. The structure includes:

- Having the Audit Committee composed exclusively of Independent Non-Executive Directors.
- Having the Remuneration Committee composed exclusively of Independent Non-Executive Directors.
- Ensuring that Independent Non-Executive Directors have free and direct access to both the Company’s external and internal auditors and independent professional advice where considered necessary.

The Board believes that these measures will ensure that our Independent Non-Executive Directors continue to effectively supervise the Group’s Management and to provide vigorous control of key issues relating to strategy, risk and integrity. The Board continually reviews the effectiveness of the Group’s corporate governance structure to assess whether any changes, including the separation of the positions of Chairman and Chief Executive Officer, are necessary.

CORPORATE GOVERNANCE

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. 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 first 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 Code.

Code Provision A.4.2

All Directors (except Executive Chairman or Deputy 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 at least once every three years.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2010.

CORPORATE GOVERNANCE

AUDIT COMMITTEE

The Audit Committee 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 30 June 2010.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Code") set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all Directors of the Company have confirmed that they have complied with the required standard set out in the Code throughout the six months ended 30 June 2010.