



WONG'S KONG KING INTERNATIONAL (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0532)

INTERIM REPORT 2006

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 30th June 2006 together with comparative figures for the corresponding period in 2005 are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six-months ended 30th June 2006

		Six months ended 30th June	
		2006	2005
	NOTES	(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Turnover	3	2,593,606	2,064,194
Investment income		5,114	5,860
Changes in inventories of finished goods and work in progress		39,578	(40,409)
Raw materials and consumables used		(1,274,301)	(964,421)
Purchase of finished goods		(836,797)	(634,398)
Staff costs		(197,786)	(152,148)
Depreciation		(27,525)	(28,784)
Other operating expenses		(124,429)	(140,591)
Profit from operations		177,460	109,303
Finance costs		(17,361)	(19,319)
Impairment loss recognised in respect of medium-term leasehold factory premises in the PRC		(25,249)	-
Net impairment loss recognised in respect of freehold land and buildings in overseas		(3,170)	-
Gain on disposal of partial interest in a subsidiary		-	21,539
Loss on disposal of an associate		-	(227)
Share of result of an associate		(244)	-
Profit before taxation	3	131,436	111,296
Taxation	4	(33,979)	(17,241)
Profit for the period		97,457	94,055
Attributable to:			
Equity holders of the parent		85,491	85,451
Minority interests		11,966	8,604
		97,457	94,055
DIVIDEND		10,392	10,392
EARNINGS PER SHARE	5		
Basic		12.34 cents	12.33 cents
Diluted		12.01 cents	N/A

INTERIM RESULTS

CONDENSED CONSOLIDATED BALANCE SHEET

At 30th June, 2006

	NOTES	30th June 2006 (Unaudited) HK\$'000	31st December 2005 (Audited) HK\$'000
NON-CURRENT ASSETS			
Fixed assets		597,861	625,951
Owner-occupied leasehold interest in land		13,527	13,704
Interests in associates		4,328	159
Available-for-sale investments		39,416	38,265
Amounts due from investee companies		1,444	1,444
Deferred tax assets		2,495	2,872
TOTAL NON-CURRENT ASSETS		659,071	682,395
CURRENT ASSETS			
Inventories		567,868	489,541
Owner-occupied leasehold interest in land		353	353
Trade and other receivables	6	1,044,444	927,300
Bills receivable		–	1,077
Deposits and prepayments		24,223	17,582
Tax recoverable		564	116
Pledged bank deposits		264	257
Bank balances and cash		232,406	200,682
TOTAL CURRENT ASSETS		1,870,122	1,636,908
CURRENT LIABILITIES			
Trade and other payables	7	905,668	730,123
Bank borrowings			
– due within one year		439,132	421,999
Obligations under finance leases			
– due within one year		4,604	4,323
Tax payable		33,634	21,829
TOTAL CURRENT LIABILITIES		1,383,038	1,178,274
NET CURRENT ASSETS		487,084	458,634
		1,146,155	1,141,029

INTERIM RESULTS

CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

At 30th June, 2006

	NOTES	30th June 2006 (Unaudited) HK\$'000	31st December 2005 (Audited) HK\$'000
CAPITAL AND RESERVES			
Share capital	8	69,279	69,279
Reserves		822,450	762,953
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Equity attributable to equity holders of the parent		891,729	832,232
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Minority interests		59,295	65,788
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TOTAL EQUITY		951,024	898,020
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NON-CURRENT LIABILITIES			
Bank borrowings – due after one year		190,000	237,500
Obligations under finance leases – due after one year		1,621	3,092
Retirement benefit obligations		1,871	1,674
Deferred tax liabilities		1,639	743
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TOTAL NON-CURRENT LIABILITIES		195,131	243,009
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TOTAL EQUITY AND NON-CURRENT LIABILITIES		1,146,155	1,141,029

INTERIM RESULTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June 2006

	Attributable to equity holders of the parent										Minority interest	Total equity
	Share capital	Share premium	Share redemption reserve	Con-tributed surplus	Special revaluation reserve	Assets revaluation reserve	Exchange reserve	Share options reserve	Accumu-lated profits	Dividend reserve		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
At 1st January, 2006	69,279	68,142	1,610	26,624	5,008	233	(11,219)	717	644,126	27,712	65,788	898,020
Profit for the period	-	-	-	-	-	-	-	-	85,491	-	11,966	97,457
2005 Final dividend paid	-	-	-	-	-	-	-	-	-	(27,712)	-	(27,712)
Proposed Interim dividend	-	-	-	-	-	-	-	-	(10,392)	10,392	-	-
Dividends paid to minority interests	-	-	-	-	-	-	-	-	-	-	(19,012)	(19,012)
Exchange translation difference	-	-	-	-	-	-	932	-	-	-	553	1,485
Recognition of equity-settled share based payment	-	-	-	-	-	-	-	786	-	-	-	786
Transfer of share option reserve on cancellation	-	-	-	-	-	-	-	(12)	12	-	-	-
At 30 June, 2006	69,279	68,142	1,610	26,624	5,008	233	(10,287)	1,491	719,237	10,392	59,295	951,024

INTERIM RESULTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the six months ended 30th June 2005

	Attributable to equity holders of the parent								Minority	Total	
	Capital				Assets			Accumu-	Dividend	interest	equity
	Share capital	Share redemption premium	Contributed reserve	Surplus	Special reserve	revaluation reserve	Exchange reserve	lated profits			
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1st January, 2005	69,279	68,142	1,610	26,624	5,008	233	(11,382)	501,621	13,856	39,583	714,574
Profit for the period	-	-	-	-	-	-	-	85,451	-	8,604	94,055
Equity transfer to minority interest on disposal of shares in a subsidiary	-	-	-	-	-	-	-	-	-	18,771	18,771
2004 Final dividend	-	-	-	-	-	-	-	-	(13,856)	-	(13,856)
Proposed Interim dividend	-	-	-	-	-	-	-	(10,392)	10,392	-	-
Dividends paid to minority interests	-	-	-	-	-	-	-	-	-	(687)	(687)
Exchange translation difference	-	-	-	-	-	-	(1,170)	-	-	(272)	(1,442)
At 30th June, 2005	69,279	68,142	1,610	26,624	5,008	233	(12,552)	576,680	10,392	65,999	811,415

INTERIM RESULTS

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June 2006

	Six months ended 30th June	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
NET CASH FROM (USED IN) OPERATING ACTIVITIES	184,228	(32,595)
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(28,313)	35,412
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(134,544)	49,852
INCREASE IN CASH AND CASH EQUIVALENTS	21,371	52,669
CASH AND CASH EQUIVALENTS AT 1ST JANUARY	200,484	162,628
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	2,579	1,405
CASH AND CASH EQUIVALENTS AT 30TH JUNE	224,434	216,702
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	232,406	228,158
Bank overdrafts	(7,972)	(11,456)
	224,434	216,702

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th June, 2006

1. BASIS OF PREPARATION

The condensed financial statements have 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")

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared in consistent with those followed in the Annual Report 2005 except the adoption of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") which are effective for accounting periods commencing on or after January 1, 2006. The adoption of the new HKFRSs has no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment is required.

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 30th June, 2006.

INTERIM RESULTS

3. SEGMENTAL INFORMATION

The analysis of the turnover of the Group and the contribution to profit before taxation by principal activity was as follow:

	Turnover		Contribution to profit before taxation	
	Six months ended 30th June		Six months ended 30th June	
	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By Principal Activity:				
Continuing operations:				
Trading and distribution –				
Industrial products	1,066,743	847,933	96,681	72,776
Manufacturing –				
Industrial products	1,505,920	1,194,393	68,557	13,942
Others	20,943	21,868	(5,139)	3,266
	2,593,606	2,064,194	160,099	89,984
Impairment loss recognised in respect of medium-term leasehold factory premises in the PRC			(25,249)	–
Net impairment loss recognised in respect of freehold land and buildings in overseas			(3,170)	–
Gain on disposal of partial interest in a subsidiary			–	21,539
Loss on disposal of an associate			–	(227)
Share of result of an associate			(244)	–
Profit before taxation			131,436	111,296

INTERIM RESULTS

4. TAXATION

	Six months ended 30th June	
	2006	2005
	HK\$'000	HK\$'000
The charge comprises:		
The Company and its subsidiaries		
Hong Kong	22,396	7,079
Other jurisdictions	11,583	10,162
	<hr/>	<hr/>
	33,979	17,241

Hong Kong Profits Tax is calculated at the rate of 17.5% (2005: 17.5%) 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.

5. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the parent is based on the following data:

	Six months ended 30th June		
	2006	2005	
	HK\$'000	HK\$'000	
Earnings for basic and diluted earnings per share	85,491	85,451	
	<hr/>	<hr/>	
		Number of shares	
		2006	2005
Weighted average number of ordinary shares for the purposes of basic earnings per share	692,791,964	692,791,964	
Effect of dilutive potential ordinary shares:			
– options	19,087,196	–	
	<hr/>	<hr/>	
Weighted average number of ordinary shares for the purposes of diluted earnings per share	711,879,160	692,791,964	

INTERIM RESULTS

6. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables of HK\$1,013,599,000 (At 31st December, 2005: HK\$886,118,000). The Group has a policy of allowing an average credit period of 60 days to its trade customers. The following is an aged analysis of trade receivables at the reporting date:

	30th June 2006 HK\$'000	31st December 2005 HK\$'000
0 to 30 days	674,335	548,339
31 to 60 days	132,149	127,866
61 to 90 days	77,081	64,086
Over 90 days	130,034	145,827
	1,013,599	886,118

7. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payable of HK\$690,925,000 (At 31st December, 2005: HK\$560,385,000). The following is an aged analysis of trade payables at the reporting date:

	30th June 2006 HK\$'000	31st December 2005 HK\$'000
0 to 30 days	341,671	197,629
31 to 60 days	149,063	86,879
61 to 90 days	35,615	38,985
Over 90 days	164,576	236,892
	690,925	560,385

8. SHARE CAPITAL

	Number of ordinary shares of HK\$0.10 each	Amount HK\$'000
Issued and fully paid:		
At 31st December, 2005 & At 30th June, 2006	692,791,964	69,279

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

INTERIM RESULTS

9. RELATED PARTY TRANSACTIONS

During the period, the Group has entered into the following transactions with related parties:

	Six months ended		Amount due	Amount due
	30th June		from (to)	from (to)
	2006	2005	related	related
	HK\$'000	HK\$'000	parties	parties
			30th June	31st December
			2006	2005
			HK\$'000	HK\$'000
Trade sales (note a)	2,703	1,070	173	150
Ticketing and touring income (note a)	542	198	105	141
Ticketing and touring income (note b)	226	450	208	138
Ticketing and touring income (note c)	26	36	-	-
Trade purchases (note d)	-	12	-	-
Insurance expense (note c)	4,705	4,121	(219)	(311)
Rental expense (note a)	145	145	(24)	-
Loan interest expense (note a)	-	475	-	-

Notes:

- (a) Related parties are Mr. Senta Wong, his close family members and companies of which Mr. Senta Wong and his close family members are directors.
- (b) Related parties are Mr. John Ho or Mr. Edward Tsui and their close family members.
- (c) Related party is a company of which Mr. Arthur Luk, a director of a subsidiary of the Group in Taiwan, is a director.
- (d) Related party is a company which is a supervisor of a subsidiary of the Group in Taiwan.

The prices of the above transactions were determined by the Directors by reference to market prices for similar transactions.

10. COMMITMENTS AND CONTINGENT LIABILITIES

	30th June	31st December
	2006	2005
	HK\$'000	HK\$'000
Capital expenditure in respect of acquisition of fixed assets contracted for but not provided in the financial statements	28,350	-

INTERIM RESULTS

INTERIM DIVIDEND

The Board of Directors has declared an interim dividend of HK1.5 cents (2005: HK1.5 cents) per share for the six months ended 30th June 2006. The afore-mentioned interim dividend will be payable on 13th October, 2006 to the shareholders whose names appear on Register of Members of the Company on 6th October, 2006.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 4th October, 2006 to 6th October, 2006, 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, Standard Registrars Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on 3rd October 2006.

INTERIM RESULTS

INTERIM DIVIDEND

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MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS REVIEW

The Group's turnover was HK\$2.6 billion for the first half of 2006, representing an increase of approximately 26% compared to the same period last year. However, the Group's profit attributable to shareholders was HK\$85.5 million, reflecting no improvement over the corresponding period last year mainly due to the recognition of impairment loss in respect of the Group's properties of HK\$28.4 million.

The Group's Industrial Products Trading Division recorded an improvement in turnover and operating profit of approximately 26% and 33% respectively for the first half of this year as compared to the corresponding period last year. All operations of the Division in Hong Kong, the PRC, Taiwan, Singapore, Thailand and the Philippines contributed positively to the profit of the Group because of the Group's wide product ranges.

The turnover of the OEM Manufacturing Division increased by 26% in the first half of 2006 compared to the corresponding period last year due to the Group's enhanced production facilities and advanced technology level. The operating profit was HK\$68.6 million for the first half of this year, representing an increase of approximately 392% compared to the same period last year.

FINANCE

The Group has committed bank and other financing facilities totaling HK\$1,718 million, of which HK\$656 million were drawn down as at 30th June 2006.

As at 30th June 2006, the Group's consolidated net borrowings amounted to HK\$403 million and its shareholders' equity amounted to HK\$892 million, resulting in a gearing ratio of 45%.

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.

CAPITAL STRUCTURE

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

MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS REVIEW

The Group's turnover was HK\$2.6 billion for the first half of 2006, representing an increase of approximately 26% compared to the same period last year. However, the Group's profit attributable to shareholders was HK\$85.5 million, reflecting no improvement over the corresponding period last year mainly due to the recognition of impairment loss in respect of the Group's properties of HK\$28.4 million.

The Group's Industrial Products Trading Division recorded an improvement in turnover and operating profit of approximately 26% and 33% respectively for the first half of this year as compared to the corresponding period last year. All operations of the Division in Hong Kong, the PRC, Taiwan, Singapore, Thailand and the Philippines contributed positively to the profit of the Group because of the Group's wide product ranges.

The turnover of the OEM Manufacturing Division increased by 26% in the first half of 2006 compared to the corresponding period last year due to the Group's enhanced production facilities and advanced technology level. The operating profit was HK\$68.6 million for the first half of this year, representing an increase of approximately 392% compared to the same period last year.

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MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS REVIEW

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The turnover of the OEM Manufacturing Division increased by 26% in the first half of 2006 compared to the corresponding period last year due to the Group's enhanced production facilities and advanced technology level. The operating profit was HK\$68.6 million for the first half of this year, representing an increase of approximately 392% compared to the same period last year.

FINANCE

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CAPITAL STRUCTURE

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

MANAGEMENT DISCUSSION & ANALYSIS

HUMAN RESOURCES

As at 30th June 2006, the Group had a total of 6,705 employees, of whom 310 were based in Hong Kong, 6,156 in the PRC and 239 overseas. The remuneration packages of the Group's employees are mainly based on their performance and experience, taking into account current industry practices. In addition to the provision of a provident fund scheme, medical allowance, in-house and external training programs, are also available to employees. Share options are granted to eligible staff whilst discretionary bonuses are paid to employees according to the performance of the individual and the Group. The remuneration policy and packages of the Group's employees are reviewed regularly.

PROSPECTS

The performance of the Group's Industrial Products Trading Division is expected to be affected by the tough market environment in the second half of this year.

It is expected that the Group's OEM Manufacturing Division will continue to secure more orders for the rest of this year. However, the profit margin is anticipated to be affected by the increases in wages for workers in the PRC and increased material costs due to high oil prices.

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
Senta Wong
Chairman

Hong Kong, 11th September 2006

MANAGEMENT DISCUSSION & ANALYSIS

HUMAN RESOURCES

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By Order of the Board
Senta Wong
Chairman

Hong Kong, 11th September 2006

DISCLOSURE OF INTERESTS

INTERESTS OF DIRECTORS

At 30 June 2006, the interests or short positions of the Directors 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:

(A) The Company

Name	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total Interests	Total Interests as % of the issued share capital	Underlying shares (shares or options)	Total Interest (including underlying shares) as % of the share capital
						%		%
<i>Executive directors</i>								
Senta Wong	-	1,578,000	122,012,723 (Note 1)	207,800,000 (Note 2)	331,390,723	47.83	4,000,000	48.41
Edward Ying-Chun Tsui	6,277,920	-	-	-	6,277,920	0.91	4,000,000	1.48
Byron Shu-Chan Ho	1,470,000	360,000	-	-	1,830,000	0.26	4,000,000	0.84
Bengie Man-Hang Kwong	2,400,000	-	-	-	2,400,000	0.35	3,000,000	0.78
Hamed Hassan EL-ABD	-	-	-	-	-	-	3,000,000	0.43
<i>Non-Executive directors</i>								
Peter Chung-Yin Lee	-	-	-	-	-	-	600,000	0.09
John Ho	-	-	-	-	-	-	600,000	0.09
Philip Wan-Chung Tse	-	-	-	-	-	-	600,000	0.09
Gene Howard Weiner	180,000	-	-	-	180,000	0.026	600,000	0.11

DISCLOSURE OF INTERESTS

Notes:

1. 122,012,723 shares were held by Senta Wong (BVI) Limited, the entire issued share capital of which is owned by Mr. Senta Wong. 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 held 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.

(B) Associated Corporations

Name	Associated corporation	Capacity	Number of shares held	Percentage of total issued shares
Senta Wong	Golden Crown Limited	Beneficial owner	25	12.5%

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 2006, 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 2006, persons (other than Directors of the Company) who 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 (<i>Note 1</i>)	238,413,332	34.41
Greatfamily Inc.	Beneficial owner (<i>Note 2</i>)	207,800,000	29.99
Greatguy Inc.	Trustee (<i>Note 2</i>)	207,800,000	29.99
Senta Wong (BVI) Limited	Beneficial owner (<i>Note 3</i>)	122,012,723	17.61
Wong Chung Yin	Beneficial owner, interest of child or spouse and founder of discretionary trust (<i>Note 4</i>)	69,969,251	10.10
HSBC International Trustee Limited	Interest of controlled corporations	70,680,284	10.20

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 held 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.

DISCLOSURE OF INTERESTS

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 69,969,251 shares in the Company. These shares were held in the following capacity:
 - (a) 3,772,000 shares were held by Mr. Wong Chung Yin personally.
 - (b) 2,000,000 shares were held under 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 2006, 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.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

The Company is committed to high standards of corporate governance and has adopted the Code on Corporate Governance Practices (the “Code”) issued by Hong Kong Stock Exchange as the code of Corporate Governance Practices of the Company. The Company has complied with all the code provisions in effect as set out in the Code throughout the six months ended 30th June 2006 except for the deviations as mentioned in the section “Corporate Governance” contained in the Company’s annual report for the year ended 31st December 2005.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (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 30th June 2006.

CORPORATE GOVERNANCE

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CORPORATE GOVERNANCE

SHARE OPTIONS

As at 30th June 2006, options to subscribe for an aggregate of 65,150,000 shares of the Company which were granted to directors and employees pursuant to the Share Option Scheme remained outstanding, details of which were as follows:-

	Date of Grant	Exercise Price	Exercisable Period	Vesting Period	Outstanding at 1/1/2006	Granted during the period	Exercised during the period	Cancelled/lapsed during the period	Outstanding at 30/6/2006
Category 1:									
Directors									
Senta Wong	22.7.2005	HK\$0.56	22.7.2006-21.7.2015	22.7.2005-21.7.2006	1,000,000	-	-	-	1,000,000
			22.7.2007-21.7.2015	22.7.2006-21.7.2007	3,000,000	-	-	-	3,000,000
Edward Ying -Chun Tsui	22.7.2005	HK\$0.56	22.7.2006-21.7.2015	22.7.2005-21.7.2006	1,000,000	-	-	-	1,000,000
			22.7.2007-21.7.2015	22.7.2006-21.7.2007	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	1,000,000	-	-	-	1,000,000
			22.7.2007-21.7.2015	22.7.2006-21.7.2007	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	750,000	-	-	-	750,000
			22.7.2007-21.7.2015	22.7.2006-21.7.2007	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	750,000	-	-	-	750,000
			22.7.2007-21.7.2015	22.7.2006-21.7.2007	2,250,000	-	-	-	2,250,000
Peter Chung -Yin Lee	22.7.2005	HK\$0.56	22.7.2006-21.7.2015	22.7.2005-21.7.2006	150,000	-	-	-	150,000
			22.7.2007-21.7.2015	22.7.2006-21.7.2007	450,000	-	-	-	450,000
John Ho	22.7.2005	HK\$0.56	22.7.2006-21.7.2015	22.7.2005-21.7.2006	150,000	-	-	-	150,000
			22.7.2007-21.7.2015	22.7.2006-21.7.2007	450,000	-	-	-	450,000
Philip Wan -Chung Tse	22.7.2005	HK\$0.56	22.7.2006-21.7.2015	22.7.2005-21.7.2006	150,000	-	-	-	150,000
			22.7.2007-21.7.2015	22.7.2006-21.7.2007	450,000	-	-	-	450,000
Gene Howard Weiner	22.7.2005	HK\$0.56	22.7.2006-21.7.2015	22.7.2005-21.7.2006	150,000	-	-	-	150,000
			22.7.2007-21.7.2015	22.7.2006-21.7.2007	450,000	-	-	-	450,000
Total					20,400,000	-	-	-	20,400,000
Category 2:									
Employees	22.7.2005	HK\$0.56			44,800,000	-	-	(1,100,000)	43,700,000
	26.9.2005	HK\$0.59			1,050,000	-	-	-	1,050,000
Total all categories					66,250,000	-	-	(1,100,000)	65,150,000

CORPORATE GOVERNANCE

None of the above share options were exercisable during the six months ended 30th June 2006.

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 Group recognised the total expense of approximately HK\$786,000 for the period ended 30th June 2006 (2005: Nil) in relation to share options granted by the Company.

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 30th June 2006.

AUDIT COMMITTEE

The Audit Committee comprises three Independent Non-executive Directors, Mr. Lee Chung-Yin Peter, Mr. John Ho and Mr. Tse Wan-Chung Philip. Mr. John Ho is the chairman of the Committee. The Committee has adopted terms of reference which are in line with the Code and the Corporate Governance Code. The Group's unaudited financial statements for the six months ended 30th June 2006 have been reviewed by the Audit Committee, who is of the opinion that such statements comply with the applicable accounting standards and legal requirements, and that adequate disclosures have been made.

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CORPORATE GOVERNANCE

COMPLIANCE WITH CHAPTER 13 OF THE LISTING RULES

The following information is disclosed pursuant to rules 13.18 and 13.21 of Chapter 13 of the Listing Rules:

The Company entered into a loan agreement on 29 April, 2005 with a syndicate of banks for a 4-year transferable term loan facility of up to HK\$380 million to refinance a previous loan facility and for general working capital purposes. This loan agreement includes conditions to the effect that: (a) Mr. Senta Wong, the controlling shareholder of the Company, together with his associates, must remain the single largest shareholder of the Company; (b) Mr. Senta Wong, together with his associates and his other family members, must hold more than 50% of the issued share capital of the Company; and (c) Mr. Senta Wong must remain as the Chairman or the Chief Executive Officer of the Company. A breach of any of the above conditions will constitute an event of default under the Loan Agreement. If such an event of default occurs, all amounts outstanding under the facility may become immediately due and payable. As at the latest practicable date, none of the above events of default has occurred.