



WONG'S KONG KING INTERNATIONAL (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0532)

INTERIM REPORT 2008

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 2008 together with comparative figures for the corresponding period in 2007 are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30TH JUNE 2008

	Notes	Six months ended 30th June	
		2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Turnover	3	2,336,990	1,988,598
Investment income		7,327	4,877
Changes in inventories of finished goods and work in progress		177,894	(57,187)
Raw materials and consumables used		(1,219,753)	(814,019)
Purchase of finished goods		(805,879)	(662,148)
Staff costs		(235,182)	(207,388)
Depreciation & amortisation		(31,789)	(31,045)
Other operating expenses		(127,652)	(125,362)
Profit from operations		101,956	96,326
Finance costs		(12,849)	(15,343)
Tax payable on dividend declared by a Taiwan subsidiary		(4,109)	(7,605)
Gain on disposal of jointly controlled entities		1,646	-
Allowance for doubtful debt on amounts due from jointly controlled entities		(4)	(284)
Share of result of jointly controlled entities		(555)	(5)
Share of result of an associate		634	(312)
Profit before taxation	3	86,719	72,777
Taxation	4	(20,040)	(17,548)
Profit for the period		66,679	55,229
Attributable to:			
Equity holders of the parent company		53,287	49,548
Minority interests		13,392	5,681
		66,679	55,229
DIVIDEND		11,090	10,997
EARNINGS PER SHARE	5		
Basic		7.22 cents	7.00 cents
Diluted		7.13 cents	6.72 cents

INTERIM RESULTS

CONDENSED CONSOLIDATED BALANCE SHEET AT 30TH JUNE 2008

	Notes	30th June 2008 (Unaudited) HK\$'000	31st December 2007 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		633,809	646,631
Prepaid lease payments			
– due after one year		15,612	15,831
Interests in associates		3,976	3,343
Interest in jointly controlled entities		1,187	2,360
Available-for-sale investments		42,801	42,786
Amount due from an investee company		1,444	1,444
Deferred tax assets		4,625	2,114
TOTAL NON-CURRENT ASSETS		703,454	714,509
CURRENT ASSETS			
Inventories		564,405	587,536
Prepaid lease payments			
– due within one year		437	437
Trade and other receivables	6	997,791	1,050,750
Deposits and prepayments		46,565	21,805
Tax recoverable		11,454	3,260
Bank balances and cash		720,675	244,863
TOTAL CURRENT ASSETS		2,341,327	1,908,651
CURRENT LIABILITIES			
Trade and other payables	7	780,043	873,723
Tax liabilities		20,321	8,183
Bank borrowings			
– due within one year		844,312	344,874
Obligations under finance leases			
– due within one year		292	350
Bank overdraft – secured		11,834	7,477
TOTAL CURRENT LIABILITIES		1,656,802	1,234,607
NET CURRENT ASSETS		684,525	674,044
TOTAL ASSETS LESS CURRENT LIABILITIES		1,387,979	1,388,553

INTERIM RESULTS

CONDENSED CONSOLIDATED BALANCE SHEET (Continued) AT 30TH JUNE 2008

	Notes	30th June 2008 (Unaudited) HK\$'000	31st December 2007 (Audited) HK\$'000
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CAPITAL AND RESERVES			
Share capital	8	73,930	73,610
Reserves		1,147,074	1,102,663
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Equity attributable to equity holders of the parent company		1,221,004	1,176,273
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Minority interests		73,395	67,309
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TOTAL EQUITY		1,294,399	1,243,582
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NON-CURRENT LIABILITIES			
Deferred tax liabilities		387	634
Bank borrowings			
– due after one year		90,000	142,000
Obligations under finance leases			
– due after one year		664	94
Retirement benefit obligations		2,529	2,243
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TOTAL NON-CURRENT LIABILITIES		93,580	144,971
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TOTAL EQUITY AND NON-CURRENT LIABILITIES		1,387,979	1,388,553
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INTERIM RESULTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30TH JUNE 2008

	Attributable to equity holders of the parent company									Minority	Total	
										Interests	equity	
	Capital				Share							
	Share capital	Share redemption premium	Contributed reserve	Special surplus	Dividend reserve	Translation reserve	Share options reserve	Retained profits	Total			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
As at 1st January 2008	73,610	88,073	1,610	26,624	5,008	18,483	(2,640)	940	964,565	1,176,273	67,309	1,243,582
2007 Final dividend paid	-	-	-	-	-	(18,483)	-	-	-	(18,483)	-	(18,483)
Issue of ordinary shares upon exercise of share options	320	1,473	-	-	-	-	-	-	-	1,793	-	1,793
Profit for the period	-	-	-	-	-	-	-	-	53,267	53,267	13,392	66,679
Proposed Interim dividend	-	-	-	-	-	11,090	-	-	(11,090)	-	-	-
Dividend payable to minority interests	-	-	-	-	-	-	-	-	-	-	(10,849)	(10,849)
Exchange translation difference	-	-	-	-	-	-	8,134	-	-	8,134	3,543	11,677
Transfer of share option reserve on exercise of share options	-	-	-	-	-	-	-	(150)	150	-	-	-
At 30th June 2008	73,930	89,546	1,610	26,624	5,008	11,090	5,494	790	1,006,912	1,221,004	73,395	1,294,399

INTERIM RESULTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

FOR THE SIX MONTHS ENDED 30TH JUNE 2007

	Attributable to equity holders of the parent company										Minority	Total	
											Interests	equity	
	Capital			Assets			Share				Total		
	Share capital	Share premium	Share redemption reserve	Contributed surplus	Special reserve	Assets revaluation reserve	Dividend reserve	Translation reserve	Share options reserve	Retained profits			
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
As at 1st January 2007	70,810	75,186	1,610	26,624	5,008	233	-	(6,037)	1,625	884,185	1,060,244	73,174	1,133,418
Issue of ordinary shares upon													
exercise of share options	74	347	-	-	-	-	-	-	-	-	421	-	421
Profit for the period	-	-	-	-	-	-	-	-	-	49,548	49,548	5,681	55,229
Proposed Interim dividend	-	-	-	-	-	-	10,997	-	-	(10,997)	-	-	-
Dividend payable to													
minority interests	-	-	-	-	-	-	-	-	-	-	-	(19,924)	(19,924)
Exchange translation													
difference	-	-	-	-	-	-	-	937	-	-	937	(414)	523
Capital contribution													
from minority interests	-	-	-	-	-	-	-	-	-	-	-	1,750	1,750
Recognition of equity-settled													
share based payment	-	-	-	-	-	-	-	-	551	-	551	-	551
Transfer of share option													
reserve on exercise of													
share options	-	-	-	-	-	-	-	-	(8)	8	-	-	-
At 30th June 2007	70,884	75,533	1,610	26,624	5,008	233	10,997	(4,100)	2,168	922,744	1,111,701	60,267	1,171,968

INTERIM RESULTS

CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30TH JUNE 2008

	Six months ended 30th June	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
NET CASH FROM OPERATING ACTIVITIES	99,247	204,361
NET CASH (USED IN) INVESTING ACTIVITIES	(9,192)	(43,670)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	374,121	(77,743)
INCREASE IN CASH AND CASH EQUIVALENTS	464,176	82,948
CASH AND CASH EQUIVALENTS AT 1ST JANUARY	237,386	212,666
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	7,279	(439)
CASH AND CASH EQUIVALENTS AT 30TH JUNE	708,841	295,175
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	720,675	300,321
Bank overdrafts	(11,834)	(5,146)
	708,841	295,175

INTERIM RESULTS

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th June, 2008

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 principal accounting policies followed in the Annual Report 2007 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 January 1, 2008. 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, 2008.

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	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By Principal Activity:				
Continuing operations:				
Trading and distribution				
– Industrial products	1,063,881	904,523	52,683	46,312
Manufacturing				
– Industrial products	1,246,034	1,059,818	42,557	44,823
Others	27,075	24,257	(6,133)	(10,152)
	2,336,990	1,988,598	89,107	80,983
Tax payable on dividend declared by a Taiwan subsidiary			(4,109)	(7,605)
Gain on disposal of jointly controlled entities			1,646	–
Allowance for doubtful debt on amounts due from jointly controlled entities			(4)	(284)
Share of result of jointly controlled entities			(555)	(5)
Share of result of an associate			634	(312)
Profit before taxation			86,719	72,777

INTERIM RESULTS

4. TAXATION

	Six months ended 30th June	
	2008	2007
	HK\$'000	HK\$'000
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The charge comprises:		
The Company and its subsidiaries		
Hong Kong	1,953	13,216
Other jurisdictions	18,087	4,332
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	20,040	17,548
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Hong Kong Profits Tax is calculated at the rate of 16.5% (2007: 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 company is based on the following data:

	Six months ended 30th June	
	2008	2007
	HK\$'000	HK\$'000
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Earnings for the purpose of basic and diluted earnings per share (profit for the period attributable to equity holders of parent company)	53,287	49,548
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INTERIM RESULTS

	Six months ended 30th June	
	Number of shares	
	2008	2007
Weighted average number of ordinary shares for the purposes of basic earnings per share	738,009,646	708,303,633
Effect of dilutive potential ordinary shares:		
– share options	8,958,438	29,173,811
Weighted average number of ordinary shares for the purposes of diluted earnings per share	746,968,084	737,477,444

6. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables of HK\$981,193,000 (At 31st December, 2007: HK\$1,038,278,000). The Group has a policy of allowing an average credit period of 30 days – 180 days to its trade customers. The following is an aged analysis of trade receivables at the reporting date:

	30th June 2008 HK\$'000	31st December 2007 HK\$'000
0 to 30 days	698,360	745,616
31 to 60 days	99,442	103,395
61 to 90 days	74,463	59,250
Over 90 days	108,928	130,017
	981,193	1,038,278

INTERIM RESULTS

7. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payable of HK\$590,318,000 (At 31st December, 2007: HK\$702,283,000). The following is an aged analysis of trade payables at the reporting date:

	30th June 2008 HK\$'000	31st December 2007 HK\$'000
0 to 30 days	504,726	595,709
31 to 60 days	27,386	34,971
61 to 90 days	18,848	22,074
Over 90 days	39,358	49,529
	590,318	702,283

8. SHARE CAPITAL

	Number of ordinary shares of HK\$0.10 each	Amount HK\$'000
Issued and fully paid:		
At 1st January, 2008	736,101,964	73,610
Exercise of share options	3,202,000	320
At 30th June, 2008	739,303,964	73,930

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 30th June		Amount due from (to) related parties 30th June 2008	Amount due from (to) related parties 31st December 2007
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Trade sales (note a)	79	141	-	164
Ticketing and touring income (note a)	396	343	231	169
Ticketing and touring income (note b)	193	182	27	56
Ticketing and touring income (note c)	49	70	-	9
Insurance expense (note c)	4,021	3,755	(886)	(424)
Rental expense (note a)	145	145	-	(24)
Current account due to other related parties (note a)	-	-	(3,393)	(3,393)
Current account due from other related parties (note a)	-	-	1,384	1,384
Provision for doubtful debts (note a)	-	-	(1,311)	(1,311)

Notes:

- (a) Related parties are Mr. Senta Wong, his close family members and companies of which Mr. Senta Wong or 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.

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

INTERIM RESULTS

INTERIM DIVIDEND

The Board of Directors has declared an interim dividend of HK\$1.5 cents (2007: HK\$1.5 cents) per share for the six months ended 30th June 2008. The above-mentioned interim dividend will be payable on 15th October 2008 to the shareholders whose names appear on Register of Members of the Company on 8th October 2008.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 2nd October 2008 to 8th October 2008, 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 4:00 p.m. on 30th September 2008.

MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS REVIEW

The Group's turnover and profit attributable to shareholders for the first half of 2008 were HK\$2.3 billion and HK\$53.3 million, representing increases of approximately 18% and 8%, respectively, compared to the same period last year.

The turnover and the operating profit of the Group's Industrial Products Trading Division saw an improvement of approximately 18% and 14% respectively for the first half of this year as compared to the corresponding period last year. The operations of the Division in Hong Kong, the PRC, Singapore, Thailand and the Philippines all recorded decreases in operating profits due to tremendous pressure on the profit margins under the tough market conditions. However, the operations of the Division in Taiwan performed well and recorded an approximately 156% increase in operating profits due to increased demand for the products distributed by the Division in Taiwan.

Although the turnover of the OEM Manufacturing Division increased by approximately 18% in the first half of 2008 compared to the corresponding period last year, the operating profit was reduced by 5% for the first half of 2008 as compared to the same period last year mainly due to the appreciation of Renminbi, the increasing oil prices and escalating wages in the PRC.

FINANCE

The Group has committed bank and other financing facilities totaling HK\$2,416 million, of which HK\$990 million were drawn down as at 30th June 2008.

As at 30th June 2008, the Group's consolidated net borrowings amounted to HK\$226 million and its shareholders' equity amounted to HK\$1,221 million, resulting in a gearing ratio of 18.5%.

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 31st December 2007.

HUMAN RESOURCES

As at 30th June 2008, the Group had a total of 7,031 employees, of whom 338 were based in Hong Kong, 6,431 in the PRC and 262 overseas. The remuneration packages of the Group's employees are mainly based on their performance and experience, taking into account current industry practices. Provident fund scheme, medical allowances, 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

The demand for the industrial products distributed by the Trading and Distribution Division is expected to soften for the rest of this year.

Orders for the OEM Manufacturing Division in the second half of this year are expected to be maintained at roughly the same level as the corresponding period last year. However, profitability is expected to fall short of that of last year mainly because of the appreciation of the Renminbi and escalating wages in the PRC.

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, 10th September 2008

DISCLOSURE OF INTERESTS

INTERESTS OF DIRECTORS

At 30th June 2008, 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 (share options)	Total Interests (including underlying shares)
						as % of the issued share capital		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	45.36	-	45.36
Edward Ying-Chun Tsui	4,577,920	-	-	-	4,577,920	0.62	3,000,000	1.03
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
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. 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 30th June 2008, 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 30th June 2008, 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	32.25%
Greatfamily Inc.	Interest of controlled corporation (Note 2)	207,800,000	28.11%
Greatguy Inc.	Trustee (Note 2)	207,800,000	28.11%
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)	69,697,251	9.43%
HSBC International Trustee Limited	Interest of controlled corporations	47,066,952	6.37%

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.

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 69,697,251 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) 2,000,000 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 30th June 2008, 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 30th June 2008, 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 1st January 2008	Granted during the period	Exercised during the period	Cancelled/lapsed during the period	Outstanding at 30th June 2008
Category 1:									
Directors									
Senta Wong	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)	-	-
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
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					13,950,000	-	(3,000,000)	-	10,950,000
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	5,634,000	-	(202,000)	-	5,432,000
	26.9.2005	HK\$0.59	26.9.2006-25.9.2015	26.9.2005-25.9.2006	62,000	-	-	-	62,000
			26.9.2007-25.9.2015	26.9.2005-25.9.2007	716,000	-	-	-	716,000
Total for employees					6,412,000	-	(202,000)	-	6,210,000
Total for all categories					20,362,000	-	(3,202,000)	-	17,160,000

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 30th June 2008 (2007:HK\$551,000) 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 30th June 2008, with the 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.

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

CORPORATE GOVERNANCE

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 30th June 2008.

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 30th June 2008.

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 2008.

CORPORATE GOVERNANCE

COMPLIANCE WITH CHAPTER 13 OF THE LISTING RULES

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

On 25th July 2007, the Company and its indirect wholly-owned subsidiary, WKK Technology Limited, entered into a loan agreement with Citic Ka Wah Bank Limited in relation to a 2-year term loan facility of up to HK\$200 million to refinance the Old Facility and for general working capital purposes.

The loan agreement includes covenants to the effect that: (a) Mr. Senta Wong, the controlling shareholder of the Company, together with his associates, must remain the single largest shareholder or group of shareholders of the Company; (b) Mr. Senta Wong, together with his associates and his other family members, must maintain unencumbered ownership of 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. Any breach of the above covenants may constitute a default under the loan agreement. If such a default occurs, all amounts outstanding under the facility may become immediately due and payable, which may adversely affect the financial position of the Company. The Directors consider that the loan agreement is on normal commercial terms. As at the latest practicable date, none of the above events of default has occurred.