



INTERIM REPORT FOR 2007

WONG'S INTERNATIONAL (HOLDINGS) LIMITED

王氏國際（集團）有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 99)

* For identification purpose only

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

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

		Six months ended 30th June,	
		2007	2006
		HK\$'000	HK\$'000
	Notes	(Unaudited)	(Unaudited)
Revenue	4	1,648,864	1,852,874
Interest income		2,053	2,037
Increase in fair value of investment properties		9,520	3,310
Fair value changes on financial instruments		(1,179)	(743)
Other income		18,089	10,740
Changes in inventories of finished goods and work-in-progress		(13,731)	6,118
Raw materials and consumables used		(1,320,230)	(1,539,446)
		(1,333,961)	(1,533,328)
Staff costs		(140,112)	(120,902)
Depreciation		(33,535)	(29,462)
Amortisation of prepaid lease payments		(1,080)	(1,076)
Amortisation on development costs capitalised		(4,351)	(3,448)
Impairment loss recognised	6	(17)	(3,845)
Other operating expenses		(119,883)	(107,479)
Finance costs	5	(12,690)	(11,530)
Share of results of associates		393	(682)
Profit before taxation	6	32,111	56,466
Taxation	7	(7,260)	(7,235)
Profit for the period		24,851	49,231
Attributable to:			
Equity holders of the Company		24,851	50,550
Minority interests		–	(1,319)
		24,851	49,231
Dividend	8	4,669	9,339
Earnings per share	9		
Basic		HK\$0.05	HK\$0.11
Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET
AT 30TH JUNE, 2007

		At 30/6/2007	At 31/12/2006
		<i>HK\$'000</i>	<i>HK\$'000</i>
	Notes	(Unaudited)	(Audited)
Non-current assets			
Investment properties	10	36,730	27,210
Property, plant and equipment	11	258,804	260,154
Prepaid lease payments		85,833	86,724
Interests in associates		95,919	111,477
Available-for-sale investments		165	162
Other investments		7,792	7,792
Development costs capitalised	12	15,852	16,436
Deferred tax asset		1,554	1,884
		<hr/> 502,649 <hr/>	<hr/> 511,839 <hr/>
Current assets			
Prepaid lease payments		2,160	2,154
Inventories		324,173	360,364
Trade and other receivables	13	642,479	755,624
Tax reserve certificate		5,943	4,557
Deposits and prepayments		20,383	23,480
Bank balances and cash		323,814	246,527
		<hr/> 1,318,952 <hr/>	<hr/> 1,392,706 <hr/>
Asset classified as held for sale	14	6,001	6,001
		<hr/> 1,324,953 <hr/>	<hr/> 1,398,707 <hr/>

CONDENSED CONSOLIDATED BALANCE SHEET
AT 30TH JUNE, 2007

		At 30/6/2007	At 31/12/2006
		<i>HK\$'000</i>	<i>HK\$'000</i>
	Notes	(Unaudited)	(Audited)
Current liabilities			
Trade and other payables	15	641,788	738,658
Bills payable		3,172	3,386
Tax payable		17,536	14,991
Amount due to an associate		7,008	7,008
Derivative financial instruments		2,601	1,422
Bank borrowings due within one year	16	306,396	272,987
		<u>978,501</u>	<u>1,038,452</u>
Net current assets		<u>346,452</u>	<u>360,255</u>
Total assets less current liabilities		<u>849,101</u>	<u>872,094</u>
Non-current liabilities			
Bank borrowings due after one year	16	155,573	193,367
Deferred tax liability		3,686	3,278
		<u>159,259</u>	<u>196,645</u>
		<u>689,842</u>	<u>675,449</u>
Capital and reserves			
Share capital		46,692	46,692
Reserves		642,805	628,412
Equity attributable to equity holders of the Company		<u>689,497</u>	<u>675,104</u>
Minority interests		<u>345</u>	<u>345</u>
		<u>689,842</u>	<u>675,449</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30TH JUNE, 2007 (UNAUDITED)

	Attributable to equity holders of the Company										
	Share capital <i>HKS '000</i>	Share premium <i>HKS '000</i>	Capital redemption reserve <i>HKS '000</i>	Contributed surplus <i>HKS '000</i>	Investment revaluation reserve <i>HKS '000</i>	Dividend reserve <i>HKS '000</i>	Translation reserve <i>HKS '000</i>	Accumulated profits <i>HKS '000</i>	Total <i>HKS '000</i>	Minority interests <i>HKS '000</i>	Total <i>HKS '000</i>
At 1st January, 2006 (audited)	46,692	148,864	345	331,559	63	9,339	(61,118)	153,721	629,465	345	629,810
Exchange difference on translation of foreign operations	-	-	-	-	-	-	(3,932)	-	(3,932)	-	(3,932)
Fair value change on available-for-sale investments	-	-	-	-	(121)	-	-	-	(121)	-	(121)
Net income recognised directly in equity	-	-	-	-	(121)	-	(3,932)	-	(4,053)	-	(4,053)
Capital contribution from minority interests	-	-	-	-	-	-	-	-	-	1,318	1,318
Profit (loss) for the period	-	-	-	-	-	-	-	50,550	50,550	(1,319)	49,231
Total recognised income and expenses for the period	-	-	-	-	(121)	-	(3,932)	50,550	46,497	(1)	46,496
Dividend set aside (Note 8)	-	-	-	-	-	9,339	-	(9,339)	-	-	-
Dividend paid	-	-	-	-	-	(9,339)	-	-	(9,339)	-	(9,339)
At 30th June, 2006	<u>46,692</u>	<u>148,864</u>	<u>345</u>	<u>331,559</u>	<u>(58)</u>	<u>9,339</u>	<u>(65,050)</u>	<u>194,932</u>	<u>666,623</u>	<u>344</u>	<u>666,967</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30TH JUNE, 2007 (UNAUDITED)

	Attributable to equity holders of the Company									
	Share capital <i>HKS'000</i>	Share premium <i>HKS'000</i>	Capital redemption reserve <i>HKS'000</i>	Contributed surplus <i>HKS'000</i>	Dividend reserve <i>HKS'000</i>	Translation reserve <i>HKS'000</i>	Accumulated profits <i>HKS'000</i>	Total <i>HKS'000</i>	Minority interests <i>HKS'000</i>	Total <i>HKS'000</i>
At 1st January, 2007 (audited)	46,692	148,864	345	331,559	14,008	(58,681)	192,317	675,104	345	675,449
Exchange difference on translation of foreign operations	-	-	-	-	-	3,550	-	3,550	-	3,550
Profit for the period	-	-	-	-	-	-	24,851	24,851	-	24,851
Total recognised income and expenses for the period	-	-	-	-	-	3,550	24,851	28,401	-	28,401
Dividend set aside (Note 8)	-	-	-	-	4,669	-	(4,669)	-	-	-
Dividend paid	-	-	-	-	(14,008)	-	-	(14,008)	-	(14,008)
At 30th June, 2007	<u>46,692</u>	<u>148,864</u>	<u>345</u>	<u>331,559</u>	<u>4,669</u>	<u>(55,131)</u>	<u>212,499</u>	<u>689,497</u>	<u>345</u>	<u>689,842</u>

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

	Six months ended 30th June,	
	2007	2006
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash from operating activities	124,495	87,747
Investing activities		
Purchase of tax reserve certificate	(1,386)	–
Purchase of property, plant and equipment	(27,767)	(32,235)
Net repayment from associates	15,951	6,984
Other investing activities	(944)	4,863
Net cash used in investing activities	(14,146)	(20,388)
Financing activities		
Dividend paid	(14,008)	(9,339)
New bank borrowings raised	53,000	164,753
Repayment of bank borrowings	(63,756)	(171,115)
Other financing activities	(13,435)	(10,055)
Net cash used in financing activities	(38,199)	(25,756)
Net increase in cash and cash equivalents	72,150	41,603
Cash and cash equivalents at 1st January	233,897	187,932
Effect of exchange rate changes	(1,234)	(3,353)
Cash and cash equivalents at 30th June	<u>304,813</u>	<u>226,182</u>
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	323,814	231,315
Bank overdraft	(19,001)	(5,133)
	<u>304,813</u>	<u>226,182</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2007

1. BASIS OF PREPARATION

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

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

2. PRINCIPAL ACCOUNTING POLICIES

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2007

2. PRINCIPAL ACCOUNTING POLICIES – Continued

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

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

¹ Effective for annual periods beginning on or after 1st January, 2009.

² Effective for annual periods beginning on or after 1st March, 2007.

³ Effective for annual periods beginning on or after 1st January, 2008.

3. SEGMENT INFORMATION

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

Principal activities are as follows:

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

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

* EMS denotes electronic manufacturing service

** ODM denotes original product development and marketing

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30TH JUNE, 2007**

3. SEGMENT INFORMATION – Continued

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

Business segments

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30TH JUNE, 2007**

3. SEGMENT INFORMATION – Continued

Business segments – Continued

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

Other divisions included property investment and sales of goods other than EMS and ODM products.

The transactions with inter-segments were carried out at the estimated market prices determined by the Company's directors.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30TH JUNE, 2007**

4. REVENUE

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

5. FINANCE COSTS

The amounts represent interest on bank loans and overdrafts which are wholly repayable within five years.

6. PROFIT BEFORE TAXATION

	Six months ended 30th June,	
	2007	2006
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit before taxation has been arrived at after charging (crediting):		
Depreciation	33,712	29,650
Less: amount capitalised to development costs	(177)	(188)
Amount charged to the income statement	33,535	29,462
Impairment loss recognised on:		
Prepaid lease payments	-	959
Property, plant and equipment	-	991
Development costs capitalised	17	1,895
	17	3,845
(Gain) loss on disposal of property, plant and equipment	(42)	117

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30TH JUNE, 2007**

7. TAXATION

	Six months ended 30th June,	
	2007	2006
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)

The taxation comprises:

Profits tax		
Hong Kong	3,996	7,274
Other jurisdictions	46	68
Under-provision in the previous period	2,480	145
Deferred tax	738	(252)
	<u>7,260</u>	<u>7,235</u>

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

8. DIVIDEND

	Six months ended 30th June,	
	2007	2006
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)

Proposed interim dividend	<u>4,669</u>	<u>9,339</u>
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For the six months ended 30th June, 2007, the directors have resolved to pay an interim dividend of HK\$0.01 (six months ended 30th June, 2006 : HK\$0.02) per share. The aforementioned interim dividend will be paid on Friday, 26th October, 2007 to the shareholders on the Register of Members on Thursday, 18th October, 2007.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2007

9. EARNINGS PER SHARE

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

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

10. INVESTMENT PROPERTIES

The Group's investment properties were fair valued by Asset Appraisal Ltd, independent professional valuers not connected with the Group at the balance sheet date. The resulting increase in fair value of the investment properties of approximately HK\$9,520,000 has been recognised in the condensed consolidated income statement for the period.

11. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$27,767,000 on additions to property, plant and equipment. In addition, the Group disposed of certain fully depreciated property, plant and equipment at a consideration of HK\$42,000 with a gain on disposal of property, plant and equipment of HK\$42,000.

12. DEVELOPMENT COSTS CAPITALISED

During the period, the Group capitalised approximately HK\$3,784,000 as development costs. The development costs are amortised on a straight-line basis over a period of 2 years.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30TH JUNE, 2007**

13. TRADE AND OTHER RECEIVABLES

The credit period allowed by the Group to its trade customers mainly ranges from 30 days to 90 days.

The following is an aged analysis of trade receivables at the reporting date:

	At 30/6/2007	At 31/12/2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Trade receivables		
0 – 60 days	578,824	591,273
61 – 90 days	4,979	26,574
Over 90 days	40,507	119,004
	<hr/>	<hr/>
	624,310	736,851
Other receivables	18,169	18,773
	<hr/>	<hr/>
	642,479	755,624
	<hr/> <hr/>	<hr/> <hr/>

The fair values of the Group's trade and other receivables at 30th June, 2007 approximate to their corresponding carrying amounts due to their short-term maturities.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30TH JUNE, 2007**

14. ASSET CLASSIFIED AS HELD FOR SALE

	At 30/6/2007	At 31/12/2006
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Carrying amount of an associate classified as held for sale	14,796	14,796
Less: Impairment loss recognised	(8,795)	(8,795)
	<u>6,001</u>	<u>6,001</u>

Details of the asset held for sale are as follows:

<u>Name of company</u>	<u>Form of business structure</u>	<u>Place of incorporation / operation</u>	<u>Class of shares held</u>	<u>Proportion of ownership interest</u>	<u>Principal activities</u>
Nanjing Postel Wong Zhi Telecommunications Co. Ltd. ("Nanjing Postel") #	Incorporated	The People's Republic of China	Registered capital of US\$10,090,000	33%	Development, manufacture and distribution of CDMA handphones

Sino-foreign equity enterprise

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30TH JUNE, 2007**

14. ASSET CLASSIFIED AS HELD FOR SALE – Continued

In August 2006, the Group had signed a sale and purchase agreement with an independent third party regarding the disposal of the Group's entire interest in an associate - Nanjing Postel, and accordingly, this interest had been classified as an asset held for sale. As at 31st December, 2006, impairment of approximately HK\$8,795,000 was made against the carrying amount of the asset with reference to the sale consideration per the agreement and the expected costs to complete the transaction. During the six months ended 30th June, 2007, no additional impairment loss has been recognised. The completion of the transaction is subject to the approval of the share transfer by the local PRC government authorities. As at the report date, no such approval has been obtained.

15. TRADE AND OTHER PAYABLES

The following is an aged analysis of the Group's trade payables at the reporting date:

	At 30/6/2007	At 31/12/2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Trade payables		
0 – 60 days	546,276	474,061
61 – 90 days	13,582	37,601
Over 90 days	1,955	124,683
	<hr/>	<hr/>
	561,813	636,345
Other payables	79,975	102,313
	<hr/>	<hr/>
	641,788	738,658
	<hr/> <hr/>	<hr/> <hr/>

The fair values of the Group's trade and other payables at 30th June, 2007 approximate to their corresponding carrying amounts due to their short-term maturities.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2007

16. BANK BORROWINGS

During the period, the Group obtained new bank borrowings of approximately HK\$53 million and repaid bank borrowings of approximately HK\$64 million. The borrowings bore interest of market rates that ranged from 4.65% to 6.31% per annum during the period and are repayable within five years from the balance sheet date. The proceeds were used to finance its operations. The bank borrowings are secured, except for an amount of approximately HK\$147 million due within one year which is unsecured.

17. COMMITMENTS

At the balance sheet date, the Group had capital commitments that were authorised but not contracted for in respect of acquisition of property, plant and equipment, so far as not provided for in the condensed consolidated financial statements, amounted to approximately HK\$83,000.

18. RELATED PARTY TRANSACTIONS

During the period, the Group entered into the following transactions with its associates and related companies. The transactions were carried out at estimated market prices determined by the Company's directors.

	Six months ended 30th June,	
	2007	2006
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
a) Associates		
Rental income received	<u>114</u>	<u>126</u>
Interest income received	<u>–</u>	<u>11</u>
b) Related companies*		
Rental income received	<u>91</u>	<u>145</u>

* The related companies are owned by a close family member of the directors of the Company.

The balances with associates are set out in the condensed consolidated balance sheet on pages 2 and 3.

INTERIM DIVIDEND

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

The Register of Members will be closed from Monday, 15th October, 2007 to Thursday, 18th October, 2007, both days inclusive, during which period no transfer of shares will be effected. To qualify for the above dividend, all transfers accompanied by the relevant certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Standard Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Friday, 12th October, 2007.

REVIEW OF BUSINESS ACTIVITIES

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

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

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

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

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

FINANCE

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

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

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

CAPITAL STRUCTURE

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

EMPLOYEES

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

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

PROSPECTS

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

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

On behalf of the Directors, I would like to thank our customers, suppliers and business partners for their continued confidence in and support for the Group. I would also like to pay a special tribute to all of our employees for their loyal, diligent and professional services to the Group.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

As at 30th June, 2007, the interests or short positions of the Directors and chief executives 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 Issuers (the “Model Code”), were as follows:

Long positions in shares of the Company

Name of Executive Directors	Capacity	Number of ordinary shares	Percentage interests
Wong Chung Mat, Ben	Beneficial owner and founder of discretionary trust (Note 1)	75,810,699	16.24%
Wong Chung Ah, Johnny	Beneficial owner, interest of child or spouse and founder of discretionary trust (Note 2)	40,693,487	8.72%
Chan Tsze Wah, Gabriel	Beneficial owner	1,237,500	0.27%
Tan Chang On, Lawrence	Beneficial owner	10,000	0.00%
Wong Yin Man, Ada	Beneficiary of a trust (Note 3)	74,810,699	16.02%

Notes:

1. Mr. Wong Chung Mat, Ben was deemed (by virtue of the SFO) to be interested in 75,810,699 shares in the Company. These shares were held in the following capacity:
 - (a) 1,000,000 shares were held by Mr. Wong Chung Mat, Ben personally.
 - (b) 74,810,699 shares were held by Salop Investment Limited (which was in turn wholly owned by Batsford Limited) under a discretionary trust, of which Mr. Wong Chung Mat, Ben was regarded as the founder and Miss Wong Yin Man, Ada was regarded as one of the beneficiaries (by virtue of the SFO). The references to 74,810,699 shares deemed to be interested by Mr. Wong Chung Mat, Ben (as disclosed herein), Salop Investment Limited (as disclosed in the section headed “Interests of substantial shareholders”), Miss Wong Yin Man, Ada (as disclosed in Note 3 below) and Batsford Limited (as disclosed in Note 4(a) under the section headed “Interests of substantial shareholders”) relate to the same block of shares.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

Long positions in shares of the Company – Continued

Notes: – Continued

2. Mr. Wong Chung Ah, Johnny was deemed (by virtue of the SFO) to be interested in 40,693,487 shares in the Company. These shares were held in the following capacity:
 - (a) 1,000,000 shares were held by Mr. Wong Chung Ah, Johnny personally.
 - (b) 1,235,000 shares were held by Ms. Luk Kit Ching, wife of Mr. Wong Chung Ah, Johnny.
 - (c) 38,458,487 shares were held by Kong King International Limited under a discretionary trust, of which Mr. Wong Chung Ah, Johnny was regarded as the founder (by virtue of the SFO). Kong King International Limited was wholly owned by Mountainview International Limited, which was wholly owned by HSBC Trustee (Cook Islands) Limited (formerly known as “Bermuda Trust (Cook Islands) Limited”). The references to 38,458,487 shares deemed to be interested by Mr. Wong Chung Ah, Johnny (as disclosed herein), Kong King International Limited, Mountainview International Limited and HSBC Trustee (Cook Islands) Limited (as disclosed in the section headed “Interests of substantial shareholders”) relate to the same block of shares.
3. Miss Wong Yin Man, Ada was deemed (by virtue of the SFO) to be interested in 74,810,699 shares in the Company, which were held by Salop Investment Limited (which was in turn wholly owned by Batsford Limited) under a discretionary trust, of which Miss Wong Yin Man, Ada was regarded as one of the beneficiaries and Mr. Wong Chung Mat, Ben was regarded as the founder (by virtue of the SFO). Please see Note 1(b) above.

Long positions in shares of associated corporations of the Company

Name of Executive Director	Associated corporation	Capacity	Number of ordinary shares	Percentage interests
Wong Chung Ah, Johnny	Wong’s Properties Limited	Interest of controlled corporations (Note)	2	50%

Note: Mr. Wong Chung Ah, Johnny was deemed (by virtue of the SFO) to be interested in 2 shares in Wong’s Properties Limited. These shares were held by Blessea Investment Limited, which was 50% owned by Glorious Glow Limited, which in turn was wholly owned by Mr. Wong Chung Ah, Johnny.

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

Save as disclosed herein, as at 30th June, 2007, none of the Directors or chief executives of the Company or their respective 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.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

So far as is known to any Director or chief executive of the Company, as at 30th June, 2007, persons (other than a Director or chief executive 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 ordinary shares	Percentage interests
W. S. Wong & Sons Company Limited	Beneficial owner (Note 1)	195,338,803	41.84%
Salop Investment Limited	Beneficial owner (Note 2)	74,810,699	16.02%
HSBC International Trustee Limited	Trustee (Note 3)	40,957,546	8.77%
Batsford Limited	Trustee (Note 4)	270,949,502	58.03%
Name of other persons	Capacity	Number of ordinary shares	Percentage interests
Kong King International Limited	Beneficial owner (Note 5)	38,458,487	8.24%
Mountainview International Limited	Trustee (Note 5)	38,458,487	8.24%
HSBC Trustee (Cook Islands) Limited (formerly known as "Bermuda Trust (Cook Islands) Limited")	Trustee (Note 5)	38,458,487	8.24%
Wong Chung Yin, Michael	Founder of discretionary trust (Note 6)	29,683,960	6.36%

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

Long positions in shares of the Company – Continued

Notes:

1. W. S. Wong & Sons Company Limited was a company controlled by the Wong family and was interested in 195,338,803 shares in the Company.

Each of Levy Investment Limited and Salop Investment Limited owned 19% of W. S. Wong & Sons Company Limited, and was in turn wholly owned by Batsford Limited. Accordingly, W. S. Wong & Sons Company Limited was regarded as a controlled corporation of Batsford Limited (by virtue of the SFO). The references to 195,338,803 shares interested by W. S. Wong & Sons Company Limited (as disclosed herein) and deemed to be interested by Batsford Limited (as disclosed in Note 4(c) below) relate to the same block of shares.

2. Please see Note 1(b) under the section headed “Interests of Directors and chief executives”.
3. HSBC International Trustee Limited was deemed (by virtue of the SFO) to be interested in 40,957,546 shares in the Company. These shares were held in the following capacity:
 - (a) 17,584,960 shares were held by Levy Pacific Limited (which was wholly owned by HSBC International Trustee Limited) under a discretionary trust, of which Mr. Wong Chung Yin, Michael was regarded as the founder (by virtue of the SFO) and HSBC International Trustee Limited was the trustee (by virtue of the SFO). The references to 17,584,960 shares deemed to be interested by HSBC International Trustee Limited (as disclosed herein) and Mr. Wong Chung Yin, Michael (as disclosed in Note 6(b) below) relate to the same block of shares.
 - (b) 11,357,150 shares were held by Floral Inc. (which was wholly owned by HSBC International Trustee Limited) under a discretionary trust of which HSBC International Trustee Limited was the trustee (by virtue of the SFO).
 - (c) 12,015,436 shares were held by Sycamore Assets Limited (which was wholly owned by HSBC International Trustee Limited) under a discretionary trust of which HSBC International Trustee Limited was the trustee (by virtue of the SFO).
4. Batsford Limited was deemed (by virtue of the SFO) to be interested in 270,949,502 shares in the Company. These shares were held in the following capacity:
 - (a) 74,810,699 shares were held by Salop Investment Limited (which was in turn wholly owned by Batsford Limited) under a discretionary trust, of which Mr. Wong Chung Mat, Ben was regarded as the founder and Miss Wong Yin Man, Ada was regarded as one of the beneficiaries (by virtue of the SFO). Please see Note 1(b) under the section headed “Interests of Directors and chief executives”.
 - (b) 800,000 shares were held by Levy Investment Limited (which was in turn wholly owned by Batsford Limited) under a discretionary trust, of which Mr. Wong Chung Yin, Michael was regarded as the founder (by virtue of the SFO). The references to 800,000 shares deemed to be interested by Batsford Limited (as disclosed herein) and Mr. Wong Chung Yin, Michael (as disclosed in Note 6(a) below) relate to the same block of shares.
 - (c) 195,338,803 shares were interested by W. S. Wong & Sons Company Limited, which was regarded as a controlled corporation of Batsford Limited (by virtue of the SFO). Please see Note 1 above.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

Long positions in shares of the Company – Continued

Notes: – Continued

5. Please see Note 2(c) under the section headed “Interests of Directors and chief executives”.
6. Mr. Wong Chung Yin, Michael was deemed (by virtue of the SFO) to be interested in 29,683,960 shares in the Company. These shares were held in the following capacity:
 - (a) 800,000 shares were held by Levy Investment Limited (which was in turn wholly owned by Batsford Limited) under a discretionary trust, of which Mr. Wong Chung Yin, Michael was regarded as the founder (by virtue of the SFO). Please see Note 4(b) above.
 - (b) 17,584,960 shares were held by Levy Pacific Limited under a discretionary trust, of which Mr. Wong Chung Yin, Michael was regarded as the founder (by virtue of the SFO) and HSBC International Trustee Limited was the trustee (by virtue of the SFO). Please see Note 3(a) above.
 - (c) 11,299,000 shares were held for The Pacific Way Unit Trust. Mr. Wong Chung Yin, Michael was regarded as the founder of the discretionary 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, 2007, 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.

SHARE OPTIONS

There were no outstanding options at the beginning and at the end of the period.

During the six months ended 30th June, 2007, no options were granted, exercised, cancelled or lapsed.

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

During the six months ended 30th June, 2007, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 30th June, 2007, the Company has complied with the code provisions of the “Code on Corporate Governance Practices” (the “Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), except for the following deviations:

1. Code provision A.2.1

Mr. Wong Chung Mat, Ben is the Group’s Chairman and Chief Executive Officer and has occupied these two positions since February 2003. In allowing the two positions to be occupied by the same person, the Company has considered the following:

- (a) Both positions require in-depth knowledge and considerable experience of the Group’s business. Candidates with the suitable knowledge, experience and leadership are difficult to find both within and outside the Group. If either of the positions is occupied by an unqualified person, the Group’s performance could be gravely compromised.
- (b) The Company believes that the supervision of the Board and its independent non-executive directors can provide an effective check and balance mechanism and ensures that the interests of the shareholders are adequately represented.

2. Code provision A.4.1

None of the existing non-executive directors of the Company is appointed for a specific term. This constitutes a deviation from code provision A.4.1 of the Code. However, every Director of the Company is now subject to retirement by rotation under Bye-law 112 of the Bye-laws of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are no less exacting than those in the Code.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors of the Company which is on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the required standard set out in the Model Code for the six months ended 30th June, 2007.

AUDIT COMMITTEE

The Audit Committee, which comprises all Independent Non-executive Directors, has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited interim accounts for the six months ended 30th June, 2007.

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

Hong Kong, 19th September, 2007