



INTERIM REPORT FOR 2008

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, 2008 were as follows:

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

		Six months ended 30th June,	
		2008	2007
		<i>HK\$'000</i>	<i>HK\$'000</i>
	Notes	(Unaudited)	(Unaudited)
Revenue	4	1,584,063	1,648,864
Interest income		2,511	2,053
Other income	4	15,059	18,089
Changes in inventories of finished goods and work-in-progress		(22,340)	(13,731)
Raw materials and consumables used		(1,259,965)	(1,320,230)
		(1,282,305)	(1,333,961)
Staff costs		(149,303)	(140,112)
Depreciation		(34,371)	(33,535)
Amortisation of prepaid lease payments		(1,087)	(1,080)
Amortisation on development costs capitalised		(4,350)	(4,351)
Increase in fair value of investment properties		4,730	9,520
Fair value changes on financial instruments		3,500	(1,179)
Impairment loss recognised on development costs capitalised		–	(17)
Other operating expenses		(98,316)	(119,883)
Finance costs	5	(8,087)	(12,690)
Share of results of associates		2,711	393
Profit before taxation	6	34,755	32,111
Taxation	7	(9,033)	(7,260)
Profit for the period		25,722	24,851
Attributable to:			
Equity holders of the Company		25,722	24,851
Minority interests		–	–
		25,722	24,851
Dividends	8	4,669	4,669
Earnings per share	9		
Basic		HK\$0.06	HK\$0.05
Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET
AT 30TH JUNE, 2008

		At 30/6/2008	At 31/12/2007
		<i>HK\$'000</i>	<i>HK\$'000</i>
	Notes	(Unaudited)	(Audited)
Non-current assets			
Investment properties	10	63,440	58,710
Property, plant and equipment	11	238,202	251,197
Prepaid lease payments		84,342	84,998
Interests in associates		49,321	75,096
Available-for-sale investments		104	168
Other investments		4,688	4,688
Development costs capitalised	12	14,737	14,566
Deferred tax asset		2,276	2,642
		<hr/> 457,110 <hr/>	<hr/> 492,065 <hr/>
Current assets			
Prepaid lease payments		2,174	2,166
Inventories		341,246	317,581
Trade and other receivables	13	648,501	621,376
Tax reserve certificate		5,943	5,943
Deposits and prepayments		57,621	38,514
Derivative financial instruments		3,500	–
Pledged bank deposits		99,814	–
Bank balances and cash		310,458	195,846
		<hr/> 1,469,257 <hr/>	<hr/> 1,181,426 <hr/>
Asset classified as held for sale	14	6,001	6,001
		<hr/> 1,475,258 <hr/>	<hr/> 1,187,427 <hr/>

CONDENSED CONSOLIDATED BALANCE SHEET
AT 30TH JUNE, 2008

		At 30/6/2008	At 31/12/2007
		<i>HK\$'000</i>	<i>HK\$'000</i>
	Notes	(Unaudited)	(Audited)
Current liabilities			
Trade and other payables	15	663,047	700,601
Bills payable		6,538	–
Tax payable		18,762	14,950
Amount due to an associate		3,183	3,183
Bank borrowings due within one year	16	334,544	92,148
		<u>1,026,074</u>	<u>810,882</u>
Net current assets		<u>449,184</u>	<u>376,545</u>
Total assets less current liabilities		<u>906,294</u>	<u>868,610</u>
Non-current liabilities			
Bank borrowings due after one year	16	125,000	124,340
Deferred tax liability		7,309	5,994
		<u>132,309</u>	<u>130,334</u>
		<u>773,985</u>	<u>738,276</u>
Capital and reserves			
Share capital		46,692	46,692
Reserves		727,293	691,584
Equity attributable to equity holders of the Company		<u>773,985</u>	<u>738,276</u>
Minority interests		<u>–</u>	<u>–</u>
		<u>773,985</u>	<u>738,276</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30TH JUNE, 2008 (UNAUDITED)

	Attributable to equity holders of the Company									
	Capital							Total	Minority interests	Total
	Share capital	Share premium	Share redemption reserve	Contributed surplus	Dividend reserve	Translation reserve	Accumulated profits			
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
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 directly recognised in equity and net income recognised directly in equity	-	-	-	-	-	3,550	-	3,550	-	3,550
Profit for the period	-	-	-	-	-	-	24,851	24,851	-	24,851
Total recognised income (expenses) for the period	-	-	-	-	-	3,550	24,851	28,401	-	28,401
Proposed interim dividend (Note 8)	-	-	-	-	4,669	-	(4,669)	-	-	-
2006 final dividend paid	-	-	-	-	(14,008)	-	-	(14,008)	-	(14,008)
At 30th June, 2007	46,692	148,864	345	331,559	4,669	(55,131)	212,499	689,497	345	689,842

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30TH JUNE, 2008 (UNAUDITED)

	Attributable to equity holders of the Company										
	Share capital	Share premium	Capital redemption reserve	Contributed surplus	Investment revaluation reserve	Dividend reserve	Translation reserve	Accumulated profits	Total	Minority interests	Total
	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, 2008 (audited)	46,692	148,864	345	331,559	3	9,339	(47,703)	249,177	738,276	-	738,276
Exchange difference directly recognised in equity	-	-	-	-	-	-	19,392	-	19,392	-	19,392
Fair value change on available-for-sale investments	-	-	-	-	(66)	-	-	-	(66)	-	(66)
Net income (expenses) recognised directly in equity	-	-	-	-	(66)	-	19,392	-	19,326	-	19,326
Profit for the period	-	-	-	-	-	-	-	25,722	25,722	-	25,722
Total recognised income (expenses) for the period	-	-	-	-	(66)	-	19,392	25,722	45,048	-	45,048
Proposed interim dividend (Note 8)	-	-	-	-	-	4,669	-	(4,669)	-	-	-
2007 final dividend paid	-	-	-	-	-	(9,339)	-	-	(9,339)	-	(9,339)
At 30th June, 2008	46,692	148,864	345	331,559	(63)	4,669	(28,311)	270,230	773,985	-	773,985

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

	Six months ended 30th June,	
	2008	2007
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash (used in) from operating activities	(34,969)	124,495
Investing activities		
Purchase of tax reserve certificate	–	(1,386)
Purchase of property, plant and equipment	(12,366)	(27,767)
Proceeds from disposal of property, plant and equipment	80	–
Net repayment from associates	28,486	15,951
Increase in bank deposits with maturity over three months	(48,977)	–
Increase in pledged bank deposits	(99,814)	–
Other investing activities	(1,839)	(944)
Net cash used in investing activities	(134,430)	(14,146)
Financing activities		
Dividends paid	(9,339)	(14,008)
New bank borrowings raised	305,138	53,000
Repayment of bank borrowings	(66,467)	(63,756)
Other financing activities	(8,087)	(13,435)
Net cash from (used in) financing activities	221,245	(38,199)
Net increase in cash and cash equivalents	51,846	72,150
Cash and cash equivalents at 1st January	195,846	233,897
Effect of exchange rate changes	9,404	(1,234)
Cash and cash equivalents at 30th June	<u>257,096</u>	<u>304,813</u>
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	310,458	323,814
Bank deposits with maturity over three months	(48,977)	–
Bank deposits with maturity less than three months	261,481	323,814
Bank overdraft	(4,385)	(19,001)
	<u>257,096</u>	<u>304,813</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2008

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, 2007.

2. SIGNIFICANT 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, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements of the Company and its subsidiaries (“the Group”) for the year ended 31st December, 2007.

In the current period, the Group has applied, for the first time, the following new interpretations issued by the HKICPA that are relevant to the Group and effective for accounting periods beginning on or after 1st January, 2008.

HK(IFRIC) – Interpretation (“Int”) 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2008

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The adoption of these new interpretations has had no material effect on how the results and financial position of the Group for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective.

Hong Kong Accounting Standard (“HKAS”) 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ²
HKAS 1, HKAS 32, HKAS 39 and Hong Kong Financial Reporting Standard (“HKFRS”) 7 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ¹
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations ¹
HKFRS 3 (Revised)	Business Combinations ²
HKFRS 8	Operating Segments ¹
HK(IFRIC) – Int 2 (Amendments)	Members’ shares in co-operative entities and similar instruments ¹
HK(IFRIC) – Int 13	Customers Loyalty Programmes ³
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate ¹
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation ⁴

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

² Effective for annual periods beginning on or after 1st July, 2009.

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

⁴ Effective for annual periods beginning on or after 1st October, 2008.

The Directors of the Company are currently assessing the impact of the above new standards, amendments and interpretations but are not yet in position to state whether they would have material impact on the consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30TH JUNE, 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, 2008**

3. SEGMENT INFORMATION (Continued)

Segment information for the six months ended 30th June, 2008 and 2007 is as follows:

Business segments

	For the six months ended 30th June, 2008					
	EMS division HK\$'000 (Unaudited)	ODM division HK\$'000 (Unaudited)	Other divisions [#] HK\$'000 (Unaudited)	Unallocated HK\$'000 (Unaudited)	Eliminations HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
REVENUE						
External sales	1,581,530	2,533	-	-	-	1,584,063
Inter-segment sales	-	-	-	-	-	-
Total	<u>1,581,530</u>	<u>2,533</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,584,063</u>
SEGMENT RESULT	<u>38,599</u>	<u>(10,054)</u>	<u>(550)</u>	<u>-</u>		<u>27,995</u>
Unallocated corporate expenses						(13,664)
Interest income						2,511
Unallocated other income and net fair value gains						23,289
Finance costs						(8,087)
Share of results of associates	-	(1,776)	-	4,487		<u>2,711</u>
Profit before taxation						34,755
Taxation						<u>(9,033)</u>
Profit for the period						<u><u>25,722</u></u>

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30TH JUNE, 2008**

3. SEGMENT INFORMATION (Continued)

Business segments (Continued)

	For the six months ended 30th June, 2007					
	EMS	ODM	Other	Unallocated	Eliminations	Consolidated
	division	division	divisions [#]			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
REVENUE						
External sales	1,646,771	2,093	-	-	-	1,648,864
Inter-segment sales	40	-	-	-	(40)	-
	<u>1,646,811</u>	<u>2,093</u>	<u>-</u>	<u>-</u>	<u>(40)</u>	<u>1,648,864</u>
TOTAL	1,646,811	2,093	-	-	(40)	1,648,864
SEGMENT RESULT						
	<u>40,410</u>	<u>(8,598)</u>	<u>(489)</u>	<u>-</u>		<u>31,323</u>
Unallocated corporate expenses						(16,577)
Interest income						2,053
Unallocated other income and net fair value gains						27,609
Finance costs						(12,690)
Share of results of associates	-	(1,170)	1,563	-		393
Profit before taxation						32,111
Taxation						(7,260)
Profit for the period						<u>24,851</u>

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

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30TH JUNE, 2008**

4. REVENUE / OTHER INCOME

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

Other income is detailed as follows:

	Six months ended 30th June,	
	2008	2007
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Rental income	775	583
Commission income	–	5,361
Sales of scrap materials	1,971	1,495
Write back of customer claims	–	4,785
Write off of trade and other payables	5,831	–
Exchange gain	1,702	2,702
Sundry income	4,780	3,163
	<u>15,059</u>	<u>18,089</u>

5. FINANCE COSTS

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30TH JUNE, 2008**

6. PROFIT BEFORE TAXATION

	Six months ended 30th June, 2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)
Profit before taxation has been arrived at after charging (crediting):		
Depreciation	34,542	33,712
Less: amount capitalised to development costs	(171)	(177)
Amount charged to the income statement	34,371	33,535
Write down (back) of allowance on inventories	665	(1,277)
Loss (gain) on disposal of property, plant and equipment	286	(42)
Write (back) off of allowance for doubtful debts in respect of trade and other receivables	(3,835)	158
	<u> </u>	<u> </u>

7. TAXATION

	Six months ended 30th June, 2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)
Profits tax:		
Hong Kong		
– current period	3,822	3,996
– under-provision in prior periods	2,202	2,494
Other jurisdictions		
– current period	1,328	46
– over-provision in prior periods	–	(14)
Deferred tax		
– current period	1,530	738
– effect on change in tax rate	151	–
	<u> </u>	<u> </u>
	<u>9,033</u>	<u>7,260</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2008

7. TAXATION (Continued)

Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) on the estimated assessable profits for the period. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The Inland Revenue Department has raised a query over the offshore profit claim of one of the subsidiaries of the Group. The Directors believed the Group has good grounds to defend the case, and therefore no additional provision for tax has been made.

8. DIVIDENDS

	Six months ended 30th June,	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Proposed interim dividend	<u>4,669</u>	<u>4,669</u>

For the six months ended 30th June, 2008, the Directors have resolved to pay an interim dividend of HK\$0.01 (six months ended 30th June, 2007: HK\$0.01) per share. The aforementioned interim dividend will be paid on Friday, 24th October, 2008 to the shareholders on the Register of Members on Friday, 17th October, 2008.

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\$25,722,000 (six months ended 30th June, 2007: HK\$24,851,000) and the number of ordinary shares of 466,921,794 (six months ended 30th June, 2007: 466,921,794).

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2008

10. INVESTMENT PROPERTIES

The fair value of the Group's investment properties were assessed by DTZ Debenham Tie Leung Limited and Asset Appraisal Limited, independent professional valuers not connected with the Group, at the balance sheet date. DTZ Debenham Tie Leung Limited and Asset Appraisal Limited are members of the Institute of Valuers, and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuations, which conform to International Valuation Standards, were arrived at by reference to market evidence of transaction prices for similar properties. The resulting net increase in fair value of the investment properties of approximately HK\$4,730,000 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\$12,366,000 on additions to property, plant and equipment. In addition, the Group disposed of certain property, plant and equipment at a consideration of HK\$80,000 with a loss on disposal of property, plant and equipment of HK\$286,000.

12. DEVELOPMENT COSTS CAPITALISED

During the period, the Group capitalised approximately HK\$4,521,000 as development costs. The development costs are amortised on a straight-line basis over a period of two years.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30TH JUNE, 2008**

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 (net of allowance for doubtful debts) at the reporting date:

	At 30/6/2008	At 31/12/2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Trade receivables		
0 – 60 days	622,223	519,381
61 – 90 days	5,669	72,948
Over 90 days	5,837	13,707
	<hr/>	<hr/>
	633,729	606,036
Other receivables	14,772	15,340
	<hr/>	<hr/>
	648,501	621,376
	<hr/> <hr/>	<hr/> <hr/>

The fair values of the Group's trade and other receivables at 30th June, 2008 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, 2008**

14. ASSET CLASSIFIED AS HELD FOR SALE

	At 30/6/2008	At 31/12/2007
	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 (the "PRC")	Registered capital of US\$10,090,000	33%	Development, manufacture and distribution of CDMA handphones

Sino-foreign equity enterprise

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 has 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. The completion of the transaction is subject to the approval of the share transfer by the local PRC government authorities.

As at date of approval of these condensed consolidated financial statements, the purchaser has informed the Group that the disposal was completed as the final approval from a local PRC government authority has been obtained.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2008

15. TRADE AND OTHER PAYABLES

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

	At 30/6/2008	At 31/12/2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Trade payables		
0 – 60 days	428,239	419,079
61 – 90 days	53,292	75,607
Over 90 days	43,886	67,251
	<hr/>	<hr/>
	525,417	561,937
Other payables	137,630	138,664
	<hr/>	<hr/>
	663,047	700,601
	<hr/> <hr/>	<hr/> <hr/>

The fair values of the Group's trade and other payables at 30th June, 2008 approximate to their corresponding carrying amounts due to their short-term maturities.

16. BANK BORROWINGS

During the period, the Group obtained new bank loans in the amount of approximately HK\$305 million and repaid bank loans in the amount of approximately HK\$66 million. The borrowings bear interest rates ranges from 1.62% to 8.28% per annum and are repayable within five years. The proceeds were used to finance the operations of the Group. The bank borrowings are secured.

17. COMMITMENTS

At the balance sheet date, the Group had capital commitments that were contracted but not provided for in respect of acquisition of property, plant and equipment, amounted to approximately HK\$25,558,000.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2008

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.

	At 30/6/2008	At 30/6/2007
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
a) Associates		
Rental income received	<u>120</u>	<u>114</u>
b) Related companies*		
Rental income received	<u>145</u>	<u>91</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.

19. POST BALANCE SHEET EVENT

Subsequent to the balance sheet date, the Group has entered into a letter of intent with an independent third party in respect of capital expenditure in Vietnam amounted to US\$4,670,000 (equivalent to HK\$36,440,000).

20. CONTINGENT LIABILITIES

A PRC subsidiary of the Group is presently in the processes of a capital reduction exercise. At the time the subsidiary was formed, part of its capital requirement was satisfied by transferring and importing certain machinery and equipment into PRC. Under this arrangement, the machinery and equipment entering into PRC was exempted from value-added tax ("VAT"). The capital reduction exercise may result in potential VAT liabilities. However, as the processes have not been completed and are under review by PRC tax authorities, the Directors are unable to determine the financial impact to the Group's operating results and financial position.

INTERIM DIVIDEND

The Directors have resolved to pay an interim dividend of HK\$0.01 per share (2007: HK\$0.01 per share) on Friday, 24th October, 2008 to the shareholders as recorded on the Register of Members on Friday, 17th October, 2008.

The Register of Members will be closed from Monday, 13th October, 2008 to Friday, 17th October, 2008, 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 share certificates must be lodged with the Company's Hong Kong branch share registrars, 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, 10th October, 2008.

REVIEW OF BUSINESS ACTIVITIES

For the first six months ended 30th June, 2008, the Group's turnover decreased 3.9%, from HK\$1.65 billion in 2007 to HK\$1.58 billion in 2008. The decreases were primarily due to softer demand from certain existing customers and the results of consolidation of the low profit margin customers in the Electronic Manufacturing Service Division (the "EMS Division").

Profit before taxation increased 8.2%, from HK\$32.11 million in 2007 to HK\$34.76 million in 2008. The increase was primarily attributable to the reduction of our operating expenses during the first six months of 2008 when compared to the same period in 2007.

For the first six months during 2008, sales revenue in the EMS Division decreased overall by 4.0% compared with the same period of 2007. Sales revenues for both of our factories in Shajing, Shenzhen and Suzhou fell 3.8% and 9.4% respectively when compared to the same period in 2007. This decrease in sales was attributable to the weakening demand from our existing customers as a result of deteriorating global economies in the U.S. and the world.

REVIEW OF BUSINESS ACTIVITIES (Continued)

We have been continued facing a challenging operation environment in China during the first half of 2008. Labor cost in China, which represents one of the biggest costs of our manufacturing business has continued rising over the past year and is expected to continue at an accelerated rate in the second half of 2008. The weakening U.S. dollar has also contributed to China's inflationary pressure by pushing up commodity prices around the world. This inflationary pressure due to soaring oil price, mounting energy cost, rising labor cost, and increasing commodity prices have material impact on our operating expenses. Over the last six months, our costs in salaries and wages and indirect material have both experienced double digits increases but at the same, our sales due to weakening economies in the U.S. and elsewhere has retreated 3.9% compared to the same period last year. This inflationary pressure in China will continue and affect our future profit margin. To compact these soaring costs, we will continue to focus on streamlining our operation efficiency and managing our costs closely.

The Original Design and Marketing Division ("ODM Division") continued its focus on the development and marketing of RFID (Radio Frequency Identification) products during 2008. Sales revenue for the RFID cards has continued to increase during the first half of 2008. However, the Company continues to sustain operating losses during the first six months mainly due to the increase in R & D expenses. The Company predicts that the ODM Division will continue reporting operating losses and negative cash flow for the remaining part of 2008.

With respect to the residential development in the mid-levels property project, in the first six months of 2008, the joint-venture company sold one duplex residential unit and fifty four car-parks for the total gross selling proceeds of approximately HK\$71 million. Presently, there are five residential units including three duplexes, two-in-one combined unit and eleven car-parks remain unsold. In view of the current residential property market, we will only sell the unsold residential units and car-parks at the prices which will maximise our returns.

FINANCE

As at 30th June, 2008, the Group had net bank borrowings of approximately HK\$49 million (31/12/2007: HK\$20 million) representing 6.4% (31/12/2007: 2.8%) of its shareholders' equity at that date.

As at 30th June, 2008, the Group had bank balances and cash including pledged bank deposits of approximately HK\$410 million (31/12/2007: HK\$196 million).

FINANCE (Continued)

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

CAPITAL STRUCTURE

The capital structure of the Group consists of bank borrowings, cash and cash equivalents and equity attributable to equity holders of the Group, comprising issued share capital and reserves.

EMPLOYEES

As at 30th June, 2008, the Group employed approximately 6,457 employees, out of which approximately 5,057 are production workers. In addition to the provision of annual bonuses, medical and life insurances, discretionary bonuses are also available to employees on a performance basis. The 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

Based on the level of orders received and forecasts provided by our customers, the Company expects that sales with the EMS Division will continue to be soft in the second half of 2008. We are cautious about the general business and economic conditions in the U. S., especially the current crisis in financial markets and its impact on the consumer spending. The downturns in the U.S. economy and elsewhere could have an impact on our future sales and profit. We will rigorously improve our competitiveness and profitability by increasing production efficiency and reducing manufacturing costs through an aggressive control of labor and overhead costs.

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

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

As at 30th June, 2008, 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 Ms. 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”), Ms. 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. Ms. 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 Ms. 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, 2008, 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, 2008, 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%

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".

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

Long positions in shares of the Company (Continued)

Notes: (Continued)

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 Ms. 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.
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, 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.

SHARE OPTIONS

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

During the six months ended 30th June, 2008, 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, 2008, 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, 2008, 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.

CODE ON CORPORATE GOVERNANCE PRACTICES (Continued)

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 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, 2008.

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, 2008.

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

Hong Kong, 22nd September, 2008