



**VARITRONIX**

# GEARED UP

FOR A COLOURFUL FUTURE

Varitronix International Limited  
2007 Interim Report



Stock Code 710

# Chairman's Statement

## FINANCIAL HIGHLIGHTS

- Turnover: HK\$1,155 million (2006: HK\$840 million), up 38%
- Profit from operations: HK\$134 million (2006: HK\$103 million), up 30%
- Profit attributable to shareholders: HK\$120 million (2006: HK\$90 million), up 33%
- Interim dividend per share: 12 HK cents (2006: 9 HK cents)

## BUSINESS REVIEW

### Europe

Turnover from the European market for the six months ended 30 June 2007 reached \$405 million, representing a 17% increase over the corresponding period of 2006. Turnover from this market has scaled new heights, with a notable increase in sales orders from the automotive and industrial product sectors. This is due to a vibrant economy in the region, which has led to the growth of the automotive and other industries. At the same time, it reflects the success of the Group's strategy of targeting this region for growth and dedicating resources to the expansion of the sales network in order to further penetrate the market.

During the period under review, the Group has cooperated well with manufacturers who make high-end products with a high profit margin in Europe. The Group has a particular niche in high-end products and has assumed a leadership role in the field. This is because our technology, product quality and service all match the high standards required by such customers.

Turnover from the European automotive market continues to represent a significant share of the Group's total automotive product business. We have constantly upgraded our technology to meet the demands of our customers and have forged a strong working relationship with our European automotive customers over the years. As we move to produce increasingly more advanced display solutions for these customers, we have also been able to realize higher profit margins for the Group.

### North America

In the six months ended 30 June 2007, the North American market recorded a turnover of \$60 million, representing a 21% rise over the same period in 2006. Business from this region derives mainly from customers in the industrial, medical and automotive product sectors. The latest market trend is toward color displays, and the Group has seen an increasing number of enquiries on their applications in this region.

# Chairman's Statement

## Mainland China and Hong Kong

Turnover from the Mainland China and Hong Kong markets was \$544 million in the first six months of 2007, a 74% increase from the corresponding period last year.

These markets concentrate on mobile handsets and other electronic consumer products, with color display applications. In the past few years, the market share of "non-major brand" mobile handsets has expanded significantly. In response to this change in market conditions, the Group has altered its strategy to concentrate its resources on the non-major brand mobile handset market sector. The performance of the Group's mobile phone business has been successfully turned around in the first half of 2007, with business from mobile handset displays recording satisfactory progress. This is a testimony to our success in switching our marketing emphasis to non-major brand mobile handset manufacturers. The Group has also benefited from continued growth in the economy and in the electronic consumer market in this region, resulting in increased turnover for this sector when compared with last year.

The Group is also actively engaged in business discussions with automotive customers in various parts of Mainland China. The majority of these customers are joint venture companies set up by foreign automobile manufacturers, with Mainland Chinese executives handling purchasing, production and sales. The Group is beginning to receive orders from this category of customers and remains in close cooperation with local automobile customers as well, an indication that our base of automobile customers in Mainland China is expanding.

## Rest of Asia

Business from Rest of Asia has soared. Sales revenue of \$139 million was recorded in the first half of 2007, demonstrating a healthy increase of 24% as compared to that of the same period last year.

This business market is primarily made up of South Korea plus other countries. The majority of customers are in the consumer electronics and automotive sectors, with secondary markets in medical, telecommunications and industrial equipment. Consumer electronic products favor color displays while automotive customers are applying mono-color display solutions at the moment.

Business from automotive clients in this area has been satisfactory in the first half of the year, with significant growth in share of total business volume in this region. The Group is pleased with this growth and will endeavor to capitalize on every opportunity in the rapidly expanding Asian automotive market.

## PROSPECTS

### Automotive Display Business

Automotive display units nowadays show more complex information than ever before, and automotive manufacturers require LCD displays to possess functions such as wide viewing angle and high contrast. As the installation of multi-media equipment in automobiles becomes more and more common, Thin-Film Transistor (TFT) color displays are gaining in popularity by the day.

These market trends have presented the Group with ample opportunities for our automotive products business. We have now mapped out two directions for our business development. First, we will develop high value-added products, launch LCD modules with comprehensive electronic components to enable easy integration with different equipment and supply our customers with more high-end products with high resolution. Secondly, we will develop more color applications and promote small to medium-sized color display modules to our customers.

The Group has years of experience in the development of automotive display products, and has a clear understanding of the demands of this particular group of customers. Our display products have always passed stringent quality inspections. Building on our solid customer base, the Group is well positioned to deepen our relationships with existing customers and market high-end, color display products so as to increase revenue from this sector.

### TFT Business

The Group's strategy for our TFT business is to form strategic partnerships to acquire a secure supply of TFT panels, to which we add high value-added elements based on our own expertise in LCD design to meet different customer needs.

Our strategy is based on our knowledge that there is a wide range of TFT products available on the market, and that it is more viable to cooperate with different TFT suppliers, thereby creating more business opportunities, than to compete with TFT manufacturers alone. By maintaining a long-term relationship with TFT manufacturers, the Group can supply its customers with a variety of TFT products so as to expand its business portfolio.

The Group has signed a long-term TFT panel supply agreement with the Korean-based TFT manufacturing company BOE HYDIS. The acquisition of a steady supply of high-quality TFT panels is a critical factor for success in this thriving but highly competitive market. This will give the Group a competitive edge in the expansion of our TFT business by equipping us with greater flexibility in designing a diversified range of products to meet customer demand.

# Chairman's Statement

## Home Electrical Appliances

Manufacturers of home electrical appliances in Europe are beginning to include LCD in their designs, which allow users better control of their appliances. In keeping with this favorable trend, the Group has seen an increase in enquiries and orders from these customers.

The Group held its first workshop on home electrical appliances in Milan, Italy in January 2007. Our marketing personnel and engineers introduced our LCD displays and other technological developments to participants who included representatives from our existing customers and agents, together with other new customers who had never worked with the Group before. Such a workshop is an ideal platform to showcase the Group's capabilities and enhance customers' knowledge about our products, so they can more easily integrate our products into their designs.

Currently, the Group has established business ties with a number of famous brands of home electrical appliances in Europe. We are dedicated to further developing the business in this sector.

## Japan

The Group's business in the Japanese market has proceeded according to plan and we have made steady progress in the first six months of 2007. We have established a sales network in the country serving customers from many different business sectors including manufacturers of office automation equipment, musical equipment, security systems and automotive accessories.

Japan is a newly developed market for the Group, with unique customer traits that set them apart from customers elsewhere in the world. Japanese customers are very receptive to new technology and highly demanding of top quality. If the Group can successfully make its name in the Japanese market, it will not only boost our reputation, but we can also use the circumstance to showcase and promote the adoption of our newly developed technology to other markets. The Group will continue to work diligently towards expanding this strategically valuable market.

## SUMMARY

In the first half of 2007, the Group has experienced good business growth and sales owing partially to a thriving world economy and a flourishing consumer market, and partially to our comprehensive service and close cooperation with our customers. Armed with the number of orders at hand, the Group is confident that satisfactory business performance can be sustained in the latter half of the year.

## ACKNOWLEDGEMENT

The first half of 2007 has witnessed vibrant industrial and consumer markets, and this has benefited the LCD industry. Due to strong order flows, a considerable amount of pressure has been exerted on our front line sales staff, overseas offices and all personnel in our production and supporting departments. The Board of Directors and the management team would like to express our gratitude to all members of staff concerned for their efforts in performing their duties throughout every critical process of our operations. With these concerted efforts, we are able to strengthen the Group's position in these favorable market conditions. Each one of us in the Group hereby pledges that we will do our utmost to fully utilize every business opportunity to realize better returns for our shareholders.

**Ko Chun Shun, Johnson**

*Chairman*

Hong Kong, 20 August 2007

# Consolidated Income Statement

For the six months ended 30 June 2007 – unaudited

		<b>Six months ended 30 June</b>	
	Note	<b>2007 HK\$'000</b>	2006 HK\$'000
<b>Turnover</b>	2	<b>1,155,000</b>	839,520
<b>Other revenue and other net income</b>		<b>48,542</b>	33,070
<b>Changes in inventories of finished goods and work in progress</b>		<b>21,202</b>	36,120
<b>Raw material and consumables used</b>		<b>(788,946)</b>	(546,632)
<b>Staff costs</b>		<b>(140,033)</b>	(110,590)
<b>Depreciation</b>		<b>(38,421)</b>	(39,131)
<b>Other operating expenses</b>		<b>(123,291)</b>	(109,216)
<b>Profit from operations</b>		<b>134,053</b>	103,141
<b>Finance costs</b>	3(a)	<b>(1,883)</b>	(1,780)
<b>Profit before taxation</b>	3	<b>132,170</b>	101,361
<b>Income tax</b>	4	<b>(13,602)</b>	(10,648)
<b>Profit after taxation</b>		<b>118,568</b>	90,713
<b>Attributable to:</b>			
Minority interests		<b>(1,514)</b>	521
Equity shareholders of the Company		<b>120,082</b>	90,192
		<b>118,568</b>	90,713
<b>Interim dividend</b>		<b>38,811</b>	29,107
<b>Earnings per share</b>	5		
Basic		<b>37.13 cents</b>	27.97 cents
Diluted		<b>37.12 cents</b>	27.93 cents

The notes on pages 10 to 16 form part of this interim financial report.

# Consolidated Balance Sheet

At 30 June 2007 – unaudited

	Note	At 30 June 2007 HK\$'000	At 31 December 2006 HK\$'000
<b>Non-current assets</b>			
Fixed assets			
– Investment properties		9,942	10,166
– Other property, plant and equipment		394,559	305,984
– Interest in leasehold land held for own use		19,436	19,469
		<b>423,937</b>	335,619
Interest in associated company		2,353	–
Other financial assets		111,267	73,534
Deferred tax assets		5,068	4,957
		<b>542,625</b>	414,110
<b>Current assets</b>			
Trading securities		60,922	164,184
Inventories		352,672	337,137
Trade and other receivables	6	497,901	464,697
Current taxation recoverable		4,703	888
Cash and cash equivalents	7	661,562	498,688
		<b>1,577,760</b>	1,465,594
<b>Current liabilities</b>			
Bank loans and overdrafts		96,366	45,144
Trade and other payables	8	517,606	478,036
Current taxation payable		11,664	14,214
Dividends payable		77,621	–
		<b>703,257</b>	537,394
<b>Net current assets</b>		<b>874,503</b>	928,200
<b>Total assets less current liabilities</b>		<b>1,417,128</b>	1,342,310
<b>Non-current liabilities</b>			
Deferred tax liabilities		218	240
<b>NET ASSETS</b>		<b>1,416,910</b>	1,342,070
<b>CAPITAL AND RESERVES</b>			
Share capital	9	80,856	80,856
Reserves	9	1,317,865	1,241,598
<b>Total equity attributable to equity shareholders of the Company</b>		<b>1,398,721</b>	1,322,454
<b>Minority interests</b>		<b>18,189</b>	19,616
<b>TOTAL EQUITY</b>		<b>1,416,910</b>	1,342,070

The notes on pages 10 to 16 form part of this interim financial report.



# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2007 – unaudited

	<b>Six months ended 30 June</b>	
	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
<b>Total equity at 1 January</b>	<b>1,342,070</b>	1,322,937
<b>Net income for the period recognised directly in equity:</b>		
Changes in fair value of available-for-sale securities	<b>1,744</b>	(1,494)
Exchange differences on translation of financial statements of overseas subsidiaries	<b>5,551</b>	7,450
Net income and expense for the period recognised directly in equity	<b>7,295</b>	5,956
Transfer to profit or loss on disposal of available-for-sale securities	<b>26,598</b>	(235)
<b>Net profit for the period</b>	<b>118,568</b>	90,713
<b>Total recognised income for the period</b> (note)	<b>152,461</b>	96,434
<b>Movements in equity arising from capital transactions</b>		
Shares issued	–	3
Share premium arising from issue of shares	–	31
Capital contribution by minority interests	–	4,973
Minority interests acquired by the Company	–	(19,137)
Premium on acquisition of minority interests	–	(20,186)
	–	(34,316)
Dividends approved in respect of the previous year	<b>(77,621)</b>	(90,290)
<b>Total equity at 30 June</b>	<b>1,416,910</b>	1,294,765
<b>Note: Total recognised income for the period</b>		
<i>Attributable to:</i>		
Equity shareholders of the Company	<b>153,888</b>	95,679
Minority interests	<b>(1,427)</b>	755
	<b>152,461</b>	96,434

The notes on pages 10 to 16 form part of this interim financial report.

# Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2007 – unaudited

	Six months ended 30 June	
	2007 HK\$'000	2006 HK\$'000
<b>Net cash from operating activities</b>	<b>259,669</b>	16,345
<b>Net cash used in investing activities</b>	<b>(149,728)</b>	(6,480)
<b>Net cash from/(used in) financing activities</b>	<b>49,339</b>	(49,592)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>159,280</b>	(39,727)
<b>Effect of foreign exchange rates changes</b>	<b>3,594</b>	2,942
<b>Cash and cash equivalents at 1 January</b>	<b>498,688</b>	415,845
<b>Cash and cash equivalents at 30 June</b>	<b>661,562</b>	379,060
<b>Analysis of the balances of cash and cash equivalents</b>		
Cash at bank and in hand	<b>360,481</b>	165,367
Deposits with banks and other financial institutions	<b>301,081</b>	213,693
	<b>661,562</b>	379,060

The notes on pages 10 to 16 form part of this interim financial report.

# Notes to the Interim Financial Report

## 1. Basis of preparation

This unaudited interim financial report has been prepared in accordance with the requirements of the Rules Governing the Listing of Securities (the "Listing Rules") of The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The same accounting policies and basis of preparation adopted in the Group's 2006 audited annual financial statements have been applied to the 2007 interim financial report.

## 2. Segmental information

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

As all of the Group's turnover and profits were derived from the design, manufacture and sale of liquid crystal displays and related products, accordingly no separate business segment analysis is presented for the Group. In presenting information on the basis of geographical segments, segment revenue is based on the geographical locations of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

	Segment assets		Capital expenditure incurred for	
	at 30 June 2007 HK\$'000	at 31 December 2006 HK\$'000	the period ended 30 June 2007 HK\$'000	the year ended 31 December 2006 HK\$'000
Europe	165,901	152,091	871	812
Hong Kong and PRC	1,718,970	1,407,648	119,761	49,753
North America	154,156	155,748	–	37
Rest of Asia	69,234	158,372	–	5

## 2. Segmental information (continued)

The analysis of the geographical locations of the turnover of the Group during the financial period is as follows:

	<b>Six months ended 30 June</b>	
	<b>2007</b> HK\$'000	2006 HK\$'000
Asia (note)	<b>682,730</b>	425,250
Europe	<b>404,875</b>	347,283
North America	<b>60,450</b>	50,042
Others	<b>6,945</b>	16,945
	<b>1,155,000</b>	839,520

Note: Sales to Asia for the 6 months ended 30 June 2007 included sales to Hong Kong and PRC for the same period amounting to HK\$543,985,000 (2006: HK\$313,586,000).

There is no major disparity in the ratios between turnover and profit in relation to the above geographical locations, hence no analysis is given of the profit contributions from the above geographical locations.

## 3. Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

	<b>Six months ended 30 June</b>	
	<b>2007</b> HK\$'000	2006 HK\$'000
(a) Finance costs:		
Interest on bank advances and other borrowings repayable within five years	<b>1,883</b>	1,780
(b) Other items:		
Cost of inventories	<b>861,177</b>	613,582
Profit on disposal of fixed assets	<b>170</b>	3,798
Transfer from equity on disposal of available-for-sale securities	<b>7,680</b>	(235)
Impairment loss on available-for-sale securities	-	8,210
Gain on disposal of trading securities	<b>(25,168)</b>	(408)
Gain on revaluation of trading securities	<b>(3,280)</b>	(5,258)
Investment income	<b>(1,464)</b>	(8,518)
Other interest income	<b>(7,483)</b>	(4,796)
Rental income under operating leases	<b>(251)</b>	(183)
Discount on redemption of convertible notes	-	(3,740)
Other income	<b>(4,352)</b>	(7,555)

# Notes to the Interim Financial Report

## 4. Income tax

	Six months ended 30 June	
	2007 HK\$'000	2006 HK\$'000
Current tax		
Hong Kong taxation	7,774	5,977
Overseas taxation	5,850	4,787
	<b>13,624</b>	10,764
Deferred tax		
Reversal of temporary differences	(22)	(116)
	<b>13,602</b>	10,648

The provision for Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) of the estimated assessable profits for the six months ended 30 June 2007. Taxation for overseas subsidiaries is similarly charged at the appropriate current rates of taxation ruling in the relevant countries.

As disclosed in the Group's audited financial statements for the year ended 31 December 2006, a subsidiary has received from the Hong Kong Inland Revenue Department ("IRD") additional assessments relating to the years of assessment 1994/95 to 2004/05 for taxation totalling HK\$163 million. These additional assessments relate to a dispute over the deductibility of certain sub-contracting charges for tax assessment purposes. The subsidiary formally objected to the additional assessments. After lengthy negotiations, meetings and discussions with the IRD, the subsidiary has reached an agreement with the IRD for settlement of the objection for the years of assessment 1994/95 to 2003/04. Based on the outcome, the directors considered that no further provision is required for the years of assessment 1994/95 to 2006/07.

## 5. Earnings per share

- (a) The calculation of basic earnings per share is based on the unaudited profit attributable to equity shareholders of the Company of HK\$120,082,000 (2006: HK\$90,192,000) and the weighted average number of 323,422,204 shares (2006: 322,462,821 shares) in issue during the period.
- (b) The calculation of diluted earnings per share is based on the unaudited profit attributable to equity shareholders of the Company of HK\$120,082,000 (2006: HK\$90,192,000) and the weighted average number of 323,481,449 shares (2006: 322,875,134 shares) after adjusting for the effects of all dilutive potential shares.

<b>Six months ended 30 June</b>		
	<b>2007 Number of shares</b>	2006 Number of shares
Weighted average number of shares for the purpose of basic earnings per share	<b>323,422,204</b>	322,462,821
Deemed issue of shares for no consideration arising from share options	<b>59,245</b>	412,313
Weighted average number of shares for the purpose of diluted earnings per share	<b>323,481,449</b>	322,875,134

## 6. Trade and other receivables

Included in trade and other receivables are trade debtors and bills receivable (net of specific provisions for bad and doubtful debts) with the following ageing analysis:

	<b>At 30 June 2007 HK\$'000</b>	At 31 December 2006 HK\$'000
Within 60 days of the invoice issue date	<b>240,786</b>	278,040
61 to 90 days after the invoice issue date	<b>57,733</b>	47,915
91 to 120 days after the invoice issue date	<b>37,971</b>	9,114
More than 120 days but within 12 months after the invoice issue date	<b>25,509</b>	12,049
More than 12 months after the invoice issue date	<b>–</b>	1
	<b>361,999</b>	347,119

Debts are due within 90 days from the date of the invoice.

# Notes to the Interim Financial Report

## 7. Cash and cash equivalents

	<b>At 30 June 2007 HK\$'000</b>	At 31 December 2006 HK\$'000
Deposits with banks and other financial institutions	<b>301,081</b>	152,607
Cash at bank and in hand	<b>360,481</b>	346,081
Cash and cash equivalents in the balance sheet and the cash flow statement	<b>661,562</b>	498,688

## 8. Trade and other payables

Included in trade and other payables are trade creditors and bills payable with the following ageing analysis:

	<b>At 30 June 2007 HK\$'000</b>	At 31 December 2006 HK\$'000
Within 60 days of supplier invoice date	<b>251,836</b>	275,516
61 to 120 days after supplier invoice date	<b>78,945</b>	36,040
More than 120 days but within 12 months after supplier invoice date	<b>13,315</b>	5,626
	<b>344,096</b>	317,182

## 9. Capital and reserves

### (a) Capital and reserves

	Total attributable to equity shareholders of the Company										
	Share capital	Share premium	Exchange reserve	Fair value		Capital reserve	Other reserves	Retained profits	Total	Minority interests	Total equity
				revaluation reserve	reserve						
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2007	80,856	695,336	8,821	(20,705)	11,373	(28,339)	575,112	1,322,454	19,616	1,342,070	
Final dividends approved in respect of previous year	-	-	-	-	-	-	(77,621)	(77,621)	-	(77,621)	
Exchange differences	-	-	5,464	-	-	-	-	5,464	87	5,551	
Revaluation surplus	-	-	-	1,744	-	-	-	1,744	-	1,744	
Revaluation deficit transferred to the income statement on disposal of securities	-	-	-	26,598	-	-	-	26,598	-	26,598	
Profit for the period	-	-	-	-	-	-	120,082	120,082	(1,514)	118,568	
<b>At 30 June 2007</b>	<b>80,856</b>	<b>695,336</b>	<b>14,285</b>	<b>7,637</b>	<b>11,373</b>	<b>(28,339)</b>	<b>617,573</b>	<b>1,398,721</b>	<b>18,189</b>	<b>1,416,910</b>	

### (b) Dividends

After the balance sheet date, the following dividends were proposed by the Board. The dividends have not been recognised as a liability at the balance sheet date.

	<b>At 30 June 2007 HK\$'000</b>	At 31 December 2006 HK\$'000
Dividends not provided for	<b>38,811</b>	77,621



# Notes to the Interim Financial Report

## 10. Capital and other commitments

Capital and other commitments representing purchase of plant and equipment and long-term supply agreement not provided for in the Group's financial statements were as follows:

	<b>At 30 June 2007 HK\$'000</b>	At 31 December 2006 HK\$'000
Contracted for	<b>85,951</b>	9,663

## 11. Contingent liabilities

At 30 June 2007, the Company had contingent liabilities for guarantees given to banks in respect of banking facilities granted to certain subsidiaries, which were utilised to the extent of HK\$97,712,000 (at 31 December 2006: HK\$50,692,000).

# Other Information

## INTERIM DIVIDEND

The directors of the Company (the “Directors”) declared an interim dividend of 12 cents per share (2006: 9 cents) for the six months ended 30 June 2007 to shareholders whose names appear on the register of members of the Company on Friday, 21 September 2007.

## CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Monday, 17 September 2007 to Friday, 21 September 2007, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch registrars, Computershare Hong Kong Investor Services Limited, Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:00 p.m. on Friday, 14 September 2007.

## STAFF

At the end of June 2007, the Group employed approximately 5,810 persons around the world, of whom approximately 210 were in Hong Kong, 5,547 in PRC and 53 overseas.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group continues to maintain a strong financial position. At 30 June 2007, the Group had a total shareholders’ equity amounting to approximately HK\$1.4 billion and a liquid portfolio of HK\$834 million (31/12/2006: HK\$737 million) of which HK\$662 million (31/12/2006: HK\$499 million) was in cash and cash equivalents and HK\$172 million (31/12/2006: HK\$238 million) in securities. The Group has low bank borrowings and has little exposure to foreign exchange fluctuations as most of its assets, receipts and payments are in HK dollars or US dollars.

# Other Information

## DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2007, the interests of the Directors and their associates in the share capital of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance (the "SFO Ordinance")) as recorded in the register maintained by the Company under Section 352 of the SFO Ordinance were as follows:

### (a) Interests in shares of the Company

<b>Name of Director</b>	<b>Corporate interests</b>	<b>Approximate % of shareholding</b>
Mr. Johnson Ko Chun Shun	43,012,000 shares (Note 1)	13.30

Notes:

1. Rockstead Technology Limited and Omnicorp Limited, both wholly-owned by Mr. Johnson Ko Chun Shun, held 32,312,000 shares and 10,700,000 shares of the Company respectively.
2. As at 30 June 2007, the issued share capital of the Company comprised 323,422,204 shares of HK\$0.25 each.

## DIRECTORS' INTERESTS IN SECURITIES (continued)

### (b) Interests in share options of the Company

	Date granted	Number of options at 1.1.2007	Options granted/ (exercised) during the period	Number of options at 30.6.2007	Exercisable period	Price per share to be paid on exercise of options HK\$	Market value per share at date of grant of options HK\$
<i>Director</i>							
Mr. Johnson Ko Chun Shun	19.12.2005	3,000,000	-	3,000,000	19.12.2005–18.12.2015	5.73	5.65
Mr. Tony Tsoi Tong Hoo	22.7.2005	3,000,000	-	3,000,000	22.7.2005–21.7.2015	6.60	6.55
Mr. Cecil Ho Te Hwai	19.12.2005	3,000,000	-	3,000,000	19.12.2005–18.12.2015	5.73	5.65
		9,000,000	-	9,000,000			

All the interests disclosed above represent long positions in the shares of the Company or its associated corporations (within the meaning of the SFO Ordinance).

Save as mentioned above, none of the Directors, Chief Executives and their associates of the Company as at 30 June 2007 had any interests or short position in the shares or underlying shares and debentures of the Company or any associated corporations (within the meaning of the SFO Ordinance) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO Ordinance.

# Other Information

## SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

The register of interests in shares and short positions maintained under Section 336 of the SFO Ordinance shows that at 30 June 2007, other than the interests disclosed above in respect of Mr. Johnson Ko Chun Shun and Rockstead Technology Limited, the following had an interest of 5% or more in the issued share capital of the Company:

<b>Name of Shareholder</b>	<b>Capacity</b>	<b>Number of shares held</b>	<b>Approximate % of shareholding</b>
Mr. Cheah Cheng Hye	Interest of a controlled corporation (note)	28,604,974	8.84
		281,000	0.09
		28,885,974	8.93
Value Partners Limited	Beneficial owner (note)	28,604,974	8.84

Note: Mr. Cheah Cheng Hye was deemed (by virtue of the SFO) to be interested in 28,604,974 shares in the Company. These shares were held by Value Partners Limited, which was 35.65% owned by Mr. Cheah Cheng Hye.

Save as stated above, no other person is recorded in the register of substantial shareholders maintained under Section 336 of the SFO Ordinance as having an interest of 5% or more in the issued share capital of the Company as at 30 June 2007.

## SHARE OPTION SCHEMES

Date granted	Number of options at 1.1.2007	Options cancelled during the period	Number of options at 30.6.2007	Exercisable period	Price per share to be paid on exercise of options HK\$	Market value per share at date of grant of options HK\$
<i>Directors</i>						
22.7.2005	3,000,000	–	3,000,000	22.7.2005–21.7.2015	6.60	6.55
19.12.2005	6,000,000	–	6,000,000	19.12.2005–18.12.2015	5.73	5.65
<i>An ex-director</i>						
30.10.2002	1,000,000	–	1,000,000	31.10.2002–30.10.2012	4.605	4.35
21.12.2004	300,000	–	300,000	21.12.2004–20.12.2014	7.45	7.45
19.12.2005	3,000,000	–	3,000,000	19.12.2005–18.12.2015	5.73	5.65
<i>Employees</i>						
9.6.1999	166,750	(26,000)	140,750	9.7.1999–8.7.2009	10.90	15.00
1.6.2000	371,000	(48,000)	323,000	1.7.2000–30.6.2010	11.30	13.40
30.8.2001	121,500	–	121,500	30.8.2001–29.8.2011	3.06	3.68
13.9.2002	137,000	(8,000)	129,000	13.9.2002–12.9.2012	3.905	3.85
6.10.2003	239,500	(27,500)	212,000	6.10.2003–5.10.2013	7.35	7.35
20.12.2004	2,166,000	(42,000)	2,124,000	20.12.2004–19.12.2014	7.50	7.50
	16,501,750	(151,500)	16,350,250			

### Notes:

- No share option was granted, exercised, or lapsed during the period.
- The total number of shares available for issue under the Share Option Schemes at 30 June 2007 represents 5.06% of the issued share capital of the Company at that date.
- The consideration paid by each employee for the options granted was HK\$1.

# Other Information

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

During the period, there was no purchase, sale or redemption by the Company or any of its subsidiaries of its listed securities.

## **CORPORATE GOVERNANCE**

None of the Directors is aware of information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30 June 2007, in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors by Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Following specific enquiry by the Company, all Directors confirmed that they have complied with the required standards as set out in the Model Code throughout the period under review.

## **AUDIT COMMITTEE**

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed financial reporting matters including the review of the unaudited interim results for the six months ended 30 June 2007 of the Company now reported on.

## **REMUNERATION COMMITTEE**

The Remuneration Committee is headed by Dr. William Lo Wing Yan, an Independent Non-executive Director. The other members of the Remuneration Committee are Mr. Hou Ziqiang, an Independent Non-executive Director, and Mr. Johnson Ko Chun Shun, an Executive Director.

## **DIRECTORS**

As at the date of this report, the Board comprises six directors, of which Mr. Johnson Ko Chun Shun, Mr. Tony Tsoi Tong Hoo, and Mr. Cecil Ho Te Hwai are executive Directors and Dr. William Lo Wing Yan, Mr. Yuen Kin and Mr. Hou Ziqiang are independent non-executive Directors.