



INTERIM REPORT FOR 2006

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, 2006 were as follows:

**CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30TH JUNE, 2006**

		Six months ended 30th June,	
		2006	2005
		HK\$'000	HK\$'000
	Notes	(Unaudited)	(Unaudited)
Revenue	4	1,852,874	1,289,288
Interest income		2,037	4,603
Increase in fair value of investment properties		3,310	2,210
Fair value changes on financial instruments		(743)	(1,569)
Other income		10,740	8,415
Changes in inventories of finished goods and work-in-progress		6,118	(23,281)
Raw materials and consumables used		(1,539,446)	(1,022,094)
		(1,533,328)	(1,045,375)
Staff costs		(120,902)	(103,881)
Depreciation and amortisation of prepaid lease payments		(30,538)	(39,785)
Amortisation on development costs capitalised		(3,448)	(7,393)
Impairment loss recognised	6	(3,845)	–
Other operating expenses		(107,479)	(87,208)
Finance costs	5	(11,530)	(8,143)
Loss on disposal of interest in an associate		–	(378)
Share of results of associates		(682)	488
Write back of allowance for loan advanced to an associate		–	5,995
Profit before taxation	6	56,466	17,267
Taxation	7	(7,235)	(3,885)
Profit for the period		49,231	13,382
Attributable to:			
Equity holders of the Company		50,550	13,385
Minority interests		(1,319)	(3)
		49,231	13,382
Dividend	8	9,339	–
Earnings per share	9		
Basic		HK\$0.11	HK\$0.03
Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET
AT 30TH JUNE, 2006

		At 30/6/2006	At 31/12/2005
		<i>HK\$'000</i>	<i>HK\$'000</i>
	Notes	(Unaudited)	(Audited)
Non-current assets			
Investment properties	10	23,680	23,770
Property, plant and equipment	11	269,245	265,028
Prepaid lease payments		86,702	88,670
Interests in associates		126,059	137,911
Available-for-sale investments		179	299
Held-to-maturity investments		4,003	7,958
Development costs capitalised	12	20,793	19,606
		530,661	543,242
Current assets			
Prepaid lease payments		2,151	2,152
Inventories		390,729	381,159
Trade and other receivables	13	711,141	546,442
Tax reserve certificate		4,557	4,557
Deposits and prepayments		16,008	12,939
Derivative financial instruments		–	588
Bank balances and cash		231,315	195,900
		1,355,901	1,143,737
Current liabilities			
Trade and other payables	14	682,980	518,806
Bills payable		1,416	1,460
Tax payable		19,642	12,052
Amount due to an associate		7,008	7,008
Derivative financial instruments		1,531	1,376
Bank borrowings due within one year	15	268,573	233,979
		981,150	774,681
Net current assets		374,751	369,056
Total assets less current liabilities		905,412	912,298

CONDENSED CONSOLIDATED BALANCE SHEET
AT 30TH JUNE, 2006

		At 30/6/2006	At 31/12/2005
		<i>HK\$'000</i>	<i>HK\$'000</i>
	Notes	(Unaudited)	(Audited)
Non-current liabilities			
Bank borrowings due after one year	15	235,167	278,958
Deferred taxation		3,278	3,530
		<u>238,445</u>	<u>282,488</u>
		<u>666,967</u>	<u>629,810</u>
Capital and reserves			
Share capital		46,692	46,692
Reserves		619,931	582,773
Equity attributable to equity holders of the Company		<u>666,623</u>	<u>629,465</u>
Minority interests		<u>344</u>	<u>345</u>
		<u>666,967</u>	<u>629,810</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30TH JUNE, 2006

Attributable to equity holders of the Company

	Share capital		Capital redemption reserve		Investment revaluation reserve		Dividend reserve	Translation reserve	Accumulated profits	Total	Minority interests	Total
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000						
At 1st January, 2005	46,692	148,864	345	331,559	–	–	9,339	(64,048)	131,605	604,356	349	604,705
Exchange difference directly recognised in equity	–	–	–	–	–	–	–	5,299	–	5,299	–	5,299
Fair value change on available-for-sale investments	–	–	–	–	30	–	–	–	–	30	–	30
Net income recognised directly in equity	–	–	–	–	30	–	–	5,299	–	5,329	–	5,329
Profit (loss) for the period	–	–	–	–	–	–	–	–	13,385	13,385	(3)	13,382
Total recognised income and expenses for the period	–	–	–	–	30	–	–	5,299	13,385	18,714	(3)	18,711
Dividend set aside (Note 8)	–	–	–	–	–	–	–	–	–	–	–	–
Dividend paid	–	–	–	–	–	–	(9,339)	–	–	(9,339)	–	(9,339)
At 30th June, 2005	46,692	148,864	345	331,559	30	–	–	(58,749)	144,990	613,731	346	614,077
At 1st January, 2006	46,692	148,864	345	331,559	63	–	9,339	(61,118)	153,721	629,465	345	629,810
Exchange difference directly recognised in equity	–	–	–	–	–	–	–	(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	46,692	148,864	345	331,559	(58)	–	9,339	(65,050)	194,932	666,623	344	666,967

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30TH JUNE, 2006**

	Six months ended 30th June,	
	2006	2005
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash from operating activities	87,747	72,340
Investing activities		
Purchase of tax reserve certificate	–	(4,557)
Proceeds from disposal of an associate	–	9,250
Other investing activities	(20,388)	984
Net cash (used in) from investing activities	(20,388)	5,677
Financing activities		
Dividend paid	(9,339)	(9,339)
New bank borrowings raised	164,753	115,544
Repayment of bank borrowings	(171,115)	(160,778)
Other financing activities	(12,890)	(8,151)
Net cash used in financing activities	(28,591)	(62,724)
Net increase in cash and cash equivalents	38,768	15,293
Cash and cash equivalents at 1st January	195,900	174,530
Effect of exchange rate changes	(3,353)	4,917
Cash and cash equivalents at 30th June	<u>231,315</u>	<u>194,740</u>
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	<u>231,315</u>	<u>194,740</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2006

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 Stock Exchange of Hong Kong Limited.

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, 2005.

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 either effective for accounting periods beginning on or after 1st December, 2005 or 1st January, 2006. 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.

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 (Amendment)	Net investment in a Foreign Operation
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 & HKFRS 4 (Amendments)	Financial Guarantee Contracts
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HK(IFRIC)-Int 4	Determining whether an Arrangement Contains a Lease
HK(IFRIC)-Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2006

2. PRINCIPAL ACCOUNTING POLICIES – Continued

The Group has not early applied the following new standards, interpretations and amendments that have been issued but are not yet effective at 30th June, 2006. The directors of the Company anticipate that the application of these new standards, interpretations and amendments will have no material impact on the results and financial position of the Group.

HKAS 1 (Amendment)	Capital Disclosures ¹
HKFRS 7	Financial Instruments: Disclosures ¹
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ²
HK(IFRIC)-Int 8	Scope of HKFRS 2 ³
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives ⁴

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

² Effective for annual periods beginning on or after 1st March, 2006.

³ Effective for annual periods beginning on or after 1st May, 2006.

⁴ Effective for annual periods beginning on or after 1st June, 2006.

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, 2006**

3. SEGMENT INFORMATION – Continued

Segment information for the six months ended 30th June, 2006 and 2005 is as follows:

Business segments

	For the six months ended 30th June, 2006				
	EMS	ODM	Other	Eliminations	Consolidated
	division	division	divisions [#]		
	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
REVENUE					
External sales	1,848,868	2,547	1,459	–	1,852,874
Inter-segment sales	4,063	–	–	(4,063)	–
Total	<u>1,852,931</u>	<u>2,547</u>	<u>1,459</u>	<u>(4,063)</u>	<u>1,852,874</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					(682)
Profit before taxation					<u>56,466</u>

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30TH JUNE, 2006**

3. SEGMENT INFORMATION – Continued

Business segments – Continued

	For the six months ended 30th June, 2005				Consolidated HK\$'000 (Unaudited)
	EMS division HK\$'000 (Unaudited)	ODM division HK\$'000 (Unaudited)	Other divisions# HK\$'000 (Unaudited)	Eliminations HK\$'000 (Unaudited)	
REVENUE					
External sales	1,272,923	15,930	435	–	1,289,288
Inter-segment sales	4,525	–	–	(4,525)	–
Total	<u>1,277,448</u>	<u>15,930</u>	<u>435</u>	<u>(4,525)</u>	<u>1,289,288</u>
SEGMENT RESULT	<u>41,435</u>	<u>(29,591)</u>	<u>123</u>		11,967
Unallocated corporate expenses					(7,890)
Interest income					4,603
Unallocated other income					8,415
Increase in fair value of investment properties					2,210
Finance costs					(8,143)
Write back of allowance for loan advanced to an associate					5,995
Loss on disposal of interest in an associate					(378)
Share of results of associates					488
Profit before taxation					<u>17,267</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.

4. REVENUE

Revenue represents 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.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30TH JUNE, 2006**

6. PROFIT BEFORE TAXATION

	Six months ended 30th June,	
	2006	2005
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit before taxation has been arrived at after charging (crediting):		
Depreciation	29,650	40,106
Less: amount capitalised to development costs	(188)	(321)
Amount charged to the income statement	29,462	39,785
Impairment loss recognised on:		
Prepaid lease payments	959	–
Property, plant and equipment	991	–
Development costs capitalised	1,895	–
	3,845	–
Loss on disposal of property, plant and equipment	117	37

7. TAXATION

	Six months ended 30th June,	
	2006	2005
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
The taxation comprises:		
Profits tax		
Hong Kong	7,274	4,204
Other jurisdictions	68	42
Under-provision in the previous period	145	772
Deferred tax	(252)	(1,133)
	7,235	3,885

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.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30TH JUNE, 2006**

8. DIVIDEND

	Six months ended 30th June,	
	2006	2005
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Proposed interim dividend	<u>9,339</u>	<u>–</u>

For the six months ended 30th June, 2006, the Directors have resolved to pay an interim dividend of HK\$0.02 per share. The aforementioned interim dividend will be paid on Friday, 27th October, 2006 to the shareholders on the Register of Members on Friday, 20th October, 2006. For the six months ended 30th June, 2005, the Directors had resolved not to pay an interim dividend.

9. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the Group's profit for the period of approximately HK\$50,550,000 (six months ended 30th June, 2005: HK\$13,385,000) and the number of ordinary shares of 466,921,794 (six months ended 30th June, 2005: 466,921,794).

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

10. INVESTMENT PROPERTIES

The Group's investment properties were fair valued by RHL Appraisal Limited, independent professional valuers not connected with the Group, at 30th June, 2006. The resulting increase in fair value of the investment properties of approximately HK\$3,310,000 has been recognised in the condensed consolidated income statement for the period. During the period, one of the investment properties with fair value of HK\$3,400,000 was transferred to buildings.

11. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$32,235,000 on additions to property, plant and equipment. In addition, the Group disposed of property, plant and equipment with an aggregate net book value of approximately HK\$124,000. During the period, one of the buildings with fair value of HK\$3,400,000 was transferred from investment properties as deemed cost.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30TH JUNE, 2006**

12. DEVELOPMENT COSTS CAPITALISED

During the period, the Group capitalised approximately HK\$6,530,000 as development costs. The development costs are amortised on a straight-line basis over a period of 2 years.

13. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 60 days to its trade customers.

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

	At 30/6/2006	At 31/12/2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Trade receivables		
0 – 60 days	661,880	505,592
61 – 90 days	8,984	6,704
Over 90 days	24,709	13,958
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	695,573	526,254
Other receivables	15,568	20,188
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	711,141	546,442
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The fair values of trade and other receivables at 30th June, 2006 approximate to their corresponding carrying amounts.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30TH JUNE, 2006**

14. TRADE AND OTHER PAYABLES

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

	At 30/6/2006	At 31/12/2005
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Trade payables		
0 – 60 days	538,153	399,578
61 – 90 days	29,346	2,412
Over 90 days	39,092	52,387
	<hr/>	<hr/>
	606,591	454,377
Other payables	76,389	64,429
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	682,980	518,806
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The fair values of trade and other payables at 30th June, 2006 approximate to their corresponding carrying amounts.

15. BANK BORROWINGS

During the period, the Group obtained new bank loans of approximately HK\$165 million and repaid bank loans of approximately HK\$171 million. The loans bear interest at ranges from 4.55% to 6.28% per annum 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 approximately HK\$34 million due within one year which is unsecured.

16. POST BALANCE SHEET EVENT

Subsequent to the balance sheet date, the Group had disposed of an associate whose principal activities are the development, manufacture and distribution of CDMA handphones with carrying amount of approximately HK\$14,796,000 to an independent third party.

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 financial statements amounted to approximately HK\$232,000 (year ended 31st December, 2005: HK\$6,769,000).

INTERIM DIVIDEND

The Directors have resolved to pay an interim dividend of HK\$0.02 per share (2005: Nil) on Friday, 27th October, 2006 to the shareholders on the Register of Members on Friday, 20th October, 2006.

The Register of Members will be closed from Monday, 16th October, 2006 to Friday, 20th October, 2006, both days inclusive, during which period no further 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 registrars, Standard Registrars Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Friday, 13th October, 2006.

REVIEW OF BUSINESS ACTIVITIES

The Group's turnover and profit before taxation increased by 43.7% and 227.0%, respectively, compared to the first half of 2005. This was mainly due to the substantial increase in turnover of the Electronic Manufacturing Service Division (the "EMS Division").

Due to the increase in sales to a number of customers, and orders from customers newly acquired by the Division in the last two years, the turnover of the EMS Division's plant in Shajing increased by 44.6% compared to the first half of 2005, and its profit margin also increased significantly due to economies of scale. The turnover of the Division's other plant in Suzhou grew by 22.1% compared to the first half of 2005, and its operating results also improved significantly. Despite the improvement in operating results, the EMS Division is faced with the problem of rising costs due to the continuous increases in wages, the increasing burden of social security contributions as well as the gradual appreciation of Renminbi. Due to the increase in business, the Division has also experienced a shortage in space in the current factory in Shajing.

The loss of the Original Product Development and Marketing Division (the "ODM" Division) for the first half of 2006 comprised mainly amortisation and impairment loss on deferred development costs. Due to technical issues, the commercial shipments of radio frequency identification reader/writer and storage terminal cards with security digital slots (the "SDID" cards) and the compact vehicle tracking device using global positioning system ("GPS") and global system of mobile communications ("GSM") technologies developed by the Division will be re-scheduled for the second half of 2006. The sales booked by the Division in the first half of 2006 represented sales of old products or samples. Throughout the first half of the year, the Division's product development focus continued to be on the SDID cards.

Sales of the apartments of the residential development in the Mid-levels (the "Project") were slow in the first half of the year, and there was no significant change in the price per square foot for those apartments which were sold in the first half of the year. The Directors do not consider any further adjustment in respect of the carrying value of the Project necessary.

FINANCE

As at 30th June, 2006, the Group had net bank borrowings of HK\$272 million (31/12/2005: HK\$317 million) representing 40.9% (31/12/2005: 50.4%) of its shareholders' equity at that date.

As at 30th June, 2006, the Group had bank balances and cash of HK\$231 million (31/12/2005: HK\$196 million).

Most of the Group's sales are conducted in US dollars and costs and expenses are mainly in US dollars, HK dollars, Japanese Yen and Renminbi. Forward exchange contracts are used to hedge foreign exchange exposures where necessary or practicable.

CAPITAL STRUCTURE

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

EMPLOYEES

As at 30th June, 2006, the Group employed approximately 6,750 employees, out of which approximately 5,000 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 remuneration policy and packages of the Group are reviewed from time to time.

The Group also provides in-house and external training programs to its employees.

PROSPECTS

In order to enhance long-term competitiveness, the EMS Division will continue its efforts in tightening costs and expenses control. In 2005, the Division acquired the right of use of a piece of land of 40,000 square meters which is adjacent to its factory in Suzhou. The Division is now planning to build thereon an extension of the current factory to increase production space.

Based on the level of orders on hand and forecasts provided by customers, the Directors expect that the EMS Division's operating results in the second half of 2006 can be maintained.

The Directors do not expect the ODM Division to turn a profit in the second half of 2006 though they expect that its operating loss will decrease as a result of the Division's effort to reduce costs. The Directors do believe that the market for SDID products is emerging and fast growing 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 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, 2006, 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. HSBC Trustee (Cook Islands) Limited was accustomed/obliged to act in accordance with the directions or instructions of HSBC International Trustee 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”), and HSBC International Trustee Limited (as disclosed in Note 3(b) under 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, 2006, 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, 2006, 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	Interest of controlled corporations and trustee (Note 3)	274,754,836	58.84%
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	Trustee (Note 5)	38,458,487	8.24%
Wong Chung Yin, Michael	Founder of discretionary trust (Note 6)	30,183,960	6.46%

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.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

Long positions in shares of the Company – Continued

Notes: – Continued

Kong King International Limited owned 19% of W. S. Wong & Sons Company Limited. Each of Floral Inc. and Sycamore Assets Limited owned 10% of W. S. Wong & Sons Company Limited. Kong King International Limited was accustomed/obliged to act in accordance with the directions or instructions of HSBC International Trustee Limited. Sycamore Assets Limited and Floral Inc. were wholly owned by HSBC International Trustee Limited. Accordingly, W. S. Wong & Sons Company Limited was regarded as a controlled corporation of HSBC International Trustee Limited (by virtue of the SFO). HSBC International Trustee Limited was also the trustee of various discretionary trusts (by virtue of the SFO) in relation to the 195,338,803 shares interested by W.S. Wong & Sons Company Limited. The references to 195,338,803 shares interested by W. S. Wong & Sons Company Limited (as disclosed herein) and deemed to be interested by HSBC International Trustee Limited (as disclosed in Note 3(e) 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 274,754,836 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) 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. HSBC Trustee (Cook Islands) Limited was accustomed/obliged to act in accordance with the directions or instructions of HSBC International Trustee Limited. Please see Note 2(c) under the section headed “Interests of Directors and chief executives”.
 - (c) 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).
 - (d) 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).
 - (e) 195,338,803 shares were interested by W. S. Wong & Sons Company Limited, which was regarded as a controlled corporation of HSBC International Trustee Limited (by virtue of the SFO). HSBC International Trustee Limited was also the trustee of various discretionary trusts (by virtue of the SFO) in relation to the 195,338,803 shares interested by W.S. Wong & Sons Company Limited. Please see Note 1 above.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

Long positions in shares of the Company – Continued

Notes: – Continued

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.
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 30,183,960 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) 11,799,000 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, 2006, had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

SHARE OPTIONS

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

During the six months ended 30th June, 2006, 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, 2006, 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, 2006, 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, 2006.

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, 2006.

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

Hong Kong, 20th September, 2006