



萬裕國際集團有限公司

Man Yue International Holdings Limited

(Stock Code: 0894)



INTERIM REPORT  
2007

**SAMXON**<sup>®</sup>

**X-CON**<sup>®</sup>



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## Corporate Information

### Board of Directors

### Executive Directors

Chan Ho Sing (*Chairman*)

Ko Pak On

### Independent Non-executive Directors

Li Sau Hung, Eddy

Lo Kwok Kwei, David

Mar, Selwyn

### Audit Committee

Mar, Selwyn (*Chairman*)

Li Sau Hung, Eddy

Lo Kwok Kwei, David

### Remuneration Committee

Mar, Selwyn (*Chairman*)

Chan Ho Sing

Li Sau Hung, Eddy

### Company Secretary and Qualified Accountant

Tso Yan Wing, Alan

### Auditors

Ernst & Young, *Certified Public Accountants*

### Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited

Standard Chartered Bank (Hong Kong) Limited

Hang Seng Bank Limited

CITIC Ka Wah Bank Limited

### Registered Office

Clarendon House, 2 Church Street

Hamilton HM11, Bermuda

### Principal Place of Business

16/F., Yiko Industrial Building, 10 Ka Yip Street

Chai Wan, Hong Kong

### Principal Share Registrar and Transfer Office

Butterfield Fund Services (Bermuda) Limited

Rosebank Centre, 14 Bermudiana Road

Pembroke, Bermuda

### Branch Share Registrar and Transfer Office

Tricor Tengis Limited

26/F., Tesbury Centre, 28 Queen's Road East

Hong Kong

### Corporate Website

[www.manyue.com](http://www.manyue.com)

### Investors Relationship Contact

E-mail: [ir@manyue.com](mailto:ir@manyue.com)

### Stock Code

0894



# Management Discussion and Analysis

## Results Highlights

- Revenue grew by 11.4% to HK\$594,310,000
- EBITDA rose by 15.9% to HK\$100,111,000
- Net profit rose by 20.4% to HK\$62,692,000
- Net margin of 10.5%
- Net gearing ratio of 30.7%
- Interim dividend of HK3.0 cents per share

## Financial Results

The financial period for the six months ended 30 June 2007 (the “Period”) was exciting and challenging to the Group. During this Period, we have successfully relocated our largest manufacturing facilities in Dongguan from the old factory premises to the new state-of-the-art centralised production facilities in the same district, the town of Changan. Right after the move, over 200 customers visited our new production facilities to re-certify our status as their “approved vendor”. This re-certification procedure is a common practice in the aluminium electrolytic capacitors (“E-Caps”) industry and will be conducted when there is a change in production location. Owing to the abovementioned reasons, the production capacity in Dongguan was inevitably interrupted during the months of March, April and May. Despite all these one-off interruptions, the Group still managed to grow its revenue by 11.4% to HK\$594,310,000. Gross margin, however, suffered a temporary decline to 22.9% mainly because of: (1) expenses incurred for the factories relocation; (2) writing off of fixed asset items such as leasehold improvements, furniture and fixture of the old factory premises; (3) scrapping of raw materials caused by the tuning of machinery after the move; and (4) loss of production capacity in the month of April and May due to tuning of machinery and delaying of sales orders, pending for completion of customers’ recertification procedures. Share of profit of jointly controlled entities (“JCE”) increased during the Period which is mainly due to the commencement of operation of a JCE and profit arising from revaluation of industrial properties held by the JCE. Profit attributable to equity holders of the Company for the Period amounted to HK\$62,692,000, representing an increase of 20.4% from the same period in last year. Net margin stood at 10.5% against 9.8% for the same period last year.



# Management Discussion and Analysis

## Financial Results (Continued)

Basic and diluted earnings per share (“EPS”) for the Period were HK13.55 cents and HK13.48 cents respectively, which compared with HK12.43 cents and HK11.82 cents respectively for the same period in last year.

In appreciation to shareholders for their continuous support, considering the improved liquidity position as at 30 June 2007 and anticipating good financial performance in the second half of 2007, the Board of Directors has resolved to declare an interim dividend of HK3.0 cents per share, totalling HK\$14,239,000.

## Business Review

### *Electronic components*

In accordance with the research reports published by Paumanok Publications Inc. of the USA in 2007, the size of the global E-Cap market in 2006 in revenue terms was approximately USD4,150 million. Accordingly, Man Yue is now accounting for approximately 4% of the global market share. Paumanok also confirmed that Man Yue is now ranking as the fifth largest E-Cap manufacturers in the world, after the four largest Japanese based E-Cap manufacturers namely Nippon Chemi-Con; Nichicon; Rubycon and Panasonic.

During the Period, the Group’s own brands, SAMXON (for E-Caps) and X-CON (for conductive polymer aluminum solid capacitors or “Polymer Caps”) continued to gain world-wide recognition. Several global technology leaders have started to use Man Yue’s E-Caps and Polymer Caps in their products in place of Japanese products. For some of these customers, it is probably the first time for them to shift their E-Caps sourcing from Japanese sources only to Japanese plus Man Yue sources. Apart from new Global customers we developed in the Period, Man Yue also received incremental orders from its existing broad base of customers all over the world.



# Management Discussion and Analysis

## **Business Review** (Continued)

### ***Electronic components*** (Continued)

To satisfy the increase in sales orders from existing and new customers, the Group has been building new production space and investing in production machineries. In Dongguan, phase 1 development of a brand new production facility was completed in March 2007. This new facility offers approximately 1.1 million square foot of production space and is targeting to produce up to 690 million pieces per month before the end of 2007. Although there were temporary business interruptions during April and May 2007, primarily caused by factory relocation and recertification by customers, the production capacity had increased sharply from June 2007 onwards. We anticipate this new Dongguan production facility will operate at full capacity for the entire second half of 2007. Phase 1 development of our new Wuxi production facility which commenced operation in July 2005 had already reached its full production capacity of 200 million pieces per month. The Group is now planning to construct phase 2 development at the end of 2007.

### ***Raw materials***

Increase in the demand for E-Caps drives up the demand for high quality aluminum foils, one of the key raw materials used in the production of E-Caps. Since January 2006, the Group's Qingyuan aluminum foil factory has commenced operation and is currently producing part of the aluminum foils required by the Group. As demand for aluminum foils increases, the Group will increase its investment in the production capacities of aluminum foils.

### ***Research and development***

Staying abreast of the industry's technology development is a key focus of the Group. The Group has over 100 qualified R&D professionals who work hard on introducing various new models of E-Caps to the customers each year. Our long-term cooperation with the Research Institute of Tsinghua University in Shenzhen also allows the Group to lead certain key competitors in the areas of technological innovation. In 2006, we launched the Polymer Caps to the market ahead of several key competitors in the top five list.



# Management Discussion and Analysis

## Business Review (Continued)

### *Environmental protection*

Man Yue also leads the capacitors industry in China on environmental protection. The Group is one of the pioneers in establishing “Restriction of the use of Certain Hazardous Substances in Electrical and Electronic Equipment” (“RoHS”) compliance systems since 2006. Even up to this time, Man Yue is probably the only E-Cap manufacturer in China with sophisticated materials analysis and control laboratories. Advanced equipment was installed to analyse the contents of all raw materials used in our products. The Group’s uncompromising attitudes towards environmental protection have won for it the trust of the customers. More orders were received from customers as Man Yue produced capacitors are completely RoHS Compliant.

### Liquidity and Financial Resources

At 30 June 2007, the Group’s gross borrowings in respect of bank loans and finance leases amounted to HK\$371.8 million (31 December 2006: HK\$370.8 million), of which HK\$189.5 million was repayable within one year, HK\$129.2 million was repayable within one and two years and HK\$53.1 million was repayable between three and five years. After deducting cash and cash equivalents of HK\$146.4 million (31 December 2006: HK\$90.6 million), the Group’s net borrowing amounted to HK\$225.4 million (31 December 2006: HK\$280.2 million). The decrease in borrowing was mainly due to improvement in the Group’s treasury management. Shareholders’ equity at 30 June 2007 was HK\$733.3 million (31 December 2006: HK\$606.3 million). Accordingly, the Group’s net borrowing to shareholders’ equity ratio improved to 30.7% (31 December 2006: 46.2%).

Net cash inflow from operating activities during the Period amounted to HK\$60.4 million, which compared with HK\$35.7 million for the corresponding period. This figure represents profit before tax of HK\$65.8 million, adding back adjustments for non-cash items such as depreciation and amortization of HK\$24.5 million and deducting net increase in working capital of HK\$29.9 million. The net increase in working capital is mainly caused by the Group’s strategy to temporarily increase its raw material buffer stocks so that production orders in the second half year will not be interrupted due to tight supply of raw materials. The Group’s net cash outflow for investing activities for the Period was HK\$53.2 million, which compared with HK\$100.6 million in the corresponding period. These investing activities were mainly represented by capital expenditure for the Period. The investing activities were partly financed by the net cash inflow from operations and partly by loan finances.



# Management Discussion and Analysis

## Liquidity and Financial Resources (Continued)

Earnings before interest, tax, depreciation and amortization (“EBITDA”) amounted to HK\$100.1 million for the Period which compared with HK\$86.4 million for the corresponding period. The Group is expected to generate adequate cash from its operations to repay its liabilities as and when they fall due. Management also expects that the net gearing ratio for 2007 will be lower than that for 2006 as less capital expenditure will be incurred in 2007.

The Group’s financial statements are denominated in Hong Kong dollars. The Group conducts its business transactions mainly in Hong Kong dollars, Renminbi, United States dollars and Japanese yens. As Hong Kong dollar remained pegged to United States dollar, there is no material exchange risk in this respect. The Group receives Renminbi from its customers and at the same time incurs Renminbi expenditures. Although the receipts in Renminbi can partly offset the expenses in Renminbi, the Group is still subject to certain foreign exchange impacts caused by the appreciation of Renminbi. The Group monitors its foreign exchange exposure in Japanese yens by entering into cash flow hedging forward contracts. Credit risk was hedged mainly through credit insurance policies.

## Employment and Remuneration Policy

At 30 June 2007, the Group employed 87 employees in Hong Kong (31 December 2006: 93) and employed a total work force of approximately 5,727 (31 December 2006: 5,769) inclusive of its staff in China and overseas offices. Total headcount decreased during the Period was due to natural attrition and shortage in the supply of labour forces in Dongguan and Wuxi where the Group operates. Salaries, bonuses and benefits were determined with reference to market terms and the performance, qualifications and experience of individual employees.





# Management Discussion and Analysis

## Outlook

The Group is expecting a good sales growth in the second half of 2007. This anticipated sales growth is primarily driven by: (1) expanded production capacity in Dongguan, (2) increased production of Polymer Caps which offer higher selling price and margin, and (3) some of the sales orders for first half were slipped to second half due to factory relocation. In terms of business development, we will continue to develop new key customers in the USA, mainly those engaging in the production of CPUs and computer related products. In Europe, we are gaining new customers engaging in the production of power supplies and energy saving products. We will also increase our marketing development in the emerging markets of the world including Brazil, Russia, India and China.

Production capacity had already been expanded following the commencement of operation of the new Dongguan production facilities. Machines will be added to accelerate the production capacity of E-Caps. More production lines for Polymer Caps will also be added to speed up the production of this new product. We are also planning to develop phase 2 of the Wuxi production facility at end of 2007. The Group's overall production capacity will reach 890 million pieces per month by the end of 2007. Going forward, we target to boost the Group's production capacities at an annual growth rate of approximately 15%.

The Group is expected to increase its aluminum foil self-sufficiency ratio to 50% by the end of 2007. By then, Man Yue is probably the first E-Cap manufacturer in China producing full range of aluminum foils, including etching and forming of anode and cathode aluminum foils in the high, medium and low voltage ranges. This upstream vertical integration will continue to bring in improved profit margin to the Group.

The operating environment in the manufacturing segment is expected to be challenging in 2007. This has been caused by increased raw material costs, increased labour costs and manufacturing overhead expenditure. More importantly, the appreciation of Reminbi also drives up the production cost rapidly. In order to maintain or improve the Group's overall profit margin, we will focus on: (1) speeding up the introduction of innovative products to the market to enjoy a better or premium selling price and (2) reducing production costs by accelerating production volume of aluminum foils. In addition, we will also start to look into new business opportunities in the related industry sector so as to drive for further sales growth and higher profit in the coming years.



# Report on Review of Interim Financial Information



**To the Board of Directors of Man Yue International Holdings Limited**

## **Introduction**

We have reviewed the interim financial information set out on pages 11 to 30 which comprises the condensed consolidated balance sheet of Man Yue International Holdings Limited as at 30 June 2007 and the related condensed consolidated income statement, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.



# Report on Review of Interim Financial Information

## Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

### **Ernst & Young**

*Certified Public Accountants*

18/F, Two International Finance Centre

8 Finance Street, Central

Hong Kong

18 September 2007

# Condensed Consolidated Income Statement

For the six months ended 30 June 2007

		For the six months ended 30 June	
		2007	2006
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
	Notes		
<b>REVENUE</b>	3 & 4	<b>594,310</b>	533,537
Cost of sales		<b>(458,009)</b>	(396,341)
Gross profit		<b>136,301</b>	137,196
Other income and gains		<b>5,010</b>	2,719
Selling and distribution costs		<b>(22,060)</b>	(24,542)
Administrative expenses		<b>(56,179)</b>	(50,761)
Other operating expenses		<b>(1,765)</b>	(465)
Finance costs	5	<b>(10,199)</b>	(9,299)
Share of profits of jointly controlled entities		<b>14,763</b>	906
<b>PROFIT BEFORE TAX</b>	6	<b>65,871</b>	55,754
Tax	7	<b>(3,179)</b>	(3,678)
<b>PROFIT FOR THE PERIOD</b>		<b>62,692</b>	52,076
<b>ATTRIBUTABLE TO:</b>			
Equity holders of the Company		<b>62,692</b>	52,076
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>			
Basic	8	<b>HK13.55 cents</b>	HK12.43 cents
Diluted	8	<b>HK13.48 cents</b>	HK11.82 cents
<b>INTERIM DIVIDEND PER SHARE</b>	9	<b>HK3.0 cents</b>	HK2.0 cents

# Condensed Consolidated Balance Sheet

30 June 2007

	Notes	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		558,647	499,068
Prepaid land premiums		59,210	59,158
Other intangible asset		16	94
Interests in jointly controlled entities		55,914	33,453
Deposits on purchase of items of property, plant and equipment		10,412	6,588
Deferred tax assets		1,909	1,912
Total non-current assets		<b>686,108</b>	600,273
<b>CURRENT ASSETS</b>			
Inventories		244,355	206,470
Trade receivables	10	266,528	287,120
Prepayments, deposits and other receivables		32,454	32,567
Available-for-sale equity investments	11	10,192	17,126
Short term investments	12	144	90
Derivative financial instruments		174	112
Cash and cash equivalents		146,389	90,636
Total current assets		<b>700,236</b>	634,121
<b>CURRENT LIABILITIES</b>			
Trade payables	13	201,809	173,036
Other payables and accrued liabilities		58,912	61,979
Derivative financial instruments		—	898
Tax payable		2,079	4,750
Bank loans		189,164	144,464
Finance lease payables		328	389
Dividend payable		2,024	8
Total current liabilities		<b>454,316</b>	385,524
<b>NET CURRENT ASSETS</b>		<b>245,920</b>	248,597
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>932,028</b>	848,870

# Condensed Consolidated Balance Sheet

30 June 2007

	<i>Notes</i>	<b>30 June 2007 (Unaudited) HK\$'000</b>	31 December 2006 (Audited) HK\$'000
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>932,028</b>	848,870
<b>NON-CURRENT LIABILITIES</b>			
Bank loans		<b>182,082</b>	225,664
Finance lease payables		<b>202</b>	333
Provision for long service payments		<b>1,789</b>	1,789
Deferred tax liabilities		<b>2,868</b>	2,902
Deferred income		<b>11,776</b>	11,879
Total non-current liabilities		<b>198,717</b>	242,567
Net assets		<b>733,311</b>	606,303
<b>EQUITY</b>			
Share capital	<i>14</i>	<b>47,427</b>	44,723
Reserves	<i>15</i>	<b>671,645</b>	545,040
Proposed dividend		<b>14,239</b>	16,540
Total equity		<b>733,311</b>	606,303

# Condensed Consolidated Summary Statement of Changes in Equity

For the six months ended 30 June 2007

		For the six months ended 30 June	
		2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Notes			
<b>Total equity at 1 January</b>		<b>606,303</b>	444,441
Exchange differences on translation of the financial statements of foreign entities	15	<b>26,916</b>	6,904
Realisation of revaluation reserve upon disposal of available-for-sale equity investments	15	<b>(4,406)</b>	(323)
Changes in fair value of available-for-sale equity investments	15	<b>3,642</b>	323
Net gains/(losses) on cash flow hedges	15	<b>960</b>	(1,131)
Total income and expense recognised directly in equity		<b>27,112</b>	5,773
Profit for the period		<b>62,692</b>	52,076
Total income and expense for the period		<b>89,804</b>	57,849
Placement of shares	14	<b>47,969</b>	—
Share options exercised	14	<b>4,137</b>	4,478
Warrants exercised	14	<b>14</b>	4,649
Costs in the granting of share option		<b>1,681</b>	—
2005 final dividend		—	(8,305)
2006 final dividend		<b>(16,597)</b>	—
<b>Total equity at 30 June</b>		<b>733,311</b>	503,112

# Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2007

	For the six months ended 30 June	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b>60,477</b>	35,715
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>	<b>(53,273)</b>	(100,599)
<b>NET CASH INFLOW FROM FINANCING ACTIVITIES</b>	<b>38,658</b>	62,328
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>45,862</b>	(2,556)
Cash and cash equivalents at beginning of period	<b>90,636</b>	82,395
Effects of foreign exchange rate changes, net	<b>9,891</b>	390
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>146,389</b>	80,229
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<b>90,331</b>	33,262
Time deposits with original maturity of less than three months when acquired	<b>56,058</b>	46,967
Cash and cash equivalents	<b>146,389</b>	80,229





# Notes to Condensed Consolidated Financial Statements

## 1. Basis of Preparation and Accounting Policies

These condensed consolidated interim financial statements have been prepared in accordance with the applicable requirements of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” and other relevant Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The accounting policies and basis of preparation adopted in these interim financial statements are consistent with those adopted in the Company’s 2006 Annual Report except for the adoption of new and revised HKFRSs and HKASs as disclosed in note 2 below.

### 2.1 Impact of New and Revised HKFRSs and HKASs

The HKICPA has issued a number of new and revised HKFRSs, HKASs and Interpretations, that affect the Group and adopted for the first time for the current period’s financial statements.

HKAS 1 Amendment	Presentation of Financial Statements: Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 <i>Financial Reporting in Hyperinflationary Economies</i>
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

There was no material impact on the basis of preparation of the unaudited condensed consolidated interim financial statements arising from the adoption of the above-mentioned accounting standards.

# Notes to Condensed Consolidated Financial Statements

## 2.2 Impact of Issued but not yet Effective HKFRSs and HKASs

The Group has not applied the following new and revised HKFRS and HKAS, that have been issued but are not yet effective, to these interim financial statements:

HKFRS 8	Operating Segments
HK(IFRIC)-Int 12	Service Concession Arrangements

The Group expects that the adoption of the above pronouncements will not have significant impact on the Group as at the date of the interim financial statements.

## 3. Geographical Segments

No business segment information is presented as over 90% of the Group's revenue and assets relate to the manufacture and trading of electronic components.

The following table presents revenue and certain asset and capital expenditure information of the Group by geographical segments for the six months ended 30 June 2007 and 2006.

	Hong Kong		Mainland China		Taiwan		Southeast Asia		Korea		Others		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Segment revenue:														
Sales to external customers	79,327	93,476	149,693	116,365	230,859	169,710	81,030	81,557	26,771	57,194	26,630	15,235	594,310	533,537
Other segment information:														
Segment assets	253,818	212,503	957,060	773,116	60,068	40,365	30,092	26,340	14,132	18,100	6,024	13,030	1,329,994	1,083,454
Interests in jointly controlled entities	—	—	55,914	26,008	—	—	—	—	—	—	—	—	55,914	26,008
Unallocated assets	—	—	—	—	—	—	—	—	—	—	—	—	436	1,894
													1,386,344	1,111,356
Capital expenditure	325	46,072	70,049	20,827	—	—	—	—	—	—	—	—	70,374	66,899

# Notes to Condensed Consolidated Financial Statements

## 4. Revenue

Revenue represents the net invoiced value of goods sold, after allowances for trade returns and discounts and also sales of equity investments. An analysis of revenue is as follows:

	For the six months ended 30 June	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Manufacturing and trading of electronic components	562,488	510,635
Trading of raw materials	14,529	19,977
Sales of equity investments	17,293	2,925
	<b>594,310</b>	<b>533,537</b>

## 5. Finance Costs

	For the six months ended 30 June	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Interest on bank loans	10,180	9,221
Interest on finance leases	19	78
	<b>10,199</b>	<b>9,299</b>

# Notes to Condensed Consolidated Financial Statements

## 6. Profit before Tax

The Group's profit before tax is arrived at after charging/(crediting) the followings:

	<b>For the six months ended 30 June</b>	
	<b>2007</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2006 (Unaudited) HK\$'000
Staff costs (including directors' remuneration)		
Wages and salaries	<b>55,393</b>	48,400
Cost in the granting of share option	<b>1,681</b>	—
Pension scheme contributions	<b>1,280</b>	1,030
Depreciation for property, plant and equipment	<b>23,963</b>	20,968
Recognition of prepaid land premiums	<b>531</b>	494
Amortisation of other intangible asset	<b>78</b>	379
Loss on disposal of items of property, plant and equipment	<b>1,447</b>	—
Foreign exchange losses, net	<b>4,516</b>	5,119
Fair value gain on derivative instruments – transactions not qualifying as hedges	—	(239)
Bank interest income	<b>(698)</b>	(401)

# Notes to Condensed Consolidated Financial Statements

## 7. Tax

	<b>For the six months ended 30 June</b>	
	<b>2007</b>	2006
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Current :		
Hong Kong	<b>19</b>	480
Mainland China	<b>3,154</b>	3,192
Overseas	<b>6</b>	6
Total tax charge for the period	<b>3,179</b>	3,678

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

In accordance with the relevant tax rules and regulations in Mainland China, certain of the Company's subsidiaries in Mainland China enjoy tax exemptions and reductions. Certain subsidiaries in Mainland China are subject to income taxes at applicable rates ranging from 10% to 27%.

The tax affairs of certain subsidiaries of the Group for prior years are currently reviewed by the Hong Kong Inland Revenue Department. Whilst management considers that the subsidiaries have grounds to support their tax position for prior years, the outcome of the review remains undetermined at the day of this report. The Directors of the Company, after consultation with the Company's tax advisers, consider that it is premature to estimate the amount of potential liabilities, if any, that may arise from the review and accordingly no additional tax provision has been made in the financial statements as at 30 June 2007.



# Notes to Condensed Consolidated Financial Statements

## 7. Tax (Continued)

On 16 March 2007, the National People's Congress approved the PRC Corporate Income Tax Law (the "New Corporate Income Tax Law") which will become effective on 1 January 2008. The New Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%. Detailed implementation and administrative requirements relating to the New Corporate Income Tax Law have yet to be announced. These detailed requirements include regulations concerning the computation of taxable income, as well as specific preferential tax treatments and their transitional provisions. The Group will further evaluate the impact of the New Corporate Income Tax Law on its operating results and financial position of future periods as more detailed requirements are published.

## 8. Earnings per Share

The calculation of basic earnings per share is based on the profit for the period attributable to ordinary equity holders of the Company of HK\$62,692,000 (2006: HK\$52,076,000), and the weighted average of 462,589,000 (2006: 418,888,000) ordinary shares in issue during the period.

The calculation of diluted earnings per share is based on the profit for the period attributable to equity holders of the Company of HK\$62,692,000 (2006: HK\$52,076,000). The weighted average number of ordinary shares used in the calculation is the 462,589,000 (2006: 418,888,000) ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average of 771,000 (2006: 15,117,000) and 1,837,000 (2006: 6,495,000) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all warrants and share options during the period.

## 9. Interim Dividend

The directors recommend the payment of an interim dividend of HK3.0 cents (2006: HK2.0 cents) per share, totalling HK\$14,239,000 (2006: HK\$8,588,000), for the six months ended 30 June 2007.

# Notes to Condensed Consolidated Financial Statements

## 10. Trade Receivables

Trade receivables generally have credit terms ranging from 15 to 150 days.

An aged analysis of trade receivables at the balance sheet date, based on the invoice date and net of provisions, is as follows:

	<b>30 June 2007 (Unaudited) HK\$'000</b>	31 December 2006 (Audited) HK\$'000
Less than 3 months	<b>209,356</b>	237,284
4-6 months	<b>39,939</b>	40,270
7-12 months	<b>13,985</b>	9,043
Over 1 year	<b>3,248</b>	523
	<b>266,528</b>	287,120

## 11. Available-for-sale Equity Investments

	<b>30 June 2007 (Unaudited) HK\$'000</b>	31 December 2006 (Audited) HK\$'000
Overseas listed equity investments, at fair value	<b>10,192</b>	17,126

The above investments consist of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

The fair values of listed equity investments are based on quoted market prices.

# Notes to Condensed Consolidated Financial Statements

## 12. Short Term Investments

	<b>30 June 2007 (Unaudited) HK\$'000</b>	31 December 2006 (Audited) HK\$'000
Hong Kong listed equity investments, at market value	<b>144</b>	90

The above equity investments at 30 June 2007 were classified as held for trading.

## 13. Trade Payables

An aged analysis of the trade payables at the balance sheet date, based on the invoice date, is as follows:

	<b>30 June 2007 (Unaudited) HK\$'000</b>	31 December 2006 (Audited) HK\$'000
Accounts payable:		
Less than 3 months	<b>117,170</b>	97,596
4-6 months	<b>24,124</b>	27,948
7-12 months	<b>521</b>	674
Over 1 year	<b>1,601</b>	999
	<b>143,416</b>	127,217
Bills payable	<b>58,393</b>	45,819
	<b>201,809</b>	173,036



# Notes to Condensed Consolidated Financial Statements

## 14. Share Capital

	<b>30 June 2007 (Unaudited) HK\$'000</b>	31 December 2006 (Audited) HK\$'000
Authorised: 1,000,000,000 ordinary shares of HK\$0.10 each	<b>100,000</b>	100,000
Issued and fully paid: 474,267,302 (31 December 2006: 447,231,302) ordinary shares of HK\$0.10 each	<b>47,427</b>	44,723

A summary of the transactions involving the Company's share capital and share premium account is as follows:

	<b>Number of shares in issue</b>	<b>Issued capital HK\$'000</b>	<b>Share premium account HK\$'000</b>	<b>Total HK\$'000</b>
At 1 January 2007	447,231,302	44,723	104,854	149,577
Placement of shares	23,630,000	2,363	45,606	47,969
Share options exercised	3,400,000	340	3,797	4,137
Warrants exercised	6,000	1	13	14
At 30 June 2007	474,267,302	47,427	154,270	201,697



# Notes to Condensed Consolidated Financial Statements

## 14. Share Capital (Continued)

### (a) Share options

Details of the Company's share option schemes and the share options issued under the scheme are disclosed under the section "Share Option Schemes".

### (b) Warrants

On 18 April 2007, the Company proposed a conditional bonus warrant issue to the shareholders of the Company on the register of members on 23 May 2007. The bonus warrant issue was made on the basis of one bonus warrant for every ten ordinary shares of the Company, resulting in 47,421,130 warrants being issued. Each warrant entitles the holder thereof to subscribe for one ordinary share of HK\$0.10 each at an initial subscription price of HK\$2.25 per share, subject to adjustments, and the bonus warrants are exercisable at any time during the period between Wednesday, 6 June 2007 and Friday, 5 June 2009 (both days inclusive). The warrants were issued to the shareholders of the Company on 4 June 2007.

During the period, 6,000 warrants were exercised for 6,000 shares of HK\$0.10 each at a price of HK\$2.25 per share. At 30 June 2007, the Company had 47,415,130 warrants outstanding. The exercise in full of such warrants would, under the present capital structure of the Company, result in the issue of 47,415,130 additional shares of HK\$0.10 each.

# Notes to Condensed Consolidated Financial Statements

## 15. Reserves

	Share premium account (Unaudited) HK'000	Share option reserve (Unaudited) HK'000	Contributed surplus (Unaudited) HK'000	Asset revaluation reserve (Unaudited) HK'000	Hedging reserve (Unaudited) HK'000	Available- for-sale investment revaluation reserve (Unaudited) HK'000	Exchange fluctuation reserve (Unaudited) HK'000	PRC reserve funds (Unaudited) HK'000	Retained profits (Unaudited) HK'000	Total (Unaudited) HK'000
<b>At 1 January 2007</b>	104,854	6,174	2,800	6,542	(785)	7,094	37,903	22,304	358,154	545,040
Realisation of revaluation reserve upon disposal of available-for-sale equity investments	—	—	—	—	—	(4,406)	—	—	—	(4,406)
Changes in fair value of available-for-sale equity investments	—	—	—	—	—	3,642	—	—	—	3,642
Net gains on cash flow hedges	—	—	—	—	960	—	—	—	—	960
Exchange realignment	—	—	—	—	—	—	26,916	—	—	26,916
<b>Total income and expense recognised directly in equity</b>	—	—	—	—	960	(764)	26,916	—	—	27,112
<b>Profit for the period</b>	—	—	—	—	—	—	—	—	62,692	62,692
<b>Total income and expense for the period</b>	—	—	—	—	960	(764)	26,916	—	62,692	89,804
Placement of shares	45,606	—	—	—	—	—	—	—	—	45,606
Share options exercised	3,797	—	—	—	—	—	—	—	—	3,797
Warrants exercised	13	—	—	—	—	—	—	—	—	13
Costs in the granting of share option	—	1,681	—	—	—	—	—	—	—	1,681
Additional 2006 final dividend upon exercise of share options	—	—	—	—	—	—	—	—	(57)	(57)
Proposed interim dividend	—	—	—	—	—	—	—	—	(14,239)	(14,239)
<b>At 30 June 2007</b>	154,270	7,855	2,800	6,542	175	6,330	64,819	22,304	406,550	671,645

# Notes to Condensed Consolidated Financial Statements

## 15. Reserves (Continued)

	Share premium account (Unaudited) HK'000	Contributed surplus (Unaudited) HK'000	Asset revaluation reserve (Unaudited) HK'000	Hedging reserve (Unaudited) HK'000	Available- for-sale investment revaluation reserve (Unaudited) HK'000	Exchange fluctuation reserve (Unaudited) HK'000	PRC reserve funds (Unaudited) HK'000	Retained profits (Unaudited) HK'000	Total (Unaudited) HK'000
<b>At 1 January 2006</b>	<b>88,797</b>	<b>2,800</b>	<b>6,392</b>	<b>(768)</b>	<b>1,815</b>	<b>11,286</b>	<b>15,398</b>	<b>269,018</b>	<b>394,738</b>
Realisation of revaluation reserve upon disposal of available-for-sale equity investments	—	—	—	—	(323)	—	—	—	(323)
Changes in fair value of available-for-sale equity investments	—	—	—	—	323	—	—	—	323
Net losses on cash flow hedges	—	—	—	(1,131)	—	—	—	—	(1,131)
Exchange realignment	—	—	—	—	—	6,904	—	—	6,904
Total income and expense recognised directly in equity	—	—	—	(1,131)	—	6,904	—	—	5,773
Profit for the period	—	—	—	—	—	—	—	52,076	52,076
Total income and expense for the period	—	—	—	(1,131)	—	6,904	—	52,076	57,849
Share options exercised	3,908	—	—	—	—	—	—	—	3,908
Warrants exercised	3,680	—	—	—	—	—	—	—	3,680
Proposed interim dividend	—	—	—	—	—	—	—	(8,588)	(8,588)
<b>At 30 June 2006</b>	<b>96,385</b>	<b>2,800</b>	<b>6,392</b>	<b>(1,899)</b>	<b>1,815</b>	<b>18,190</b>	<b>15,398</b>	<b>312,506</b>	<b>451,587</b>

# Notes to Condensed Consolidated Financial Statements

## 16. Commitments

At the balance sheet date, the Group had the following capital commitments:

	<b>30 June 2007 (Unaudited) HK\$'000</b>	31 December 2006 (Audited) HK\$'000
Contracted, but not provided for:		
Plant and machinery	<b>19,743</b>	13,838
Construction in progress	<b>5,787</b>	20,670
	<b>25,530</b>	34,508

## 17. Operating Lease Arrangements as Lessee

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>30 June 2007 (Unaudited) HK\$'000</b>	31 December 2006 (Audited) HK\$'000
Office properties and warehouses:		
Within one year	<b>24,172</b>	33,197
In second to fifth years, inclusive	<b>94,684</b>	102,127
After five years	<b>248,795</b>	201,356
	<b>367,651</b>	336,680

# Notes to Condensed Consolidated Financial Statements

## 18. Related Party Transactions

- (a) During the period, the Group had the following material transactions with its jointly controlled entities:

	<b>For the six months ended 30 June</b>	
	<b>2007</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2006 (Unaudited) HK\$'000
Sales of raw materials	—	39
Purchase of raw materials	<b>8,519</b>	10,232
Rental expenses	<b>1,848</b>	—

The above purchase of raw materials was carried out in accordance with the terms similar to those offered by other suppliers, except that a longer credit period was granted. The above sales transactions were carried out in accordance with the Group's pricing policy, and were calculated on a cost-plus basis. The above rental expenses were paid in accordance with the terms of the lease agreement.

- (b) Compensation of key management personnel of the Group:

	<b>For the six months ended 30 June</b>	
	<b>2007</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2006 (Unaudited) HK\$'000
Short term benefits	<b>8,656</b>	5,251
Pension scheme contributions	<b>30</b>	30
Cost in the granting of share option	<b>694</b>	—
Total compensation paid to key management personnel	<b>9,380</b>	5,281



# Notes to Condensed Consolidated Financial Statements

## 19. Comparative Amounts

Certain comparative amounts have been reclassified to conform with the current period's presentation and accounting treatment.

## 20. Approval of the Interim Financial Report

These unaudited condensed consolidated interim financial statements were approved and authorised for issue by the Board of Directors on 18 September 2007.

## Supplementary Information

### Directors' Interests and Short Positions in Shares and Underlying Shares

At 30 June 2007, the interests and short positions of the directors in shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to 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 ("Model Code"), were as follows:

#### Long positions in ordinary shares and underlying shares of the Company:

Name of director	Notes	Number of shares and underlying shares held, capacity and nature of interest				Interest in underlying shares (options)	Interest in underlying shares (warrants)	Approximate percentage of the Company's issued share capital
		Capacity	Nature of interest	Interests in shares	Interests in shares			
Chan Ho Sing	(a)	Founder of discretionary trust	Family	209,689,667	—	20,968,966	48.63	
Chan Ho Sing	(b)	Interest of spouse	Family	5,700,000	200,000	570,000	1.36	
Chan Ho Sing		Beneficial owner	Personal	23,955,667	—	2,395,566	5.56	
Ko Pak On		Beneficial owner	Personal	2,066,666	1,000,000	206,666	0.69	

#### Notes:

- These shares and warrants are owned by Man Yue Holdings Inc., a company incorporated in the Bahamas, the entire issued share capital of which is ultimately beneficially owned by the family trust of Chan Ho Sing.
- The interest of spouse represents ordinary shares, share options and warrants held by Kee Chor Lin, spouse of Chan Ho Sing.





## Supplementary Information

### **Directors' Interests and Short Positions in Shares and Underlying Shares** (Continued)

In addition to the above, Chan Ho Sing has non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above and as disclosed under the heading "DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES" below, as at 30 June 2007, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

### **Directors' Rights to Acquire Shares or Debentures**

Saved as disclosed under the section "DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES" above and "SHARE OPTION SCHEMES" below, at no time during the Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

### **Share Option Schemes**

Pursuant to the ordinary resolution passed on the Annual General Meeting of the Company held on 26 May 2006, the share option scheme adopted by the Company on 13 February 1997 (the "Old Scheme") was terminated and a new share option scheme (the "New Scheme") was adopted. Upon termination of the Old Scheme, no further share options can be granted thereunder but in all other respects, the provisions of the Old Scheme remained in force and all share options granted prior to such termination continued to be valid and exercisable in accordance therewith. Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

# Supplementary Information

## Share Option Schemes (Continued)

### Old Scheme

As at 12 February 2007, all share options granted under the Old Scheme were expired and details of the movements of the exercised share options were as follows:

Name or category of participant	Number of share options			Date of grant of share options	Exercise period of share options	Exercise price of share options* HK\$ per share	Price of the Company's shares**	
	At 1 January 2007	Exercised during the period	At 12 February 2007				Immediately before the exercise date HK\$ per share	At exercise date HK\$ per share
<b>Directors</b>								
Ko Pak On	1,500,000	(1,500,000)	—	30.12.1997	30.12.1997 to 12.2.2007	0.7856	2.20	2.22
<b>Other employees</b>								
In aggregate	100,000	(100,000)	—	30.12.1997	30.12.1997 to 12.2.2007	0.7856	2.26	2.13
	<u>1,600,000</u>	<u>(1,600,000)</u>	—					

\* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

\*\* The prices of the Company's shares disclosed immediately before the exercise date and as at the date of exercise of the share options are the weighted average of the Stock Exchange closing prices immediately before the dates and as at the dates on which the options were exercised over all of the exercises of options within the disclosure line, respectively.

The 1,600,000 share options exercised under the Old Scheme during the Period resulted in the issue of 1,600,000 ordinary shares of the Company and new share capital of HK\$160,000 and share premium of approximately HK\$1,097,000 (before issue expenses).

## Supplementary Information

### Share Option Schemes (Continued)

#### New Scheme

As at 30 June 2007, 3,650,000 share options remained outstanding under the New Scheme and details of the movements of the said outstanding share options were as follows:

Name or category of participant	Number of share options				Date of grant of share options	Exercise period of share options*	Exercise price of share options** HK\$ per share	Price of the Company's shares***	
	At 1 January 2007	Exercised during the period	Lapsed during the period	At 30 June 2007				Immediately before the exercise date HK\$ per share	At exercise date of options HK\$ per share
<b>Directors</b>									
Chan Ho Sing #	200,000	(200,000)	—	—	8.8.2006	8.8.2006 to 25.5.2016	1.60	2.57	2.59
	200,000	—	—	200,000	8.8.2006	8.8.2007 to 25.5.2016	1.60	N/A	N/A
	400,000	(200,000)	—	200,000					
Ko Pak On	500,000	—	—	500,000	8.8.2006	8.8.2006 to 25.5.2016	1.60	N/A	N/A
	500,000	—	—	500,000	8.8.2006	8.8.2007 to 25.5.2016	1.60	N/A	N/A
	1,000,000	—	—	1,000,000					
<b>Other employees</b>									
In aggregate	2,600,000	(1,600,000)	—	1,000,000	8.8.2006	8.8.2006 to 25.5.2016	1.60	2.56	2.55
In aggregate	1,600,000	—	(150,000)	1,450,000	8.8.2006	8.8.2007 to 25.5.2016	1.60	N/A	N/A
	4,200,000	(1,600,000)	(150,000)	2,450,000					
	5,600,000	(1,800,000)	(150,000)	3,650,000					

# The share options represent interest through Kee Chor Lin, spouse of Chan Ho Sing.

\* The vesting period of the share options is from date of grant until the commencement of the exercise period.

\*\* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

\*\*\* The prices of the Company's shares disclosed immediately before the exercise date and as at the date of exercise of the share options are the weighted average of the Stock Exchange closing prices immediately before the dates and as at the dates on which the options were exercised over all of the exercises of options within the disclosure line, respectively.



## Supplementary Information

### Share Option Schemes (Continued)

#### New Scheme (Continued)

The New Scheme fully complies with Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). A summary of the terms of the New Scheme was contained in the Company’s circular dated 28 April 2006.

During the Period under review, 1,800,000 share options exercised under the New Scheme resulted in the issue of 1,800,000 ordinary shares of the Company and new share capital of HK\$180,000 and share premium of approximately HK\$2,700,000 (before issue expenses).

At 30 June 2007, the exercise in full of the outstanding share options under the New Scheme would, under the present capital structure of the Company, result in the issue of 3,650,000 additional ordinary shares of the Company and additional share capital of HK\$365,000 and share premium of approximately HK\$5,475,000 (before issue expenses).

The fair value of the share options granted in 2006 was HK\$8,135,000 of which HK\$6,174,000 and HK\$1,681,000 were recognised in the consolidated income statement for the year ended 31 December 2006 and for the Period respectively.

## Supplementary Information

### Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

At 30 June 2007, the following interests and short positions of 5% or more of the issued share capital and share options and warrants of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

#### Long positions:

Name	Note	Capacity and nature of interest	Number of ordinary shares held	Interest in underlying shares (options)	Interest in underlying shares (warrants)	Approximate percentage of the Company's issued share capital
Man Yue Holdings Inc. ("MYHI")	1&3	Beneficial interest	209,689,667	—	20,968,966	48.63
Mico Global Inc. ("MGI")	1&3	Corporate/Interest of controlled corporation	209,689,667	—	20,968,966	48.63
RBTT Trust Corporation	2&3	Trust/Trustee of discretionary trust	209,689,667	—	20,968,966	48.63
Kee Chor Lin	4	Family/Interest of spouse/Beneficial interest	239,345,334	200,000	23,934,532	55.56

1. MGI holds 100% direct interest in MYHI and is accordingly deemed to have interests in shares and warrants interested by or deemed to be interested by MYHI.
2. RBTT Trust Corporation as trustee of the family trust of Chan Ho Sing holds 100% direct interest in MGI and is accordingly deemed to have interests in shares and warrants interested by or deemed to be interested by MGI.
3. The interests of MYHI, MGI and RBTT Trust Corporation are in respect of the same 209,689,667 shares and 20,968,966 underlying shares and duplicated each other.
4. 5,700,000 shares, 200,000 shares options and 570,000 warrants are the beneficial interest of Kee Chor Lin. The remaining interests are held by MYHI and Chan Ho Sing, spouse of Kee Chor Lin.



## Supplementary Information

### **Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares** (Continued)

Save as disclosed above, as at 30 June 2007, no person, other than the directors of the Company whose interests are set out in the section "DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

### **Purchase, Sale or Redemption of Listed Securities**

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Period.

### **Disclosures under Rule 13.21 of the Listing Rules**

In accordance with the disclosure requirements of Rule 13.21 of the Listing Rules, the following disclosures are included in respect of the Group's loan agreement, which contains covenants requiring performance obligations of the controlling shareholder of the Company.

Pursuant to an interest-bearing 3-year transferable term loan and revolving loan facilities agreement dated 6 October 2005 entered into by the Company with a syndicate of banks in the aggregate amount HK\$280,000,000, a termination event would arise if:

- Chan Ho Sing ceases to be the Chairman of the Company; or
- Chan Ho Sing ceases to be actively involved in the day-to-day management and business of the Company.



## Supplementary Information

### Corporate Governance

The Group has adopted all the Code Provisions set out in the Code on Corporate Governance Practices (the “CG Code”) as set out in Appendix 14 to the Listing Rules except for the following deviations:

1. Code Provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. The Company does not have a separate Chairman and Chief Executive Officer and Chan Ho Sing currently holds both positions. The Board believes that vesting the roles of Chairman and Chief Executive Officer in the same person provides the Group with strong and consistent leadership in the development and execution of long-term business strategies.
2. The Independent Non-executive Directors of the Company are not appointed for specific terms but are subject to retirement by rotation under Bye-law 87 of the Company’s Bye-laws.

Save as disclosed above, the Company considers that sufficient measures have been taken to ensure that the corporate governance practices of the Company are in line with the Code Provisions of the CG Code.

### Compliance with the Model Code

The Group has adopted the Model Code as set out in Appendix 10 of the Listing Rules to govern securities transactions by the directors. After having made specific enquiry by the Company, all Directors have fully confirmed that they fully complied with the Model Code throughout the Period.



## Supplementary Information

### Audit Committee

The Audit Committee comprises three members and all of whom are Independent Non-executive Directors of the Company. None of them is employed by or otherwise affiliated with former or existing auditors of the Company. The Audit Committee meets four times a year and the external auditors are invited to attend the Audit Committee's meeting when required.

An internal audit department was established to assist the Audit Committee to evaluate the Group's internal control systems and to monitor the Group's risk management framework.

The interim financial report for the Period is unaudited, but has been independently reviewed by Messrs Ernst & Young in accordance with Hong Kong Standard on Review Engagements 2410 issued by the Hong Kong Institute of Certified Public Accountants.

The Audit Committee has reviewed with management together with Messrs Ernst & Young the accounting principles and practices adopted by the Group in the interim financial report for the Period.

### Remuneration Committee

A Remuneration Committee was established on 22 March 2006 by the Company to consider the remuneration of the directors and senior management of the Company. The Remuneration Committee comprises two Independent Non-executive Directors and one Executive Director.

### Internal Control

The Board has overall responsibility for the Group's systems of internal control and for reviewing their effectiveness. The Board conducts regular reviews regarding internal control systems of the Group. The Group convenes meetings periodically to discuss financial, operational and risk management control matters. During the Period, the Board has reviewed the operational and financial reports, budgets and business plans provided by the management.





## Supplementary Information

### Interim Dividend

The Board of Directors has resolved to declare an interim dividend for the six months ended 30 June 2007 of HK3.0 cents (2006: HK2.0 cents) in cash per share, totalling HK\$14,239,000 payable on Wednesday, 31 October 2007 to shareholders whose names appear on the Register of Members of the Company on Friday, 12 October 2007.

### Closure of Register of Members and Warrantholders

The Register of members will be closed from Monday, 8 October 2007 to Friday, 12 October 2007, both days inclusive, during which period no transfer of shares will be effected and no share of the Company will be issued upon exercise of any subscription rights attaching to the outstanding warrants issued by the Company. In order to ascertain the right to receive interim dividend, all transfers, accompanied by the relevant share certificate and all duly completed subscription forms accompanied by the relevant warrant certificate and the appropriate subscription monies must be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4.00 p.m. on Friday, 5 October 2007.

### Appreciation

The Board would like to take this opportunity to express its gratitude to all members of the staff for their loyalty and dedication and the continuous support from our customers, suppliers, banks and shareholders.

By order of the Board  
**Man Yue International Holdings Limited**  
**Chan Ho Sing**  
*Chairman*

Hong Kong, 18 September 2007