



萬裕國際集團有限公司

MAN YUE INTERNATIONAL HOLDINGS LIMITED

(股份代號 Stock Code: 0894)

## Interim Report 2008

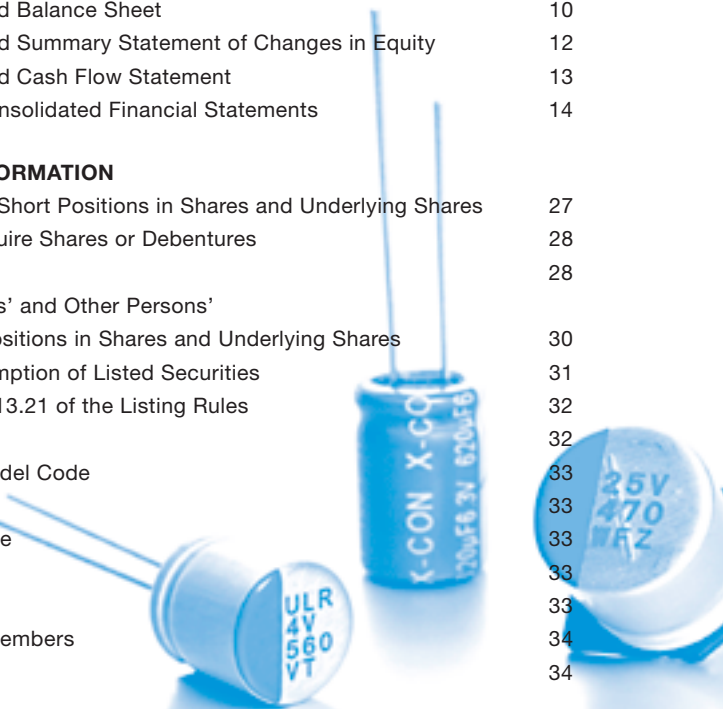


**X-CON®**

**SAMXON**

# CONTENTS

	Pages
<b>CORPORATE INFORMATION</b>	2
<b>MANAGEMENT DISCUSSION AND ANALYSIS</b>	
Results Highlights	3
Financial Results	3
Business Review	4
Liquidity and Financial Resources	5
Employment and Remuneration Policy	6
Outlook	6
<b>REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION</b>	7
<b>INTERIM RESULTS</b>	
Condensed Consolidated Income Statement	9
Condensed Consolidated Balance Sheet	10
Condensed Consolidated Summary Statement of Changes in Equity	12
Condensed Consolidated Cash Flow Statement	13
Notes to Condensed Consolidated Financial Statements	14
<b>SUPPLEMENTARY INFORMATION</b>	
Directors' Interests and Short Positions in Shares and Underlying Shares	27
Directors' Rights to Acquire Shares or Debentures	28
Share Option Scheme	28
Substantial Shareholders' and Other Persons'	
Interests and Short Positions in Shares and Underlying Shares	30
Purchase, Sale or Redemption of Listed Securities	31
Disclosures under Rule 13.21 of the Listing Rules	32
Corporate Governance	32
Compliance with the Model Code	33
Audit Committee	33
Remuneration Committee	33
Internal Control	33
Interim Dividend	33
Closure of Register of Members	34
Appreciation	34



## CORPORATE INFORMATION

<b>Board of Directors</b>	<b>Executive Directors</b> Chan Ho Sing ( <i>Chairman</i> ) Ko Pak On Chan Yu Ching, Eugene Tso Yan Wing, Alan
	<b>Independent Non-executive Directors</b> Li Sau Hung, Eddy Lo Kwok Kwei, David Mar, Selwyn
<b>Audit Committee</b>	Mar, Selwyn ( <i>Chairman</i> ) Li Sau Hung, Eddy Lo Kwok Kwei, David
<b>Remuneration Committee</b>	Mar, Selwyn ( <i>Chairman</i> ) Chan Ho Sing Li Sau Hung, Eddy
<b>Company Secretary and Qualified Accountant</b>	Tso Yan Wing, Alan
<b>Auditors</b>	Ernst & Young, <i>Certified Public Accountants</i>
<b>Principal Bankers</b>	The Hongkong and Shanghai Banking Corporation Limited Standard Chartered Bank (Hong Kong) Limited Hang Seng Bank Limited CITIC Ka Wah Bank Limited
<b>Registered Office</b>	Clarendon House 2 Church Street Hamilton HM11 Bermuda
<b>Principal Place of Business</b>	16/F., Yiko Industrial Building 10 Ka Yip Street, Chai Wan Hong Kong
<b>Principal Share Registrar and Transfer Office</b>	Butterfield Fund Services (Bermuda) Limited Rosebank Centre 14 Bermudiana Road Pembroke Bermuda
<b>Branch Share Registrar and Transfer Office</b>	Tricor Tengis Limited 26/F., Tesbury Centre 28 Queen's Road East Hong Kong
<b>Corporate Website</b>	<a href="http://www.manyue.com">http://www.manyue.com</a>
<b>Investor Relations Contact</b>	E-mail: <a href="mailto:ir@manyue.com">ir@manyue.com</a>
<b>Stock Code</b>	0894

# MANAGEMENT DISCUSSION AND ANALYSIS

## RESULTS HIGHLIGHTS

- Revenue grew by 17.1% to HK\$688,427,000
- Gross profit grew by 7.0% to HK\$145,848,000
- EBITDA grew by 4.0% to HK\$104,696,000
- Operating profit grew by 1.2% to HK\$61,308,000
- Net profit of HK\$54,528,000
- Gross and net margins of 21.2% and 7.9% respectively
- Net gearing ratio of 39.1%
- Interim dividend of HK3.0 cents per share
- Net asset value of HK\$1.98 per share

## FINANCIAL RESULTS

The results for the six months ended 30 June 2008 (the “Period”) were encouraging amid the challenging operating environment. Revenue of the Group grew by about 17.1% to HK\$688,427,000, but similar to other industrial enterprises operating in China, the Group was facing inflationary pressures caused by the rise in production and operating costs and the sharp appreciation of Renminbi against Hong Kong dollars during the Period. To combat these inflationary pressures, the Group raised product selling prices to customers, launched higher-end and innovative products that offered better gross margin, increased the production of aluminum foils for internal consumption to lower raw material costs and executed various cost rationalisation programs. As a result, the Group managed to stabilise its gross margin to about 21.2%. Administrative expenses increased sharply as a result of increased factory overhead expenditure (such as rental and utility charges), writing-off of pre-operating expenses for the Xinjiang aluminum foil factory which commenced operation in 2008 and additional spending on research and development (“R&D”) to speed up new product launches. Despite the above, operating profit increased by 1.2% to HK\$61,308,000. Share of results of jointly-controlled entities dropped as last year’s comparative figure included the Group’s share of a one-off revaluation gain on an industrial property owned by a jointly-controlled entity. Profit attributable to equity holders of the Company for the Period stood at HK\$54,528,000, representing a net margin rate of 7.9%. Basic earnings per share (“EPS”) for the Period was HK11.41 cents.

The Board has resolved to declare an interim dividend of HK3.0 cents per share, totaling HK\$14,343,000.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

### Electronic components

The global market for consumer electronic and computer products declined at the beginning of 2008 as a result of the global financial market slump. This has caused an adverse impact on the global Aluminum Electrolytic Capacitors (E-Caps) market. However, as demonstrated in previous financial periods, the Group has been able to grow its revenue faster during the periods of economic slowdown. During the Period, our customers were getting more and more cost conscious and therefore had switch their E-Caps vendors from Japanese vendors to Man Yue. This is because Man Yue is the largest E-Caps manufacturer in Greater China that offers reliable and high quality E-Caps comparable to Japanese made products. At the same time, our Group is more capable in obtaining new global customers from various markets in the world.

During the Period, the sales of our own brands (SAMXON and X-CON) grew faster than the same period in last year. In addition, we are also expanding our Component Electronic Manufacturing Services (Component EMS) business rapidly. As a result of rapid growth in the Component EMS business, the Group is considering an internal business reorganisation process to better align its resources for independent development of its two streams of businesses, namely the own branded and the Component EMS, simultaneously.

### Aluminum foil

Since 2006, the Group commenced production of aluminum foils in its Qingyuan plant and supplied this critical raw material to the Group's E-Caps factories. During the Period, another brand new aluminum foil factory located in Urumqi, Xinjiang, was opened. This new plant has started to ship aluminum foils to Group companies. At present, the Group can produce close to 40% of the aluminum foils to be consumed internally. The Group is proud to say that it possesses the latest technology in the production of aluminum foils and can perform etching and formation processes of Anode and Cathode aluminum foils in the high, medium and low voltage ranges. The production of aluminum foils generates a decent gross margin which helps to stabilise the gross margin of the Group. At present, most of the aluminum foil products are consumed by the Group. However, the Group does not rule out the possibility of selling some of the aluminum foils to outsiders when the full potential of its Qingyuan and Xinjiang plants are actualised.

### Research and Development

The Group is regarded as one of the technology leaders in the E-Caps market. This is evidenced by the series of innovative and new products launched to the market in recent years. Sooner in 2008, the Group will launch another brand new breed of E-Caps known as Electric Double-Layered Capacitors ("EDLCs"). This breed of E-Caps will act mainly as an energy storage device and such product will be used in the energy savings and environmental industries' segment. Further down the technology product development roadmap, researches are undergoing and two to three new breeds of E-Caps will soon be launched to the market. The frequent launching of new products ahead of competitors enables the Group to capture the premium segment in the E-Caps market and to grow its business faster than its peers.

# MANAGEMENT DISCUSSION AND ANALYSIS

## LIQUIDITY AND FINANCIAL RESOURCES

At 30 June 2008, the Group's gross borrowings in respect of bank loans and finance leases amounted to HK\$824,186,000 (31 December 2007: HK\$654,576,000), of which HK\$332,857,000 was repayable within one year, HK\$207,843,000 was repayable within one and two years and HK\$283,486,000 was repayable between three and five years.

After deducting cash and cash equivalents of HK\$454,295,000 (31 December 2007: HK\$390,683,000), the Group's net borrowing amounted to HK\$369,891,000 (31 December 2007: HK\$263,893,000). The increase in net borrowing was mainly due to the Group's strategic decision to increase raw materials inventory, purchase of fixed assets, and acquisition of investment in an associated company during the Period. Shareholders' equity at 30 June 2008 was HK\$946,831,000 (31 December 2007: HK\$840,671,000). Accordingly, the Group's net borrowing to shareholder's equity ratio was 39.1% (31 December 2007: 31.4%).

Net cash outflow from operating activities during the Period amounted to HK\$51,930,000, which compared with an inflow of HK\$60,477,000 for the corresponding period. This figure represents profit before tax of HK\$60,776,000, adding back adjustments for non-cash items such as depreciation and amortisation of HK\$32,054,000 and deducting net increase in working capital and other adjustments of HK\$144,760,000. The net increase in working capital was mainly due to 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 included purchases of non-current assets of HK\$128,981,000, acquisition of shares in an associated company of HK\$36,843,000, increase in investments in jointly-controlled entities of HK\$26,788,000 less proceeds from the sale of an investment property of HK\$43,152,000. These investing activities were partly financed by cash inflow from operations and partly by additional loan finances.

Earnings before interest, tax, depreciation and amortisation ("EBITDA") stood at HK\$104,696,000 for the Period which compared with HK\$100,642,000 for the corresponding period.

# MANAGEMENT DISCUSSION AND ANALYSIS

## LIQUIDITY AND FINANCIAL RESOURCES (Continued)

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 yen. As Hong Kong dollar remains 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. The receipts, however, cannot fully offset the payments in Renminbi and therefore the sharp appreciation of Renminbi during the Period caused an additional financial burden to the Group. The Group is now increasing its revenue within Mainland China and hopefully the additional receipts in Renminbi will eventually hedge against its Renminbi expenditures. The Group monitors its foreign exchange exposure in Japanese yen and Renminbi mainly by entering into cash flow hedging forward contracts. Most of the Group's long-term bank loan facilities are denominated in Hong Kong dollars and carry interests at floating rates. Credit risk was hedged mainly through credit insurance policies.

## EMPLOYMENT AND REMUNERATION POLICY

At 30 June 2008, the Group employed 84 employees in Hong Kong (30 June 2007: 87) and employed a total work force of approximately 5,207 (30 June 2007: 5,727) inclusive of its staff in China and overseas offices. Salaries, bonuses and benefits were determined with reference to market terms and the performance, qualifications and experience of individual employees.

## OUTLOOK

The Group continues to see a stable growth in revenue in the remainder of 2008 and the years beyond. This growth momentum was partly attributable to increased product selling prices, increased sales volume of higher quality products, and introduction of innovative new products to the market. Further growth is also expected from the Group's Component EMS business as more and more capacitors brands are considering outsourcing their production to a partner who they can trust like Man Yue.

The Group continues to see a rising trend in the cost of raw materials, labor, and overhead expenditures. However, the Group is positive that its gross margin shall improve in the second half of 2008 as volume growth in the second half will be faster than the first half year. In addition, the financial benefits from the Xinjiang aluminum foil factory will be more fully reflected in the second half of 2008. Cost rationalisation programs initiated by management in the first half of 2008 will also contribute to reducing operating costs and general administrative expenses.

Apart from EDLCs which will be launched in this year, the Group has various R&D projects in the development pipeline. Each of these new projects, when launched in the next two to three years, will allow the Group to further strengthen its overall market position and drive up the Group revenue to new heights.

# REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



**To the Board of Directors of Man Yue International Holdings Limited**  
*(Incorporated in Bermuda with limited liability)*

## Introduction

We have reviewed the interim financial information set out on pages 9 to 26 which comprises the condensed consolidated balance sheet of Man Yue International Holdings Limited as at 30 June 2008 and the related condensed consolidated income statement, condensed consolidated summary statement of changes in equity and condensed consolidated cash flow statement 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 34 “Interim Financial Reporting” (“HKAS 34”) 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.

## 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.



# REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

## 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

16 September 2008

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2008

	Notes	For the six months ended 30 June	
		2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000 (Restated)
Revenue	3&4	<b>688,427</b>	588,139
Cost of sales		<b>(542,579)</b>	(451,838)
Gross profit		<b>145,848</b>	136,301
Other income and gains		<b>11,698</b>	4,312
Selling and distribution costs		<b>(23,954)</b>	(22,060)
Administrative expenses		<b>(79,731)</b>	(56,179)
Other operating expenses		<b>(253)</b>	(1,765)
Changes in fair value of investment properties		<b>7,700</b>	—
Operating profit after the changes in fair value of investment properties		<b>61,308</b>	60,609
Finance costs	5	<b>(11,866)</b>	(10,199)
Finance income	6	<b>6,284</b>	698
Net finance costs		<b>(5,582)</b>	(9,501)
Share of results of jointly-controlled entities		<b>4,987</b>	14,763
Share of result of an associate		<b>63</b>	—
		<b>5,050</b>	14,763
Profit before tax	7	<b>60,776</b>	65,871
Tax	8	<b>(6,248)</b>	(3,179)
Profit for the period		<b>54,528</b>	62,692
Attributable to equity holders of the Company		<b>54,528</b>	62,692
Earnings per share attributable to equity holders of the Company			
Basic	9	<b>HK11.41 cents</b>	HK13.55 cents
Diluted	9	<b>N/A</b>	HK13.48 cents
Interim dividend per share	10	<b>HK3.0 cents</b>	HK3.0 cents

# CONDENSED CONSOLIDATED BALANCE SHEET

30 June 2008

	Notes	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		632,993	574,619
Investment properties		43,300	71,000
Prepaid land premiums		96,376	91,797
Investment in an associate		39,958	—
Investments in jointly-controlled entities		37,757	26,230
Deposits on purchases of property, plant and equipment		27,933	41,914
Prepayments		25,604	8,543
Deferred tax assets		4,861	3,167
Other intangible asset		—	4
<b>Total non-current assets</b>		<b>908,782</b>	817,274
<b>CURRENT ASSETS</b>			
Inventories		380,535	264,797
Trade receivables	11	343,541	303,808
Prepayments, deposits and other receivables		65,891	40,566
Loans to a jointly-controlled entity		52,464	44,302
Due from jointly-controlled entities		22,480	3,854
Available-for-sale investments	12	6,845	8,476
Short term investments	13	69	119
Derivative financial instruments		—	5,145
Tax receivable		3,195	—
Cash and cash equivalents	14	454,295	390,683
<b>Total current assets</b>		<b>1,329,315</b>	1,061,750
<b>CURRENT LIABILITIES</b>			
Trade payables	15	327,617	243,791
Other payables and accrued liabilities		62,711	70,902
Derivative financial instruments		556	2,001
Tax payable		—	2,889
Bank loans		332,715	194,487
Finance lease payables		142	254
Dividend payable		9,695	16
<b>Total current liabilities</b>		<b>733,436</b>	514,340
<b>NET CURRENT ASSETS</b>		<b>595,879</b>	547,410

## CONDENSED CONSOLIDATED BALANCE SHEET

30 June 2008

	Notes	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,504,661</b>	1,364,684
<b>NON-CURRENT LIABILITIES</b>			
Bank loans		<b>491,329</b>	459,814
Finance lease payables		—	21
Provision for long service payments		<b>1,578</b>	1,578
Deferred tax liabilities		<b>2,581</b>	2,581
Deferred income		<b>62,342</b>	60,019
Total non-current liabilities		<b>557,830</b>	524,013
Net assets		<b>946,831</b>	840,671
<b>EQUITY</b>			
Share capital	16	<b>47,809</b>	47,764
Reserves	17	<b>884,679</b>	766,612
Proposed dividend		<b>14,343</b>	26,295
Total equity		<b>946,831</b>	840,671

## CONDENSED CONSOLIDATED SUMMARY STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2008

		For the six months ended 30 June	
		2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
	Notes		
<b>Total equity at 1 January</b>		<b>840,671</b>	606,303
Exchange differences on translation of the financial statements of foreign entities	17	<b>77,245</b>	26,916
Realisation of revaluation reserve upon disposal of available-for-sale equity investments	17	—	(4,406)
Surplus on revaluation of building, net	17	<b>1,584</b>	—
Changes in fair value of available-for-sale equity investments	17	<b>(1,630)</b>	3,642
Net gains on cash flow hedges	17	—	960
Total income and expense recognised directly in equity		<b>77,199</b>	27,112
Profit for the period	17	<b>54,528</b>	62,692
Total income and expense for the period		<b>131,727</b>	89,804
Placement of shares		—	47,969
Share options exercised		<b>720</b>	4,137
Warrants exercised	16	<b>8</b>	14
Costs in the granting of share option	17	—	1,681
2006 final dividend		—	(16,597)
2007 final dividend		<b>(26,295)</b>	—
<b>Total equity at 30 June</b>		<b>946,831</b>	733,311

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2008

	Notes	For the six months ended 30 June	
		2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES		<b>(51,930)</b>	60,477
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		<b>(149,460)</b>	(53,273)
NET CASH INFLOW FROM FINANCING ACTIVITIES		<b>153,889</b>	38,658
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		<b>(47,501)</b>	45,862
Cash and cash equivalents at beginning of period		<b>390,683</b>	90,636
Effects of foreign exchange rate changes, net		<b>33,094</b>	9,891
CASH AND CASH EQUIVALENTS AT END OF PERIOD		<b>376,276</b>	146,389
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	14	<b>248,456</b>	90,331
Time deposits with original maturity of less than three months when acquired		<b>127,820</b>	56,058
	14	<b>376,276</b>	146,389

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2008

## 1. Basis of preparation and accounting policies

The unaudited condensed interim financial information has been prepared in accordance with the applicable requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) and Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants.

This condensed interim financial information should be read in conjunction with the financial statements of the Group for the year ended 31 December 2007.

The accounting policies and methods of computation used in the preparation of this unaudited condensed interim financial information are consistent with those adopted in the annual financial statements for the year ended 31 December 2007 except in relation to the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”, which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) that are adopted the first time for the current period’s financial information.

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

The adoption of the above-mentioned accounting standards does not have significant impact on the Group as at the date of the condensed interim financial information.

## 2. Comparative figures

The condensed consolidated income statement was revised for the prior interim period to bring it in line with the policies adopted in annual financial statements. Accordingly, certain comparative amounts have been restated.

The effect of the restatement on the income statement during the six months ended 30 June 2007 is set out below:

	<i>HK\$'000</i>
Decrease in revenue	(6,171)
Decrease in cost of sales	6,171
	—

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2008

## 3. Segment information

No business segment information is presented as over 90% of the Group's revenue relates to the manufacturing and trading of electronic components and electrical products.

### Geographical segments

The following table presents revenue of the Group by geographical segments for the six months ended 30 June 2008 and 2007.

	Hong Kong		Mainland China		Taiwan		Southeast Asia		Korea		Other countries		Consolidated	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000 (Restated)	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000 (Restated)
Segment revenue:														
Sales to external customers	63,943	79,327	214,032	149,693	266,297	224,688	68,700	81,030	19,632	26,771	55,823	26,630	688,427	588,139

## 4. Revenue

Revenue represents the net invoiced value of goods sold, after allowances for trade returns and discounts; income from the sales of equity investments.

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000 (Restated)
Manufacturing and trading of electronic components	673,898	562,488
Trading of raw materials	14,529	14,529
Sales of equity investments	—	11,122
	688,427	588,139



# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2008

## 5. Finance costs

	For the six months ended 30 June	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Interest on bank loans	11,859	10,180
Interest on finance leases	7	19
	<b>11,866</b>	10,199

## 6. Finance income

	For the six months ended 30 June	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Interest income from term deposits and bank balances	6,284	698

## 7. Profit before tax

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

	For the six months ended 30 June	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Depreciation for property, plant and equipment	31,041	23,963
Recognition of prepaid land premiums	1,009	531
Amortisation of other intangible asset	4	78
Loss on disposal of property, plant and equipment	—	1,447
Fair value loss on derivative instruments — transactions not qualifying as hedges	3,834	—
Fair value loss/(gain) on short term investments	50	(54)
Gain on disposal of an investment property	(7,752)	—

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2008

## 8. Tax

	For the six months ended 30 June	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Current:		
Hong Kong	107	19
Mainland China	7,829	3,154
Overseas	6	6
	7,942	3,179
Deferred	(1,694)	—
Total tax charge for the period	6,248	3,179

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 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 jurisdictions 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 reductions. Certain subsidiaries in Mainland China are subject to income taxes at applicable rates ranging from 12.5% to 25%.

The tax affairs of certain subsidiaries of the Group for prior years are currently reviewed by the Hong Kong Inland Revenue Department ("IRD"). In connection with the review by the IRD, notices of assessments were issued to the subsidiaries of the Group for the years from 1998 to 2001 and objections were lodged with the IRD. Tax reserve certificates of HK\$8,480,000 were purchased as at the date of this report.

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 date 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 as at 30 June 2008.

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2008

## 9. 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\$54,528,000 (2007: HK\$62,692,000), and the weighted average of 477,981,580 (2007: 462,589,000) ordinary shares in issue during the Period.

A diluted earnings per share for the six months ended 30 June 2008 has not been disclosed as the warrants outstanding during the Period had an anti-dilutive effect on the basic earnings per share for the Period. In 2007, the calculation of diluted earnings per share was based on the profit for the prior interim period attributable to equity holders of the Company of HK\$62,692,000. The weighted average number of ordinary shares used in the calculation was 462,589,000 ordinary shares in issue during the prior interim period, as used in the basic earnings per share calculation, and the weighted average of 771,000 and 1,837,000 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all warrants and share options during the prior interim period.

## 10. Interim dividend

The Directors recommend the payment of an interim dividend of HK3.0 cents (2007: HK3.0 cents) per share, totaling HK\$14,343,000 (2007: HK\$14,239,000), for the six months ended 30 June 2008.

## 11. 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 payment due date and net of provisions, is as follows:

	<b>30 June 2008</b> <b>(Unaudited)</b> <b>HK\$'000</b>	31 December 2007 (Audited) HK\$'000
Current and within payment term	<b>285,012</b>	260,560
1 to 3 months past due	<b>49,447</b>	30,864
4 to 6 months past due	<b>4,068</b>	2,626
7 to 12 months past due	<b>2,801</b>	7,382
Over 1 year past due	<b>2,213</b>	2,376
	<b>343,541</b>	303,808

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2008

## 12. Available-for-sale investments

	<b>30 June 2008 (Unaudited) HK\$'000</b>	31 December 2007 (Audited) HK\$'000
Non-Hong Kong listed equity investments, at fair value	<b>6,845</b>	8,476

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.

## 13. Short term investments

	<b>30 June 2008 (Unaudited) HK\$'000</b>	31 December 2007 (Audited) HK\$'000
Hong Kong listed equity investments, at market value	<b>69</b>	119

The above equity investments at 30 June 2008 were classified as held for trading.

## 14. Cash and cash equivalents

	<b>30 June 2008 (Unaudited) HK\$'000</b>	31 December 2007 (Audited) HK\$'000
Bank balances and cash	<b>248,456</b>	92,007
Time deposits	<b>205,839</b>	298,676
	<b>454,295</b>	390,683
Time deposit with maturity exceeds three months	<b>(78,019)</b>	—
	<b>376,276</b>	390,683

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2008

### 15. 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 2008</b> <b>(Unaudited)</b> <b>HK\$'000</b>	31 December 2007 (Audited) HK\$'000
Accounts payable:		
Less than 3 months	<b>184,053</b>	134,265
4 to 6 months	<b>45,269</b>	37,772
7 to 12 months	<b>259</b>	1,199
Over 1 year	<b>177</b>	650
	<b>229,758</b>	173,886
Bills payable	<b>97,859</b>	69,905
	<b>327,617</b>	243,791

### 16. Share capital

	<b>30 June 2008</b> <b>(Unaudited)</b> <b>HK\$'000</b>	31 December 2007 (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:		
478,088,901 (31 December 2007: 477,635,168) ordinary shares of HK\$0.10 each	<b>47,809</b>	47,764

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2008

## 16. Share capital (Continued)

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</b> <i>HK\$'000</i>	<b>Share premium account</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
At 1 January 2008	477,635,168	47,764	163,416	211,180
Share options exercised	450,000	45	1,329	1,374
Warrants exercised	3,733	—	8	8
At 30 June 2008	478,088,901	47,809	164,753	212,562

### (a) Share options

Details of the Company's share option scheme (the "Scheme") and the share options issued under the Scheme are disclosed under the section "SHARE OPTION SCHEME".

### (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 in the proportion of one 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 at a subscription price of HK\$2.25 per share, subject to amendment, from 6 June 2007 to 5 June 2009 (both days inclusive). The warrants were issued to the shareholders of the Company on 6 June 2007.

During the Period, 3,733 warrants were exercised for 3,733 shares of HK\$0.10 each at a price of HK\$2.25 per share, with a total cash consideration, before expenses, of HK\$8,400.

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2008

## 17. Reserves

	Share premium account (Unaudited) HK\$'000	Share option reserve (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Asset revaluation reserve (Unaudited) HK\$'000	Available- for-sale investments 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
At 1 January 2008	163,416	4,438	2,800	7,054	4,218	109,122	34,810	440,754	766,612
Surplus on revaluation of building, net	–	–	–	1,584	–	–	–	–	1,584
Changes in fair value of available-for-sale equity investments	–	–	–	–	(2,073)	443	–	–	(1,630)
Exchange realignment	–	–	–	–	–	77,245	–	–	77,245
Total income and expense recognised directly in equity	–	–	–	1,584	(2,073)	77,688	–	–	77,199
Profit for the period	–	–	–	–	–	–	–	54,528	54,528
Total income and expense for the period	–	–	–	1,584	(2,073)	77,688	–	54,528	131,727
Share options exercised	1,329	(654)	–	–	–	–	–	–	675
Warrants exercised	8	–	–	–	–	–	–	–	8
Proposed interim dividend	–	–	–	–	–	–	–	(14,343)	(14,343)
At 30 June 2008	164,753	3,784	2,800	8,638	2,145	186,810	34,810	480,939	884,679

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2008

## 17. Reserves (Continued)

	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 investments 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
At 1 January 2007	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
Total income and expense recognised directly in equity	-	-	-	-	960	(764)	26,916	-	-	27,112
Profit for the period	-	-	-	-	-	-	-	-	62,692	62,692
Total income and expense for the period	-	-	-	-	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)
At 30 June 2007	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

30 June 2008

## 18. Commitments

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

	<b>30 June 2008</b> <b>(Unaudited)</b> <b>HK\$'000</b>	31 December 2007 (Audited) HK\$'000 (Restated)
Contracted, but not provided for:		
Plant and machinery	<b>20,933</b>	23,454
Land use right	<b>1,159</b>	1,048
Leasehold improvements	<b>4,189</b>	3,753
Others	<b>348</b>	393
	<b>26,629</b>	28,648
Contracted, but not provided for:		
Unpaid capital contributions to subsidiaries	<b>140,432</b>	156,275

## 19. 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 2008</b> <b>(Unaudited)</b> <b>HK\$'000</b>	31 December 2007 (Audited) HK\$'000
Office properties, factory premises and warehouses:		
Within one year	<b>23,626</b>	26,011
In second to fifth years, inclusive	<b>12,363</b>	12,586
After five years	<b>9,885</b>	10,709
	<b>45,874</b>	49,306

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2008

## 20. Related party transactions

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

		For the six months ended 30 June	
		2008 (Unaudited) <i>HK\$'000</i>	2007 (Unaudited) <i>HK\$'000</i>
	Notes		
Sales of raw materials	(i)	<b>4,816</b>	—
Purchase of raw materials	(ii)	—	8,519
Rental expenses	(iii)	<b>11,994</b>	1,848

Notes:

- (i) The above sales transactions were carried out in accordance with the Group's pricing policy, and were calculated on a cost-plus basis.
- (ii) 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.
- (iii) The rental expenses were charged out at rates with mark-to-market yield.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2008

### 20. Related party transactions (Continued)

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

	For the six months ended 30 June	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Salaries and allowances	6,421	8,656
Pension scheme contributions	36	30
Cost in the granting of share options	—	694
Total compensation for key management personnel	6,457	9,380

### 21. Approval of the interim financial report

The unaudited condensed consolidated interim financial statements were approved and authorised for issue by the Board of Directors on 16 September 2008.

## SUPPLEMENTARY INFORMATION

### DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 June 2008, the interests and short positions of the directors in the shares capital 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				
Chan Ho Sing	(a)	Founder of discretionary trust	Family	209,689,667	–	20,968,966	48.25%	
Chan Ho Sing	(b)	Interest of spouse	Family	5,900,000	–	570,000	1.35%	
Chan Ho Sing		Beneficial owner	Personal	30,315,667	–	2,395,566	6.84%	
				245,905,334	–	23,934,532	56.44%	
Ko Pak On		Beneficial owner	Personal	2,066,666	1,000,000	206,666	0.69%	
Chan Yu Ching, Eugene		Beneficial owner	Personal	4,716,666	–	451,666	1.08%	
Tso Yan Wing, Alan		Beneficial owner	Personal	100,000	700,000	30,000	0.17%	

Notes:

- (a) 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.
- (b) The interest of spouse represents ordinary shares and warrants held by Kee Chor Lin, the spouse of Chan Ho Sing.

## SUPPLEMENTARY INFORMATION

### DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (Continued)

In addition to the above, Mr. 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", as at 30 June 2008, 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

Save as disclosed under the section "DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES" above and "SHARE OPTION SCHEME" 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 SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants, including employees, directors and other persons as specified under the scheme document, who contribute to the success of the Group's operations. The Scheme became effective on 26 May 2006 and will remain in force for 10 years from that date. The 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 Scheme was contained in the Company's circular dated 28 April 2006.

## SUPPLEMENTARY INFORMATION

### SHARE OPTION SCHEME (Continued)

As at 30 June 2008, 2,600,000 share options remained outstanding under the 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*	Price of Company's shares***		
	At 1 January 2008	Exercised during the Period	At 30 June 2008			Immediately		
						Exercise price of share options**	the exercise date	At exercise date of options
				HK\$ per share	HK\$ per share	HK\$ per share		
<b>Directors</b>								
Chan Ho Sing #	200,000	(200,000)	–	8.8.2006	8.8.2007 to 25.5.2016	1.60	1.76	1.75
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					
Chan Yu Ching, Eugene	200,000	(200,000)	–	8.8.2006	8.8.2007 to 25.5.2016	1.60	1.76	1.75
Tso Yan Wing, Alan	700,000	–	700,000	8.8.2006	8.8.2006 to 25.5.2016	1.60	N/A	N/A
<b>Other employees</b>								
In aggregate	150,000	–	150,000	8.8.2006	8.8.2006 to 25.5.2016	1.60	N/A	N/A
In aggregate	800,000	(50,000)	750,000	8.8.2006	8.8.2007 to 25.5.2016	1.60	2.25	2.25
	950,000	(50,000)	900,000					
	3,050,000	(450,000)	2,600,000					

# 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 of 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

### SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 June 2008, 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	Notes	Capacity and nature of interest	Number of ordinary shares held	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	48.25%
Mico Global Inc. ("MGI")	1 & 3	Corporate/Interest of controlled corporation	209,689,667	20,968,966	48.25%
RBTT Trust Corporation	2 & 3	Trust/Trustee of discretionary trust	209,689,667	20,968,966	48.25%
Kee Chor Lin	4	Family/Interest of spouse/Beneficial interest	245,905,334	23,934,532	56.44%
DJE Investment S.A. ("DJE")	5 & 7	Investment manager	42,600,000	—	8.91%
Dr. Jens Ehrhardt Kapital AG ("DJE AG")	5, 6 & 7	Investment manager	42,600,000	—	8.91%
Dr. Jens Alfred Karl Ehrhardt ("Dr. Ehrhardt")	7	Investment manager	42,600,000	—	8.91%
Martin Currie (Holdings) Limited		Interest of controlled corporation	28,815,000	—	6.03%

## SUPPLEMENTARY INFORMATION

### SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

(Continued)

Note:

1. MGI holds a 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 a 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 and 20,968,966 underlying shares and duplicated each other.
4. 5,900,000 shares 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.
5. DJE AG holds an 81% interest in DJE and is accordingly deemed to have interests in shares interested by or deemed to be interested by DJE.
6. Dr. Ehrhardt holds a 68.5% interest in DJE AG and is accordingly deemed to have interests in shares and warrants interested by or deemed to be interested by DJE AG.
7. The interests of DJE, DJE AG and Dr. Ehrhardt are in respect of the same 42,600,000 underlying shares and duplicated each other.

Save as disclosed above, as at 30 June 2008, 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.



## SUPPLEMENTARY INFORMATION

### 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 a loan agreement dated 19 November 2007 between the Company and a syndicate of fourteen banks relating to an interest-bearing 4-year transferable term loan facility in an aggregate amount of HK\$480,000,000, a termination event would arise if:-

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

### CORPORATE GOVERNANCE

The Group has adopted and met 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 Mr. 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. Two Executive Directors namely Mr. Chan Yu Ching, Eugene and Mr. Tso Yan Wing, Alan and all the Independent Non-executive Directors ("INEDs") 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 were in line with the Code Provisions during the Period.

## SUPPLEMENTARY INFORMATION

### COMPLIANCE WITH THE MODEL CODE

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

### AUDIT COMMITTEE

The Audit Committee has reviewed with management together with Messrs Ernst & Young the accounting principles and practices adopted by the Group. The interim financial report for the Period has been independently reviewed by Messrs Ernst & Young. The Audit Committee comprises three INEDs and none of whom is employed by or otherwise affiliated with former or existing auditors of the Company.

### 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 INEDs 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.

### INTERIM DIVIDEND

The Board has resolved to declare an interim dividend for the Period of HK3.0 cents (2007: HK3.0 cents) in cash per share, totaling HK\$14,343,000 payable on Friday, 31 October 2008 to shareholders whose names appear on the register of members of the Company on Friday 10, October 2008.

## SUPPLEMENTARY INFORMATION

### CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 8 October 2008 to Friday, 10 October 2008, both days inclusive, during which period no transfer of shares and no share of the Company will be issued upon exercise of any subscription right attaching to the outstanding warrants issued by the Company will be effected. In order to qualify for the interim dividend, all transfer, accompanied by the relevant share certificates and all duly completed subscription forms accompanied by the relevant warrant certificates 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 Monday, 6 October 2008.

### 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, 16 September 2008