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DVN (Holdings) Limited  
天地數碼(控股)有限公司

**Interim Report 2008**  
STOCK CODE: 00500

# CONTENTS

	<i>Pages</i>
Corporate Information	2
Management Discussion and Analysis	3-6
Condensed Consolidated Income Statement	7
Condensed Consolidated Balance Sheet	8
Condensed Consolidated Statement of Changes in Equity	9
Condensed Consolidated Cash Flow Statement	10
Notes to Condensed Consolidated Interim Financial Statements	11-20
Other Information	21-30

# CORPORATE INFORMATION

## Board of Directors

### Executive directors

Mr Ko Chun Shun, Johnson (*Chairman*)  
Dr Lui Pan (*Chief Executive Officer*)  
Mr Luo Ning  
Mr Qiu Yiyong  
Mr Jin Wei  
Mr Wang Daoyi  
Mr Hu Qinggang (*Chief Financial Officer*)

### Non-executive director

Mr Jerry Sze

### Independent non-executive directors

Mr Liu Tsun Kie  
Mr Chu Hon Pong  
Mr Yap Fat Suan, Henry

### Audit Committee

Mr Liu Tsun Kie (*Chairman*)  
Mr Chu Hon Pong  
Mr Yap Fat Suan, Henry

### Remuneration Committee

Mr Liu Tsun Kie (*Chairman*)  
Mr Chu Hon Pong  
Mr Yap Fat Suan, Henry

## Company Secretary

Mr Chan Kam Kwan, Jason

## Qualified Accountant

Mr Fung Man Yin, Sammy

## Auditors

PricewaterhouseCoopers  
Certified Public Accountants

## Legal Advisers

Baker & McKenzie  
Kelvin Cheung & Co.

## Principal Bankers

Bank of Communications Co., Limited, Hong Kong  
Branch  
DBS Bank (Hong Kong) Limited  
Hang Seng Bank Limited  
The Hongkong and Shanghai Banking Corporation Limited

## Registered Office

Clarendon House  
2 Church Street West  
Hamilton HM11  
Bermuda

## Principal Place of Business

Rooms 1304-05  
China Resources Building  
26 Harbour Road  
Wanchai, Hong Kong

## Share Registrars and Transfer Office

### Principal registrars

Butterfield Fund Services (Bermuda) Limited  
Rosebank Centre  
11 Bermudiana Road  
Pembroke, Bermuda

### Hong Kong branch share registrars and transfer office

Tricor Tengis Limited  
26/F, Tesbury Centre  
28 Queen's Road East  
Wanchai, Hong Kong

## Listing Information

Main board of The Stock Exchange of Hong Kong  
Limited  
Stock code: 00500  
Board lot: 1,000 shares

## Investor Relations

Investor Relations Department  
DVN (Holdings) Limited  
Telephone: (852) 2548 8781  
Facsimile: (852) 2511 5522  
Website: [www.dvnholdings.com](http://www.dvnholdings.com)  
[www.irasia.com/listco/hk/dvn](http://www.irasia.com/listco/hk/dvn)  
Email: [ir@dvnholdings.com](mailto:ir@dvnholdings.com)

# MANAGEMENT DISCUSSION AND ANALYSIS

The board of directors (the “Board”) of DVN (Holdings) Limited (the “Company”) is pleased to present the unaudited consolidated results and financial position of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2008, together with the comparative figures for the corresponding period in 2007. These condensed consolidated interim financial statements have not been audited, but have been reviewed by the Company’s audit committee.

## OPERATIONAL REVIEW AND PROSPECTS

### Overall Performance

#### *Summary*

The Group recorded an unaudited consolidated revenue for the six months ended 30 June 2008 of HK\$380.6 million, up 19.9% from the HK\$317.3 million recorded from the same period in 2007. Unaudited consolidated gross profit for the six months ended 30 June 2008 also increased to HK\$171.5 million (2007: HK\$96.6 million). The higher profit margin reflects the success of our conditional access (“CA”)/smart card division which was separated from the set top box (“STB”) division at the beginning of 2008 and increased instalment sales of STBs. Unaudited consolidated profit after income tax and preference dividends for the six months ended 30 June 2008 increased to HK\$42.5 million (2007: HK\$36.2 million) despite the increase in share-based compensation of HK\$14.0 million, inclusion of the cost of our Beijing office established in the second half of 2007, higher salary expense due to both higher inflation and head count, and increases in marketing related costs.


The Board of the Company does not recommend any payment of interim dividend on ordinary shares for the six months ended 30 June 2008 (2007: Nil).

#### *Digital Broadcasting Business*

The Group recorded growth in both turnover and profit attributable to its digital broadcasting business during the first half of 2008 despite the cumulative negative effects of several severe snow storms, the earthquake in south western China, and administrative pricing controls as part of the PRC government’s program to control inflation. For the six months ended 30 June 2008, segmental turnover increased 19.7% to HK\$368.5 million (2007: HK\$307.8 million) and segmental profit increased 49.3% to HK\$67.2 million (2007: HK\$45.0 million).

The business environment in the first half of 2008 was challenging, more so than had been expected. Almost all sectors, including the digital broadcasting business, were negatively impacted by the severe snow storms at the beginning of the year and the earthquake in May. Concerns about rising inflation became a major focus of PRC government administrative measures with a significant number of local governments postponing approval of the monthly subscription fee increase for digital TV services. As a result, many digital conversion projects including the Henan project were put on hold. Central government’s credit tightening measures also meant that many cable TV operators were not able to receive the bank loans they had anticipated and in order to proceed with digitization they became more reliant on supplier credits and vendor financing.

Despite the difficult market conditions, we were able to deliver about 1.1 million units of STB representing a 24.5% increase from the 0.9 million units from the same period last year.



One key development of the Group in the period was the establishment of an independent CA/smart card division. The aim was to create an open CA platform available to all STB suppliers, and the key first step of a strategy to develop open software and application platform. Market reception of the strategy has been very encouraging with smart card shipment in the first half of 2008 jumping 70.2% from the same period last year. Our CA is based on a patented proprietary technology, and is considered by many industry users as one of the more sophisticated and advanced systems in the market.

The Group introduced both a high end and a low end STB model in the market. The low end model was intended to satisfy market demand for second STB units from households with more than one TV set, since the industry norm is for cable TV operators to provide only one free STB per household. After launch, we found there was also demand for this model from lower tier operators seeking a low cost STB solution for their digital conversion. The high end “Home Media Center” (HMC) model was designed for households seeking to upgrade their STBs to become high-definition enabled and other capabilities such as file sharing, data storage, and networking with PCs and other appliances. The Group has developed two HMC models, a model for cable TV use and sold to cable TV operators, and another for terrestrial TV (wireless) reception that could be retailed directly to consumers.

During the period, the Group has released new versions of several key software systems such as the middleware system. In terms of hardware, the Group has completed development of a CA embedded USB descrambler (“USB Dongle”) that allows users to watch terrestrial TV programs on PCs and laptops and a two-way device that supports both broadband and narrowband cable uplink.

### ***Provision of Financial Information***

Comparing with the same period in 2007, turnover in the Group’s financial information provision business increased 27.9% to HK\$12.1 million for the six months ended 30 June 2008 (2007: HK\$9.5 million), while its segmental profit improved to HK\$1.4 million (2007: HK\$0.7 million).

The primary activity of this operation is the provision of online financial information and selective customer data through internet in Hong Kong and other parts of Asia. The business recorded moderate growth in the first six months of 2008 from the same period in 2007.

### **Prospects**

We expect the current challenging environment to be temporary, while at the same time this situation would drive consolidation within the STB industry. The recent cut in interest rates in China suggests that the government could be reducing its emphasis on fighting inflation. It should therefore in time be easier for cable TV operators to raise subscription charges to pay for digitization of their systems and to access bank financing. The PRC government’s commitment to full digitization for the whole country remains strong. In the latest central government policy titled “Policies to Foster Development in the Digital TV Industry” – the first (No.1) policy issued by the General Office of the State Council in 2008, the government requires all broadcasting systems using foreign CA systems to be sync-encrypt with a domestic CA system and domestic CA systems with equivalent technical specifications should be given preferred consideration. This policy has had significant positive impact to domestic CA suppliers such as us.

In August 2007, the PRC government announced the mandated adoption of the new China Terrestrial Digital TV standard by all terrestrial TV operators before 2015. In 2008, some provincial terrestrial TV operators began to install digital headend systems under the new standard and to offer some digital terrestrial TV programs. We have supplied terrestrial headend/CA systems to China Shanghai Oriental Pearl (Group) Co., Ltd. in Shanghai, NSM Corporation in Liaoning and Wasu Digital TV Co., Ltd. in Zhejiang. The development of China’s terrestrial digital TV market will offer tremendous new opportunities to the Group. There are currently over 250 million TV households in China that can only

receive 4-8 channels of analogue terrestrial programs, and digital conversion will enable the transmission of 8-10 standard definition programs on one standard frequency bandwidth. We believe, overtime, the terrestrial digital TV market could develop into a brand new market of similar scale to the digital cable TV market. Terrestrial digital TV operators will have to go through a learning curve not dissimilar to that of cable TV operators making the transition from analogue to digital, and our capability in providing total solutions and our full range of digital TV systems would be an asset in this new market.

To strengthen our ability to face future challenges, we will continue to streamline our operation and business model aiming at reducing our overhead costs and our working capital requirement.

## Employees

The Group has developed its human resources policies and procedures based on performance and merit. The Group ensures that the pay level of its employees is competitive and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus systems. The Group provides on-the-job training to its employees in addition to retirement benefit schemes and medical insurance. Employees are offered discretionary year-end bonus based on individual merit.

The Group operates a share option scheme for the purpose of providing incentives and rewards to eligible directors and employees of the Group to recognise their contribution to the success of the Group.

The total number of employees of the Group as at 30 June 2008 was 841 (31 December 2007: 793), out of which 771 (31 December 2007: 720) employees were stationed in Mainland China. The number of employees as at 30 June 2008 categorised according to their functions is as follows:

Research and development	381
Sales and marketing	233
Technical support	61
Procurement and engineering support	44
Accounting and finance	36
Administration and management	86
	<hr/>
	841

## FINANCIAL REVIEW

### Liquidity and Financial Resources

At 30 June 2008, the Group recorded total assets of HK\$1,355.6 million (31 December 2007: HK\$1,370.3 million) which were financed by liabilities of HK\$227.0 million (31 December 2007: HK\$335.6 million), minority interests of HK\$117.8 million (31 December 2007: HK\$117.8 million) and shareholders' equity of HK\$1,010.9 million (31 December 2007: HK\$916.9 million). The Group's net asset value per share as at 30 June 2008 amounted to HK\$0.89 (31 December 2007: HK\$0.81).

The Group had a total cash and bank balance of HK\$238.6 million as at 30 June 2008 (31 December 2007: HK\$404.0 million). The Group did not have any material borrowings and its gearing ratio, measured on the basis of total borrowings as a percentage of total shareholders' equity, as at 30 June 2008 was negligible. The Group has sufficient banking facilities available from its bankers for its daily operations.



## Treasury Policies

The Group adopts conservative treasury policies and has tight controls over its cash and risk management. The Group's cash and cash equivalents are held mainly in Hong Kong dollars, Renminbi and United States dollars. Surplus cash is generally placed in short to medium term deposits in light of the Group's funding requirements.

## Exposure to Fluctuations in Exchange Rates and Related Hedges

The Group operates mainly in Hong Kong and Mainland China. For the operations in Hong Kong, most of the transactions are denominated in Hong Kong dollars and United States dollars. The exchange rate of United States dollars against Hong Kong dollars is relatively stable and the related currency exchange risk is considered minimal. For the operations in Mainland China, most of the transactions are denominated in Renminbi. Due to limitations in financial markets and regulatory constraints in Mainland China, the Group has an increasing exposure to Renminbi as its investments in Mainland China increase. Given the appreciation of Renminbi against Hong Kong dollars during the period under review, no financial instrument was used for hedging purposes. It is expected that the appreciation of Renminbi would have a favourable impact on the Group.

## Material Acquisitions and Disposals of Subsidiaries, Associates and Jointly Controlled Entities

In March 2008, the Group acquired 51% equity interest of an entity incorporated in the PRC for a consideration of approximately US\$2.54 million (equivalent to approximately HK\$19.8 million). The principal activity of the acquired entity is the design and development of digital broadcasting network equipment and systems.

## Charges on Assets

At 30 June 2008, the Group had a bank deposit of HK\$6 million pledged to a bank as security for general banking facilities.

## Future Plans for Material Investments or Capital Assets

The Group did not have any future plans for material investments or capital assets as at 30 June 2008.

## Capital Commitments

The Group did not have any material capital expenditure commitments as at 30 June 2008.

## Contingent Liabilities

At 30 June 2008, the Company had a pending court case regarding infringement of certain European patents in the Netherlands. The pending court case was subsequently withdrawn by the claimant on 15 July 2008.

Apart from above mentioned, the Company and the Group did not have any significant contingent liabilities as at 30 June 2008.

# CONDENSED CONSOLIDATED INCOME STATEMENT

For the period ended 30 June 2008

	Note	Six months ended 30 June	
		2008	2007
		(Unaudited) HK\$'000	(Unaudited) HK\$'000
<b>REVENUE</b>	3	<b>380,559</b>	317,264
Cost of sales		<b>(209,098)</b>	(220,637)
Gross profit		<b>171,461</b>	96,627
Other income	4	<b>24,310</b>	19,484
Marketing, selling and distribution costs		<b>(59,181)</b>	(23,289)
Administrative expenses		<b>(76,226)</b>	(45,518)
Other operating expenses		<b>(11,597)</b>	(5,832)
Operating profit	5	<b>48,767</b>	41,472
Finance costs	6	<b>(41)</b>	(4)
Share of profits of jointly controlled entities		<b>1,826</b>	–
Share of profits/(losses) of associates		<b>(101)</b>	127
<b>PROFIT BEFORE INCOME TAX</b>		<b>50,451</b>	41,595
Income tax expenses	7	<b>(8,001)</b>	(3,898)
<b>PROFIT AFTER INCOME TAX</b>		<b>42,450</b>	37,697
Dividends on preference shares		–	(1,453)
<b>PROFIT FOR THE PERIOD</b>		<b>42,450</b>	36,244
Attributable to:			
Equity holders of the Company		<b>42,450</b>	36,244
Minority interests		–	–
		<b>42,450</b>	36,244
<b>EARNINGS PER SHARE ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	9		
Basic		<b>HK\$0.037</b>	HK\$0.032
Diluted		<b>HK\$0.037</b>	HK\$0.032



# CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2008

	Note	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	15,157	11,872
Intangible assets		58,437	50,324
Interests in jointly controlled entities		21,361	–
Interests in associates		11,060	1,846
Trade receivables		308,984	173,013
Total non-current assets		414,999	237,055
<b>CURRENT ASSETS</b>			
Inventories		114,110	141,554
Deferred income tax assets		5,174	5,261
Trade receivables	11	507,176	520,533
Prepayments, deposits and other receivables		65,846	52,761
Tax receivables		9,693	9,104
Pledged bank deposit		6,000	6,000
Cash and cash equivalents		232,632	397,995
Total current assets		940,631	1,133,208
<b>CURRENT LIABILITIES</b>			
Trade payables	12	119,497	222,915
Other payables and accruals		75,116	101,519
Short-term bank loan		16,929	–
Tax payables		15,385	11,205
Deferred income tax liabilities		41	–
Obligations under finance leases, current portion	13	–	8
Total current liabilities		226,968	335,647
Net current assets		713,663	797,561
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,128,662</b>	<b>1,034,616</b>
Net assets		1,128,662	1,034,616
<b>EQUITY</b>			
Capital and reserves attributable to the Company's equity holders			
Ordinary shares	14	113,808	113,808
Reserves		897,096	803,050
Minority interests		1,010,904	916,858
		117,758	117,758
Total equity		1,128,662	1,034,616

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 2008

	Unaudited								
	Attributable to equity holders of the Company								
	Ordinary shares HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Exchange reserve HK\$'000	Retained earnings/ (accumulated losses) HK\$'000	Share-based compensation reserve HK\$'000	Sub-total HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
<b>At 1 January 2008</b>	113,808	-	628,235	41,965	105,202	27,648	916,858	117,758	1,034,616
Exchange differences	-	-	-	57,370	-	-	57,370	-	57,370
Dividends	-	-	-	-	(22,762)	-	(22,762)	-	(22,762)
Profit for the period	-	-	-	-	42,450	-	42,450	-	42,450
Total recognised income and expenses for the six months ended 30 June 2008	-	-	-	57,370	19,688	-	77,058	-	77,058
Share option scheme:									
- share-based compensation	-	-	-	-	-	16,988	16,988	-	16,988
- transfer upon options cancelled or lapsed	-	-	-	-	5,296	(5,296)	-	-	-
	-	-	-	-	5,296	11,692	16,988	-	16,988
<b>At 30 June 2008</b>	113,808	-	628,235	99,335	130,186	39,340	1,010,904	117,758	1,128,662
At 1 January 2007	108,167	1,380,992	222,122	7,187	(1,127,255)	15,808	607,021	117,758	724,779
Exchange differences	-	-	-	6,879	-	-	6,879	1	6,880
Profit for the period	-	-	-	-	36,244	-	36,244	-	36,244
Total recognised income and expenses for the six months ended 30 June 2007	-	-	-	6,879	36,244	-	43,123	1	43,124
Share option scheme:									
- share-based compensation	-	-	-	-	-	3,052	3,052	-	3,052
- proceeds from shares issued	641	7,946	-	-	-	-	8,587	-	8,587
- transfer upon options exercised	-	4,055	-	-	-	(4,055)	-	-	-
Issue of ordinary shares, net of issuing expenses	5,000	130,932	-	-	-	-	135,932	-	135,932
	5,641	142,933	-	-	-	(1,003)	147,571	-	147,571
At 30 June 2007	113,808	1,523,925	222,122	14,066	(1,091,011)	14,805	797,715	117,759	915,474



# CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the period ended 30 June 2008

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash used in operating activities	(119,749)	(50,587)
Net cash used in investing activities	(42,254)	(7,523)
Net cash generated from/(used in) financing activities	(5,835)	144,643
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(167,838)</b>	86,533
Cash and cash equivalents at beginning of the period	397,995	516,413
Effect of foreign exchange rate changes	2,475	1,841
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>232,632</b>	604,787

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 1 GENERAL INFORMATION

DVN (Holdings) Limited (the “Company”) and its subsidiaries (together the “Group”) are principally engaged in the design, development, integration and sales of digital set top boxes, smart cards, conditional access systems, digital broadcasting systems and the related software, and the provision of international financial market information and selective customer data.

The Company is a limited liability company incorporated in Bermuda. The address of its principal place of business is Rooms 1304-05, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited.

These condensed consolidated interim financial statements are presented in Hong Kong dollars (“HKD”) and all values are rounded to the nearest thousand (HK\$’000), unless otherwise stated.

These condensed consolidated interim financial statements have been approved for issue by the Board of Directors (the “Board”) of the Company on 25 September 2008.

## 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

These condensed consolidated interim financial statements of the Company for the six months ended 30 June 2008 have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These condensed consolidated interim financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”).

These condensed consolidated interim financial statements have been prepared under historical cost convention. The accounting policies and basis of preparation adopted in the preparation of these condensed consolidated interim financial statements are consistent with those used in the preparation of the Group’s audited consolidated financial statements for the year ended 31 December 2007 except for the adoption of the standards, amendments and interpretations issued by the HKICPA mandatory for annual accounting period beginning on 1 January 2008. The effect of the adoption of these standards, amendments and interpretations was not material to the Group’s results of operations or financial position.

These condensed consolidated interim financial statements are unaudited but have been reviewed by the Company’s audit committee.

### 3 SEGMENT INFORMATION

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

- (i) Digital broadcasting business ("DVB Business") – The design, development, integration and sales of digital set top boxes, smart cards, conditional access systems, digital broadcasting systems and related software;
- (ii) Other – Provision of international financial market information and selective consumer data; and
- (iii) Corporate – Corporate income and expenses.

An analysis of the Group's revenue and results for the six months ended 30 June 2008 and 2007 by business segments is as follows:

	DVB Business		Other		Corporate		Unallocated		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	<b>368,450</b>	307,797	<b>12,109</b>	9,467	-	-	-	-	<b>380,559</b>	317,264
Segment results	<b>67,195</b>	45,031	<b>1,359</b>	738	<b>(19,787)</b>	(4,297)	-	-	<b>48,767</b>	41,472
Finance costs							<b>(41)</b>	(4)	<b>(41)</b>	(4)
Share of profits of jointly controlled entities	<b>1,826</b>	-							<b>1,826</b>	-
Share of profits/(losses) of associates	<b>(101)</b>	127							<b>(101)</b>	127
Profit before income tax									<b>50,451</b>	41,595
Income tax expenses									<b>(8,001)</b>	(3,898)
Profit after income tax									<b>42,450</b>	37,697
Dividends on preference shares									-	(1,453)
Profit for the period									<b>42,450</b>	36,244

#### 4 OTHER INCOME

	Six months ended 30 June	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Interest income on bank balances	4,893	9,783
Interest accretions	1,810	–
Value-added tax refund	16,732	7,694
Short-term investment income	–	1,474
Net gain on disposal of property, plant and equipment	120	–
Others	755	533
	<b>24,310</b>	19,484

#### 5 OPERATING PROFIT

The Group's operating profit is arrived at after charging:

	Six months ended 30 June	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Cost of inventories sold	205,092	218,724
Cost of provision of financial market information and selective consumer data	4,006	1,913
Depreciation:		
Owned property, plant and equipment	2,008	2,338
Leased property, plant and equipment	–	11
Net exchange losses	4,140	211
Other operating expenses including:		
Amortisation of deferred development costs	9,007	4,594
Provision for inventories	–	576
Provision for impairment of trade receivables	2,015	115
Provision for impairment of goodwill in interests in associates	–	547
Write-off of deferred development costs	575	–

## 6 FINANCE COSTS

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank borrowings	39	–
Interest element of finance leases	2	4
	41	4

## 7 INCOME TAX EXPENSES

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current:		
Hong Kong	167	–
Outside Hong Kong	7,705	3,898
Deferred income tax:		
Hong Kong	129	–
Total tax expenses for the period	8,001	3,898

Hong Kong profits tax has been provided for at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits less estimated available tax losses.

Tax outside Hong Kong has been provided for at the applicable rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

## 8 DIVIDENDS

Final dividends attributable to ordinary shareholders of the Company in respect of the year ended 31 December 2007 of HK\$0.02 per ordinary share amounting to a total of approximately HK\$22,762,000 (31 December 2006: Nil) were declared by the Board of the Company on 15 April 2008 and were approved by the shareholders in the Annual General Meeting on 12 June 2008. Such dividends represented for 1,138,081,432 ordinary shares issued and outstanding as at 10 June 2008 and were accounted for in equity as an appropriation of retained earnings during the period ended 30 June 2008 (2007: Nil).

The Board of the Company does not recommend any payment of interim dividend on ordinary shares for the six months ended 30 June 2008 (2007: Nil).

## 9 EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the Group's profit attributable to the ordinary equity holders of the Company of approximately HK\$42,450,000 (2007: HK\$36,244,000) and the weighted average number of 1,138,081,432 (2007: 1,118,538,282) ordinary shares in issue during the period.

The calculation of the diluted earnings per share for the period is based on the Group's profit attributable to the ordinary equity holders of the Company of approximately HK\$42,450,000 (2007: HK\$36,244,000) and the weighted average number of ordinary shares in issue during the period assuming the exercise of the outstanding share options, the dilutive potential ordinary shares of the Company. A calculation is made to determine the number of ordinary shares that could have been acquired at fair value (determined as the average market share price of the Company's ordinary shares over the period) based on the monetary value of the subscription rights attached to the outstanding share options. The weighted average number of ordinary shares for the calculation of the diluted earnings per share is set out as follows:

	Six months ended 30 June	
	2008 (Unaudited)	2007 (Unaudited)
Weighted average number of ordinary shares in issue	1,138,081,432	1,118,538,282
Adjustment for share options	5,483,428	14,820,848
Weighted average number of ordinary shares for diluted earnings per share	1,143,564,860	1,133,359,130

## 10 PROPERTY, PLANT AND EQUIPMENT

	30 June	31 December
	2008 (Unaudited) HK\$'000	2007 (Audited) HK\$'000
Opening net carrying amount	11,872	10,284
Exchange differences	646	457
Additions	4,715	8,567
Disposals	(68)	(579)
Depreciation	(2,008)	(6,857)
Closing net carrying amount	15,157	11,872



## 11 TRADE RECEIVABLES

An aging analysis of the current trade receivables, net of provision, as at the balance sheet date is as follows:

	<b>30 June 2008 (Unaudited) HK\$'000</b>	31 December 2007 (Audited) HK\$'000
1 – 6 months	<b>314,631</b>	433,079
7 – 12 months	<b>186,904</b>	87,347
Over 12 months	<b>5,641</b>	107
	<b>507,176</b>	520,533

The Group's trading terms with its customers are payment in advance or on credit. The credit period is generally for a period of three months, extending up to nine months for certain major customers. The Group also has instalment sales to certain customers with repayments within several years. The Group seeks to maintain strict control over its outstanding receivables. The Group performs ongoing credit evaluation of its customers and makes frequent contact with its customers. The Group believes that no significant credit risk exists as credit losses, when realised, have been within the range of management's expectation.

## 12 TRADE PAYABLES

An aging analysis of the trade payables as at the balance sheet date is as follows:

	<b>30 June 2008 (Unaudited) HK\$'000</b>	31 December 2007 (Audited) HK\$'000
1 – 6 months	<b>100,726</b>	198,448
7 – 12 months	<b>130</b>	16,147
Over 12 months	<b>18,641</b>	8,320
	<b>119,497</b>	222,915

### 13 OBLIGATIONS UNDER FINANCE LEASES

	<b>30 June 2008 (Unaudited) HK\$'000</b>	31 December 2007 (Audited) HK\$'000
Wholly repayable within five years	–	8
Current portion	–	(8)
Non-current portion	–	–

### 14 ORDINARY SHARES

	<b>Ordinary shares of HK\$0.10 each</b>	
	Number of shares	HK\$'000
<b>Authorised</b>		
At 30 June 2008 and 31 December 2007	3,000,000,000	300,000
<b>Issued and fully paid</b>		
At 30 June 2008 and 31 December 2007	<b>1,138,081,432</b>	<b>113,808</b>

### 15 COMMITMENTS AND CONTINGENT LIABILITIES

#### (a) Capital commitments

	<b>30 June 2008 (Unaudited) HK\$'000</b>	31 December 2007 (Audited) HK\$'000
Contracted but not provided for		
Acquisition of a jointly controlled entity in the PRC	–	14,815

15 **COMMITMENTS AND CONTINGENT LIABILITIES** (Continued)

**(b) Operating lease commitments**

The Group leases certain of its office, warehouse properties and staff quarters under operating lease arrangements, which are negotiated for terms ranging from one to five years.

At 30 June 2008, the Group had total future minimum lease payments under non-cancellable operating leases as follows:

	<b>Land and buildings</b>	
	<b>30 June 2008 (Unaudited) HK\$'000</b>	31 December 2007 (Audited) HK\$'000
Not later than one year	<b>8,512</b>	7,275
Later than one year but not later than five years	<b>12,572</b>	11,703
	<b>21,084</b>	18,978

**(c) Financial commitments**

At 30 June 2008, the Group had financial commitments in respect of registered capital contributions to a subsidiary and an associate in the PRC as described below:

	<b>30 June 2008 (Unaudited) HK\$'000</b>	31 December 2007 (Audited) HK\$'000
Subsidiary (Note (i))	<b>10,642</b>	9,996
Associate (Note (ii))	<b>1,285</b>	1,207
	<b>11,927</b>	11,203

Notes:

- (i) Included in the financial commitments in respect of the registered capital contribution to a subsidiary is an amount of RMB5,316,000 (equivalent to approximately HK\$6,073,000) (2007: RMB5,316,000 equivalent to approximately HK\$5,704,000) that was paid in 1999 but the capital verification process has not been completed. The remaining balance has been overdue for capital injection (2007: same).
- (ii) The financial commitment in respect of the registered capital contribution to an associate has been overdue for capital injection since 17 March 2007.

## 15 COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

### (d) Contingent liabilities

At 30 June 2008 and 31 December 2007, the Company had a pending court case regarding infringement of certain European patents in the Netherlands. The pending court case was subsequently withdrawn by the claimant on 15 July 2008.

Apart from above mentioned, the Company and the Group did not have any significant contingent liabilities as at 30 June 2008.

## 16 RELATED PARTY TRANSACTIONS

The following transactions were carried out by the Group with related parties:

### (a) Sales or purchases of goods and services

	Six months ended 30 June	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Sales of goods and services		
– Group companies of a shareholder	135,335	–
Purchases of goods		
– A group company of a shareholder	–	39,342
Dividends on preference shares		
– A group company of a shareholder	–	1,453

The sales and purchases of goods were negotiated with related parties on normal commercial terms or in accordance with the agreements governing those transactions.

### (b) Details of key management compensation of the Group

	Six months ended 30 June	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Short-term employee benefits	5,675	6,133
Post-employment benefits	42	24
Share-based compensation	10,993	1,620
	<b>16,710</b>	<b>7,777</b>

## 16 RELATED PARTY TRANSACTIONS (Continued)

### (c) Period-end/year-end balances arising from sales/purchases and services rendered

	<b>30 June 2008 (Unaudited) HK\$'000</b>	31 December 2007 (Audited) HK\$'000
Trade receivables		
– Group companies of shareholders	<b>359,512</b>	245,526
Trade payables		
– A group company of a shareholder	<b>8,522</b>	63,264
– A jointly controlled entity	<b>4,801</b>	4,612

### (d) Other period-end/year-end balances

	<b>30 June 2008 (Unaudited) HK\$'000</b>	31 December 2007 (Audited) HK\$'000
Prepayments, deposits and other receivables		
– Jointly controlled entities	<b>1,462</b>	135
Other payables		
– A group company of a shareholder	<b>3,116</b>	–

## 17 EVENTS AFTER THE BALANCE SHEET DATE

There has been no material event subsequent to the period end which requires adjustment of or disclosure in these condensed consolidated interim financial statements.

## 18 COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform to the current period's presentation.

## OTHER INFORMATION

### Directors' Interests and Short Positions in Shares and Underlying Shares of the Company or any Associated Corporations

At 30 June 2008, the interests and short positions of the directors in the shares and underlying shares of the Company or its associated corporations, as defined in Part XV of Securities and Futures Ordinance (the "SFO") and as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

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

##### Ordinary shares of HK\$0.10 each in the Company

Name of director	Note	Number of ordinary shares held			Total	% of the issued share capital of the Company
		Personal interests	Family interests	Corporate interests		
Mr Ko Chun Shun, Johnson ("Mr Ko")	(i)	–	2,040,816	54,276,719	56,317,535	4.95%
Dr Lui Pan		2,698,000	3,200,000	–	5,898,000	0.52%
Mr Chu Hon Pong		450,000	–	–	450,000	0.04%

Note:

- (i) Mr Ko was deemed to be interested in the 54,276,719 ordinary shares of the Company held by First Gain International Limited under the SFO as First Gain International Limited is controlled by Mr Ko.

The interests of the directors in the share options of the Company as at 30 June 2008 are disclosed under the section "Share option scheme" below.

Save as mentioned above, at 30 June 2008, none of the directors had any interests or short positions in the shares or underlying shares of the Company or any of its associated corporations which had been recorded in the register to be kept under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## Directors' Rights to Acquire Shares

Saved as disclosed under the section "Directors' interests and short positions in shares and underlying shares of the Company or any associated corporations" above and the section "Share option scheme" below, at no time during the period were rights to acquire benefits by means of the acquisition of shares in the Company granted to any director or their respective spouse or minor children, 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 adopted a share option scheme (the "Scheme") at a special general meeting held on 26 June 2002 in compliance with Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Pursuant to a board resolution passed on 29 January 2008, the following share options with exercise price of HK\$1.880 per option were cancelled with incremental fair value of HK\$0.1510 and HK\$0.1596 per option respectively using the Black-Scholes option pricing model (the "Black-Scholes model") with the following input variables:

Date of cancellation of share options	Number of options	Exercise price per option HK\$	Exercise period of share options	Date of appraisal	Risk-free interest rate	Expected dividend yield per share	Expected volatility	Closing price of shares before the date of cancellation of share options HK\$	Expected life
29/1/2008	29,101,000	1.880	26/5/2008 to 25/5/2010	29/1/2008	1.38%	0%	59.00%	0.70	25/5/2007 to 25/5/2010
29/1/2008	29,101,000	1.880	26/5/2009 to 25/5/2010	29/1/2008	1.50%	0%	59.00%	0.70	25/5/2007 to 25/5/2010

These share options were subsequently replaced by a new grant of share options with exercise price of HK\$0.700 per option, with fair values estimated to be HK\$0.1790 and HK\$0.2076 per option respectively using the Black-Scholes model with the following input variables:

Date of grant of share options	Number of options	Exercise price per option HK\$	Exercise period of share options	Date of appraisal	Risk-free interest rate	Expected dividend yield per share	Expected volatility	Closing price of shares before the date of grant of share options HK\$	Expected life
29/1/2008	34,204,000	0.70	26/5/2008 to 25/5/2010	29/1/2008	1.38%	0%	59.00%	0.70	29/1/2008 to 25/5/2010
29/1/2008	34,204,000	0.70	26/5/2009 to 25/5/2010	29/1/2008	1.50%	0%	59.00%	0.70	29/1/2008 to 25/5/2010

## Share Option Scheme *(Continued)*

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Six months ended 30 June			
	2008		2007	
	Weighted average exercise price per share (Unaudited) HK\$	Number of options (Unaudited)	Weighted average exercise price per share (Unaudited) HK\$	Number of options (Unaudited)
At beginning of period	1.73	88,003,001	1.40	35,211,001
Granted and accepted	0.70	68,408,000	1.88	59,202,000
Exercised	–	–	1.34	(6,410,000)
Lapsed	1.50	(19,070,000)	–	–
Cancelled	1.88	(58,202,000)	–	–
At end of period	0.79	79,139,001	1.73	88,003,001

Out of the 79,139,001 outstanding options as at 30 June 2008 (30 June 2007: 88,003,001), 44,935,001 options (30 June 2007: 28,801,001 options) were exercisable. No option was exercised during the period ended 30 June 2008. Options exercised during the period ended 30 June 2007 resulted in 6,410,000 shares issued at a weighted average exercise price of HK\$1.34 each.

Share options outstanding at the end of the period have the following expiry dates and exercise prices:

Expiry date	Six months ended 30 June		
		2008	2007
	Exercise price per share HK\$	Number of options (Unaudited)	Number of options (Unaudited)
30 June 2008	1.500	–	19,070,000
23 July 2008	1.470	6,548,000	6,548,000
31 December 2008	0.824	3,183,001	3,183,001
25 May 2010	1.880	–	58,202,000
25 May 2010	0.700	68,408,000	–
11 February 2017	1.990	1,000,000	1,000,000
		79,139,001	88,003,001



## Share Option Scheme (Continued)

The details of movements of the outstanding share options during the period are as follows:

Date of share options granted	27 January 2006
Exercise price	HK\$1.500
Exercise period	1 January 2007 – 30 June 2008

	Outstanding options as at 1 January 2008	Options granted during the period	Options exercised during the period	Options lapsed during the period	Options cancelled during the period	Options reclassified during the period	Outstanding options as at 30 June 2008	Weighted average closing price before dates of exercise HK\$
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### Held by employees

In aggregate	19,070,000	-	-	(19,070,000)	-	-	-	-
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Date of share options granted	23 July 2002
Exercise price	HK\$1.470
Exercise period	24 July 2002 – 23 July 2008

	Outstanding options as at 1 January 2008	Options granted during the period	Options exercised during the period	Options lapsed during the period	Options cancelled during the period	Options reclassified during the period	Outstanding options as at 30 June 2008	Weighted average closing price before dates of exercise HK\$
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### Held by directors

Mr Ko Chun Shun, Johnson	3,000,000	-	-	-	-	-	3,000,000	-
Dr Lui Pan	1,500,000	-	-	-	-	-	1,500,000	-

### Held by employees

In aggregate	2,048,000	-	-	-	-	-	2,048,000	-
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Total	6,548,000	-	-	-	-	-	6,548,000	-
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## Share Option Scheme (Continued)

Date of share options granted	10 December 2003
Exercise price	HK\$0.824
Exercise period	1 January 2004 – 31 December 2008

	Outstanding options as at 1 January 2008	Options granted during the period	Options exercised during the period	Options lapsed during the period	Options cancelled during the period	Options reclassified during the period	Outstanding options as at 30 June 2008	Weighted average closing price before dates of exercise HK\$
<b>Held by directors</b>								
Mr Ko Chun Shun, Johnson	450,000	-	-	-	-	-	450,000	-
Mr Jerry Sze	183,334	-	-	-	-	-	183,334	-
<b>Held by employees</b>								
In aggregate	2,549,667	-	-	-	-	-	2,549,667	-
<b>Total</b>	<b>3,183,001</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,183,001</b>	

Date of share options granted	25 May 2007
Exercise price	HK\$1.880
Exercise period	26 May 2008 – 25 May 2010

	Outstanding options as at 1 January 2008	Options granted during the period	Options exercised during the period	Options lapsed during the period	Options cancelled during the period	Options reclassified during the period	Outstanding options as at 30 June 2008	Weighted average closing price before dates of exercise HK\$
<b>Held by directors</b>								
Mr Ko Chun Shun, Johnson	1,400,000	-	-	-	(1,400,000)	-	-	-
Dr Lui Pan	3,750,000	-	-	-	(3,750,000)	-	-	-
Dr Lui Pan (Note (i))	1,750,000	-	-	-	(1,750,000)	-	-	-
Mr Hu Qinggang	4,650,000	-	-	-	(4,650,000)	-	-	-
Mr Shaw Sun Kan, Gordon (Note (ii))	300,000	-	-	-	(300,000)	-	-	-
Mr Jerry Sze	300,000	-	-	-	(300,000)	-	-	-
Mr Chu Hon Pong	300,000	-	-	-	(300,000)	-	-	-
Mr Liu Tsun Kie	300,000	-	-	-	(300,000)	-	-	-
Mr Yap Fat Suan, Henry	300,000	-	-	-	(300,000)	-	-	-
<b>Held by employees</b>								
In aggregate	16,051,000	-	-	-	(16,051,000)	-	-	-
<b>Total</b>	<b>29,101,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(29,101,000)</b>	<b>-</b>	<b>-</b>	

## Share Option Scheme (Continued)

Date of share options granted	25 May 2007
Exercise price	HK\$1.880
Exercise period	26 May 2009 – 25 May 2010

	Outstanding options as at 1 January 2008	Options granted during the period	Options exercised during the period	Options lapsed during the period	Options cancelled during the period	Options reclassified during the period	Outstanding options as at 30 June 2008	Weighted average closing price before dates of exercise HK\$
<b>Held by directors</b>								
Mr Ko Chun Shun, Johnson	1,400,000	-	-	-	(1,400,000)	-	-	-
Dr Lui Pan	3,750,000	-	-	-	(3,750,000)	-	-	-
Dr Lui Pan (Note (i))	1,750,000	-	-	-	(1,750,000)	-	-	-
Mr Hu Qinggang	4,650,000	-	-	-	(4,650,000)	-	-	-
Mr Shaw Sun Kan, Gordon (Note (ii))	300,000	-	-	-	(300,000)	-	-	-
Mr Jerry Sze	300,000	-	-	-	(300,000)	-	-	-
Mr Chu Hon Pong	300,000	-	-	-	(300,000)	-	-	-
Mr Liu Tsun Kie	300,000	-	-	-	(300,000)	-	-	-
Mr Yap Fat Suan, Henry	300,000	-	-	-	(300,000)	-	-	-
<b>Held by employees</b>								
In aggregate	16,051,000	-	-	-	(16,051,000)	-	-	-
<b>Total</b>	<b>29,101,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(29,101,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Share Option Scheme *(Continued)*

Date of share options granted	29 January 2008
Exercise price	HK\$0.700
Exercise period	26 May 2008 – 25 May 2010

	Outstanding options as at 1 January 2008	Options granted during the period	Options exercised during the period	Options lapsed during the period	Options cancelled during the period	Options reclassified during the period	Outstanding options as at 30 June 2008	Weighted average closing price before dates of exercise HK\$
<b>Held by directors</b>								
Mr Ko Chun Shun, Johnson	-	1,600,000	-	-	-	-	1,600,000	-
Dr Lui Pan	-	1,940,000	-	-	-	-	1,940,000	-
Dr Lui Pan (Note (i))	-	3,940,000	-	-	-	-	3,940,000	-
Mr Jin Wei	-	4,560,000	-	-	-	-	4,560,000	-
Mr Wang Daoyi	-	4,560,000	-	-	-	-	4,560,000	-
Mr Hu Qinggang	-	1,040,000	-	-	-	-	1,040,000	-
Mr Shaw Sun Kan, Gordon (Note (ii))	-	350,000	-	-	-	(350,000)	-	-
Mr Jerry Sze	-	350,000	-	-	-	-	350,000	-
Mr Chu Hon Pong	-	350,000	-	-	-	-	350,000	-
Mr Liu Tsun Kie	-	350,000	-	-	-	-	350,000	-
Mr Yap Fat Suan, Henry	-	350,000	-	-	-	-	350,000	-
<b>Held by employees</b>								
In aggregate	-	14,814,000	-	-	-	-	14,814,000	-
<b>Held by service provider</b>								
In aggregate	-	-	-	-	-	350,000	350,000	-
<b>Total</b>	<b>-</b>	<b>34,204,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>34,204,000</b>	

## Share Option Scheme (Continued)

Date of share options granted	29 January 2008
Exercise price	HK\$0.700
Exercise period	26 May 2009 – 25 May 2010

	Outstanding options as at 1 January 2008	Options granted during the period	Options exercised during the period	Options lapsed during the period	Options cancelled during the period	Options reclassified during the period	Outstanding options as at 30 June 2008	Weighted average closing price before dates of exercise HK\$
<b>Held by directors</b>								
Mr Ko Chun Shun, Johnson	-	1,600,000	-	-	-	-	1,600,000	-
Dr Lui Pan	-	1,940,000	-	-	-	-	1,940,000	-
Dr Lui Pan (Note (i))	-	3,940,000	-	-	-	-	3,940,000	-
Mr Jin Wei	-	4,560,000	-	-	-	-	4,560,000	-
Mr Wang Daoyi	-	4,560,000	-	-	-	-	4,560,000	-
Mr Hu Qinggang	-	1,040,000	-	-	-	-	1,040,000	-
Mr Shaw Sun Kan, Gordon (Note (ii))	-	350,000	-	-	-	(350,000)	-	-
Mr Jerry Sze	-	350,000	-	-	-	-	350,000	-
Mr Chu Hon Pong	-	350,000	-	-	-	-	350,000	-
Mr Liu Tsun Kie	-	350,000	-	-	-	-	350,000	-
Mr Yap Fat Suan, Henry	-	350,000	-	-	-	-	350,000	-
<b>Held by employees</b>								
In aggregate	-	14,814,000	-	-	-	-	14,814,000	-
<b>Held by service provider</b>								
In aggregate	-	-	-	-	-	350,000	350,000	-
<b>Total</b>	<b>-</b>	<b>34,204,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>34,204,000</b>	

Date of share options granted	12 February 2007
Exercise price	HK\$1.990
Exercise period	12 August 2007 – 11 February 2017

	Outstanding options as at 1 January 2008	Options granted during the period	Options exercised during the period	Options lapsed during the period	Options cancelled during the period	Options reclassified during the period	Outstanding options as at 30 June 2008	Weighted average closing price before dates of exercise HK\$
<b>Held by service provider</b>								
In aggregate	500,000	-	-	-	-	-	500,000	-

## Share Option Scheme *(Continued)*

Date of share options granted	12 February 2007
Exercise price	HK\$1.990
Exercise period	12 February 2008 – 11 February 2017

Outstanding options as at 1 January 2008	Options granted during the period	Options exercised during the period	Options lapsed during the period	Options cancelled during the period	Options reclassified during the period	Outstanding options as at 30 June 2008	Weighted average closing price before dates of exercise HK\$
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### Held by service provider

In aggregate	500,000	-	-	-	-	500,000	-
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Notes:

- (i) Options were held by the spouse of Dr Lui Pan, who is also an employee of the Group.
- (ii) Mr Shaw Sun Kan, Gordon retired as a non-executive director on 12 June 2008.

## Substantial Shareholders' and Other Persons' Interests in Shares

At 30 June 2008, the following interests of 5% or more of the issued share capital 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	Number of ordinary shares held			% of the issued share capital of the Company
		Directly beneficially owned	Through controlled corporations	Total	
Easy Flow Investments Limited		237,592,607	-	237,592,607	20.88%
CITIC United Asia Investments Limited	(i)	-	237,592,607	237,592,607	20.88%
CITIC Projects Management (HK) Limited	(ii)	-	237,592,607	237,592,607	20.88%
CITIC Group	(iii)	-	237,592,607	237,592,607	20.88%
Motorola-Dragon Investment, Inc.		175,500,000	-	175,500,000	15.42%
Motorola, Inc.	(iv)	-	175,500,000	175,500,000	15.42%



## Substantial Shareholders' and Other Persons' Interests in Shares

(Continued)

Notes:

- (i) CITIC United Asia Investments Limited was deemed to be interested in the 237,592,607 ordinary shares of the Company held by Easy Flow Investments Limited under the SFO by virtue of its interest in Easy Flow Investments Limited.
- (ii) CITIC Projects Management (HK) Limited was deemed to be interested in the 237,592,607 ordinary shares of the Company held by Easy Flow Investments Limited under the SFO by virtue of its interest in CITIC United Asia Investments Limited.
- (iii) CITIC Group was deemed to be interested in the 237,592,607 ordinary shares of the Company held by Easy Flow Investments Limited under the SFO by virtue of its interest in CITIC Projects Management (HK) Limited.
- (iv) Motorola, Inc. was deemed to be interested in the 175,500,000 ordinary shares of the Company held by Motorola-Dragon Investment, Inc. under the SFO by virtue of its interest in Motorola-Dragon Investment, Inc.

## Purchase, Redemption or Sale of Listed Securities of the Company

The Company has not redeemed any of its listed securities during the six months ended 30 June 2008. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the six months ended 30 June 2008.

## Compliance with the Code on Corporate Governance Practices

In the opinion of the directors, the Company has complied with the code provisions of the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules throughout the accounting period covered by the interim report.

## Model Code for Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules to regulate the directors' securities transactions. Following specific enquiry by the Company, all directors have confirmed that they have complied with the Model Code regarding directors' securities transactions throughout the accounting period covered by the interim report.

## Audit Committee

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises three independent non-executive directors of the Company. These unaudited condensed consolidated interim financial statements for the six months ended 30 June 2008 of the Group now reported have been reviewed by the audit committee.