



Varitronix International Limited
2008 Interim Report

3



30 Years of Success
Moving Forward with a Global Vision

Chairman's Statement

Financial Highlights

- Turnover reached HK\$1,322 million, an increase of 14% as compared to the same period in 2007.
- Profit attributable to shareholders was HK\$124 million, a 3% increase from 2007.
- Basic earnings per share was 38.38 HK cents (2007: 37.13 HK cents).
- Interim dividend per share was 12 HK cents (2007: 12 HK cents).

Business Review

Automotive Display Business

This sector recorded satisfactory growth in the six months ended 30 June 2008, compared with the corresponding period a year ago. Growth has been especially significant in Europe and Asia. The momentum for this growth comes from the Group's move towards the production of high-end displays, a strategy that matches the needs of our automotive clients for high added value products. The European automotive market is mature, with a steady demand for high quality and high performance displays. The Asian market, particularly Mainland China, India and South Korea, shows encouraging growth potential.

The Group has recently developed an Improved Black Nematic (IBN) display technology which is particularly suitable for automotive applications, offering wide viewing angles and a broad range of operating temperatures. Mass production of the product is underway.

Mobile Phone Display Business

The mobile phone display business in the Mainland experienced moderate growth in the first six months of 2008 when compared to the same period last year. In fact, consumer sentiment towards mobile phone was weakened in 2008 due to an adjustment in the market following years of rapid growth. This is reflected in lower sales of the Group's mobile phone displays in the period under review when compared with the second half of last year.

Industrial and Other Products Business

Sales of our products for high-end industrial instruments in Europe and the United States have been maintained at a steady level. Sales were lower for the electronic consumer products sector, due largely to weakened demand in the Mainland market.

Looking Forward

Automotive Market

Several new automotive display projects will enter mass production in the second half of the year. The Group remains optimistic about the performance of this market in Europe and Asia.

Amongst our automotive clients in the Mainland are branch offices of our international clients and local Chinese automobile manufacturers. The Chinese automobile market is developing at a rapid pace and Mainland China is the main focus of our business expansion for the Group's automotive business.

India is another of our focal points for expansion and we are currently working with a number of Indian automotive clients. The Group will participate in an electronic components exhibition in India in the third quarter of this year and we will further step up marketing efforts to widen our exposure in this emerging market.

Chairman's Statement

Home Electrical Appliances Market

The Group maintains an important foothold in the European home electrical appliances display market. Our products are mainly used in coffee machines, room temperature controls and general white goods. There is great potential for these three product categories.

In the second quarter of 2008, sales from home electrical appliances manufacturers increased. It is predicted that the business from this sector will continue its steady growth in the second half of the year. The Group will combine our strengths in quality and marketing towards expanding our market share in the European home electrical appliances market.

Mobile Phone Market

The growth potential for the mobile phone market in the PRC remains uncertain in the short to medium term. Due to a softening of demand from the Mainland for mobile handsets, the TFT (Thin Film Transistor) panel market accumulated excess inventory in the first half of the year. This has put pressure on the price of TFT panels and has led to price cuts. Varitronix did not participate in the direct production of TFT panels, and therefore enjoyed operating flexibility under the current market conditions.

The acquisition of an 11% share in BOE Hydis, a South Korean TFT panel manufacturer, has secured a stable supply source of TFT panels for the Group in future.

Industrial and Other Product Markets

The Group's industrial display solutions are mainly sold to Europe, the United States and other markets in Asia. Our high-precision products complement the high-end designs for sophisticated instruments developed by our clients.

In the American market, aside from industrial instruments, the Group is planning to expand the current client portfolio for health care products. Manufacturers of products such as blood glucose meters and ECG machines have very stringent demands for display units, since these products have to meet with standards set by the government before they can be released into the market. The Group will endeavor to win more orders from these clients.

Summary and Acknowledgement

The Group recorded an increase in turnover in the first six months of 2008 over the same period last year. Performance has been steady in high-end displays in the automotive, industrial and home electrical appliances sectors in Europe and Asia, resulting in a continued rise in the Group's overall results.

While there are still uncertainties shrouding the American economy and the mobile handset market in the Mainland, prospects are good for automotive and industrial equipment displays in the European and Asian emerging markets. We will dedicate more resources to developing these potential areas.

Manufacturers in the Mainland face the challenges brought on by rising costs of raw materials, the appreciation of the RMB, the increase in labor costs, taxation and other miscellaneous expenses, and Varitronix is not immune to these problems. However, the Group has a balanced product portfolio with a diverse customer base spread through all principal markets in the world. In addition, the Group has tapped into the emerging markets and extended its portfolio to include home electrical appliances customers. These factors help the Group to sustain a stable revenue stream under uncertain conditions.

The Group has maintained steady growth in production yield, and new production lines will be installed in the fourth quarter. In the meantime, the Group will integrate and rationalize our production facilities in different locations so as to achieve greater production efficiency. Although sales will be affected by general market conditions, our production quality will provide the impetus to acquire a bigger market share in the high-end market so as to maintain growth.

With the cooperation of our staff, we will exercise control over our expenses, maintain the premium quality of our products, and at the same time strive for development in the high-end market segment so as to achieve the best margins.

We are confident that Varitronix will maintain its strong momentum as we meet the challenges we face today. I would hereby like to express my gratitude to our directors, shareholders, business partners and colleagues for their unflinching support.

Ko Chun Shun, Johnson

Chairman

Hong Kong, 25 August 2008

Consolidated Income Statement

For the six months ended 30 June 2008 – unaudited

		Six months ended 30 June	
	Note	2008 HK\$'000	2007 HK\$'000
Turnover	2	1,321,717	1,155,000
Other revenue		30,355	13,549
Other net income		23,359	34,993
Change in inventories of finished goods and work in progress		(18,606)	21,202
Raw material and consumables used		(902,178)	(788,946)
Staff costs		(137,525)	(140,033)
Depreciation		(40,848)	(38,421)
Other operating expenses		(134,385)	(123,291)
Profit from operations		141,889	134,053
Finance costs	3(a)	(4,417)	(1,883)
Share of profit of associate		345	–
Profit before taxation	3	137,817	132,170
Income tax	4	(13,379)	(13,602)
Profit for the period		124,438	118,568
Attributable to:			
Equity shareholders of the Company		124,140	120,082
Minority interests		298	(1,514)
		124,438	118,568
Interim dividend		38,811	38,811
Earnings per share	5		
Basic		38.38 cents	37.13 cents
Diluted		38.37 cents	37.12 cents

The notes on pages 8 to 14 form part of this interim financial report.

Consolidated Balance Sheet

At 30 June 2008 – unaudited

	Note	At 30 June 2008 HK\$'000	At 31 December 2007 HK\$'000
Non-current assets			
Fixed assets			
– Investment properties		1,487	7,777
– Other property, plant and equipment		345,036	385,781
– Interest in leasehold land held for own use		9,346	19,516
		355,869	413,074
Interest in an associate		2,651	2,306
Loan receivable		51,979	52,048
Other financial assets		74,720	105,077
Prepayment	6	224,599	12,199
Deferred tax assets		3,982	3,983
		713,800	588,687
Current assets			
Trading securities		174,452	127,269
Inventories		403,171	545,323
Trade and other receivables	7	579,548	528,927
Current taxation recoverable		2,969	1,794
Cash and cash equivalents	8	662,569	544,987
		1,822,709	1,748,300
Current liabilities			
Bank loans		347,812	149,160
Trade and other payables	9	541,383	660,151
Current taxation payable		13,008	4,308
Dividends payable		84,090	–
		986,293	813,619
Net current assets			
		836,416	934,681
Total assets less current liabilities			
		1,550,216	1,523,368
Non-current liabilities			
Deferred tax liabilities		56	195
NET ASSETS			
		1,550,160	1,523,173
CAPITAL AND RESERVES			
Share capital	10	80,856	80,856
Reserves	10	1,455,371	1,428,622
Total equity attributable to equity shareholders of the Company			
		1,536,227	1,509,478
Minority interests	10	13,933	13,695
TOTAL EQUITY			
		1,550,160	1,523,173

The notes on pages 8 to 14 form part of this interim financial report.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2008 – unaudited

	Six months ended 30 June	
	2008 HK\$'000	2007 HK\$'000
Total equity at 1 January	1,523,173	1,342,070
Net income for the period recognised directly in equity:		
Changes in fair value of available-for-sale securities	(18,644)	1,744
Exchange differences on translation of financial statements of overseas subsidiaries	5,263	5,551
Net income and expense for the period recognised directly in equity	(13,381)	7,295
Transfer to profit or loss on disposal of available-for-sale securities	20	26,598
Net profit for the period	124,438	118,568
Total recognised income for the period (note)	111,077	152,461
Dividends approved in respect of the previous year	(84,090)	(77,621)
Total equity at 30 June	1,550,160	1,416,910
Note: Total recognised income for the period		
<i>Attributable to:</i>		
Equity shareholders of the Company	110,839	153,888
Minority interests	238	(1,427)
	111,077	152,461

The notes on pages 8 to 14 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2008 – unaudited

	Six months ended 30 June	
	2008 HK\$'000	2007 HK\$'000
Net cash from operating activities	42,729	259,669
Net cash used in investing activities	(126,662)	(149,728)
Net cash from financing activities	194,236	49,339
Net increase in cash and cash equivalents	110,303	159,280
Effect of foreign exchange rates changes	7,279	3,594
Cash and cash equivalents at 1 January	544,987	498,688
Cash and cash equivalents at 30 June	662,569	661,562
Analysis of the balances of cash and cash equivalents		
Deposits with banks and other financial institutions	345,005	301,081
Cash at bank and in hand	317,564	360,481
	662,569	661,562

The notes on pages 8 to 14 form part of this interim financial report.

Notes to the Interim Financial Report

1. Basis of preparation

This unaudited interim financial report has been prepared in accordance with the requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) of The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants.

The same accounting policies and basis of preparation adopted in the Group’s 2007 audited annual financial statements have been applied to the 2008 interim financial report.

Certain comparative figures have been reclassified to confirm to the current period’s presentation.

2. Segment information

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

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

	Segment assets		Capital expenditure incurred for	
	at 30 June 2008 HK\$’000	at 31 December 2007 HK\$’000	the period ended 30 June 2008 HK\$’000	the year ended 31 December 2007 HK\$’000
Europe	194,155	203,492	522	1,341
Hong Kong and PRC	2,207,498	1,960,060	67,688	146,237
North America	61,946	85,081	215	33
Rest of Asia	65,959	82,577	–	–

2. Segment information (continued)

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

	Six months ended 30 June	
	2008 HK\$'000	2007 HK\$'000
Asia (Note)	823,210	682,730
Europe	420,930	404,875
North America	70,853	60,450
Others	6,724	6,945
	1,321,717	1,155,000

Note : Sales to Asia for the 6 months ended 30 June 2008 included sales to Hong Kong and PRC for the same period amounting to HK\$637,292,000 (2007: HK\$543,985,000).

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

3. Profit before taxation

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

	Six months ended 30 June	
	2008 HK\$'000	2007 HK\$'000
(a) Finance costs:		
Interest on bank advances and other borrowings repayable within five years	4,417	1,883
(b) Other items:		
Cost of inventories	1,045,957	861,177
Profit on disposal of fixed assets	(35,363)	(170)
Transfer from equity on disposal of available-for-sale securities	20	7,680
Loss/ (Gain) on disposal of trading securities	1,117	(25,168)
Loss/ (Gain) on revaluation of trading securities	13,834	(3,280)
Investment income	(5,774)	(1,464)
Other interest income	(6,798)	(7,483)
Rental income under operating leases	(6,773)	(251)
Other income	(2,810)	(4,352)

Notes to the Interim Financial Report

4. Income tax

	Six months ended 30 June	
	2008 HK\$'000	2007 HK\$'000
Current tax		
Provision for Hong Kong Profits Tax	8,374	7,774
Overseas Taxation	5,143	5,850
	13,517	13,624
Deferred tax		
Reversal of temporary differences	(138)	(22)
	13,379	13,602

The provision for Hong Kong Profits Tax is calculated at the rate of 16.5% (2007: 17.5%) of the estimated assessable profits for the six months ended 30 June 2008. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

5. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the unaudited profit attributable to equity shareholders of the Company of HK\$124,140,000 (2007: HK\$120,082,000) and the weighted average number of 323,422,204 shares (2007: 323,422,204 shares) in issue during the period.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the unaudited profit attributable to equity shareholders of the Company of HK\$124,140,000 (2007: HK\$120,082,000) and the weighted average number of 323,565,972 shares (2007: 323,481,449 shares) after adjusting for the effects of all dilutive potential shares.

5. Earnings per share (continued)

(c) Weighted average number of shares (diluted)

	Six months ended 30 June	
	2008 Number of shares	2007 Number of shares
Weighted average number of shares used in calculating basic earnings per share	323,422,204	323,422,204
Effect of deemed issue of shares for no consideration arising from the Company's share option scheme	143,768	59,245
Weighted average number of shares used in calculating diluted earnings per share	323,565,972	323,481,449

6. Prepayment

During the period, the Group paid the remaining amount of approximately HK\$212,400,000 to complete the acquisition of interest and corporate bonds of BOE Hydys. Total consideration of approximately HK\$224,599,000 represented acquisition of about 11% shares of BOE Hydys of approximately HK\$134,759,000 and 5-year corporate bonds issued by BOE Hydys of approximately HK\$89,840,000 with interest bearing 4% per annum.

7. Trade and other receivables

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

	At 30 June 2008 HK\$'000	At 31 December 2007 HK\$'000
Within 60 days of the invoice issue date	361,723	304,848
61 to 90 days after the invoice issue date	31,686	19,445
91 to 120 days after the invoice issue date	5,255	8,459
More than 120 days but less than 12 months after the invoice issue date	19,805	3,856
	418,469	336,608

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

Notes to the Interim Financial Report

8. Cash and cash equivalents

	At 30 June 2008 HK\$'000	At 31 December 2007 HK\$'000
Deposits with banks and other financial institutions	345,005	187,508
Cash at bank and in hand	317,564	357,479
Cash and cash equivalents in the balance sheet and the condensed consolidated cash flow statement	662,569	544,987

9. Trade and other payables

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

	At 30 June 2008 HK\$'000	At 31 December 2007 HK\$'000
Within 60 days of supplier invoice date	299,437	311,477
61 to 120 days after supplier invoice date	27,089	153,094
More than 120 days but less than 12 months after supplier invoice date	18,280	6,495
More than 12 months after supplier invoice date	291	1,652
	345,097	472,718

10. Capital and reserves

(a) Capital and reserves

	Attributable to equity shareholders of the Company									
	Share capital	Share premium	Exchange reserve	Fair value revaluation reserve	Capital reserve	Other reserves	Retained profits	Total	Minority interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2008	80,856	695,336	21,653	11,486	11,373	(30,273)	719,047	1,509,478	13,695	1,523,173
Final dividends approved in respect of previous year	-	-	-	-	-	-	(84,090)	(84,090)	-	(84,090)
Exchange differences on translation of financial statements of overseas subsidiaries	-	-	5,323	-	-	-	-	5,323	(60)	5,263
Available-for-sales securities:										
- changes in fair value	-	-	-	(18,644)	-	-	-	(18,644)	-	(18,644)
- transfer to the profit or loss on disposal	-	-	-	20	-	-	-	20	-	20
Profit for the period	-	-	-	-	-	-	124,140	124,140	298	124,438
At 30 June 2008	80,856	695,336	26,976	(7,138)	11,373	(30,273)	759,097	1,536,227	13,933	1,550,160

(b) Dividends

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

	At 30 June 2008 HK\$'000	At 31 December 2007 HK\$'000
Dividends not provided for	38,811	84,090

Notes to the Interim Financial Report

11. Capital commitments

Capital commitments representing purchase of property, plant and equipment not provided for in the Group's financial statements were as follows:

	At 30 June 2008 HK\$'000	At 31 December 2007 HK\$'000
Contracted for	149,552	125

12. Contingent liabilities

As at 30 June 2008, the Company has issued guarantees to banks in respect of a banking facility granted to certain subsidiaries. The Board does not consider it probable that a claim will be made against the Company under any of the guarantees. The maximum liability of the Company at 30 June 2008 under the guarantees issued and the facility drawn down by the subsidiaries was HK\$348,760,000 (31/12/2007: HK\$154,954,000).

Other Information

INTERIM DIVIDEND

The directors of the Company (the "Directors") declared an interim dividend of 12 HK cents (2007: 12 HK cents) per share for the six months ended 30 June 2008 to all registered shareholders whose names appear on the register of members of the Company on Friday, 26 September 2008.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Monday, 22 September 2008 to Friday, 26 September 2008 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch registrars, Computershare Hong Kong Investor Services Limited, Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:00 p.m. Friday, 19 September 2008.

STAFF

As at 30 June 2008, the Group employed approximately 5,167 persons around the world, of whom approximately 198 were in Hong Kong, 4,914 in PRC and 55 overseas. The Group remunerates its employees based on their performance, experience and prevailing industry practice. The Group operates an employee share option scheme and provides rent-free quarters to certain of its employees in the PRC.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintains a strong financial position. As at 30 June 2008, the total shareholders' equity of the Group was HK\$1.6 billion (31/12/2007: HK\$1.5 billion). The Group's current ratio, being the proportion of total current assets against total current liabilities, was 1.85 as at 30 June 2008 (31/12/2007: 2.15).

At the period end, the Group held a liquid portfolio of HK\$912 million (31/12/2007: HK\$777 million) of which HK\$663 million (31/12/2007: HK\$545 million) was in cash and cash equivalents and HK\$249 million (31/12/2007: HK\$232 million) in securities. The unsecured interest-bearing bank loans amounted to HK\$348 million (31/12/2007: HK\$149 million).

FOREIGN CURRENCY EXPOSURE

The Group is exposed to foreign currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily Euros, United States dollars, Japanese Yen and Renminbi.

Other Information

DIRECTORS' INTERESTS OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2008, the interests of the Directors and chief executive of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance (the "SFO")), as required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), as recorded in the register required to be maintained by the Company under Section 352 of the SFO or as required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") to be notified to the Company and the Stock Exchange were as follows:

(a) Interests in shares of the Company

Name of Director	Capacity	Number of shares in the Company held	Approximate % of issued share capital of the Company
Ko Chun Shun, Johnson	Interest in controlled corporations	47,950,000 (Note)	14.83

Note: Rockstead Technology Limited and Omnicorp Limited, both wholly-owned by Ko Chun Shun, Johnson held 37,250,000 shares and 10,700,000 shares of the Company respectively.

(b) Interests in share options of the Company

Name of Director	Date granted	Number of options at 1 January 2008 and 30 June 2008	Exercisable period	Price per share to be paid on exercise on option	Market value per share at date of grant of options
Ko Chun Shun, Johnson	19 December 2005	3,000,000	19 December 2005 to 18 December 2015	HK\$5.73	HK\$5.65
Tsoi Tong Hoo, Tony	22 July 2005	3,000,000	22 July 2005 to 21 July 2015	HK\$6.60	HK\$6.55
Ho Te Hwai, Cecil	19 December 2005	3,000,000	19 December 2005 to 18 December 2015	HK\$5.73	HK\$5.65

All the interests disclosed above represent long positions.

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

As at 30 June 2008, other than the interests disclosed under the section headed "Directors' Interests or Short Positions in Shares, Underlying Shares and Debentures" in respect of Mr. Ko Chun Shun, Johnson and Rockstead Technology Limited, so far as is known to the Directors and the chief executives of the Company, the following persons had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name	Capacity	Number of shares in the Company held	Approximate % of the issued share capital of the Company
Cheah Cheng Hye	Beneficial owner	281,000 (Note 1)	0.09
	Founder of a discretionary trust	25,448,974 (Note 1)	7.86
To Hau Yin	Interest of child under 18 or spouse	25,729,974 (Note 1)	7.95
Hang Seng Bank Trustee International Limited	Trustee	22,598,974 (Note 2)	6.98
Cheah Company Limited	Interest in controlled corporation	22,598,974 (Note 2)	6.98
Cheah Capital Management Limited	Interest in controlled corporation	22,598,974 (Note 2)	6.98
Value Partners Group Limited	Interest in controlled corporation	22,598,974 (Note 2)	6.98
Value Partners Limited	Investment manager	22,598,974 (Note 2)	6.98
Oppenheimer Developing Markets Fund	Investment manager	22,530,000	6.97
Allianz SE	Interest in controlled corporation	16,259,000 (Note 3)	5.03
Dresdner Bank Aktiengesellschaft	Interest in controlled corporation	16,259,000 (Note 3)	5.03
Veer Palthe Voute NV	Investment manager	16,259,000 (Note 3)	5.03

Notes:

- The share interest of To Hau Yin represents the same block of shares of Cheah Cheng Hye by virtue of interest of child under 18 or spouse. Cheah Cheng Hye is the founder of The C.H. Cheah Family Trust.
- These shares represent the same block of shares. Hang Seng Bank Trustee International Limited was deemed to be interested in the shares held by Value Partners Limited, which was 100% owned by Value Partners Group Limited. Value Partner Group Limited was 35.65% owned by Cheah Capital Management Limited, which was 100% owned by Cheah Company Limited. Cheah Company Limited was 100% owned by Hang Seng Bank Trustee International Limited. Hang Seng Bank Trustee International Limited is the trustee of a discretionary trust in which Cheah Cheng Hye is the founder.
- These shares represent the same block of shares. Allianz SE was deemed to be interested in the shares held by Veer Apalthe Voute NV which was owned 100% by Dresdner Bank Aktiengesellschaft, which was owned 81.10% by Allianz SE.
- All the interests disclosed above represent long positions.

Other Information

SHARE OPTION SCHEMES

Movements in the Company's share options during the period were as follows:

Date granted	Number of options at 1 January 2008	Number of options cancelled during the period	Number of options at 30 June 2008	Exercisable period	Price per share to be exercised	Market value per share at date of grant
Directors						
22 July 2005	3,000,000	–	3,000,000	22 July 2005 to 21 July 2015	HK\$6.60	HK\$6.55
19 December 2005	6,000,000	–	6,000,000	19 December 2005 to 18 December 2015	HK\$5.73	HK\$5.65
Employees (Note 1)						
9 June 1999	98,000	(19,500)	78,500	9 July 1999 to 8 July 2009	HK\$10.90	HK\$15.00
1 June 2000	263,000	(44,000)	219,000	1 July 2000 to 30 June 2010	HK\$11.30	HK\$13.40
30 August 2001	38,500	–	38,500	30 August 2001 to 29 August 2011	HK\$3.06	HK\$3.575
13 September 2002	44,000	(3,000)	41,000	13 September 2002 to 12 September 2012	HK\$3.905	HK\$3.85
6 October 2003	160,500	(31,000)	129,500	6 October 2003 to 5 October 2013	HK\$7.35	HK\$7.35
20 December 2004	583,000	(84,500)	498,500	20 December 2004 to 19 December 2014	HK\$7.50	HK\$7.50
Others (Note 1)						
9 June 1999	42,750	–	42,750	9 July 1999 to 8 July 2009	HK\$10.90	HK\$15.00
1 June 2000	55,000	–	55,000	1 July 2000 to 30 June 2010	HK\$11.30	HK\$13.40
30 August 2001	83,000	–	83,000	30 August 2001 to 29 August 2011	HK\$3.06	HK\$3.575
13 September 2002	85,000	–	85,000	13 September 2002 to 12 September 2012	HK\$3.905	HK\$3.85
30 October 2002	1,000,000	–	1,000,000	31 October 2002 to 30 October 2012	HK\$4.605	HK\$4.35
6 October 2003	42,500	–	42,500	6 October 2003 to 5 October 2013	HK\$7.35	HK\$7.35

SHARE OPTION SCHEMES (continued)

Date granted	Number of options at 1 January 2008	Number of options cancelled during the period	Number of options at 30 June 2008	Exercisable period	Price per share to be exercised at date of option	Market value per share at date of grant
<i>Others</i> (Note 1)						
20 December 2004	1,500,000	–	1,500,000	20 December 2004 to 19 December 2014	HK\$7.50	HK\$7.50
21 December 2004	300,000	–	300,000	21 December 2004 to 20 December 2014	HK\$7.45	HK\$7.45
19 December 2005	3,000,000	–	3,000,000	19 December 2005 to 18 December 2015	HK\$5.73	HK\$5.65
	16,295,250	(182,000)	16,113,250			

Notes:

1. An employee became the financial advisor of the Company with effect from 9 April 2008. The 1,808,250 share options held by the financial advisor were retained until the end of the expiry of the respective exercisable periods of the share options, and reclassified from the category 'Employees' to 'Others'.
2. No share option was granted or exercised during the period.
3. The total number of shares available for issue under the Share Option Schemes at 30 June 2008 represents 4.98% of the issued share capital of the Company at that date.
4. The consideration for the options granted was HK\$1.00.

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

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

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the period ended 30 June 2008.

Other Information

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

The audit committee comprises three Independent Non-executive Directors: Dr. Lo Wing Yan, William J.P. (Chairman of the Audit Committee), Mr. Yuen Kin and Mr. Hou Ziqiang. It has reviewed with management the accounting principles and practices adopted by the Group and discussed financial reporting matters including the review of the unaudited interim results for the six months ended 30 June 2008 of the Company now reported on.

REMUNERATION COMMITTEE

The Remuneration Committee comprises two Independent Non-executive Directors, Dr. Lo Wing Yan, William J.P. (Chairman of the Remuneration Committee), Mr. Hou Ziqiang and an Executive Director, Mr. Ko Chun Shun, Johnson. It is responsible for setting and monitoring the remuneration policy for all Directors and senior management.

DIRECTORS

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