KA SHUI INTERNATIONAL HOLDINGS LIMITED
嘉瑞國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 822)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2008

The Board of Directors (the "Board") of Ka Shui International Holdings Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2008, together with the comparative figures for the corresponding period in 2007.

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 June	
		2008	2007
		HK$'000	*HK$'000*
	Note	**(unaudited)**	(unaudited)
Turnover	*3*	**342,742**	352,672
Cost of sales		**(299,545)**	(268,937)
Gross profit		**43,197**	83,735
Other income	*4*	**5,078**	3,797
Selling and distribution expenses		**(4,801)**	(4,170)
General and administration expenses		**(31,925)**	(30,300)
Profit from operations	*5*	**11,549**	53,062
Finance costs	*6*	**(1,145)**	(4,153)
Share of loss of an associate		**–**	(512)
Share of loss of a jointly controlled entity		**(64)**	–
Profit before tax		**10,340**	48,397
Income tax expense	*7*	**(3,219)**	(5,059)
Profit for the period		**7,121**	43,338
Attributable to:			
Equity holders of the Company		**7,121**	43,285
Minority interests		**–**	53
		7,121	43,338
Dividends			
– Proposed interim	*8*	**–**	10,560
Earnings per share	*9*		
– Basic *(HK cents)*		**0.8**	6.5
– Diluted *(HK cents)*		**N/A**	6.5

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	As at 30 June 2008 HK$'000 (unaudited)	As at 31 December 2007 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	*10*	**280,638**	224,580
Prepaid land lease payments		**36,151**	33,893
Club membership		**718**	718
Investment in an associate		**–**	1,115
Investment in a jointly controlled entity		**9,400**	8,259
Available-for-sale financial assets		**6,303**	6,303
Deposits paid for acquisition of property, plant and equipment and prepaid land lease payments		**8,848**	8,096
		342,058	282,964
Current assets			
Inventories		**132,254**	118,344
Trade receivables	*11*	**110,866**	115,491
Financial assets at fair value through profit or loss		**2,879**	3,277
Prepayments, deposits and other receivables		**13,018**	11,613
Due from an associate		**–**	14,335
Pledged bank deposits		**4,250**	6,333
Bank and cash balances		**121,133**	166,039
		384,400	435,432
Current liabilities			
Trade payables	*12*	**57,322**	61,381
Deposits received		**2,801**	3,054
Other payables and accruals		**29,237**	27,555
Due to a related company		**–**	806
Due to an associate		**–**	4,246
Short term borrowings		**54,953**	68,555
Current portion of long term borrowings		**5,522**	5,511
Current portion of obligations under finance leases		**9,514**	6,641
Current tax liabilities		**2,629**	6,456
Bank overdrafts		**2,507**	–
		164,485	184,205
Net current assets		**219,915**	251,227
Total assets less current liabilities		**561,973**	534,191
Non-current liabilities			
Long term borrowings		**6,250**	9,015
Obligations under finance leases		**15,579**	4,485
Deferred tax liabilities		**1,128**	1,128
		22,957	14,628
NET ASSETS		**539,016**	519,563
Capital and reserves			
Share capital		**88,000**	88,000
Reserves		**451,016**	431,563
TOTAL EQUITY		**539,016**	519,563

Notes to Condensed Consolidated Financial Statements

1. Corporation information

The Group is principally engaged in the manufacture of zinc, magnesium and aluminum alloy die casting components which are mainly sold to customers engaging in the household products, 3C (communication, computer and consumer electronics) products and automotive parts industries.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands on 7 January 2005.

2. Basis of preparation and significant accounting policies

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of the Certified Public Accountants (the "HKICPA").

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2007.

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2008. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current period and prior periods.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRs would have a material impact on its results and financial position.

3. Turnover and segment information

Turnover represents the net amounts received and receivable for goods sold, net of returns and allowances to customers during the period.

For management purposes, the Group's operation is currently categorised into three operating divisions – zinc, magnesium and aluminium alloy die casting components. These divisions are the basis on which the Group reports its primary segment information. An analysis of the Group's turnover and results for the period by business segments is as follows:

	For the six months ended 30 June 2008			
	Zinc alloy die casting components *HK$'000* **(unaudited)**	**Magnesium alloy die casting components** *HK$'000* **(unaudited)**	**Aluminium alloy die casting components** *HK$'000* **(unaudited)**	**Consolidated** *HK$'000* **(unaudited)**
Turnover				
Sales to external customers	**200,484**	**56,387**	**85,871**	**342,742**
Segment results	**9,858**	**4,171**	**90**	**14,119**
Unallocated other income				**4,164**
Unallocated expenses				**(6,734)**
Profit from operations				**11,549**
Finance costs				**(1,145)**
Share of loss of a jointly controlled entity		**(64)**		**(64)**
Profit before tax				**10,340**
Income tax expense				**(3,219)**
Profit for the period				**7,121**

	For the six months ended 30 June 2007			
	Zinc alloy die casting components *HK$'000* (unaudited)	Magnesium alloy die casting components *HK$'000* (unaudited)	Aluminium alloy die casting components *HK$'000* (unaudited)	Consolidated *HK$'000* (unaudited)
Turnover				
Sales to external customers	272,695	50,813	29,164	352,672
Segment results	38,549	15,575	4,643	58,767
Unallocated other income				2,075
Unallocated expenses				(7,780)
Profit from operations				53,062
Finance costs				(4,153)
Share of loss of an associate	(512)			(512)
Profit before tax				48,397
Income tax expense				(5,059)
Profit for the period				43,338

4. Other income

	For the six months ended 30 June	
	2008	2007
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest income	**2,245**	620
Rental income	**35**	128
Gain on financial assets at fair value through profit or loss	**1,903**	1,456
Sale of scrap materials	**828**	1,257
Product development fee income	**–**	105
Management fee from an associate	**–**	78
Others	**67**	153
	5,078	3,797

5. Profit from operations

Profit from operations has been arrived at after charging/(crediting) the following:

	For the six months ended 30 June	
	2008	2007
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Depreciation of property, plant and equipment	**15,104**	10,247
Gain on disposal of property, plant and equipment	**(14)**	(56)
Property, plant and equipment written off	**–**	4

6. Finance costs

	For the six months ended 30 June	
	2008	2007
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest expenses on bank overdrafts and loans	**725**	3,543
Finance lease charges	**420**	610
	1,145	4,153

7. Income tax expense

	For the six months ended 30 June	
	2008	2007
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current tax – Hong Kong Profits Tax		
Provision for the period	**3,110**	3,994
Current tax – People's Republic of China ("PRC") enterprise income tax		
Provision for the period	**109**	1,065
	3,219	5,059

Hong Kong Profits Tax has been provided at the rate of 16.5% for the six months ended 30 June 2008 (for the six months ended 30 June 2007: 17.5%) on the estimated assessable profit for the relevant period. Taxation on overseas profit has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

Pursuant to the relevant laws and regulations in the PRC effective before 2008, a foreign investment enterprise in the PRC is exempted from PRC enterprise income tax for the two years from its first profit-making year and thereafter is entitled to a 50% relief from PRC enterprise income tax for the following three years. One of the Group's PRC subsidiaries, MG Technology (Shenzhen) Company Limited ("MG Technology"), was in its fifth profit-making year for the year ended 31 December 2006. In December 2006, MG Technology was recognised as a "New and High Technology Enterprise" by Shenzhen Municipal Technology and Information Bureau, and it was granted a 50% tax relief for another three years commencing from January 2007 (but the tax rate after the extended tax relief should not be lower than 10%). On 16 March 2007, the National People's Congress passed the Enterprise Income Tax Law of the PRC (the "New PRC EIT Law") which became effective on 1 January 2008. From 2008 onwards, the above 50% tax rate deduction would be subject to the transitional arrangements under the New PRC EIT Law. However, the PRC authorities have not issued detailed qualification requirements for this enterprise income tax incentive.

On the other hand, in December 2007, the Implementation Rules of the New PRC EIT Law of the PRC and Guo Fa [2007] No. 39 promulgated by the State Council specify certain implementation details and grandfathering arrangements of the New PRC EIT Law. As a result of Guo Fa [2007] No. 39, MG Technology would have to file its quarterly enterprise income tax returns at 18% enterprise income tax rate in 2008.

Another PRC subsidiary of the Group, Ka Shui Technology (Huizhou) Company Limited, has no assessable profit since its establishment and hence no tax provision was made for the six months ended 30 June 2008.

8. Dividends

During the six months ended 30 June 2008, the Company paid a final dividend of HK0.9 cents (for the six months ended 30 June 2007: nil) per share for the year ended 31 December 2007.

The Board does not recommend the payment of an interim dividend in respect of the six months ended 30 June 2008 (for the six months ended 30 June 2007: HK1.2 cents per share).

On 1 February 2007, the directors of one of the subsidiaries, Ka Shui Manufactory Co., Limited ("Ka Shui HK"), proposed a final dividend of HK$30,000 each per ordinary share for the year ended 31 December 2006 totalling HK$3,000,000 to its then shareholders; on 1 February 2007, the directors of another subsidiary, Ka Fung Metal Manufactory Company Limited ("Ka Fung Metal"), proposed a final dividend of HK$3,000 each per ordinary share for the year ended 31 December 2006 totalling HK$30,000,000 to its then shareholders. On 2 February 2007, the then shareholders of Ka Shui HK and Ka Fung Metal approved the above proposed final dividends respectively. These final dividends were fully settled in May 2007, and included as a movement in the condensed consolidated statement of changes in equity.

9. Earnings per share

Basic earnings per share

The calculation of basic earnings per share attributable to equity holders of the Company is based on the profit attributable to equity holders of the Company for the six months ended 30 June 2008 of approximately HK$7,121,000 (unaudited) (for the six months ended 30 June 2007: HK$43,285,000 (unaudited)) and the weighted average number of ordinary shares of 880,000,000 (for the six months ended 30 June 2007: 667,292,818, as if the capitalisation of share premium and the effect of the group reorganisation, which are more fully described in the section headed "Written resolutions of all the Shareholders passed on 2 June 2007" in Appendix V to the prospectus of the Company dated 12 June 2007, had been outstanding throughout the period) in issue during the period.

Diluted earnings per share

The effects of all potential ordinary shares are anti-dilutive for the six months ended 30 June 2008.

The calculation of diluted earnings per share attributable to equity holders of the Company for the six months ended 30 June 2007 is based on the profit attributable to equity holders of the Company for the six months ended 30 June 2007 of approximately HK$43,285,000 (unaudited) and the weighted average number of ordinary shares of 668,544,423, being the weighted average number of ordinary shares of 667,292,818 in issue during the period used in the basic earnings per share calculation plus the weighted average number of ordinary shares of 1,251,605 assumed to have been issued at no consideration on the deemed exercise of the share options outstanding during the period.

10. Property, plant and equipment

During the period, the Group had disposed of certain property, plant and equipment with a carrying amount of approximately HK$71,000 (for the six months ended 30 June 2007: HK$47,000) for proceeds of HK$85,000 (for the six months ended 30 June 2007: HK$103,000), resulting in a gain on disposal of approximately HK$14,000 (for the six months ended 30 June 2007: HK$56,000) and had no property, plant and equipment written off (for the six months ended 30 June 2007: HK$4,000).

In addition, the Group spent approximately HK$38,236,000 (for the six months ended 30 June 2007: HK$2,273,000) on the construction of its new factory premises at Daya Bay, Huizhou of the PRC and approximately HK$10,266,000 (for the six months ended 30 June 2007: HK$33,928,000) on acquisition of new plant and machineries in order to enhance its production capabilities.

11. Trade receivables

The Group has a policy of allowing a credit period ranged from 30 to 75 days to its customers. The ageing analysis of trade receivables is stated as follows:

	As at 30 June 2008 *HK$'000* **(unaudited)**	As at 31 December 2007 *HK$'000* (audited)
0 to 30 days	**55,033**	71,339
31 to 60 days	**31,654**	24,150
61 to 90 days	**14,364**	8,910
91 to 180 days	**8,267**	9,286
Over 180 days	**1,548**	1,806
	110,866	115,491

12. **Trade payables**

The ageing analysis of trade payables is stated as follows:

	As at 30 June 2008 *HK$'000* **(unaudited)**	As at 31 December 2007 *HK$'000* (audited)
0 to 30 days	**22,711**	29,807
31 to 60 days	**22,515**	26,299
61 to 90 days	**7,821**	2,597
91 to 180 days	**1,892**	1,249
Over 180 days	**2,383**	1,429
	57,322	61,381

MANAGEMENT DISCUSSION AND ANALYSIS

(A) Financial Review

During the past half year, due to a number of adverse factors affecting the manufacturing industries, which include continuing appreciation of Renminbi against the U.S. dollars, surge in the costs of raw materials and energy, rise in labour costs caused by the newly implemented Labour Contract Law in the PRC, reduction of export tax rebates and the sub-prime mortgage crisis in the United States leading to a slowdown in the global economy, the Group's turnover for the six months ended 30 June 2008 amounted to approximately HK$342,742,000, which was 2.8% lower than that for the corresponding period last year. When compared with the same period last year, gross profit recorded a 48.4% decrease to approximately HK$43,197,000 and the gross profit margin was approximately 12.6%.

In addition, resulting from the Group's acquisition of 60% equity interest in Wing Yu (Far East) Industries Company Limited ("Wing Yu") at the beginning of this year, which led to Wing Yu becoming a wholly-owned subsidiary of the Group together with an upward adjustment in salary to cope with the sharp rise in inflation, the Group's general and administrative expenses increased by approximately 5.4% over the corresponding period last year.

Due to a decrease in gross profit together with an increase in general and administrative expenses, the profit attributable to equity holders of the Company for the period dropped by 83.5% to approximately HK$7,121,000 when compared with the same period last year while the net profit margin was 2.1%.

(B) Business Review

Zinc alloy die casting business

For the first half of 2008, zinc alloy die casting operation accounted for 58.5% of the Group's turnover, representing a decrease of 26.5% as compared with the same period last year. This was mainly due to the persistent high price of zinc alloys in the past two years while the Group has, by leveraging on its strength of producing the three major non-ferrous die casting components (zinc, magnesium and aluminium alloys), actively proposed to its customers on using magnesium alloys or aluminium alloys as a substitution for zinc alloys to produce parts in order to lower the purchasing cost for its customers. During the period under review, some die casting products which were used to be made from zinc alloys had been replaced by aluminium alloys with an aim to reduce the over-reliance on zinc alloy die casting business.

Magnesium alloy die casting business

Benefiting from the rapid development of 3C (communication, computer and consumer electronics) products industry, the turnover of magnesium alloy die casting components during the period under review increased by approximately 11.0% as compared with the corresponding period last year. The proportion of which as represented in the Group's turnover also increased from approximately 14.4% in last year to 16.5%. During the period, the turnover derived from magnesium alloy notebook computer components recorded a robust growth. Seizing the growing demand for magnesium alloy die casting components in the market, the Group had actively expanded its customer base and production capability so as to cater for the development of magnesium alloy die casting business.

Aluminium alloy die casting business

Following a shift from using zinc alloys to aluminium alloys in the production of components for customers, aluminium alloy die casting business grew substantially by 194.4% as compared with the same period last year. The proportion of which as represented in the Group's turnover also increased from approximately 8.3% in last year to 25.0%. By leveraging on its strength of producing zinc, magnesium and aluminium die casting components, the Group can have more flexibility to cope with the price fluctuation of metal alloys, thus helping customers to save its purchasing costs.

Acquisition of Wing Yu

In order to strengthen its capability in surface finishing treatment, the Group had acquired 60% equity interest in Wing Yu, which is engaged in surface finishing treatment, in January 2008. Upon completion of the acquisition, Wing Yu had become a wholly-owned subsidiary of the Group. Surface finishing treatment is an important production process in the manufacture of die casting products. It applies as a treatment on the surface of the die casting components in order to enhance its outlook texture, hardness and corrosion protection. Through the acquisition, the Group can further enhance the vertical integration of its production processes and hence increase its competitiveness. Given that Wing Yu had been fully owned and controlled by the Group upon completion of the acquisition, the production capacity of Wing Yu and the Group's capability in surface finishing treatment will be expanded to fit in with the business strategies of the Group.

Honour attained

In January 2008, the Group was selected by Forbes China, an influential business magazine, as one of the "China Best Small & Medium-sized Enterprises 2008". This honour fully recognises the Group's unique position in the market and its potential of sustainable growth.

(C) Prospects

This year will be a challenging year for the Group. The slowdown of the global economy due to sub-prime mortgage crisis in the United States, as well as persistent appreciation of Renminbi, high energy costs and inflation rate, increase in labour and production costs will exert pressure on the turnover and gross profit of the Group. The Group will implement various measures to maintain its competitiveness including increasing the price of products, strengthening cost control, enhancing production capacity, improving operational efficiency and reducing the wastage rate of raw materials etc.

To cope with the above situation, the Group will continuously focus on research and development of new products and production technologies so as to open up new markets and lower its manufacturing cost. Production of the Group's first ODM product, Luminous Electric Kettle, embarked in the first half of 2008 and the product has now been launched in the market. The initial response from customers is tremendous and it is expected that volume production can be commenced in the second half of this year. In addition, our self-developed magnesium alloy recycling technology was completed during the period under review. This technology follows the Group's aim as to focusing on environmental friendly manufacturing and it is expected that significant savings in production costs can be attained. The Group will also carry out research and development on the application of new metal alloys, metal forming and surface treatment technologies as well as production automation in order to enhance its competitive advantages.

Furthermore, the Group will continue to identify new business partners, either through acquisition or formation of joint ventures with up or down stream enterprises, to enhance its competitive strengths. The Group has recently signed a letter of intent with a research institute in the PRC for the establishment of a joint venture company, in which the Group has a controlling interest, to develop rare earth magnesium alloys. Rare earth magnesium alloys are formed by adding rare earth elements into the magnesium alloys to strengthen the original physical properties of the magnesium alloys. Addition of appropriate rare earth elements can enhance the strength, plasticity, toughness, casting mobility, corrosion protection and high temperature creep resistance of the magnesium alloys, thus enhancing the development of new product market and reducing products' scrap rates. As a result, it is expected that the sales turnover of the Group in the coming future can be increased, while production efficiency can also be improved leading to savings in production costs. Due to the above properties, the use of rare earth magnesium alloys is more comprehensive than the existing magnesium alloys such as applications on automotive components which require high temperature creep resistance and high strengths. The short term aim of this joint venture company is the sale of rare earth magnesium master alloy ingots, while for the medium term, the business of this joint venture company is expected to expand into rare earth magnesium alloy extrusions, with an aim to take up a proportion of the market share currently occupied by the aluminium sections, especially on applications for the rail transport vehicles. Management believes that this rare earth magnesium alloy project will bring a new business line to the Group.

Despite a slowdown in the global economy, the worldwide shipments for personal computers ("PC") still rose in the first half of 2008 as the customers were replacing desktop computers by notebook computers at a much faster pace. Moreover, the increasing demand for consumer PCs than the corporate PCs leads to a strong market demand for notebook computers. Benefiting from the development of this new market trend, the Group will continue to undertake research and development on the application of magnesium alloys for notebook computers, devote more resources to improve material application and provide various surface finishing solutions. The Group will also actively search for new customers in order to further enhance its turnover and profitability.

In order to provide a more comprehensive one-stop service to customers, the Group has decided to expand into the plastics injection moulding business because some of its finished products are not only made of metal parts but also with some plastics contents. As a result, the Group believes that the expansion into plastics business will not only provide the momentum for the Group's future growth, its customers can also reduce costs in logistics and quality control arising from their current practice of outsourcing the production of metal or plastics components to different suppliers. During the period, the Group had produced plastic and metal components as well as the provision of assembly service for customers. This will further strengthen the Group's market position to become a one-stop service provider for metal and plastics components.

With a view to further expand its production capacity so as to meet the demand from customers, the Group acquired two parcels of land in Daya Bay, Huizhou, the PRC at the end of year 2006 for the construction of new production facilities. At present, the Group is actively preparing for the construction of the first phase of this industrial complex. The new facilities will focus on the application of new alloys, the production of automotive components, 3C products and precision moulds. The design of the industrial complex is in such a way to consolidate the manufacturing supply chain within the region through strategic alliance and industrial clustering; and also by integrating the various technical know-how and professional engineering services of the Group so as to support the development of automotive components and 3C products. The construction of the first phase of the industrial complex comprising gross floor area of approximately 43,000 sq.m. was commenced in April 2007. However, the progress of construction was delayed due to the poor weather condition and it is expected that the operation of the new production facilities can be gradually commenced in the fourth quarter of this year.

Despite the uncertain economic situation, management is optimistic about the Group's business outlook. The Group will continue to utilize its solid customer base and unique market position of focusing on value-added products and services to expand its business, develop new product market and grasp the business opportunities of persistent growing market demand for 3C products. Through overall prudent and aggressive strategies, the Group is confident to achieve long term business growth and bring fruitful returns to its shareholders.

(D) Liquidity and Financial Resources

As at 30 June 2008, the Group had bank and cash balances of approximately HK$121,133,000 (31 December 2007: HK$166,039,000), most of which were either denominated in US dollars or Hong Kong dollars.

Total interest-bearing borrowings of the Group as at 30 June 2008 were approximately HK$94,325,000 (31 December 2007: HK$94,207,000), comprising bank loans and overdrafts of approximately HK$57,460,000 (31 December 2007: HK$68,555,000) repayable within one year or on demand, term loans of HK$11,772,000 (31 December 2007: HK$14,526,000) with maturity of not more than four years and obligations under finance leases of approximately HK$25,093,000 (31 December 2007: HK$11,126,000). The majority of these borrowings were denominated in Hong Kong dollars to which the interest rates applied were primarily subject to floating interest rate.

The Group's gearing ratio as at 30 June 2008 was 17.5% (31 December 2007: 18.1%), which is calculated by dividing total interest-bearing borrowings over total equity.

As at 30 June 2008, the net current assets of the Group were approximately HK$219,915,000 (31 December 2007: HK$251,227,000), which consisted of current assets of approximately HK$384,400,000 (31 December 2007: HK$435,432,000) and current liabilities of HK$164,485,000 (31 December 2007: HK$184,205,000), representing a current ratio of approximately 2.3 (31 December 2007: 2.4).

(E) Exposure to Foreign Exchange Risk

Most of the Group's transactions were conducted in US dollars, Hong Kong dollars or Renminbi. To mitigate the risks due to fluctuation in foreign currency exchange rates, the Group had used forward foreign exchange contracts to manage its foreign currency exposure during the period under review.

(F) Contingent Liabilities

As at 30 June 2008, the Group had no material contingent liabilities.

(G) Charge on Assets

As at 30 June 2008, the Group's banking facilities were secured by guarantees given by the following assets: (a) the Group's bank deposits; (b) lessors' title to the leased assets under finance leases; and (c) a property situated in Hong Kong owned by the Group.

(H) Human Resources

As at 30 June 2008, the Group had approximately 2,900 full-time employees (31 December 2007: 2,300). The Group attributes its success to the hard work and dedication of its staff as a whole, therefore, they are deemed to be the most valuable assets of the Group. In order to attract and retain high caliber staff, the Group provides competitive salary, including medical benefit and bonus. The Group's remuneration policy and structure is determined based on market trends, the performance of individual staff as well as the financial performance of the Group. The Group has also adopted a share option scheme as incentive and reward for those qualifying staff who have made contribution to the Group.

The Group provides regular training courses for different level of staff and holds various training programs together with PRC institutes and external training bodies. Apart from academic and technical training, the Group also organizes different kinds of recreational activities, including New Year gathering, various sport competitions and interest groups. The aim is to promote interaction among staff, establish harmonious team spirit and promote healthy lifestyle.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2008 (for the six months ended 30 June 2007: HK1.2 cents per share).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the six months ended 30 June 2008, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules during the period under review.

AUDIT COMMITTEE

The Company established the Audit Committee in June 2007. The primary duties of the Audit Committee are to review and approve the financial reporting process and internal control system of the Group and provide advice and comments to the Board. The Audit Committee comprises three independent non-executive directors, namely Mr. Yeow Hoe Ann, John, Mr. Sun Kai Lit, Cliff BBS, JP and Ir Dr. Lo Wai Kwok MH, JP and is chaired by Mr. Yeow Hoe Ann, John, a qualified accountant with extensive experience in financial reporting and controls.

NOMINATION COMMITTEE

The Nomination Committee was set up in June 2007 for the purpose of making recommendations to the Board on the appointment of directors and the management of the Board succession. The members of the Nomination Committee are Mr. Sun Kai Lit, Cliff BBS, JP, Ir Dr. Lo Wai Kwok MH, JP, Mr. Yeow Hoe Ann, John and Dr. Keung Wing Ching. Mr. Sun Kai Lit, Cliff BBS, JP is the Chairman of the Nomination Committee.

REMUNERATION COMMITTEE

The Company established the Remuneration Committee in June 2007. The major duties of the Remuneration Committee include reviewing and determining the terms of remuneration packages, the award of bonuses and other compensation payable to directors and senior management. The Remuneration Committee comprises three independent non-executive directors, namely Mr. Sun Kai Lit, Cliff BBS, JP, Ir Dr. Lo Wai Kwok MH, JP, Mr. Yeow Hoe Ann, John and Vice Chairman of the Company, Dr. Keung Wing Ching. The Chairman of Remuneration Committee is Mr. Sun Kai Lit, Cliff BBS, JP, an independent non-executive director.

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") as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all directors, all directors have confirmed that they have fully complied with the required standard set out in the Model Code during the period under review.

REVIEW OF FINANCIAL INFORMATION

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2008.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to extend our sincere appreciation to our customers, suppliers and shareholders for their continuing support, and our management and staff for their dedication and contribution to the Group throughout the period.

By order of the Board
LEE YUEN FAT
Chairman

Hong Kong, 12 September 2008

As at the date of this announcement, the Board comprises five executive directors, namely Mr. Lee Yuen Fat, Dr. Keung Wing Ching, Mr. Wong Wing Chuen, Mr. Chan Tat Cheong, Alan and Mr. Zhao Jian, and three independent non-executive directors, namely Mr. Sun Kai Lit Cliff BBS, JP, Ir Dr. Lo Wai Kwok MH, JP and Mr. Yeow Hoe Ann John.