INTERIM REPORT 2007

通達集團
TONGDA GROUP

TONGDA GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code:698

The Board of Directors of Tongda Group Holdings Limited (the "Company") is pleased to present the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2007 (the "Period") together with comparative figures for the previous period as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited Six months ended 30 June	
		2007	2006
	Notes	***HK$'000***	*HK$'000*
REVENUE	*3*	**472,796**	551,111
Cost of sales		**(344,314)**	(429,262)
Gross profit		**128,482**	121,849
Other income and gains		**16,565**	7,886
Selling and distribution costs		**(14,275)**	(18,262)
Administrative expenses		**(31,175)**	(24,450)
Other expenses		**(79)**	(97)
Finance costs		**(5,733)**	(7,552)
Share of profits and losses of			
Associates		**2,426**	2,529
A jointly-controlled entity		**6,381**	2,602
PROFIT BEFORE TAX	*4*	**102,592**	84,505
Tax	*5*	**(16,409)**	(11,170)
PROFIT FOR THE PERIOD	*3*	**86,183**	73,335
Attributable to :			
Ordinary equity holders of the Company		**86,948**	73,345
Minority interests		**(765)**	(10)
		86,183	73,335
DIVIDENDS	*6*		
Interim		**32,132**	26,796
		32,132	26,796
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*7*		
– Basic		**2.26 cents**	2.22 cents
– Diluted		**2.26 cents**	2.21 cents

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	**Unaudited 30 June 2007 HK$'000**	Audited 31 December 2006 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	8	**446,470**	355,447
Investment property	9	**3,300**	3,300
Prepaid land lease payments		**26,232**	18,774
Interest in associates		**17,714**	15,302
Interest in a jointly-controlled entity		**25,435**	19,789
Prepayments		**41,142**	40,357
Long term deposits		**–**	1,360
Deferred tax assets		**130**	130
Total non-current assets		**560,423**	454,459
CURRENT ASSETS			
Inventories		**151,985**	121,134
Trade and bills receivables	10	**494,307**	446,772
Prepayments, deposits and other receivables		**37,940**	36,531
Pledged deposits		**507**	5,199
Derivative financial assets		**2,658**	–
Cash and cash equivalents		**270,405**	113,211
Total current assets		**957,802**	722,847
CURRENT LIABILITIES			
Trade and bills payables	11	**157,230**	154,050
Accrued liabilities and other payables		**59,658**	60,693
Trust receipt loans	12	**–**	1,362
Interest-bearing bank borrowing	12	**83,689**	67,571
Due to a minority shareholder of a subsidiary		**691**	748
Tax payable		**101,930**	94,972
Dividend payable		**32,132**	–
Total current liabilities		**435,330**	379,396
NET CURRENT ASSETS		**522,472**	343,451
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,082,895**	797,910
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	12	**40,857**	169,429
Deferred tax liabilities		**1,850**	1,850
Total non-current liabilities		**42,707**	171,279
Net assets		**1,040,188**	626,631
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital	13	**40,165**	33,715
Reserves		**990,549**	550,545
Proposed final dividend		**–**	32,132
		1,030,714	616,392
Minority interests		**9,474**	10,239
Total equity		**1,040,188**	626,631

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Unaudited six months ended 30 June 2007
Attributable to ordinary equity holders of the Company

	Issued share capital HK$'000	Share premium account HK$'000	Share option reserve HK$'000	Capital reserve HK$'000	Assets revaluation reserve HK$'000	Statutory reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 January 2007	33,715	102,281	-	993	8,725	49	23,493	415,004	32,132	616,392	10,239	626,631
Exchange realignment												
– subsidiaries	-	-	-	-	-	-	11,134	-	-	11,134	-	11,134
– a jointly controlled entity	-	-	-	-	-	-	562	-	-	562	-	562
– associates	-	-	-	-	-	-	2,198	-	-	2,198	-	2,198
Total income and expenses for the period recognised directly in equity	-	-	-	-	-	-	13,894	-	-	13,894	-	13,894
Profit for the period	-	-	-	-	-	-	-	86,948	-	86,948	(765)	86,183
Total income and expense for the period	-	-	-	-	-	-	13,894	86,948	-	100,842	(765)	100,077
Issue of shares upon placing of shares	6,450	370,453	-	-	-	-	-	-	-	376,903	-	376,903
Equity-settled share option arrangements	-	-	841	-	-	-	-	-	-	841	-	841
Final 2006 dividend paid	-	-	-	-	-	-	-	-	(32,132)	(32,132)	-	(32,132)
Interim 2007 dividend	-	-	-	-	-	-	-	(32,132)	-	(32,132)	-	(32,132)
At 30 June 2007	40,165	472,734	841	993	8,725	49	37,387	469,820	-	1,030,714	9,474	1,040,188

Unaudited six months ended 30 June 2006
Attributable to ordinary equity holders of the Company

	Issued share capital HK$'000	Share premium account HK$'000	Share option reserve HK$'000	Capital reserve HK$'000	Assets revaluation reserve HK$'000	Statutory reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 January 2006	32,995	87,208	1,075	993	7,889	49	10,789	312,738	16,497	470,233	11,095	481,328
Surplus on revaluation	–	–	–	–	804	–	–	–	–	804	–	804
Issue of shares upon exercise of share options	500	6,950		–	–	–	–	–	–	7,450	–	7,450
Deferred tax adjustment on revaluation of property, plant and equipment	–	–	–	–	(141)	–	–	–	–	(141)	–	(141)
Exchange realignment	–	–	–	–	–	–	6,401	–	–	6,401	–	6,401
Total income and expenses for the period recognised directly in equity	500	6,950	–	–	663	–	6,401	–	–	14,514	–	14,514
Profit for the period	–	–	–	–	–	–	–	73,345	–	73,345	(10)	73,335
Total income and expense for the period	500	6,950	–	–	663	–	6,401	73,345	–	87,859	(10)	87,849
Equity-settled share option arrangements	–	1,035	(1,035)	–	–	–	–	–	–	–	–	–
Final 2005 dividend paid	–	–	–		–	–	–	–	(16,497)	(16,497)	–	(16,497)
Interim 2006 dividend	–	–	–	–	–	–	–	(26,796)	–	(26,796)	–	(26,796)
At 30 June 2006	33,495	95,193	40	993	8,552	49	17,190	359,287	–	514,799	11,085	525,884

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2007

	Unaudited	
	Six months ended 30 June	
	2007	2006
	HK$'000	*HK$'000*
NET CASH INFLOW FROM OPERATING ACTIVITIES	**16,611**	58,981
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	**(93,029)**	(52,154)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	**229,692**	(16,908)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**153,274**	(10,081)
Cash and cash equivalents at beginning of period	**113,211**	103,100
Effects of foreign exchange rate changes, net	**3,920**	1,178
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**270,405**	94,197
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**270,405**	94,197

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") No. 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment property and certain buildings which have been measured at fair value. These unaudited condensed consolidated interim financial statements are presented in Hong Kong dollars (HK$) and all values are rounded to the nearest thousand except when otherwise indicated.

The accounting policies used in the preparation of the condensed consolidated interim financial statements are consistent with those used in the financial statements for the year ended 31 December 2006 except for the adoption of new HKFRSs and HKASs as disclosed in note 2.1 below.

2.1 Impact of new HKFRSs and HKASs

The HKICPA has issued a number of new HKFRSs, and HKASs and Interpretations which are generally effective for accounting periods beginning on or after 1 January 2007. The Group has adopted the following HKFRSs and HKASs issued up to 30 June 2007 which are pertinent to its operations are relevant to these unaudited condensed consolidated interim financial statements.

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HKFRS 8	Operating Segments
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements

The adoption of these new and revised standards and interpretations has had no material impact on the accounting policies of the Group and the methods of computation in the Group's unaudited condensed consolidated interim financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

3. SEGMENT INFORMATION

The following tables present unaudited revenue and results for the Group's business segments for the period ended 30 June 2007 and 2006.

(a) Business segments

	Unaudited six months ended 30 June 2007					
	Electrical fittings *HK$'000*	**Ironware parts** *HK$'000*	**Communication facilities** *HK$'000*	**Corporates and others** *HK$'000*	**Eliminations** *HK$'000*	**Consolidated** *HK$'000*
Segment revenue:						
Sales to external customers	**223,559**	**170,759**	**41,054**	**37,424**	**–**	**472,796**
Intersegment sales	**2,106**	**183**	**1,268**	**–**	**(3,557)**	**–**
Total	**225,665**	**170,942**	**42,322**	**37,424**	**(3,557)**	**472,796**
Segment results	**69,888**	**26,737**	**871**	**(14,543)**	**–**	**82,953**
Unallocated income						**16,565**
Finance costs						**(5,733)**
Share of profits and losses of						
Associates						**2,426**
A jointly-controlled entity						**6,381**
Profit before tax						**102,592**
Tax						**(16,409)**
Profit for the period						**86,183**

	Unaudited six months ended 30 June 2006					
	Electrical fittings *HK$'000*	Ironware parts *HK$'000*	Communication facilities *HK$'000*	Corporates and others *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
Segment revenue:						
Sales to external customers	228,466	187,204	101,780	33,661	–	551,111
Intersegment sales	159	4,165	–	–	(4,324)	–
Total	228,625	191,369	101,780	33,661	(4,324)	551,111
Segment results	65,489	14,423	5,736	(2,652)	(3,956)	79,040
Unallocated income						7,886
Finance costs						(7,552)
Share of profits and losses of						
Associates						2,529
A jointly-controlled entity						2,602
Profit before tax						84,505
Tax						(11,170)
Profit for the period						73,335

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

3. SEGMENT INFORMATION *(Continued)*

(b) Geographical segments

The following table presents unaudited revenue for the Group's geographical segments for the period ended 30 June 2007 and 2006.

	Unaudited six months ended 30 June											
	Hong Kong		Mainland China		Southeast Asia		Australia		Others		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue::												
Sales to external customers	**61,466**	23,074	**333,994**	403,609	**4,191**	39,143	**29,166**	26,059	**43,979**	59,226	**472,796**	551,111

4. PROFIT BEFORE TAX

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

	Unaudited Six months ended 30 June	
	2007	2006
	HK$'000	*HK$'000*
Amortisation of prepaids land lease payments	**226**	226
Amortisation of prepayments	**463**	437
Depreciation of property, plant and equipment	**16,247**	12,812
Write-back of provision for obsolete inventories	**–**	(171)
Loss on disposal of items of property, plant and equipment	**49**	–

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

5. TAX

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

	Unaudited Six months ended 30 June	
	2007	2006
	HK$'000	*HK$'000*
Group:		
Current – Hong Kong		
Charge for the period	**1,987**	3,125
Current – Elsewhere		
Charge for the period	**16,829**	12,264
Overprovision in prior years	**(2,407)**	(4,219)
Total tax charge for the period	**16,409**	11,170

The share of tax attributable to associates amounting to HK$3,900 (2006: HK$508,000) is included in "Share of profits and losses of associates" on the face of the consolidated income statement. The share of tax attributable to the jointly-controlled entity amounting to HK$512,000 (2006: Nil) is included in "Share of profits and losses of jointly controlled entity" on the face of the consolidated income statement. The jointly – controlled entity operating in Mainland China is exempted from corporate income tax for two years from its first profit making year and are eligible for a 50% relief from income tax for the following three years under the Income Tax Law. No provision for corporate income tax has been made for the jointly-controlled entity in previous year because the jointly-controlled entity was in its second profit making year.

6. DIVIDENDS

	Unaudited Six months ended 30 June	
	2007	2006
	HK$'000	*HK$'000*
Interim – HK0.8 cent (2006: HK0.8 cent) per ordinary share	**32,132**	26,796

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share is based on the unaudited profit attributable to the ordinary equity holders of the Company of HK$86,948,000 (2006: HK$73,345,000), and the weighted average of 3,841,886,740 (2006: 3,302,787,293) ordinary shares in issue during the period. The calculation of diluted earnings per share for the period ended 30 June 2007 is based on the unaudited profit for the period attributable to ordinary equity holders of the Company of HK$86,948,000. The weighted average number of ordinary shares used in the calculation is 3,841,886,740 ordinary shares in issue during the period, as used in the basic earnings per share calculation and the weighted average of 949,200 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during the period.

8. PROPERTY, PLANT AND EQUIPMENT

During the six-month period ended 30 June 2007, the Group acquired assets with the total cost of HK$97,143,000 (six-month period ended 30 June 2006: HK$61,012,000). Assets with a net book value of HK$202,000 were disposed of by the Group during the six-month period ended 30 June 2007 (amount written off for the six-month period ended 30 June 2006: HK$345,000).

9. INVESTMENT PROPERTY

	Unaudited 30 June 2007 *HK$'000*	Audited 31 December 2006 *HK$'000*
Carrying amount at 1 January	**3,300**	2,900
Fair value adjustment	**–**	400
	3,300	3,300

The Group's investment property held under the medium term lease is situated in Hong Kong and has been pledged as security against banking facilities granted to the Group.

The Group's investment property was revalued on 30 June 2007 by Asset Appraisal Limited, an independent firm of professionally qualified valuer, at open market, existing use basis of HK$3,300,000 (31 December 2006: HK$3,300,000). The investment property is leased to third parties under operating leases, further summary details of which are included in note 14(a) to the unaudited condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

10. TRADE AND BILLS RECEIVABLES

	Unaudited 30 June 2007 *HK$'000*	Audited 31 December 2006 *HK$'000*
Trade receivables	**439,131**	432,815
Bills receivables	**55,176**	13,957
	494,307	446,772

It is the general policy of the Group to allow a credit period of three to six months, except for the sale of fiber optic cable products on which a longer credit period of three to eighteen months is allowed in certain cases. In addition, for certain customers with long-established relationships and good past repayment histories, a longer credit period may be granted in order to maintain a good relationship. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivable are non-interest-bearing. The carrying amounts of trade and bills receivables approximate to their fair values.

An aged analysis of the Group's trade and bills receivables as at 30 June 2007, based on the invoice date, is as follows:

	Unaudited 30 June 2007 *HK$'000*	Audited 31 December 2006 *HK$'000*
Within 3 months	**357,027**	350,685
4 to 6 months, inclusive	**100,911**	56,127
7 to 9 months, inclusive	**15,287**	18,076
10 to 12 months, inclusive	**7,921**	9,374
More than 1 year	**19,758**	19,391
	500,904	453,653
Impairment allowances for bad and doubtful debts	**(6,597)**	(6,881)
	494,307	446,772

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

11. TRADE AND BILLS PAYABLES

	Unaudited 30 June 2007 ***HK$'000***	Audited 31 December 2006 *HK$'000*
Trade payables	**116,809**	117,898
Bills payables	**40,421**	36,152
	157,230	154,050

The carrying amounts of trade and bills payables approximate to their fair values. The trade payables are non-interest bearing and are normally settled on 60 to 90 days terms. An aged analysis of the Group's trade and bills payables as at 30 June 2007, based on the invoice date, is as follows:

	Unaudited 30 June 2007 ***HK$'000***	Audited 31 December 2006 *HK$'000*
Within 3 months	**134,527**	124,485
4 to 6 months, inclusive	**11,530**	20,566
7 to 9 months, inclusive	**3,398**	5,446
10 to 12 months, inclusive	**3,217**	692
More than 1 year	**4,558**	2,861
	157,230	154,050

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

12. INTEREST-BEARING BANK BORROWINGS

	Maturity	**Unaudited 30 June 2007** ***HK$'000***	Audited 31 December 2006 *HK$'000*
Current			
Bank loans – unsecured	2008	**83,689**	62,571
Bank loans – secured	2008	–	5,000
Trust receipt loans	2008	–	1,362
		83,689	68,933
Non-current			
Bank loans – unsecured	2008-2009	**40,857**	169,429
		124,546	238,362

	Unaudited 30 June 2007 Fixed rate ***HK$'000***	**Unaudited 30 June 2007 Floating rate** ***HK$'000***	Audited 31 December 2006 Fixed rate *HK$'000*	Audited 31 December 2006 Floating rate *HK$'000*
Other secured bank loans	**–**	**–**	5,000	1,362
Bank loans – unsecured	**51,546**	**73,000**	34,000	198,000

(i) The effective interest rate of the Group's long term bank loan is HIBOR plus 1.1% and is denominated in Hong Kong dollars. Other than the long term bank loan, the remaining bank loans of the Group are denominated in RMB with effective interest rates ranging from 5.1% to 6.1%.

(ii) As at 30 June 2007, the Group's banking facilities were supported by:

(a) an investment property owned by the Group (note 9) to secure the issuance of trade finance facilities;
(b) the pledge of bank deposits of approximately HK$507,000 (2005: HK$5,199,000); and
(c) corporate guarantees from the Company and certain of its subsidiaries.

The long term bank loans do not bear interest at fixed rates, so the fair values of the non-current borrowings are not materially different from their book values. The carrying amounts of short-term borrowings approximate to their fair values.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

13. SHARE CAPITAL

	Unaudited 30 June 2007 *HK$'000*	Audited 31 December 2006 *HK$'000*
Authorised:		
20,000,000,000 ordinary shares of HK$0.01 each	**200,000**	200,000
Issued and fully paid:		
4,016,500,000 (2006:3,371,500,000) ordinary shares of HK$0.01 each	**40,165**	33,715

A summary of the movements in the Company's issued share capital is as follows:

	Number of ordinary shares in issue	**Issued share capital** *HK$'000*	**Share premium account** *HK$'000*	**Total** *HK$'000*
Issued:				
As at 1 January 2007	3,371,500,000	33,715	102,281	135,996
Issue of new shares	645,000,000	6,450	370,453	376,903
As at 30 June 2007	4,016,500,000	40,165	472,734	512,899

On 5 February 2007, 645,000,000 new shares were allotted and issued to Landmark Worldwide Holdings Limited ("Landmark"), a substantial shareholder of the Company at issue price of HK$0.6 per share. Pursuant to a subscription agreement dated 22 January 2007, this shares allotment was following a placement of 645,000,000 shares of HK$0.01 each in the Company by Landmark at the same price to independent third parties. This placement raised net cash proceeds of approximately HK$376.9 million for the Company for acquisition of machinery and equipment and for general working capital purposes.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

14. OPERATING LEASE ARRANGEMENTS

(a) *As lessor*

The Group leases its investment property (note 9) under operating lease arrangements, with leases negotiated for terms ranging from one to two years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 30 June 2007, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Unaudited 30 June 2007 *HK$'000*	Audited 31 December 2006 *HK$'000*
Within one year	**1,389**	1,275
In the second to fifth years, inclusive	**190**	528
	1,579	1,803

(b) *As lessee*

The Group leases certain of its use of land under operating lease arrangements which are negotiated for a lease term of 50 years. In addition, the Group leases certain of its offices properties under operating lease arrangements. Leases for properties are negotiated for terms of over five years.

At 30 June 2007, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Unaudited 30 June 2007 *HK$'000*	Audited 31 December 2006 *HK$'000*
Within one year	**2,587**	4,572
In the second to fifth years, inclusive	**13,983**	14,671
After five years	**12,806**	12,419
	29,376	31,662

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

15. COMMITMENTS

In addition to the operating lease commitments set out in note 14(b) above, the Group had the following capital commitments contracted but not provided for at the balance sheet date:

	Unaudited 30 June 2007 *HK$'000*	Audited 31 December 2006 *HK$'000*
Purchases of property, plant and equipment	**946**	1,568
Construction of factory buildings in Mainland China	**–**	3,700
Investment in a subsidiary	**–**	46,000
	946	51,268

The Company had no significant commitments at the balance sheet (2006: Nil).

16. CONTINGENT LIABILITIES

At 30 June 2007, the Company had contingent liabilities in respect of outstanding irrevocable letters of credit of HK$7.0 million (31 December 2006: 24.0 million). Save as disclosed above, the Group did not have any significant contingent liabilities as at the balance sheet date.

The Company had contingent liabilities in respect of corporate guarantees provided for banking facilities for certain subsidiaries, which were utilized to the extent of HK$48.9 million (31 December 2006: HK$39.9 million) at the balance sheet date.

17. RELATED PARTIES TRANSACTIONS

In addition to the transactions detailed elsewhere in these condensed consolidated financial statements, the Group had the following material transactions with related parties during the period.

	Notes	**Unaudited 30 June 2007 *HK$'000***	Unaudited 30 June 2006 *HK$'000*
Associates:			
Sales of products	(i)	**872**	7,313
Purchases of raw materials and finished goods	(ii)	**552**	–
Technology consultancy fee	(iii)	**300**	300
Rental income	(iv)	**–**	259
A jointly-controlled entity:			
Sales of raw materials	(i)	**2,292**	610
Purchases of raw materials and finished goods	(ii)	**15,423**	1,045
Rental income	(iv)	**633**	459
A related company in which a director of the Company is a shareholder:			
Sale of raw materials	(v)	**–**	45
Sale of machinery	(vi)	**76**	–

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

17. RELATED PARTIES TRANSACTIONS *(Continued)*

Notes:

(i) The sales to the associates and a jointly-controlled entity were made according to the terms similar to those offered to the Group's non-related customers.

(ii) The purchases from the associates and a jointly-controlled entity were made according to the terms similar to those offered to the Group's non-related suppliers.

(iii) The technology consultancy fee was received from an associate for the provision of technology support provided by the Group charged at HK$50,000 (2006: HK$50,000) per month.

(iv) The rental income received from a jointly-controlled entity represented the leasing of factory premises and staff quarters of the Group located at Xiamen, the PRC. Last year's rental income received from an associate and a jointly controlled entity represented leasing of factory premises and staff quarters of the Group located at Shenzhen, the PRC and Xiamen, the PRC, respectively.

(v) In last period, the Group sold raw materials of approximately HK$45,000 to 福建石獅通達電機有限公司, a company owned as to 7.5% by Mr. Wang Ya Nan, a director of the Company. The selling price was determined with reference to the published prices offered to the Group's non-related customers.

(vi) During the period, the Group sold machinery of approximately HK$76,000 (2006: HK$nil) to 福建石獅通達電機有限公司, a company owned as to 7.5% by Mr. Wang Ya Nan, a director of the Company. The selling price was determined with reference to the published prices offered to the Group's non-related customers. No related sale of machinery to the related company is noted in last period.

18. APPROVAL OF THE FINANCIAL STATEMENTS

The unaudited condensed financial statements were approved and authorized for issue by the board of directors on 20 September 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

1. Financial

For the six months ended 30 June 2007 (the "Period"), the Group's turnover was approximately HK$472,796,000, representing a drop of 14.2% compared to the HK$551,111,000 in the corresponding period last year. During the Period, sales attributable to the communication facilities division have significantly dropped by approximately 58% as compared with last period due to the Group's strategic minimization of its low profit margin operation.

The Group's profit attributable to ordinary equity holders for the Period recorded approximately HK$86,948,000, representing a steady growth of 18.5% compared to HK$73,345,000 for the same period in 2006. During the Period, the Group recorded a gross profit of HK$128,482,000, implying a gross margin of 27.2%, and representing a growth of 5.4% compared to the same period last year. The improvement in gross margin is mainly attributable to the further optimization of business mix and the increase in the proportion of international customer during the Period. The Group strategically phased out its traditional, low-margin communication facilities business while focusing more on the higher-margin and more value-added electrical fittings and ironware parts businesses. The higher gross margin signifies the success in the Group's strategic transformation, and implies a bright outlook.

2. Operational information by division

a. The Electrical Fittings Division

For the six months ended 30 June 2007, the turnover of the electrical fittings division decreased by 1.3% to HK$225,665,000 from HK$228,625,000 for the same period in the year 2006. With immense market recognition for its high-quality and diversified products, together with its competitive "time-to-delivery" services, the Group gained its first lot of bulk orders from prestige international customers during the Period.

In-Mould Decoration ("IMD") remained the key revenue generator of this division, its demand remains stable in the first half of the year and some of the orders will be delayed to the second half of 2007. During the Period, the Group produced over 35 million pieces IMD products for handset application. Continuous efforts in R&D and a wealth of manufacturing experience have equipped the Group with the state-of-the-art technology in the IMD production. And the Group has broadly applied the IMD technology to mobile handset and various household electrical appliances.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Business Review *(Continued)*

2. Operational information by division *(Continued)*

a. *The Electrical Fittings Division (Continued)*

The IMD product is the core business and growth driver of the Group which in particular has enjoyed high profitability in the mobile handset market. Because of the persistent economic growth and rising living standard in China, the mobile handset product cycle is shortened and mobile handset has been transformed from a Durable Consumer Goods ("DCG") into a Fast Moving Consumer Goods ("FMCG"). Consumers expect a mobile handset not only to function well but also to look good and artistic in its exterior designs. The IMD technology exactly matches such consumers' needs. To capture this new consumption trend, the Group further enhanced its IMD technology by including color coating, plasma surface treatment, leather incrustation, multi-color automatic printing, and alloys with various textures. These techniques can be combined to generate some very unique surface-decoration effects, which have attracted very positive responses from both mobile handset manufacturers and end-users. Given the strong market demand and higher margins, the Group will continue to develop and reinforce its IMD business for mobile handset.

(i) IMD application in mobile handset is the key growth driver of this division. Because of its high product quality and competitive time-to-delivery services, the Group has been a major supplier for leading domestic mobile handset manufacturers in China, such as Haier, Lenovo, TCL, Huawei, ZTE Corporation, UTStarcom, Bird and Amoi. Apart from its existing customer base, during the Period, the Group has gained its first lot of bulk order from world-class international customers, representing a successful tapping into the international market.

During the Period, the Group has expanded the use of IMD accessories supplies to other handset parts, namely handset casing, bluetooth and keypads, apart from the existing hinges and sliding lids. The new products starts its contribution in the Period, and will have a progressive growth in the coming months. In line with the Group's strategy to diversify its product range, the Group will begin to develop different mobile handset accessories such as cases and vacuum vaporized plated cell phone decorations, with the aim to provide a one-stop solution for mobile handset manufacturers. There is no obvious surge in orders for handset accessories, however, the Group has mastered the technique and the market trend, and is actively striving for future growth by introducing more new products.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Business Review *(Continued)*

2. Operational information by division *(Continued)*

a. The Electrical Fittings Division (Continued)

(ii) For the Period, IMD application in household electrical appliances products occupies about 26% of division's sales. With the rising living standard in China which drives the pursuit of artistic exterior of household electrical appliances, the management believes that the market for household electrical appliances will continue to grow and remain a significant portion in the division in future. As such, the Group will continue to diversify its products, applying its state-of-the-art IMD technology not only to refrigerators, air conditioners, washing machines but also to microwave ovens, induction cookers, MP3, MP4 and notebook computers, producing a more appealing surface-decoration effect for a wider range of household electrical appliances. Going forward, the Group will strive to further broaden its product range by producing IMD switches, games sets, auto electronics products and interior trims in order to maximize its sales revenues from this technology.

b. The Ironware Parts Division

For the Period, the turnover from the Group's ironware parts division decreased from HK$191,369,000 to HK$170,942,000, representing a fall of 10.7%. The decrease in orders of aluminum TV casing and the strategic removal of ironware parts of lower profit margin together attributed to the decline of the turnover.

The current two major products of the division, iron casing and aluminum alloy products, are both targeted for the international market now. Based on its advanced technology and high product quality, the Group successfully secured orders from renowned international brands such as Cisco, Pace, Samsung and Sony. The Group had a few new products, including mobile handset cases and speaker stand. The trend of the division is to turn to smaller size but delicated and more profitable products such as precision ironware parts and MP3, MP4 or digital camera cases, instead of big metal casing such as supplying for computer server.

c. The Communication Facilities Division

The turnover from the Group's communication facilities division decreased to HK$42,322,000 for the six months ended 30 June 2007 from the HK$101,780,000 for the same period in 2006, representing a decrease of 58%.

The two major businesses of this division are digital satellite television modems and fiber optic cable.

During the Period, the sales of fiber optic cable business is intentionally slowing down owing to its long receivable period and relatively low margin. The performance of the business in the division has been disappointing over the years since its investment in 2002. In consideration to the continued cooling fiber optic cable market, the Group has decided to focus on the more profitable IMD products and phase out this legacy business, which observes a 84% drop in turnover and contributes only HK$5.4 million to the total revenue.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Business Review *(Continued)*

2. Operational information by division *(Continued)*

c. *The Communication Facilities Division (Continued)*

There is a drop of 49% in the sales of digital satellite television business due to the lesser marketing efforts for its relatively low margin. The Group decides to stop further investing in these business and strategically minimize the operation in this division going forward.

d. *Product turnover breakdowns for the 6 months ended June 30 in 2006 and 2007*

	2007	2006
Electrical Fittings Division	**47%**	41%
Ironware Parts Division	**36%**	34%
Communication Facilities Division	**9%**	18%
Other (Trading Division)	**8%**	7%

During the Period, the Group strategically adjusted its product mix in order to improve its resource allocation. The above table illustrates the changes in the Group's product turnover breakdowns in the past two periods: the major income of the Group came from the most profitable electrical fittings division, whose turnover contribution increased from 41% in the first half of 2006 to 47% in the Period. The turnover share of the ironware parts division increased slightly from 34% in 2006 to 36%. The turnover share of the communication facilities division with relatively lower margin has been cut from 18% in 2006 to 9% in the Period. In future, the Group will continue its market-oriented strategy to allocate its resources to manufacturing innovative products with the highest potentials, so as to maximize profits.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Business Review *(Continued)*

3. Prospect

As the sustaining boom in the consumer electronic product market coupled with the Group's growing maturity as a vertically-integrated manufacturer offers an obvious competitive edge, the management is fully confident in the business outlook for the Group.

To further consolidate its position as a leading supplier of components and accessories of consumer electronic products in China and in particular mobile handset business, the Group will continue focusing on electrical fittings division. In reward for its efforts in endeavoring to cooperate with renowned international mobile handset manufacturers, the Group secured the first lot of bulk orders from international customers and the customer has started to have revenue contribution in the Period. Despite the long qualification period and high standard required, the Group still managed to be qualified as a supplier for another reputable international brand name. The management has enormous confidence in the quality of the Group's products, and will further penetrate into the international mobile handset manufacture market after its first move. Striving to be a key supplier of international mobile handset manufacturers remains the Group's long-term strategy. To meet this end, the Group has diversified its products. Apart from handset accessories like lens, sliding lids and hinges; it has expanded the application of IMD to keypad and casing, and will further boost its sales. In addition, the Group will also extend its business from the current handset to other consumer electronic products, e.g. notebook computer. The Group is confident that the strategic optimization of product mix will enhance the Group's overall profitability; and further product diversification will aid the Group to become a one-stop solution provider for handset manufacturers. The pertinent moves of the Group have indeed been initiated during the Period:

(i) The Group has secured the first lot of bulk order from international world-class customers during the Period, and is actively seeking cooperation opportunities with the customer's international peers, thereby enhancing its entrance to the supply chain of the manufacturing of prestigious international brands

(ii) Apart from the existing handset accessories, the Group has utilized its existing strong customer base to extend the service in supplying additional new handset accessory products, namely handset casing, Bluetooth and keypads

(iii) The application of IMD in household consumer products is further extended from refrigerators, air conditioners and washing machines to microwave ovens, induction cookers, MP3, MP4 and notebook computers

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Business Review *(Continued)*

3. Prospect *(Continued)*

As to the ironware parts division, emphasis will progressively be put on the higher value-added precision ironware which possesses a rapidly growing demand and a relatively higher margin. Precision ironware can be widely used in various parts in mobile handset, namely camera lens, USB port, etc. Meanwhile, sales of aluminum alloy products will have a steady growth, usage of which has been expanded to MP3, server casing, speaker stand and handset casing. Going forward, the Group will seek opportunities to expand its cooperation with international customers from ironware parts to electrical fittings, creating a synergy effect between divisions, thereby paving its way to be a more comprehensive one-stop service provider.

In respect of the communication facilities division, it is expected that the market demand for products in the division will continue to decline; together with the fact that fiber optic cable is of relatively lower margin, the Group is strategically reducing and will eventually dispose the production in this division. The marketing efforts will instead be put on electrical fittings and ironware parts divisions.

The relatively steady turnover in the first half of 2007 was mainly attributable to the transformation of the Group from its traditional businesses to more profitable operations. As some of the first half years' sales orders have been delayed to the second half of the year, the Group is expected to have a higher rate of utilization of production facilities in the second half of the year. Together with its continuous optimization of product mix, the Group expects to achieve better performance in the near future.

To seize the opportunity of increasing orders from customers, the Group will proceed to expanding its production capacity. During the Period, a new production building in the Shishi City is under construction, and is expected to be completed in the first half of the year 2008. Upon completion and commencement of production of which, the Group's overall production capacity is expected to further expand by 20%, which will increase output volume as well as enhance cost-effectiveness and efficiency in operation. To capture the increasing demand of ironware parts products, an additional production building located nearby our Shenzhen factory has been leased during the Period. The new plant has commenced the production. The construction of IMD factory in Tianjin is still pending, and will only be confirmed until the Group has received bulk orders from international mobile handset manufacturers, for the sake of prudence.

Through international market expansion, product diversification, business structure optimization and production scale expansion, the Group's competitive advantages are enhanced to a large extent. The management has every confidence in providing high-quality products and services to its customers while creating a splendid future for the Group and maximizing shareholders' returns.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Business Review *(Continued)*

4. Liquidity and financial resources

At 30 June 2007, the Group had total assets of HK$1,518 million (31 December 2006: HK$1,177 million); net current assets of HK$522 million (31 December 2006: HK$343 million) and capital and reserves of HK$1,040 million (31 December 2006: HK$627 million).

The Group's cash and bank balance as at 30 June 2007 was maintained at about HK$271 million (31 December 2006: HK$118 million), out of which HK$0.5 million has been pledged to bank to secure banking facilities granted (31 December 2006: HK$5.2 million).

The gearing ratio (total debt/total asset of the Group) was 0.31 (31 December 2006: 0.47).

The effective interest rate of the Group's long term bank loan is HIBOR plus 1.1% and is denominated in Hong Kong dollars. Other than the long term bank loan, the remaining bank loans of the Group are denominated in RMB with effective interest rates ranging from 5.1% to 6.1%.

5. Foreign Currency risk

The Group carries on its trading transactions mainly in Hong Kong dollars and RMB. Approximately 70% (2006: 70%) of the Group's sales and purchases transactions are denominated in RMB while the remaining balance of sales and purchases transactions denominated mainly in Hong Kong dollars. As the foreign currencies risks generated from the sales and purchases can be set off with each other, the foreign currency risk is minimal for the Group. It is the policy of the Group to continue maintaining the balance of its sales and purchases in the same currency.

Considering the appreciation of RMB, the Group will maintain a comparatively higher level of Hong Kong dollars borrowings than RMB borrowings to minimise the possible currency risk therefrom.

OTHER INFORMATION

Dividends

The board of directors (the "Board") of the Company declared an interim dividend of HK0.8 cents (2006: HK0.8 cents) per ordinary share was declared for the period ended 30 June 2007 payable on or about 11 October 2007 to shareholders whose names appear on the register of members of the Company on 5 October 2007.

Closure of register of members

The Register of Members will be closed from 5 October 2007 to 9 October 2007, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the dividends, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Union Registrars Limited, Room 1901-1902, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong no later than 4:00 p.m. on 4 October 2007.

Directors' interest and short positions in shares and underlying shares

At 30 June 2007, the interests of the directors in the share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Name of shares	Directly beneficially owned	Number of shares held, capacity and nature of interest through controlled corporation	Total	Percentage of the Company's issued share capital
Mr. Wang Ya Nan	34,920,000	1,942,060,000 *	1,976,980,000	49.22
Mr. Wang Ya Hua	19,920,000	1,942,060,000 *	1,961,980,000	48.85
Mr. Wong Ah Yu	25,160,000	1,942,060,000 *	1,967,220,000	48.98
Mr. Wong Ah Yeung	32,000,000	1,942,060,000 *	1,974,060,000	49.15
Mr. Choi Wai Sang	12,810,000	78,750,000 **	91,560,000	2.28

Notes:

* These shares are held by Landmark Worldwide Holdings Limited, the issued share capital of which is beneficially owned as to 25% each by Messrs. Wang Ya Nan, Wang Ya Hua, Wong Ah Yu and Wong Ah Yeung (collectively referred to as the "Wong Brothers").

** These shares are held by Faye Limited, the entire issued share capital of which is held and beneficially owned by Mr. Choi Wai Sang.

OTHER INFORMATION *(Continued)*

Saved as disclosed above, as at 30 June 2007 none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

Directors' rights to acquire shares or debentures

At no time during the Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Share Option Scheme

The Company operates a share option scheme ("Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include all executive directors and any fulltime employee of the Company or any of its subsidiaries and any suppliers, consultants or advisers who will provide or have provided services to the Group.

Movements in the share options under the Scheme during the period are as follows:

Name of category of participant	Number of share options						Date of grant of share options*	Exercise period of share options	Exercise price of share options**	Price of Company's shares***
	At 1 January 2007	Granted during the period	Exercised during the period	Expired during the period	Forfeited during the period	At 30 June 2007			*HK$*	At grant date of options *HK$*
Other employees										
In aggregate	–	10,360,000	–	–	–	10,360,000	9 March 2007	9 March 2007 to 8 March 2017	0.485	0.485

Notes to the reconciliation of share options outstanding during the period:

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

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

*** The price of the Company's shares disclosed as at the date of the grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options.

OTHER INFORMATION *(Continued)*

Share Option Scheme *(Continued)*

The fair value of the share options granted during the period was HK$841,000.

The fair value of equity-settled share options granted during the period was estimated as at the date of grant, using a Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the year ended 30 June 2007:

Dividend yield *(%)*	3.3
Expected volatility *(%)*	52.32
Risk-free interest rate *(%)*	3.78
Expected life of option (year)	1
Closing share price at the date of grant *(HK$)*	0.485
Exercise price *(HK$)*	0.485

The expected life of the options is based on the historical data and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

A new share option scheme (the "New Scheme") was adopted by the Company on 10 June 2002. The New Scheme became effective on 24 June 2002, and unless otherwise cancelled or amended, will remain in force for 10 years from that date. At the balance sheet date, the Company had 10,360,000 share options outstanding under the New Scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 10,360,000 additional ordinary shares of the Company and additional share capital of HK$103,600 and share premium of HK$4,921,000 (before issue expenses).

At the date of approval of these unaudited consolidated financial statements, the Company had 10,360,000 share options outstanding under the New Scheme, which represented approximately 0.26% of the Company's share in issue as at that date.

On 3 July 2007, 40,000,000 share options were granted to the directors of the Company with exercise price of HK$0.586. The exercise period of the share options are from 3 July 2007 to 2 July 2017. No vesting period of the share options granted to the directors. The Price of the Company's shares at grant date of options is HK$0.56. The options were granted for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

OTHER INFORMATION *(Continued)*

Substantial shareholders

At 30 June 2007, the following parties were interested in 5% or more of the Company's issued share capital as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name of shareholder	*Notes*	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Landmark Worldwide Holdings Limited	1	Directly beneficially owned	1,942,060,000	48.35
Value Partners Limited	2	Directly beneficially owned	368,410,000	9.17
Atlantis Investment Management Limited		Investment Manager	201,000,000	5.00

1. The issued share capital of Landmark Worldwide Holdings Limited is held and beneficially owned as to 25% each by the Wong Brothers.

2. The issued share capital of Value Partners Limited is held and beneficially owned as to 31.82% by Mr Cheah Cheng Hye.

Save as disclosed above, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Purchase, redemption or sales of listed securities

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

Audit committee

The Audit Committee has reviewed with management of the Company the accounting principles and practices adopted by the Company and discussed auditing, internal control and financial reporting matters including a review of the unaudited interim financial statements.

OTHER INFORMATION *(Continued)*

Corporate Governance

The Company has complied throughout the period ended 30 June 2007 with the Code Provisions set out in the Code of Corporate Governance Practices contained in Appendix 14 of the Listing Rules, except for the deviations as mentioned below.

The independent non-executive directors are not appointed for specific terms but are subject to retirement by rotation in accordance with the Company's Bye Laws.

The roles of Chairman and Chief Executive should be separated and should not be performed by the same individual. The Company does not have a separate Chairman and Chief Executive and Mr Wang Ya Nan currently holds both positions. The Board believes that vesting the roles of both Chairman and Chief Executive in the same person provides the Group with strong and consistent leadership and allows for more effective planning and execution of long term business strategies. The present structure is considered to be appropriate under the circumstances.

Remuneration Committee

The Remuneration Committee of the Company composed of two Independent Non-executive Directors and the Group's Chairman, reviews and approves the remunerations of Directors and senior management.

Model Code of 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 the Listing Rules. All directors have confirmed, following specific enquiry of all directors that they have fully complied with the required standard set out in the Model Code throughout the period under review.

Board of Directors

As at the date of this report, the Board of directors of the Company comprises the following members: (a) as executive directors, Messrs Wang Ya Nan, Wang Ya Hua, Wong Ah Yu, Wong Ah Yeung and Choi Wai Sang; and (b) as independent non-executive directors, Messrs Ting Leung Huel Stephen and Cheung Wah Fung Christopher.

On behalf of the Board
Wang Ya Nan
Chairman

Hong Kong, 20 September 2007