

Tungda Innovative Lighting Holdings Limited

東大新材料照明控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立之有限公司)

New Energy of **LIGHT**



DURALITE

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INTERIM REPORT
中期報告

05/06



Tungda
Lighting

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This report, for which the directors of Tungda Innovative Lighting Holdings Limited (the “Company”) collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (“GEM Listing Rules”) for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

CORPORATE INFORMATION

Executive directors

CHU Chien Tung
CHU Chick Kei
CHU Sen Hei

Non-executive director

FUNG Shiu Lun, Anthony

Independent non-executive directors

ZHU Lei Bo
HONG Yong Hwan

Registered office

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681GT
George Town
Grand Cayman
British West Indies

Head office and principal place of business

Room 1007-8, 10th Floor
Harcourt House
39 Gloucester Road
Wanchai
Hong Kong

Company website

<http://www.tungdalighting.com.hk>
<http://www.tungdalighting.com>

Company secretary

WONG Yiu Hung (*ACMA, CPA (HKICPA)*)

Qualified accountant

WONG Yiu Hung (*ACMA, CPA (HKICPA)*)

Compliance officer

CHU Chien Tung

Audit committee

HONG Yong Hwan (*Chairman*)
ZHU Lei Bo

Authorised representatives (for the purpose of the GEM Listing Rules)

CHU Chien Tung
CHU Chick Kei

Principal bankers

DBS Bank (Hong Kong) Limited
16th Floor
The Center
99 Queen's Road Central
Hong Kong

Nanyang Commercial Bank, Limited
48 Tsun Yip Street
Kwun Tong
Kowloon
Hong Kong

Auditors

TING HO KWAN & CHAN
Certified Public Accountants (Practising)
9th Floor
Tung Ning Building
249-253 Des Voeux Road C.
Hong Kong

Principal share registrar and transfer office

Bank of Butterfield
International (Cayman) Limited
Butterfield House
68 Fort Street
P. O. Box 705
George Town
Grand Cayman
Cayman Islands
British West Indies

Hong Kong branch share registrar and transfer office

Standard Registrars Limited
26/F., Tesbury Centre
28 Queen's Road East
Hong Kong
(Opposite Three Pacific Place)

INTERIM RESULTS

The board of directors (the “Board”) of Tungda Innovative Lighting Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months and three months ended 30th September, 2005 together with the unaudited comparative figures for the corresponding periods in 2004 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30th September, 2005		For the three months ended 30th September, 2005	
		2004	2005	2004	2005
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	4	21,162	167,541	12,573	82,381
Cost of sales		(10,336)	(101,369)	(5,346)	(50,023)
Gross profit		10,826	66,172	7,227	32,358
Other operating income		726	512	380	298
Selling expenses		(811)	(2,599)	(302)	(729)
Administrative expenses		(6,773)	(12,852)	(3,353)	(7,263)
Research and development expenses		—	(556)	—	—
Profit from operations	6	3,968	50,677	3,952	24,664
Finance costs	7	(101)	(103)	(82)	(72)
Profit before taxation		3,867	50,574	3,870	24,592
Taxation	8	(1,168)	(2,425)	(801)	(1,342)
Net profit for the period		2,699	48,149	3,069	23,250
Dividend	9	—	—	—	—
Earnings per share	10	0.24 cents	4.36 cents	0.28 cents	2.10 cents

CONDENSED CONSOLIDATED BALANCE SHEET

		(Unaudited) As at 30th September, 2005 HK\$'000	(Audited and restated) As at 31st March, 2005 HK\$'000
	Notes		
Non-current assets			
Property, plant and equipment	11	53,766	56,772
Leasehold land and land use rights		6,922	6,996
Deposits paid for acquisition of property, plant and equipment	12	56,710	56,710
		<u>117,398</u>	<u>120,478</u>
Current assets			
Current portion of leasehold land and land use rights		148	148
Inventories		8,821	9,827
Debtors, deposits and prepayments	13	9,149	13,156
Current tax refundable		3,133	275
Bank balances and cash		220,866	214,787
		<u>242,117</u>	<u>238,193</u>
Current liabilities			
Creditors and accrued charges	14	20,304	23,219
Obligation under a finance lease	17	131	126
Current tax liabilities		4,708	3,586
		<u>25,143</u>	<u>26,931</u>
Net current assets		<u>216,974</u>	<u>211,262</u>
		<u>334,372</u>	<u>331,740</u>
Capital and reserves			
Share capital	15	11,056	11,056
Reserves		323,064	320,365
Shareholders' funds		334,120	331,421
Non-current liability			
Obligation under a finance lease	17	252	319
		<u>334,372</u>	<u>331,740</u>

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Special reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	General reserve <i>HK\$'000</i>	Retained profit <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st April, 2004	11,056	101,669	(2,128)	9	8,172	143,980	262,758
Exchange difference arising on translation	–	–	–	(11)	–	–	(11)
Profit for the period	–	–	–	–	–	48,149	48,149
At 30th September, 2004	<u>11,056</u>	<u>101,669</u>	<u>(2,128)</u>	<u>(2)</u>	<u>8,172</u>	<u>192,129</u>	<u>310,896</u>
At 1st April, 2005	11,056	101,669	(2,128)	1	16,692	204,131	331,421
Exchange difference arising on translation	–	–	–	–	–	–	–
Profit for the period	–	–	–	–	–	2,699	2,699
At 30th September, 2005	<u>11,056</u>	<u>101,669</u>	<u>(2,128)</u>	<u>1</u>	<u>16,692</u>	<u>206,830</u>	<u>334,120</u>

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30th September,	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash generated from operating activities	5,750	29,014
Net cash generated from investing activities	492	9,271
Net cash used in financing activities	(163)	—
Net increase in cash and cash equivalents	6,079	38,285
Cash and cash equivalents at beginning of the period	214,787	135,162
Cash and cash equivalents at end of the period	220,866	173,447

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. General

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Company Law (2001 Second Revision) of Cayman Islands. The Company's shares are listed on GEM of the Stock Exchange on 26th July, 2002.

The Company acts as an investment holding company and the principal activities of the Group are trading and manufacturing of light source products.

2. Basic of preparation

This interim financial report is unaudited and has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and applicable GEM Listing Rules.

The interim financial report has been prepared in consistent with the accounting policies adopted in the Group's accounts for the year ended 31st March, 2005, except for the changes in accounting policies that are expected to be reflected in the Group's financial statements for the year ending 31st March, 2006. Details of these changes in accounting policies are set out in note 3.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains unaudited condensed consolidated financial statements and selected explanatory notes (The notes include an explanation of events and transactions that are considered significant to the understanding of the changes in the financial position and performance of the Group since 31st March, 2005.) The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

3. Changes in accounting policies

The HKICPA has issued a number of new and revised HKFRSs, (which term collectively includes HKASs and interpretations) that are effective or available for early adoption for accounting periods beginning on or after 1st January, 2005. The Board of Directors has determined the accounting policies to be adopted in the preparation of the Group's interim financial statements and annual financial statements for the six months period ended 30th September, 2005 and year ending 31st March, 2006 respectively, on the basis of HKFRSs currently in issue.

The following set out the changes in accounting policies for the annual accounting period beginning on 1st April, 2005 which have been reflected in this interim financial report.

(a) Share option scheme (HKFRS 2, Share-based payment)

In prior years, no amounts were recognised when option holders were granted share options over shares in the Company. If the option holders chose to exercise the options, the nominal amount of share capital and share premium were credited only to the extent of the options' exercise price receivable.

With effect from 1st April, 2005, in order to comply with HKFRS 2, the Group recognised the fair value of share options as an expense in the income statement, or as an asset, if the cost qualifies for recognition as an asset under the Group's accounting policies. A corresponding increase is recognised in a capital reserve within equity.

Where the option holders are required to meet vesting conditions before they become entitled to the options, the Group recognises the fair value of the options granted over the vesting period. Otherwise, the Group recognises the fair value in the period in which the options are granted.

If an option holder chooses to exercise options, the related capital reserve is transferred to share capital and share premium, together with the exercise price. If the options lapse unexercised the related capital reserve is transferred directly to retained profits.

The Group has taken advantage of the transitional provisions set out in paragraph 53 of HKFRS 2 under which the new recognition and measurement policies have not been applied to the following grants of options:

- (i) all options granted to option holders on or before 7th November, 2002; and
- (ii) all options granted to option holders after 7th November, 2002 but which had vested before 1st April, 2005.

As all the Group's options were granted to options holders after 7th November, 2002 but which had vested before 1st April, 2005, the adoption of HKFRS 2 has no impact on the Group's net assets and results for the prior and current periods.

(b) Leasehold land and buildings held for own use (HKAS 17, Leases)

In prior years, leasehold land and buildings held for own use were stated at cost less accumulated depreciation and accumulated impairment losses. With the adoption of HKAS 17 as from 1st April, 2005, a lease of land and building should be split into a lease of land and a lease of building according to their fair value at inception. A lease of land is an operating lease and a lease of building is a finance lease unless the two elements cannot be allocated reliably, in which case the entire lease is classified as a finance lease. Pursuant to these requirements, the land premium paid for distinguishable leasehold land and land use rights is accounted for as an operating lease and amortised over its unexpired lease term, whereas undistinguishable leasehold land and building included in property, plant and equipment is stated collectively at cost less accumulated depreciation and any impairment losses.

The new accounting policy has been applied retrospectively to the extent that results in the reclassification of leasehold interest in land and land use rights previously included in "Fixed assets" as "Leasehold land and land use rights". However this change has had no material effect on the Group's net assets and results for prior and current periods.

4. Turnover

Turnover represents amount received and receivable for goods, net of returns, sales discounts, and value-added tax, where applicable, sold to customers during the six months and three months ended 30th September, 2005.

5. Segmental information

An analysis of the Group's turnover is as follow:

Business segments

	(Unaudited) For the six months ended 30th September, 2005 HK\$'000		(Unaudited) For the three months ended 30th September, 2005 HK\$'000	
	2004 HK\$'000		2004 HK\$'000	
Segment turnover				
House brand light source products	15,199	83,482	9,705	40,441
Agency brand light source products	5,963	84,059	2,868	41,940
	<u>21,162</u>	<u>167,541</u>	<u>12,573</u>	<u>82,381</u>
Segment results				
House brand light source products	9,448	59,426	6,552	28,674
Agency brand light source products	1,378	6,746	675	3,684
	<u>10,826</u>	<u>66,172</u>	<u>7,227</u>	<u>32,358</u>
Unallocated net corporate expenses	(6,858)	(15,495)	(3,275)	(7,694)
Profit from operations	3,968	50,677	3,952	24,664
Finance costs	(101)	(103)	(82)	(72)
Profit before taxation	3,867	50,574	3,870	24,592
Taxation	(1,168)	(2,425)	(801)	(1,342)
Profit for the period	<u>2,699</u>	<u>48,149</u>	<u>3,069</u>	<u>23,250</u>

Geographical segments

The Group's operations are located in the People's Republic of China ("PRC") and Hong Kong. The following tables provide an analysis of the Group's turnover by geographical markets, irrespective of the origin of the goods:

	(Unaudited) For the six months ended 30th September, 2005		(Unaudited) For the three months ended 30th September, 2005	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
The PRC	36	77,134	8	38,303
Hong Kong	5,963	7,057	2,867	3,752
Asia	–	16,000	–	11,086
Europe	10,314	44,418	4,849	17,773
U.S.A.	4,849	22,932	4,849	11,467
	21,162	167,541	12,573	82,381

6. Profit from operations

	(Unaudited) For the six months ended 30th September, 2005		(Unaudited and restated) For the three months ended 30th September, 2005	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Profit from operations has been arrived at after charging:				
Auditors' remuneration	250	300	125	120
Depreciation				
– owned assets	3,186	2,236	1,590	1,199
– leased asset	54	16	27	–
Amortisation of leasehold land and land use rights	74	74	37	37
Cost of inventories recognised as an expense	10,336	101,369	5,346	50,023
Operating lease rentals in respect of land and buildings	625	865	313	288
Staff costs:				
Directors' remuneration	2,220	2,282	1,110	1,230
Other staff costs	2,118	2,645	972	1,354
and after crediting:				
Interest income	726	467	381	267

7. Finance costs

	(Unaudited) For the six months ended 30th September, 2005		(Unaudited) For the three months ended 30th September, 2005	
	2004	2005	2004	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank charges and overdraft interests	73	87	69	75
Finance charges	30	14	3	7
	<u>103</u>	<u>101</u>	<u>72</u>	<u>82</u>

8. Taxation

	(Unaudited) For the six months ended 30th September, 2005		(Unaudited) For the three months ended 30th September, 2005	
	2004	2005	2004	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax:				
Hong Kong Profits Tax	2,425	–	1,342	–
PRC Enterprise Income Tax	–	1,168	–	801
	<u>2,425</u>	<u>1,168</u>	<u>1,342</u>	<u>801</u>

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group has no estimated assessable profits arising in or derived from Hong Kong for the period (for the six months and three months ended 30th September, 2004: 17.5%).

Pursuant to the relevant laws and regulations in the PRC, the two subsidiaries of the Company are entitled to exemption from PRC Enterprise Income Tax for two years commencing from their first profit making year of operation, and thereafter, they are entitled to 50% relief from PRC Enterprise Income Tax for the following three years. The first profit-making year of the respective subsidiary commenced on 1st January, 2001 and 1st January, 2003 respectively.

No provision for deferred taxation for the periods has been made as the amount involved is insignificant.

9. Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30th September, 2005 (six months ended 30th September, 2004: Nil).

10. Earnings per share

The calculation of the basic and diluted earnings per share for the six and three months ended 30th September, 2005 and 2004 is based on the following data:

	(Unaudited) For the six months ended 30th September, 2005		(Unaudited) For the three months ended 30th September, 2005	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit for the period and earnings for the purpose of calculation of basic earnings per share	<u>2,699</u>	<u>48,149</u>	<u>3,069</u>	<u>23,250</u>
Weighted average number of shares for the purpose of calculation of basic earnings per share	<u>1,105,600,000</u>	<u>1,105,600,000</u>	<u>1,105,600,000</u>	<u>1,105,600,000</u>

No diluted earnings per share was presented as there was no potential dilutive ordinary shares in issue for both periods.

11. Property, plant and equipment

During the six months ended 30th September, 2005, the Group spent approximately HK\$234,000 (six months ended 30th September, 2004: HK\$1,286,000) for the acquisition of property, plant and equipment.

The Group had entered into four contracts for the purchases of machinery and equipment of aggregate amount approximately HK\$102,483,000. The contract for induction lamp machinery of aggregate amount approximately HK\$21,000,000 was completed in the financial year ended 31st March, 2005. Details of these four contracts are set out in the Company's announcement dated 27th September, 2004 and the annual report for the year ended 31st March, 2005.

At 30th September, 2005, a motor vehicle with net book value HK\$392,500 is held under a finance lease arrangement as mentioned in note 17.

12. Deposits paid for acquisition of property, plant and equipment

The Group

		(Unaudited) As at 30th September, 2005 HK\$'000	(Audited) As at 31st March, 2005 HK\$'000
Balance carried forward	<i>Note</i>	56,710	56,710

Note: The balance represented deposits paid for three outstanding contracts for purchases of machinery and equipment as mentioned in note 11.

13. Debtors, deposits and prepayments

The following is an aged analysis of the Group's trade debtors which is included in debtors, deposits and prepayments:

	(Unaudited) As at 30th September, 2005 HK\$'000	(Audited) As at 31st March, 2005 HK\$'000
Within three months	1,549	1,796
Four to six months	214	404
Seven to twelve months	174	67
More than one year	12	24
	1,949	2,291

The Group allows an average credit period ranging from 7 days to 90 days to its trade customers.

14. Creditors and accrued charges

The following is an aged analysis of the Group's trade creditors which are included in creditors and accrued charges:

	(Unaudited) As at 30th September, 2005 <i>HK\$'000</i>	(Audited) As at 31st March, 2005 <i>HK\$'000</i>
Within three months	1,705	4,419
Four to six months	38	203
Seven to twelve months	452	1,123
More than one year	1,478	372
	<u>3,673</u>	<u>6,117</u>

15. Share capital

	Number of shares	Amount <i>HK\$'000</i>
Shares of HK\$0.01 each		
Authorised:		
At 31st March, 2005 and 30th September, 2005	5,000,000,000	50,000
Issued and fully paid:		
At 31st March, 2005 and 30th September, 2005	1,105,600,000	11,056

16. Capital and other commitments

	(Unaudited) As at 30th September, 2005 <i>HK\$'000</i>	(Audited) As at 31st March, 2005 <i>HK\$'000</i>
Capital expenditure contracted for but not provided in financial statements, in respect of:		
Acquisition of machinery and equipment	27,413	27,413
Advertising expenditure	880	880
Research and development expenditure	200	200
	<u>28,493</u>	<u>28,493</u>

17. Lease commitments

Operating lease

At the balance sheet date, the Group and the Company had commitments for future minimum lease payments under non-cancellable operating leases in respect of land and buildings for certain of its offices premises and factories which fall due as follows:

	(Unaudited) As at 30th September, 2005 HK\$'000	(Audited) As at 31st March, 2005 HK\$'000
Within one year	1,185	1,249
Within second to fifth year	495	1,056
	<u>1,680</u>	<u>2,305</u>

Finance lease

At the balance sheet date, the Group's total minimum lease payments under finance lease management and their present value are as follows:

	(Unaudited) As at 30th September, 2005 HK\$'000	(Audited) As at 31st March, 2005 HK\$'000
Within one year	152	152
In the second to fifth year inclusive	267	343
Total minimum lease payment	419	495
Future finance lease charges	(36)	(50)
Present value of total minimum lease payments	<u>383</u>	<u>445</u>

The present value of finance lease obligations is due as follows:

Within one year	131	126
In the second to fifth year inclusive	252	319
	383	445
Falling due within one year included in current liabilities	<u>(131)</u>	<u>(126)</u>
	<u>252</u>	<u>319</u>

The Group leases a motor vehicle under a finance lease arrangement expiring initially in four years. At the end of the lease term the Group has the option to purchase the motor vehicle at a price deemed to be a bargain purchase option. The leased motor vehicle secures the above lease obligation.

18. Related party transactions

During the period, the Group entered into the following transactions with related parties:

	(Unaudited)		(Unaudited)	
	For the		For the	
	six months ended		three months ended	
	30th September,		30th September,	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Rental paid to Tungda Industrial Limited	<u>54</u>	<u>54</u>	<u>27</u>	<u>27</u>

Tungda Industrial Limited is the ultimate holding company of the Company.

The directors of the Company are of the opinion that the above transactions were carried out in the ordinary course of the Group's business based on normal commercial terms.

19. Comparative figures

In current periods, the Group has adopted new and revised HKFRSs as mentioned in note 3 for the first time. The presentation in the current period's financial statements has been modified in order to conform to the requirements of the standards. Comparative figures have been restated in order to achieve a consistent presentation.

FINANCIAL REVIEW

Operating results

For the six months ended 30th September, 2005 (“Period”), the Group’s turnover was approximately HK\$21.16 million, representing a decrease of approximately 87.37% from HK\$167.54 million of last corresponding period.

The gross profit margin for the Period was 51.16% compared to 39.49% for the same period in 2004 as proportion of house brand products, which generally accounted for higher margin, dominated that of agency brand products. Such increase in gross profit margin was partly offset by the effect of fixed production cost which did not decrease disregard decrease in sales and accordingly production quantity as compared to that of prior period.

Turnover and profit significantly declined because of:

1. The Group had ceased business with its major PRC customers, during the year ended 31st March, 2005 as business with these PRC customers became barely profitable in consequence of revaluation of Renminbi.
2. Trading in the shares of the Company has been suspended on the Stock Exchange since 29th July, 2004 and officers of the Commercial Crime Bureau of the Hong Kong Police Force had executed a search warrant against the premises of the Group in March, 2005 related to a suspected offence of false accounting. Certain customers, to whom the Group has offered five years general product guarantee for the Group’s products, are hesitating if the Group will be able to honor the guarantee should the product fail to operate. Order from these customers significantly decline.

Other operating income

The major component of other operating income approximately HK\$0.73 million was interest income for the Period as compared to approximately HK\$0.51 million for the same period in 2004. The increase was accounted by the higher cash and bank balances for the Group.

Selling and administrative expenses

The selling expenses amounted to approximately HK\$0.81 million for the Period, as compared to approximately HK\$2.60 million for the same period in 2004, which primarily comprised of advertising, exhibition, business promotion and salaries expenses. The amount decreased because of the completion of significant contracted advertisement and promotion expenses since 2002 which do not recur thereafter the year ended 31st March, 2005.

The administrative expenses comprised primarily of directors' and staff remuneration, entertainment, legal and professional fees, and rental expenses. The administrative expenses decreased to approximately HK\$6.77 million mainly due to decrease in business trip expenses, certain staff cost, entertainment, legal and professional fees and rental expenses, as compared to approximately HK\$12.86 million in the corresponding period in 2004.

Research and development expenses

The research and development expenses in the previous period comprised incidental cost of research and development. No such expenses incurred in the Period.

Net profit

As a result of the factors discussed above, the net profit attributable to shareholders for the six months ended 30th September, 2005 decreased to approximately HK\$2.70 million from approximately HK\$48.15 million for the same period in 2004.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30th September, 2005, the Group's shareholders' funds amounted to approximately HK\$334.12 million. Cash and bank balances was approximately HK\$220.87 million as at 30th September, 2005, compared to HK\$173.45 million as at 30th September, 2004. Increases in cash stemmed primarily from income generated from operations.

SIGNIFICANT INVESTMENT HELD AND MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

There were neither significant investment incurred by the Group nor material acquisitions and disposals of subsidiaries and affiliated companies during the six months periods ended 30th September, 2005 and 2004.

CHARGE ON GROUP ASSETS

The Group had no significant charge on assets as at 30th September, 2005.

FOREIGN EXCHANGE EXPOSURE

The Board believes that the exchange rate risks of the Group is minimal because the Group's operations are denominated in United States dollars, Hong Kong dollars and Renminbi which were relatively stable. However, fluctuation of the Renminbi against the Hong Kong dollar would adversely affect the Group's performance when measured in Hong Kong dollar.

CONTINGENT LIABILITIES

The Group had no contingent liabilities as at both 30th September, 2005 and 2004.

SEGMENTAL INFORMATION

Segmental information of the Group is set out in note 5 to the financial statements.

EMPLOYEE INFORMATION

As at 30th September, 2005, the Group had about 200 full time employees. The Group's employees were remunerated according to the nature of their duty and market trend, with discretionary bonus and benefit of retirement scheme, share options and necessary training.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30th September, 2005, the interests of the directors and the chief executives of the Company and their associates in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) and required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules relating to securities transactions by directors, were as follows:

Long positions

(a) Ordinary shares of HK\$0.01 each of the Company and underlying shares

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Chu Chien Tung	Held by controlled corporation (<i>Note</i>)	560,000,000	50.65%

Note: These shares were held indirectly by Tungda Industrial Limited (“Tungda Industrial”) through its beneficial interest in the entire issued share capital of Standard Exceed Limited. Messrs. Chu Chien Tung, Chu Chick Kei and Chu Siu Chun (father of Messrs. Chu Chien Tung and Chu Chick Kei) jointly hold the entire issued share capital of Tungda Industrial.

(b) Share options

Name of directors	Capacity	Number of options held	Number of underlying shares
Mr. Chu Chien Tung	Beneficial owner	1,054,944	1,054,944
Mr. Chu Chick Kei	Beneficial owner	1,054,944	1,054,944
Mr. Chu Sen Hei	Beneficial owner	10,549,440	10,549,440

Other than as disclosed above, none of the directors and chief executives of the Company and their associates has any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations at 30th September, 2005.

SHARE OPTIONS

Pursuant to the Company's share option scheme adopted on 12th July, 2002, the board of directors may grant share options to any directors, full time and part time employees of the Group and the consultant or adviser of the Group.

A summary of the movements in the Company's share options during the Period is as follows:

	Date of grant	Exercise price HK\$	Close price at the date of grant HK\$	Number of share options			
				At 1st April, 2005	Granted during the period	Exercised during the period	At 30th September, 2005
Directors							
Mr. Chu Chien Tung	21st November, 2003	0.452	0.440	1,054,944	–	–	1,054,944
Mr. Chu Chick Kei	21st November, 2003	0.452	0.440	1,054,944	–	–	1,054,944
Mr. Chu Sen Hei	21st November, 2003	0.452	0.440	10,549,440	–	–	10,549,440
Sub-total				12,659,328	–	–	12,659,328
Employees							
	3rd October, 2003	0.345	0.345	33,140,672	–	–	33,140,672
Total				45,800,000	–	–	45,800,000

Save as disclosed herein, none of the directors and chief executives and their associates has any interests or short positions in any shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of the SFO) as recorded in the register to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the option holdings disclosed above, at no time during the Period was the Company, its holding companies, fellow subsidiaries or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. None of the directors of the Company, or their spouses or children under 18 years of age, had any rights to subscribe for the shares of the Company, or had exercised any such right during the Period.

SUBSTANTIAL SHAREHOLDERS

At 30th September, 2005, the following substantial shareholders (other than a director or chief executive of the Company) who have interests or short positions in the shares and underlying shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions

Ordinary shares of HK\$0.01 of the Company

Name of shareholders	Number of issued ordinary shares held	Approximate percentage of shareholding
Standard Exceed Limited (<i>Note 1</i>)	560,000,000	50.65%
Tungda Industrial Limited (<i>Note 1</i>)	560,000,000	50.65%
Mr. Chu Chien Tung (<i>Note 2</i>)	560,000,000	50.65%
Ms. Chan Pik Kam (<i>Note 3</i>)	560,000,000	50.65%

Notes:

1. Standard Exceed Limited is wholly and beneficially-owned by Tungda Industrial which in turn is beneficially-owned as to 33.33334% by Mr. Chu Chien Tung, 33.33333% by Mr. Chu Chick Kei and 33.33333% by Mr. Chu Siu Chun. Mr. Chu Siu Chun has no management role in the Group.

2. Under Section 336 of the SFO, Mr. Chu Chien Tung is deemed to have interests in all the shares of the Company which Tungda Industrial has interests as he is entitled to exercise more than one-third of the voting power at general meetings of Tungda Industrial. The other two shareholders of Tungda Industrial, namely Messrs. Chu Chick Kei and Chu Siu Chun, are not so deemed as they are not entitled to exercise more than one-third of the voting power at general meetings of Tungda Industrial.
3. Ms. Chan Pik Kam is the wife of Mr. Chu Chien Tung. Under Section 336 of the SFO, she is deemed to have interest in all the shares in which Mr. Chu Chien Tung is interested.

Save as disclosed above, no other person (other than a director or chief executive of the Company) has an interest or a short position in the shares and underlying shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

COMPETING INTERESTS

During the Period, the board of directors is not aware of any business or interest of each director, management shareholder of the Company and their respective associates that competes or may compete with the business of the Group or any other conflicts of interest which any such person has or may have with the Group.

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

During the Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Company established an audit committee on 8th July, 2002 with written terms of reference in compliance with the GEM Listing Rules. The audit committee currently comprises of two independent non-executive directors, Mr. Zhu Lei Bo and Mr. Hong Yong Hwan. The Group's unaudited interim results for the six months ended 30th September, 2005 have been reviewed by the audit committee.

CORPORATE GOVERNANCE

The Company has complied with the board practices and procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules during the six months ended 30th September, 2005 except that the Group has not yet established a remuneration committee, two independent non-executive directors are appointed during the period and certain independent non-executive directors of the Company are not appointed for specific terms and are subject to re-election at the annual general meeting of the Company in accordance with the provision of the Company's Articles of Association.

By Order of the Board
Chu Chien Tung
Chairman

Hong Kong, 24th February, 2006

Executive directors:

Mr. Chu Chien Tung
Mr. Chu Chick Kei
Mr. Chu Sen Hei

Non-executive director:

Dr. Fung Shiu Lun, Anthony

Independent non-executive directors:

Mr. Zhu Lei Bo
Mr. Hong Yong Hwan