



Tungda Innovative Lighting Holdings Limited
東大新材料照明控股有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock Code : 8229)

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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.

HIGHLIGHTS

Turnover of the Group for the six months ended 30th September, 2007 was approximately HK\$25.62 million representing a slightly decrease of 2.15% as compared with that of the corresponding period in 2006.

Profit for the period attributable to shareholders amounted to approximately HK\$8.04 million.

Earnings per share for the period was HK0.73 cents.

The Board does not recommend the payment of an interim dividend in respect of the six months ended 30th September, 2007.

INTERIM RESULTS

The board of directors (the "Board") of Tungda Innovative Lighting Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the six months ended 30th September, 2007 together with the unaudited comparative figures for the corresponding period in 2006 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	For the six months ended 30th September, 2007		For the three months ended 30th September, 2007	
		2006 HK\$'000	2006 HK\$'000	2006 HK\$'000	2006 HK\$'000
Turnover	3	25,622	26,186	12,353	13,334
Cost of sales		(9,651)	(11,334)	(4,754)	(5,578)
Gross profit		15,971	14,852	7,599	7,756
Other income		1,147	1,009	586	566
Selling expenses		(717)	(620)	(330)	(321)
Administrative expenses		(6,665)	(11,564)	(2,531)	(7,373)
Profit from operations		9,736	3,677	5,324	628
Finance costs	5	(5)	(9)	(2)	(3)
Profit before taxation		9,731	3,668	5,322	625
Taxation	6	(1,688)	(904)	(835)	(80)
Profit for the period		8,043	2,764	4,487	545
Dividend	7	–	–	–	–
Earnings per share	8	0.73 HK cents	0.25 HK cents	0.41 HK cents	0.05 HK cents

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

		As at 30th September, 2007 HK\$'000	As at 31st March, 2007 HK\$'000
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	9	50,000	49,803
Leasehold land and land use rights		9,103	9,412
Deposits paid for acquisition of property, plant and equipment	10	–	9,934
		59,103	69,149
Current assets			
Current portion of leasehold land and land use rights		206	206
Inventories		5,647	5,786
Trade and other receivables	11	5,264	5,654
Tax refundable		16	16
Bank balances and cash		294,373	265,621
		305,506	277,283
Current liabilities			
Trade and other payables	12	18,046	17,812
Obligation under a finance lease	13	111	145
Tax payable		5,839	4,042
		23,996	21,999
Net current assets		281,510	255,284
Total assets less current liabilities		340,613	324,433
Non-current liability			
Obligation under a finance lease	13	–	38
Net assets		340,613	324,395
Equity			
Share capital	14	11,056	11,056
Reserves		329,557	313,339
Total equity		340,613	324,395

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Translation reserve HK\$'000	General reserve HK\$'000	Retained profit HK\$'000	Total HK\$'000
At 1st April, 2006	11,056	101,669	(2,128)	5,989	17,332	172,013	305,931
Currency translation differences	–	–	–	3,670	–	–	3,670
Profit for the period	–	–	–	–	–	2,764	2,764
At 30th September, 2006	11,056	101,669	(2,128)	9,659	17,332	174,777	312,365
At 1st April, 2007	11,056	101,670	(2,128)	18,655	17,383	177,759	324,395
Currency translation differences	–	–	–	8,176	–	–	8,176
Profit for the period	–	–	–	–	–	8,042	8,042
At 30th September, 2007	11,056	101,670	(2,128)	26,831	17,383	185,801	340,613

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30th September, 2007 HK\$'000	2006 HK\$'000
Net cash generated from operating activities	28,757	3,267
Net cash (used in)/generated from investing activities	–	(411)
Net cash (used in) financing activities	(5)	(76)
Net increase in cash and cash equivalents	28,752	2,780
Cash and cash equivalents at beginning of the period	265,621	242,985
Cash and cash equivalents at end of the period	294,373	245,765

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 statements is unaudited and has been prepared under historical cost convention and 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.

This interim financial statements has been prepared in consistent with the accounting policies and basis of preparation adopted for the preparation of the Group's annual financial statements for the year ended 31st March, 2007.

The preparation of an interim financial statements 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 statements contains unaudited condensed consolidated financial statements and selected explanatory notes. The explanatory 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, 2007. The unaudited 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") and should be read in conjunction with the Group's annual financial statements for the year ended 31st March, 2007.

3. 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, 2007.

4. Segmental information

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

Business segments

	(Unaudited) For the six months ended 30th September, 2007 2006 HK\$'000 HK\$'000	
Segment turnover		
House brand light source products	20,770	20,636
Agency brand light source products	4,852	5,550
	25,622	26,186
Segment results		
House brand light source products	14,859	14,286
Agency brand light source products	1,112	566
	15,971	14,852
Unallocated net corporate expenses	(6,235)	(11,175)
Profit from operations	9,736	3,677
Finance costs	(5)	(9)
Profit before taxation	9,731	3,668
Taxation	(1,688)	(904)
Profit for the period	8,043	2,764

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, 2007 HK\$'000		2006 HK\$'000
Hong Kong	5,686		5,551
Europe	9,962		9,934
U.S.A.	9,962		9,934
Others	12		767
	25,622		26,186

5. Finance costs

	(Unaudited) For the six months ended 30th September, 2007 HK\$'000		2006 HK\$'000	(Unaudited) For the three months ended 30th September, 2007 HK\$'000		2006 HK\$'000
Interest on a finance lease	5		9	2		3

6. Taxation

	(Unaudited) For the six months ended 30th September, 2007		(Unaudited) For the three months ended 30th September, 2007	
	HK\$'000	2006 HK\$'000	HK\$'000	2006 HK\$'000
Current tax:				
Hong Kong Profits Tax	–	–	–	–
PRC Enterprise Income Tax	1,688	904	835	80
	1,688	904	835	80

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 respective six months and three months ended 30th September, 2007 and 2006.

Pursuant to the relevant laws and regulations in the PRC, a subsidiary of the Company is entitled to exemption from PRC Enterprise Income Tax for two years commencing from its first profit making year of operation, and thereafter, it is entitled to 50% relief from PRC Enterprise Income Tax which is charged at 24% for the following three years. The first profit-making year of the subsidiary commenced on 1st January, 2003.

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

7. Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30th September, 2007 (six months ended 30th September, 2006: Nil).

8. Earnings per share

The calculation of the basic and diluted earnings per share for the six and three months ended 30th September, 2007 and 2006 is based on the following data:

	(Unaudited) For the six months ended 30th September, 2007 HK\$'000		(Unaudited) For the three months ended 30th September, 2007 HK\$'000	
		2006 HK\$'000		2006 HK\$'000
Profit for the period for the purpose of calculation of basic earnings per share	8,043	2,764	4,487	545
Weighted average number of shares for the purpose of calculation of basic earnings per share	1,105,600,000	1,105,600,000	1,105,600,000	1,105,600,000

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

9. Property, plant and equipment

There was no material acquisition of property, plant and equipment by the Group during the Period.

As set out in the Company's announcement dated 27th September, 2004, 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 the other three contracts were set out in the Company's annual report for the year ended 31st March, 2007.

At 30th September, 2007, a motor vehicle with net book value about HK\$178,000 is held under a finance lease arrangement as mentioned in note 13.

10. Deposits paid for acquisition of property, plant and equipment***The Group***

	(Unaudited) As at 30th September, 2007 HK\$'000	(Audited) As at 31st March, 2007 HK\$'000
Balance brought forward	9,934	10,323
Exchange realignment	204	568
Refunded	(10,138)	(957)
Balance carried forward <i>Note</i>	–	9,934

Note: The balances at 31st March, 2007 represented outstanding deposits paid for two outstanding contracts for purchases of machinery and equipment as mentioned in note 14 to the Group's annual financial statements for the year ended 31st March, 2007.

11. Trade and other receivables

The following is an aged analysis of the Group's trade receivables which are included in trade and other receivables:

	(Unaudited) As at 30th September, 2007 HK\$'000	(Audited) As at 31st March, 2007 HK\$'000
Within three months	1,467	1,500
Four to six months	84	289
Seven to twelve months	20	10
More than one year	4	3
	1,575	1,802

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

12. Trade and other payables

The following is an aged analysis of the Group's trade payables which are included in trade and other payables:

	(Unaudited) As at 30th September, 2007 HK\$'000	(Audited) As at 31st March, 2007 HK\$'000
Within three months	1,616	1,452
Four to six months	533	655
Seven to twelve months	164	6
More than one year	138	128
	2,451	2,241

13. Obligation under a finance lease

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

	(Unaudited) As at 30th September, 2007 HK\$'000	(Audited) As at 31st March, 2007 HK\$'000
Within one year	114	152
In the second to fifth year inclusive	–	38
Total minimum lease payment	114	190
Future finance lease charges	(3)	(7)
Present value of total minimum lease payments	111	183
The present value of finance lease obligations is due as follows:		
Within one year	111	145
In the second to fifth year inclusive	–	38
Falling due within one year included in current liabilities	111 –	183 (145)
	111	38

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.

14. Share capital

	Number of shares	Amount HK\$'000
Shares of HK\$0.01 each		
Authorised:		
At 31st March, 2007 and 30th September, 2007	5,000,000,000	50,000
Issued and fully paid:		
At 31st March, 2007 and 30th September, 2007	1,105,600,000	11,056

15. Related party transactions

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

	(Unaudited) For the six months ended 30th September, 2007		(Unaudited) For the three months ended 30th September, 2007	
	HK\$'000	2006 HK\$'000	HK\$'000	2006 HK\$'000
Rental paid to Tungda Industrial Limited	54	54	27	27

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.

REVIEW

Operating results

For the six months ended 30th September, 2007 ("Period"), the Group's turnover was approximately HK\$25.62 million, representing a decrease of approximately 2.15% as compared to approximately HK\$26.19 million of last corresponding period.

The gross profit margin for the Period was 62.33% compared to 56.72% for the same period in 2006 as (1) house brand products, which generally had higher margin, accounted for higher proportion of the total turnover, and (2) profit margin for both house brand and agency brand products improved during the Period.

Trading in the shares of the Company has been suspended on the Stock Exchange since 29th July, 2004 and with reference to the announcement of the Company dated 16th March, 2005 that officers of the Commercial Crime Bureau of the Hong Kong Police Force have executed a warrant for search and seizure against the premises of the Group and arrested the executive directors of the Company in March, 2005; as of 11th January, 2007, the bail conditions of the relevant executive directors have been lifted and they were released unconditionally, and no charges have been brought against them. In order to resume the share trading as soon as possible and smooth the relevant process, the Company has actively communicated with relevant section of the Stock Exchange of Hong Kong Limited since January 2007.

Other income

The major component of other income approximately HK\$1.15 million was interest income for the Period as compared to approximately HK\$1.01 million for the same period in 2006.

Selling and administrative expenses

The selling expenses for the Period primarily comprised of salaries, business promotion and delivery expenses. The amount increased because of increase in entertainment expenses during the Period.

The administrative expenses comprised primarily of directors' and staff remuneration, professional fees, rental expenses and general administrative expenses. The administrative expenses decreased to approximately HK\$6.67 million mainly due to decrease in rental expenses and non-recurrence of adhoc repair for factory building and infrastructure in 2006, as compared to approximately HK\$11.56 million in the corresponding period in 2006.

Profit for the period

As a result of the factors discussed above, the profit for the six months ended 30th September, 2007 was approximately HK\$8.04 million as compared to the profit approximately HK\$2.76 million for the same period in 2006.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30th September, 2007, the Group's shareholders' funds amounted to approximately HK\$340.61 million. Cash and bank balances was approximately HK\$294.37 million as at 30th September, 2007, compared to HK\$245.77 million as at 30th September, 2006. Increases in cash stemmed primarily from income generated from operations and refund of deposits paid for contracts for acquisition of machineries.

There was no material change in the capital structure of the Group for the six months ended 30th September, 2007.

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, 2007.

CHARGE ON GROUP ASSETS

The Group had no significant charge on assets as at 30th September, 2007.

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, 2007.

EMPLOYEE INFORMATION

As at 30th September, 2007, the Group had about 78 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.

PROPERTY, PLANT AND EQUIPMENT

There was no material acquisition of property, plant and equipment by the Group during the Period.

As set out in the Company's announcement dated 27th September, 2004, 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 the other three contracts were set out in the Company's annual report for the year ended 31st March, 2007.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30th September, 2007, 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 (Note)	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, 2007.

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:

		Number of share options					
	Date of grant	Exercise price HK\$	Close price at the date of grant HK\$	At 1st April, 2007	Granted during the period	Exercised during the period	At 30th September, 2007
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, 2007, 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 each 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:

- 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.
- 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.
- 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 accordance with Rule 5.28 and Rule 5.29 of the GEM Listing Rules except that the audit committee currently comprises only two members (independent non-executive directors, Mr. Zhu Lei Bo and Mr. Hong Yong Hwan) and is not in compliance with Rule 5.28 of the GEM Listing Rules which requires, among others, the audit committee must comprise a minimum of three members. The Group's unaudited consolidated interim results for the six months ended 30th September, 2007 have been reviewed by the audit committee.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors, all directors have complied with the required standard of dealings and the relevant code of conduct regarding securities transactions by directors during the period under review.

CORPORATE GOVERNANCE

According to Rule 5.05 and Rule 5.28 of the GEM Listing Rules, every board of directors of an issuer must include at least three independent non-executive directors and the audit committee must comprise a minimum of three members. However, the Board has only two independent non-executive directors and the audit committee comprises only two members. Therefore, the Company has been unable to strictly comply with the relevant requirements of the GEM Listing Rules. The Company will arrange to appoint suitable candidate(s) for taking up the vacancies.

The Company has, during the six months ended 30th September, 2007, complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules with deviation as mentioned below.

- (1) Code Provision A.2.1 requires the separation of the roles of Chairman and Chief Executive Officer.

The Company does not have an officer with the title of "Chief Executive Officer". Mr. CHU Chien Tung is responsible for the management of the Board and strategic development of the Company. Mr. CHU Chick Kei and Mr. CHU Sen Hei respectively are responsible for the day to day management of the Group. Mr. CHU Chien Tung is also responsible for the overall management of and decision of the Group. This constitutes a deviation of the Code Provision of A.2.1. As Mr. CHU Chien Tung has extensive experience in the industry, the Board considers that the arrangement is beneficial to the Group as a whole. Despite the aforesaid, the Board will review such arrangement from time to time and consider the appointment of a Chief Executive Officer in the best interest of the Company and its shareholders.

- (2) Code Provision A.4.1 requires that non-executive directors should be appointed for specific term, subject to re-election.

The Company has deviated from this provision in that all non-executive director and independent non-executive directors are not appointed for specific term. They are, however subject to retirement by rotation at each annual general meeting of the Company and being eligible for re-election according to the Company's Articles of Association.

- (3) Code Provision B.1.1 requires the establishment of a remuneration committee with specific written terms of reference.

The Company has not established a remuneration committee, the board of directors is authorised by the shareholders at annual general meeting to fix the remuneration of the directors whereas a director shall abstain from voting in respect of any remuneration and fees paid to his interest.

- (4) Code Provision C.2.1 requires at least annually conduct a review of the effectiveness of the system of internal control.

The Company has not conducted an annual review of the effectiveness of the system of internal control as the Board considered that resumption trade of shares is need to dealt with priority during the Period. At the same time, an effective internal control is one of important factors for resumption trade of shares; therefore, the Company will conduct a review of the effectiveness of the system of internal control in order to comply with the Code Provision.

By Order of the Board
Chu Chien Tung
Chairman

Hong Kong, 15th November, 2007

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