



**Thiz Technology Group Limited**

**即時科研集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

*(於開曼群島註冊成立之有限公司)*

(Stock Code 股份代號：8119)



## Interim Report 2008/09 中期報告



## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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*This report, for which the directors (the “Directors”) of Thiz Technology Group Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) for the purpose of giving information with regard to Thiz Technology Group Limited. 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.*

## SUMMARY

- The Group recorded a turnover of approximately HK\$2,255,000 for the six months ended 30 September 2008.
- Loss attributable to shareholders was approximately HK\$7,245,000.
- The directors of the Company (the “Directors”) do not recommend the payment of an interim dividend for the six months ended 30 September 2008.

## RESULTS

The board of Directors (the “Board”) of Thiz Technology Group Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results (“interim accounts”) of the Company and its subsidiaries (together the “Group”) for the three months and six months ended 30 September 2008 together with the comparative unaudited figures for the corresponding periods in 2007 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

		For the three months ended 30 September		For the six months ended 30 September	
		2008	2007	2008	2007
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	3	1,584	2,529	2,255	4,094
Cost of sales		(929)	(1,207)	(1,198)	(2,076)
Gross profit		655	1,322	1,057	2,018
Other revenues	3	2	35	6	102
Selling and distribution expenses		(62)	(74)	(176)	(395)
General and administrative expenses		(3,512)	(4,900)	(6,999)	(9,168)
Loss from operations		(2,917)	(3,617)	(6,112)	(7,443)
Finance costs	4	(426)	(902)	(1,133)	(2,515)
Loss before tax	4	(3,343)	(4,519)	(7,245)	(9,958)
Tax	5	—	—	—	—
Loss for the period		<u>(3,343)</u>	<u>(4,519)</u>	<u>(7,245)</u>	<u>(9,958)</u>
Attributable to:					
Equity holders of the Company		(3,343)	(4,519)	(7,245)	(9,958)
Minority interests		—	—	—	—
		<u>(3,343)</u>	<u>(4,519)</u>	<u>(7,245)</u>	<u>(9,958)</u>
Loss per share					
– Basic (in cents)	6	<u>(0.31)</u>	<u>(0.43)</u>	<u>(0.67)</u>	<u>(0.95)</u>

# CONDENSED CONSOLIDATED BALANCE SHEET

		At 30 September 2008 (Unaudited) <i>HK\$'000</i>	At 31 March 2008 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Fixed assets		1,248	1,917
Product development costs		14,418	14,758
		<u>15,666</u>	<u>16,675</u>
CURRENT ASSETS			
Inventories		898	994
Trade receivables	7	359	501
Other receivables, deposits and prepayments		1,689	1,683
Cash and bank balances		1,543	11,755
		<u>4,489</u>	<u>14,933</u>
CURRENT LIABILITIES			
Trade payables	8	164	341
Other payables, accruals and deposits received		32,527	35,890
Amounts due to directors	9	8,725	8,725
Amount due to a spouse of a director	9	2,306	2,306
Convertible Preference Shares		–	5,456
Tax payable		1,100	232
		<u>44,822</u>	<u>52,950</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(40,333)</u>	<u>(38,017)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(24,667)</u>	<u>(21,342)</u>
CAPITAL AND RESERVES			
Share Capital		108,561	104,561
Reserves		(135,900)	(130,013)
Total equity		<u>(27,339)</u>	<u>(25,452)</u>
NON-CURRENT LIABILITIES			
Tax payable		2,672	4,110
		<u>(24,667)</u>	<u>(21,342)</u>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended	
	30 September	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash flow from operating activities	(6,984)	(831)
Net cash flow from investing activities	(28)	(1,382)
Net cash flow from financing activities	(3,200)	43,978
Net flow in cash and cash equivalents	(10,212)	41,765
Cash and cash equivalents as at 1 April	11,755	1,457
Cash and cash equivalents as at 30 September	<u>1,543</u>	<u>43,222</u>
Analysis of the balances of cash and cash equivalents:		
Cash and bank balances	<u>1,543</u>	<u>43,222</u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
(UNAUDITED)**

	Share Capital	Share redemption premium	Capital reserve	Capital reserve	Special reserve	Translation reserve	Accumulated losses	Attributable to equity holders of the Company	Minority interest	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 April 2007	30,617	23,521	84	8,339	360	1,037	(119,254)	(55,296)	113	(55,183)
Conversion of Shares	39,090	5,593	–	(4,684)	–	–	–	39,999	–	39,999
Open offer	34,854	–	–	(2,791)	–	–	–	32,063	–	32,063
Exchange adjustment on translation of the financial statements of foreign subsidiaries	–	–	–	–	–	599	–	599	–	599
Loss for the period	–	–	–	–	–	–	(9,958)	(9,958)	–	(9,958)
Balance at 30 September 2007	<u>104,561</u>	<u>29,114</u>	<u>84</u>	<u>864</u>	<u>360</u>	<u>1,636</u>	<u>(129,212)</u>	<u>7,407</u>	<u>113</u>	<u>7,520</u>
Balance at 1 April 2008	104,561	26,818	84	789	360	4,038	(162,102)	(25,452)	–	(25,452)
Conversion of Shares	4,000	985	–	411	–	–	–	5,396	–	5,396
Exchange adjustment on translation of the financial statements of foreign subsidiaries	–	–	–	–	–	(38)	–	(38)	–	(38)
Loss for the period	–	–	–	–	–	–	(7,245)	(7,245)	–	(7,245)
Balance at 30 September 2008	<u>108,561</u>	<u>27,803</u>	<u>84</u>	<u>1,200</u>	<u>360</u>	<u>4,000</u>	<u>(169,347)</u>	<u>(27,339)</u>	<u>–</u>	<u>(27,339)</u>

*Notes to the Accounts:*

**1. General information**

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law (Cap.22 Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 6 December 2000. The Group engages in an information technology industry, in which, it is a developer and provider of a range of Linux solutions including Linux operating systems, application systems run on Linux and related services such as software installation, training and education, operates under the brandname of ThizLinux.

**2. Basis of preparation**

The unaudited consolidated results of the Group have been prepared in accordance with the new Hong Kong Financial Reporting Standards (“HKFRS”) and Hong Kong Accounting Standards (“HKAS”) (collectively “HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the GEM Listing Rules. They have also been prepared under the historical convention.

The details of adoption of new and revised HKFRSs have been set out in the Company’s annual report for the year ended 31 March 2008.

The accounting policies adopted in preparing the unaudited consolidated results are consistent with those applied in the preparation of the Group’s annual financial statements for the year ended 31 March 2008.

The Group has not early adopted any new standards or interpretations that have been issued but are not yet effective.

### 3. Turnover and other revenues

Turnover represents the invoiced value of computer products sold and Group's Linux based software and hardware products distributed and training income, after allowances for returns and discounts and net of value-added tax.

An analysis of turnover and other revenues is set out below:—

	For the three months ended 30 September		For the six months ended 30 September	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Turnover:—				
Distribution of Group's Linux based software and hardware products	509	520	933	972
Sale of computer products	706	956	825	1,512
Training income	369	1,053	497	1,610
	<u>1,584</u>	<u>2,529</u>	<u>2,255</u>	<u>4,094</u>
Other revenues:—				
Interest income	2	1	3	3
Sundry income	—	34	3	99
	<u>2</u>	<u>35</u>	<u>6</u>	<u>102</u>
	<u><u>1,586</u></u>	<u><u>2,564</u></u>	<u><u>2,261</u></u>	<u><u>4,196</u></u>



#### 4. Loss before tax (Unaudited)

	For the three months ended 30 September		For the six months ended 30 September	
	2008	2007	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss before tax is arrived at after charging:				
Cost of inventories sold	<b>929</b>	1,207	<b>1,198</b>	2,076
Amortisation of product development costs	<b>169</b>	427	<b>338</b>	941
Depreciation	<b>307</b>	343	<b>644</b>	621
Finance costs				
– Interest on convertible preference shares	–	101	<b>258</b>	856
– Interest on convertible notes	–	–	–	147
– Other finance costs	<b>426</b>	801	<b>875</b>	1,512
	<b>426</b>	902	<b>1,133</b>	2,515

#### 5. Tax

Hong Kong profits tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profit for the period and taxation for other jurisdictions is calculated on the rates prevailing in the relevant jurisdiction. No provision for taxation has been made as the Group incurred a taxation loss for the period.

During the six months ended 30 September 2008, the tax effect of temporary differences for deferred tax assets was not recognised in the financial statements owing to the absence of objective evidence in respect of the availability of sufficient taxable profit that are expected to arise to offset against the deducted temporary differences.

#### 6. Loss per share

The calculation of basic loss per share for the six months ended 30 September 2008 is based on the loss attributable to equity holders of HK\$7,245,000 (2007: HK\$9,958,000) and the weighted average of 1,085,614,375 (2007: 1,045,614,375) ordinary shares in issue during the period.

No diluted loss per share is presented as the outstanding share options were anti-dilutive.

## 7. Trade receivables

The Group's trading terms with its customers are mainly on a cash-on-delivery basis, except for major customers, where an average credit period of 30 days to 60 days is normally given.

The following is an aged analysis of trade receivables (net of impairment losses) at the reporting date:—

	<b>30 September 2008</b> <b>(Unaudited)</b> <b>HK\$'000</b>	<b>31 March 2008</b> <b>(Audited)</b> <b>HK\$'000</b>
0 – 30 days	<b>164</b>	195
31 – 60 days	<b>5</b>	18
61 – 90 days	—	56
91 – 180 days	<b>11</b>	16
181 – 360 days	<b>27</b>	49
Over 360 days	<b>152</b>	167
	<hr/>	<hr/>
	<b>359</b>	501
	<hr/> <hr/>	<hr/> <hr/>

## 8. Trade payables

The following is an aged analysis of trade payables at the reporting date:—

	<b>30 September 2008</b> <b>(Unaudited)</b> <b>HK\$'000</b>	<b>31 March 2008</b> <b>(Audited)</b> <b>HK\$'000</b>
0 – 30 days	<b>103</b>	70
31 – 60 days	<b>40</b>	—
61 – 90 days	—	138
91 – 180 days	—	112
181 – 360 days	—	—
Over 360 days	<b>21</b>	21
	<hr/>	<hr/>
	<b>164</b>	341
	<hr/> <hr/>	<hr/> <hr/>

## 9. Amounts due to directors and amount due to a spouse of a director

The amounts are interest bearing with Hong Kong prime lending rate per annum, unsecured and repayable on demand, which were effective from 1 July 2005.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2008 (2007: Nil).

## **BUSINESS REVIEW**

1. We cooperated with Dalian Hope Education Group with Linux authentication, to jointly promote the online examination and authentication business of Linux skills. Dalian Hope Education Group is a well known education institution in Dalian for people to go to Japan, and has been engaged in education, training and human resources businesses in both Dalian and Japan. In the first phase of cooperation, students to go to Japan as Linux network manager have undergone ThizLinux examination and authentication, those passed the examination will obtain the authentication qualification of ThizLinux manager. Upon the completion of subsequent Japanese training, all of them will be arranged to go to Japan to work as Linux system network engineer.
2. We joined Dalian Qianxishengda Consultation Company to provide planning and technical consultation services for enterprise financial foreign exchange net, to provide the net portal with our safe and efficient Linux platform as the technical development platform, so as to assist the company to be more professional in business services and information announcement. Together with an integrated promotion comprising of periodic broadcastings of professional consultants in specific financial programs of local radios and live financial talks, the company has been successful in building up its brand name Qianxishengda as a foreign exchange professional, the project has been currently in the final stage in its trial operation.
3. Together with the Embedded Branch of China Software Industry Association, we held embedded software engineer training courses in Dalian, with students completed theoretical and practical training courses, those practical students with qualification authentication will soon join enterprises for employment.

## **PROSPECT**

1. With a maturing operation, the online examination system of the Group has been equipped with the safety, timeliness and reliability not provided by traditional examination and authentication. Together with the support of the state information industry departments towards the authentication of Linux engineers, the planned initiative of ThizLinux online examination business has attracted business cooperation interests from district IT exchange associations and education and training institutions. In the future, the Group will step by step optimize the practicality of the system, and engage in large scale promotion of the project in consideration of market needs.

2. As the Group has always enjoyed a good interactive and cooperative relationship with higher education institutes with regard to Linux training business, we will enhance promotion and authentication training of Linux project skills to students studying in higher education institutes, to provide such students with practical knowledge and skill authentication, so as to have a smooth link to employment upon graduation. As there has been a substantial demand for Linux software talents in major cities in China, and students of computer departments of various higher education institutes are still in a theoretical stage for Linux application technologies, therefore, the cooperated promotion of the project will help the Group, cooperation institutes and students to achieve an all win situation.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial review**

#### *Financial highlights*

The Group's consolidated turnover for the six months ended 30 September 2008 amounted to approximately HK\$2,255,000 (2007: HK\$4,094,000). During the period under review, loss from operations for the period was HK\$6,112,000, compared to HK\$7,443,000 in the corresponding period of last year. Further, loss attributable to equity holders for the period was HK\$7,245,000 while the corresponding period of last year was HK\$9,958,000.

In line with the significant decrease in turnover, gross profit for the Group decrease from HK\$2,018,000 in 2007 to HK\$1,057,000 in 2008, while the gross profit margin from 49% to 47%. The major reason for the decrease in gross profitability was due to decrease in the training income that had much higher profit margins.

Total operating costs were approximately HK\$7,175,000 (2007: HK\$9,563,000). Compare to last year, the operating costs have decrease by 25%.

Loss attributable to equity holders and loss per share for the period were HK\$7,245,000 (2007: HK\$9,958,000) and HK0.67 cents (2007: HK0.95 cents) respectively.

### **Liquidity, financial resources and capital structure**

As at 30 September 2008, the Group had current assets amounted to HK\$4,489,000, of which HK\$1,543,000 were cash and bank deposits. Current liabilities of HK\$44,822,000 mainly comprised of trade payables, other payables, accruals and deposits received, and amounts due to the directors. The current ratio of the Group was approximately 0.10. The Group had net current liabilities of approximately HK\$40,333,000 as at 30 September 2008.

Completion of subscription of new shares took place on 4 November 2008.

## Investments held and material acquisitions and disposals

The Group had no material investments, acquisitions or disposals during the reporting period.

## Segmental information

### (a) Business segments

The following table presents revenue and loss information for the Group's business segments for the six months ended 30 September 2008.

	Software development		Computer products		Training services		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:–								
Sales to external customers	<u>933</u>	<u>972</u>	<u>825</u>	<u>1,512</u>	<u>497</u>	<u>1,610</u>	<u>2,255</u>	<u>4,094</u>
Segment results	<u>(1,089)</u>	<u>(1,875)</u>	<u>(263)</u>	<u>(335)</u>	<u>(2,275)</u>	<u>(3,013)</u>	<u>(3,627)</u>	<u>(5,223)</u>
Interest income							3	3
Unallocated income							3	–
Unallocated expenses							<u>(2,491)</u>	<u>(2,223)</u>
Loss from operations							<u>(6,112)</u>	<u>(7,443)</u>
Finance costs							<u>(1,133)</u>	<u>(2,515)</u>
Loss before tax							<u>(7,245)</u>	<u>(9,958)</u>
Tax							<u>–</u>	<u>–</u>
Loss for the period							<u><u>(7,245)</u></u>	<u><u>(9,958)</u></u>
Attributable to:								
Equity holders of the Company							<u>(7,245)</u>	<u>(9,958)</u>
Minority interests							<u>–</u>	<u>–</u>
							<u><u>(7,245)</u></u>	<u><u>(9,958)</u></u>

(b) *Geographical segments*

The following table presents revenue information for the Group's geographical segments for the six months ended 30 September 2008.

	Taiwan		PRC		Israel		Japan		Others		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	(HK\$'000)											
Segment revenue:-												
Sales to external customers	258	463	1,030	2,261	800	-	23	266	144	1,104	2,255	4,094
	<u>258</u>	<u>463</u>	<u>1,030</u>	<u>2,261</u>	<u>800</u>	<u>-</u>	<u>23</u>	<u>266</u>	<u>144</u>	<u>1,104</u>	<u>2,255</u>	<u>4,094</u>

**Employee information**

As at 30 September 2008, the Group had approximately 65 employees spreading over Hong Kong, PRC and Taiwan.

The staff were remunerated based on their work performance, professional experience and prevailing marketing practices. In addition to the basic salaries and retirement schemes, the Group also offered staff benefits including medical insurance, share options, performance bonus and sales commission.

**Capital commitments and contingent liabilities**

As at 30 September 2008, the Group had no material capital commitments and contingent liabilities.

**Exposure to foreign exchange risk**

Since the functional currencies of the Group's operations are Hong Kong dollars, Renminbi and New Taiwan dollars, the Directors consider that the potential foreign exchange exposure of the Group is limited. As at 30 September 2008, the Group had no foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purposes.

## **DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES OF THE COMPANY**

As at 30 September 2008, the interests or short positions of the directors and chief executive in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”), Chapter 571 of the Laws of Hong Kong), which were notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rule 5.61 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:–

### **(a) Long positions in ordinary shares of HK\$0.1 of the Company**

<b>Name of Directors</b>	<b>Type of interest</b>	<b>Total number of shares held</b>	<b>Percentage of shareholding</b>
Mr. Lin Chien Hsin	Personal	52,950,000	4.88%
Mr. Wong Hoi Wong (“Mr. Albert Wong”) ( <i>Note</i> )	Other	38,301,000	3.52%

*Note:* These 38,301,000 shares are registered in name of Eaglemax International Investment Limited, a company wholly owned by Intelligent Management Limited as the trustee of Intelligent Management Discretionary Trust, a family discretionary trust, the objects of which include Mr. Albert Wong and his family and any charity in the world. As at 30 September 2008, Mr. Albert Wong held the entire issued share capital of Intelligent Management Limited. By virtue of SFO, Mr. Albert Wong has interest of such shares.

## Long positions in underlying shares of equity derivatives of the Company

The Company adopted a share option scheme (the “2001 Scheme”) on 6 July 2001, pursuant to which it may grant options to full-time employees of the Group including executive directors of the Company to subscribe for shares in the Company. On 5 August 2004, the Company adopted a new share option scheme (the “2004 Scheme”), pursuant to which it may grant options to eligible participants including executive directors of the Company to subscribe for shares in the Company and on the same day, the 2001 Scheme was terminated.

Name of Directors	Type of interest	Date of grant	Exercise price per share HK\$	Exercisable period	Number of
					ordinary shares eligible for subscription under options granted and outstanding as at 30 September 2008
Mr. Wong Hoi Wong	Personal	21 November 2001	2.20	30 June 2002 to 29 June 2012	234,995

No options were granted or exercised under the 2001 Scheme and the 2004 Scheme during the six months ended 30 September 2008.

### (b) Short positions in the shares and underlying shares of the Company

Save as disclosed herein, as at 30 September 2008, none of the directors has short positions in the shares or underlying shares of equity derivatives of the Company.

Save as disclosed herein, as at 30 September 2008, none of the directors had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the 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 taken under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rule 5.61 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.



## SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 September 2008, the following persons (not being the directors and chief executives of the Company) had interests or short positions in the shares, underlying shares or debentures of the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under Section 336 of the SFO as follows:–

Name of Shareholder	Nature of interests	Number of Shares Held	Approximate percentage of issued share capital
Ms. Hsu Chia-Huey	Beneficial	55,470,628	5.11%
	Attributable interest of controlled corporation	104,250,000	9.60% ( <i>Note 1</i> )
Ms. Chu Ya Hsin	Beneficial	106,500,000	9.81%
	Attributable interest of controlled corporation	85,090,909	7.84% ( <i>Note 2</i> )

*Notes:*

- (1) 104,250,000 Shares, representing approximately 9.60% of the total issued share capital of the Company, were held by Extra Bright Trading Limited, which was owned as to 51% by Ms. Hsu Chia-Huey. Ms. Hsu Chia-Huey was therefore deemed to be interested in 9.60% of the issued share capital of the Company under the SFO.
- (2) 85,090,909 Shares, representing approximately 7.84% of the total issued share capital of the Company, were held by Maxbase Holdings Limited, which in turn was 50% held by Ms. Chu Ya Hsin. Ms. Chu Ya Hsin was therefore deemed to be interested in 7.84% of the issued share capital of the Company under the SFO.

Save as disclosed above, as at 30 September 2008, there was no person (not being the directors and chief executives of the Company) who had any interests or short positions in the shares, underlying shares and debentures of the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under Section 336 of the SFO.

#### **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Save as disclosed under the heading "Directors' and Chief Executives' Interests in Securities of the Company", at no time during the six months ended 30 September 2008 was the Company or any of its subsidiaries a party to any arrangements to enable any director or their respective spouse or children under 18 years of age to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

#### **MANAGEMENT SHAREHOLDERS' INTERESTS**

Save for the interests disclosed above in respect of the Directors, chief executive and their associates, the Directors are not aware of any person who, as at 30 September 2008, was entitled to exercise or control the exercise of 5 per cent or more of the voting power at general meetings of the Company and who was able, as a practical matter, to direct or influence the management of the Company.

#### **COMPETING INTERESTS**

None of the directors or the management shareholders (as defined in the GEM Listing Rules) of the Company or their respective associates had any interest in a business which competed or might compete with business of the Group.

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

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the six months ended 30 September 2008.

#### **AUDIT COMMITTEE**

The Company has established an Audit Committee with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The Audit Committee comprises three independent non-executive directors, namely Ms. Li Zhe, Mr. Chu Meng Chi and Mr. Chan Mei Sze. The Audit Committee is chaired by Mr. Chu Meng Chi. The primary duties of the Audit Committee are to supervise the financial reporting process and internal control of the Company. The Audit Committee has reviewed the unaudited results of the Group for the six months ended 30 September 2008 and has provided advice and comment thereon.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company applied the principles and complied with all the code provisions as set out in the Code on Corporate Governance Practices (the Code) contained in Appendix 15 of the GEM Listing Rules throughout the Period, save for the deviations discussed below.

### **CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

Under the code provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and Chief Executive Officer should be clearly established and set out in writing.

Mr. Wong Hoi Wong is both the Chairman and Chief Executive Officer of the Company who is responsible for managing the Board and the Group business. The Board considers that, with the present board structure and scope of business of the Group, there is no imminent need to separate the roles into two individuals as Mr. Wong is perfectly capable of distinguishing the priority of these roles in which he has been acting. However, the Board will continue to review the effectiveness of the Group corporate governance structure to assess whether the separation of the positions of Chairman and Chief Executive Officer is necessary.

### **NON-EXECUTIVE DIRECTORS**

Under the Code Provision A.4.1, all the non-executive directors should be appointed for a specific term, subject to re-election. At present, the non-executive Directors are not appointed for a specific term, but are subject to retirement by rotation and re-election in accordance with the Company's Articles of Association.

## **CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the code for securities transactions by the Directors set out in Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct regarding securities transactions by Directors. The Company confirmed that, having made specific enquiry from all Directors, the Directors have complied with the required standard of dealings and its code of conduct regarding securities transactions by the Directors for the six months ended 30 September 2008.

By Order of the Board

**Wong Hoi Wong**

*Chairman*

Hong Kong, 14 November 2008

*As at the date hereof, the board of directors of the Company comprises three executive directors, namely Mr. Wong Hoi Wong, Mr. Lin En Fu and Mr. Yuan Luke Tsu, three non-executive directors, namely Mr. Lin Chien Hsin, Ms. Hsieh Yi Chen and Ms. Wu Chiao Ru and three independent non-executive directors, namely Ms. Li Zhe, Mr. Chu Meng Chi and Ms. Chan Mei Sze.*