

TAI SHING

Tai Shing International (Holdings) Limited

泰盛國際（控股）有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8103)

INTERIM REPORT 2009

* *For identification purpose only*

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

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Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors (the “Directors”) of Tai Shing International (Holdings) Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange for the purpose of given information with regard to the Company. The Directors of the Company, 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 for the six months ended 30th September 2009 amounted to approximately HK\$16 million representing a decrease of approximately 19% over the corresponding period in 2008.
- Loss attributable to the shareholders for the six months ended 30th September 2009 amounted to approximately HK\$3.6 million representing an increase of approximately 59% over the corresponding period in 2008 (2008: HK\$1.8 million).
- Loss per share for the six months ended 30th September 2009 was approximately 3.3 HK cents (2008: 1.6 HK cents)
- The Board does not recommend the payment of any dividend for the six months ended 30th September 2009.

The board of directors (the “Board”) of Tai Shing International (Holdings) Limited (the “Company”) is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three months and six months ended 30th September 2009, together with the unaudited comparative figures for the corresponding periods in 2008, as follows:—

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

for the three months and six months ended 30th September 2009

	Notes	Three months ended 30th September		Six months ended 30th September	
		2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Turnover	2	10,480	4,319	16,303	20,196
Cost of services and merchandise sold		(12,610)	(5,783)	(14,737)	(18,755)
Gross profit/(loss)		(2,130)	(1,464)	1,566	1,441
Other revenue	4	1,681	1,727	1,916	1,811
Selling expenses General and administrative expenses		(1,273)	(414)	(2,310)	(543)
		(2,007)	(2,125)	(4,472)	(4,118)
Loss from operation	5	(3,729)	(2,276)	(3,300)	(1,409)
Finance costs	6	(169)	(119)	(337)	(369)
Loss before tax		(3,898)	(2,395)	(3,637)	(1,778)
Income Tax	7	—	(14)	—	(14)
Loss for the period		<u>(3,898)</u>	<u>(2,409)</u>	<u>(3,637)</u>	<u>(1,792)</u>
Attributable to: Equity holder of the Company		<u>(3,898)</u>	<u>(2,409)</u>	<u>(3,637)</u>	<u>(1,792)</u>
Loss per share -basic (HK cents)	8	<u>(3.6)</u>	<u>(2.2)</u>	<u>(3.3)</u>	<u>(1.6)</u>

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)**

for the three months and six months ended 30th September 2009

	Three months ended		Six months ended	
	30th September		30th September	
	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss for the period	(3,898)	(2,409)	(3,637)	(1,792)
Impairment loss recognised in respect of goodwill	—	(169)	—	(169)
Fair value gain/(loss) on financial assets at fair value through profit or loss	71	8	123	(216)
Share of comprehensive loss of associates	—	—	—	(46)
Total comprehensive loss for the period	<u>(3,827)</u>	<u>(2,570)</u>	<u>(3,514)</u>	<u>(2,223)</u>
Total comprehensive loss attributable to: Equity holder of the Company	<u>(3,827)</u>	<u>(2,570)</u>	<u>(3,514)</u>	<u>(2,223)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30th September 2009

		Unaudited	Audited
		30th September	31st March
		2008	2009
<i>Notes</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Fixed assets		2,465	3,025
Goodwill		131	131
		<u>2,596</u>	<u>3,156</u>
Current assets			
Trade and other receivables	9	50,721	27,769
Amount due from customers for contract work		72,559	70,852
Financial assets at fair value through profit or loss	10	501	330
Pledged bank deposits bank and cash balances		396	1,002
		8,475	3,745
		<u>132,652</u>	<u>103,698</u>
Current liabilities			
Amount due to customers for contract work		10,515	8,022
Trade and other payables	11	61,550	32,254
Receipts in advance		18,585	16,839
Warranty provision		1,254	1,418
Amount due to a substantial shareholder		5,364	6,950
Tax Payable		2,200	2,201
Bank Borrowing		11,420	11,187
		<u>110,888</u>	<u>78,871</u>
Net current assets		<u>21,764</u>	<u>24,827</u>
Net Assets		<u>24,360</u>	<u>27,983</u>
Capital and Reserves			
Share capital	12	5,460	5,460
Reserves	13	18,900	22,523
		<u>24,360</u>	<u>27,983</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

for the six months ended 30th September 2009

	Attributable to equity holders of the company						Total HK\$'000
	Share Capital HK\$'000	Share Premium HK\$'000	General Reserve HK\$'000	Capital Reserve HK\$'000	Foreign currency translation Reserve HK\$'000	Accumulated Profits/ (Losses) HK\$'000	
At 1st April 2009	5,460	22,905	2,079	1,200	4,217	(7,878)	27,983
Exchange differences on translation of foreign operations and net income recognised directly in equity	—	—	—	—	(109)	—	(109)
Loss for the period	—	—	—	—	—	(3,514)	(3,514)
At 30th September 2009	<u>5,460</u>	<u>22,905</u>	<u>2,079</u>	<u>1,200</u>	<u>4,108</u>	<u>(11,392)</u>	<u>24,360</u>
At 1st April 2008	5,460	22,905	1,904	1,200	4,215	(19,152)	16,532
Exchange differences on translation of foreign operations and net income recognised directly in equity	—	—	—	—	120	—	120
Loss for the period	—	—	—	—	—	(2,223)	(2,223)
At 30th September 2008	<u>5,460</u>	<u>22,905</u>	<u>1,904</u>	<u>1,200</u>	<u>4,335</u>	<u>(21,375)</u>	<u>14,429</u>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
(UNAUDITED)**

for the six months ended 30th September 2009

	Six months ended	
	30th September	
	2009	2008
	HK\$'000	HK\$'000
Net cash inflow/(outflow) from operating activities	3,471	(12,833)
Net cash inflow from investing activities	452	129
Net cash outflow from financing activities	(337)	(369)
Net decrease in cash and cash equivalents	3,586	(13,073)
Effects of foreign exchange rate	1,144	402
Cash and cash equivalents at 1st April	3,745	15,651
Cash and cash equivalents at 30th September	<u>8,475</u>	<u>2,980</u>
Analysis of the balances of cash and cash equivalents		
Cash at bank and in hand	<u>8,475</u>	<u>2,980</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED RESULTS

1. Basis of presentation

The unaudited condensed consolidated financial results of the Group (the “financial results”) have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), accounting principles generally accepted in Hong Kong and the disclosure requirements of Hong Kong Companies Ordinance and the GEM Listing Rules of the Hong Kong Stock Exchange.

The accounting policies and methods of computation used in the preparation of the financial results are consistent with those used in the audited annual accounts for the year ended 31st March 2009. These financial statements have been prepared under the historical cost convention, except that financial assets at fair value through profit or loss are carried at their fair values.

2. Turnover

Turnover represents income arising from the provision of systems development and integration, the sales of software and hardware products and provision of professional services.

An analysis of the turnover by principal activities of the operations of the Group during the reporting periods is as follows:

	UNAUDITED			
	Three months ended		Six months ended	
	30th September		30th September	
	2009	2008	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Systems development	8,735	3,818	13,884	19,639
Professional services fees	1,745	501	2,419	557
	<u>10,480</u>	<u>4,319</u>	<u>16,303</u>	<u>20,196</u>

3. Segment reporting

(a) Business segments

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

An analysis of the Group's turnover and results for the six months period by business segment is as follows:

	System development		Professional services		Consolidated	
	2009	2008	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from						
external customers	<u>13,884</u>	<u>19,639</u>	<u>2,419</u>	<u>557</u>	<u>16,303</u>	<u>20,196</u>
Segment results	<u>472</u>	<u>930</u>	<u>1,094</u>	<u>511</u>	<u>1,566</u>	<u>1,441</u>
Interest income					17	74
Unallocated operating income and expenses					<u>(4,760)</u>	<u>(3,309)</u>
Loss before tax					<u>(3,177)</u>	<u>(1,794)</u>
Share of results of associates					—	(46)
Finance costs					<u>(337)</u>	<u>(369)</u>
Income tax expenses					<u>—</u>	<u>(14)</u>
Loss for the period					<u><u>(3,514)</u></u>	<u><u>(2,223)</u></u>
Assets						
Segment assets	<u>100,438</u>	<u>59,137</u>	<u>2,122</u>	<u>1,551</u>	<u>102,560</u>	<u>60,688</u>
Unallocated assets					<u>32,688</u>	<u>18,228</u>
Total assets					<u><u>135,248</u></u>	<u><u>78,916</u></u>
Liabilities						
Segment liabilities	<u>50,701</u>	<u>54,717</u>	<u>4,412</u>	<u>1,049</u>	<u>55,113</u>	<u>55,766</u>
Unallocated liabilities					<u>55,775</u>	<u>8,721</u>
Total liabilities					<u><u>110,888</u></u>	<u><u>64,487</u></u>
Other information						
Depreciation & Amortisation for the period	<u>651</u>	<u>760</u>	<u>—</u>	<u>—</u>	<u>651</u>	<u>760</u>

(b) Geographical segments

For the period ended 30th September 2009 and 2008, over 90% of the Group's revenue and assets are derived from customers and operations based in the PRC and accordingly, no further analysis of the Group's geographical segments is disclosed.

4. Other revenue

	UNAUDITED			
	Three months ended		Six months ended	
	30th September		30th September	
	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reversal of impairment loss in respect of trade receivables	1,131	377	1,131	377
Reversal of impairment loss in respect of other receivables	248	640	282	640
Interest income	10	47	17	74
Sundry income	292	663	486	720
	<u>1,681</u>	<u>1,727</u>	<u>1,916</u>	<u>1,811</u>

5. Loss from operation

Loss from operation is stated after charging/(crediting):

	UNAUDITED			
	Three months ended		Six months ended	
	30th September		30th September	
	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Auditors' remuneration	125	141	250	254
Depreciation	327	244	651	760
Operating leases	440	451	887	910
Staff costs	5,017	3,995	8,391	7,744
	<u>5,017</u>	<u>3,995</u>	<u>8,391</u>	<u>7,744</u>

6. Finance costs

	UNAUDITED			
	Three months ended		Six months ended	
	30th September		30th September	
	2009	2008	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank borrowing due within one year	<u>169</u>	<u>119</u>	<u>337</u>	<u>369</u>

7. Income tax

No Hong Kong profits tax has been provided in the financial statements as the group has no assessable profits arising in Hong Kong during the three months and six months ended 30th September 2009 and 2008.

Pursuant to the relevant laws and regulations in the PRC, Beijing Tongfang Electronic Science & Technology Co., Ltd (“Beijing Tongfang”) is subject to a preferential Enterprise Income Tax rate of 10% which is effective from 1 January 2007 to 31 December 2009, as it is qualified as an advanced technology enterprise.

8. Loss per share

The calculation of basic loss per share for the three months and six months ended 30th September 2009 were based on the loss attributable to the shareholders of approximately of HK\$3,898,000 and HK\$3,637,000 (2008: losses of HK\$2,409,000 and HK\$1,792,000) divided by the weighted average number of 109,190,000 shares for the three months and six months ended (2008: 109,190,000 shares) in issue during the period.

There were no potential dilutive ordinary shares in issue during the three months and six months ended 30th September 2009 and 2008.

9. Trade and other receivables

	Unaudited At 30th September 2009 HK\$'000	Audited At 31st March 2009 HK\$'000
Trade receivables	36,670	39,278
Less: Impairment loss recognised in respect of trade receivables	(23,844)	(24,052)
	12,826	15,226
Retention receivables	2,958	4,762
Prepayments, deposits and other receivables	55,910	27,140
Less: Impairment loss recognised in respect of other receivables	(18,190)	(16,632)
Less: Impairment loss recognized in respect of retention receivables	(2,783)	(2,727)
	50,721	27,769

An aged analysis of trade receivables is as follows:

	Unaudited At 30th September 2009 HK\$'000	Audited At 31st March 2009 HK\$'000
Within 1 month	8,731	3,751
More than 1 month but within 3 months	1,877	5,076
More than 3 months	2,218	6,399
	12,826	15,226

10. Financial assets at fair value through profit or loss

	Unaudited At 30th September 2009 HK\$'000	Audited At 31st March 2009 HK\$'000
Equity securities listed in the PRC, at fair value	501	330

The above financial assets are classified as held for trading. The fair values of these financial assets are based on quoted market price.

11. Trade and other payables

	Unaudited At 30th September 2009 HK\$'000	Audited At 31st March 2009 <i>HK\$'000</i>
Trade payable	20,082	17,787
Other payable and accruals	41,468	14,467
	61,550	32,254

An aged analysis of trade payable is as follows:

	Unaudited At 30th September 2009 HK\$'000	Audited At 31st March 2009 <i>HK\$'000</i>
Within 1 month	7,232	1,892
More than 1 month but within 3 months	1,719	2,397
More than 3 months	11,131	13,498
	20,082	17,787

12. Share capital

	Unaudited		Audited	
	AS at 30th September 2009		AS at 31st March 2009	
	No. of		No. of	
	shares	Amount	shares	Amount
	<i>'000</i>	<i>HK\$'000</i>	<i>'000</i>	<i>HK\$'000</i>
Authorised:				
Ordinary shares of HK\$0.05 each	4,000,000	200,000	4,000,000	200,000
Issued and fully paid:				
At beginning and at end of the period ordinary shares of HK\$0.05 each	109,190	5,460	109,190	5,460

13. Reserves

Movements in reserves for the Group during the period are set out in the unaudited condensed consolidated statement of changes in equity of the financial statement.

14. Commitments under operating leases

At 30th September 2009 the total future minimum lease payments under non-cancellable operating leases payable are as follows:

	Unaudited At 30th September 2009 HK\$'000	Audited At 31st March 2009 HK\$'000
Within 1 year	1,178	296
After 1 year but within 5 years	<u>—</u>	<u>—</u>
	<u>1,178</u>	<u>296</u>

15. Dividend

The Board does not recommend the payment of any dividend for the six months ended 30th September 2009 (2008: Nil).

16. Litigation

On 19th April 2006, a High Court Action No.858 of 2006 was commenced by Chan Kar Kui, Wong Calvin Ting Chi, Chan Wai Phan, Chan Man Wan and Kwok King Chuen (the "Plaintiffs") against the Company for specific performance of the agreement entered between the Plaintiffs and the Company's former director, To Cho Kei, on behalf of the Company, in around May/June 2000 to purchase from the Plaintiffs all their shareholdings in Epplication.Net Limited ("Epplication.Net") at a consideration of HK\$6,800,000 being twice of the actual amount that the Plaintiffs expended on Epplication.Net by way of transfer or allotment of the shares of the Company of the equivalent value, or alternatively, damages with interests and costs. The Company has filed a defence denying the allegation as the Company has no record of any agreement for the purchase of the Plaintiffs' shareholdings in Epplication.Net and the Plaintiffs have not produced any documentary evidence to support their claim. The directors believe that the Company has strong defence in this action and therefore, no provision for liabilities was made.

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Turnover for the six months ended 30th September 2009 amounted to approximately HK\$16 million representing a decrease of approximately 19% over the corresponding period in 2008.

In the three months ended 30th September 2009 the Group was awarded a number of contracts to install softwares for power plants in the PRC. Despite the increase in business activities the power plant software market remains very competitive.

Financial Performance

During the six months ended 30th September 2009, the Group recorded a turnover of HK\$16 million (2008: HK\$20 million) representing a decrease of approximately 19% as compared to that of the corresponding period in 2009.

Revenue for the three months ended 30th September 2009 of approximately HK\$10 million is about 180% higher than that for the three months ended 30th June 2009. Loss attributable to the shareholders was approximately HK\$3.5 million (2008: loss HK\$2.2 million).

Liquidity and Financial Resources

As at 30th September 2009, shareholders' funds of the Group amounted to approximately HK\$24 million (2008: HK\$14 million). Current assets amounted to approximately HK\$133 million (2008: HK\$75 million), of which approximately HK\$8 million (2008: HK\$3 million) were cash and cash equivalents. Current liabilities of HK\$111 million (2008: HK\$64 million) were mainly other payables and accruals.

Gearing Ratio

The gearing ratio calculated on the basis of total liabilities over the total shareholders' fund as at 30th September 2009 was 455 % (2008: 452%).

Foreign Currency Exposure

During the six months ended 30th September 2009, the Group experienced only immaterial exchange rate fluctuations as the functional currencies of the Group's operations were mainly Hong Kong dollars and Renminbi. As the risk on exchange rate difference was considered to be minimal, the Group did not employ any financial instruments for hedging purposes.

Capital Structure

There has been no change in the capital structure of the company since 1st April 2009.

New Products and Services

The Group did not launch any new products or services during the period under review.

Material Acquisitions and significant Investments

There has no material acquisitions and significant investment during the period under review.

Employees and Remuneration Policies

As at 30th September 2009, the Group had hired 4 and 194 employees in Hong Kong and PRC respectively (2008: a total of 196 including the executive directors of the Company. Total staff costs including directors' remuneration for the six months period under review amounting to approximately HK\$8.4 million (2008: HK\$7.7 million). The Group's remuneration policies are in line with the prevailing market practices and are determined on the basis of performance and experience of individual employees. The Group provides mandatory provident fund scheme for the employees employed under the jurisdiction of the Hong Kong Employment Ordinance.

The Company has conditionally adopted a share option scheme pursuant to which the executive directors of the Company and full-time employees of the Group may be granted options to subscribe for the shares of the Company. During the six months ended 30th September 2009, no option was granted under the share option scheme.

Charges on Group Assets and Contingent Liabilities

As at 30th September 2009, the Group did not have any material charge on assets or any contingent liabilities (2008: Nil).

Future Plans to Material Investments or Capital Assets

As at 30th September 2009, the Group had no plans for material investments or capital assets.

Future Prospects

In addition to supplying management information system to power plant and power grid in China, the Group has extended to carry out the security and surveillance business in the PRC.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 30th September 2009, the relevant interests or short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, the Laws of Hong Kong) ("SFO")) which were required to be 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 have taken or deemed to have under such provisions of the SFO), or which are required, pursuant to Section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which are required, pursuant to Rule 5.46 of the GEM Listing Rules relating to securities transactions by the directors, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in the shares of the Company

Name of Director	Nature of Shares interested	Number of Shares interested	Approximate Percentage of issued share capital
Mr. Luk Yat Hung (<i>Note</i>)	Corporate	21,542,476	19.73%

Note: Mr. Luk Yat Hung will be taken to be interested in 21,542,476 shares in the Company as a result of him being beneficially interested in 100% of the issued share capital of Wide Source Group Ltd. which in turn holds 21,542,476 shares in the Company.

Long positions in underlying shares of equity derivatives and debentures of the Company

As at 30th September 2009, no long positions of directors and chief executive in the underlying shares of equity derivatives and debentures of the Company and its associated corporations were recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

Short positions in shares, underlying shares of equity derivatives and debentures of the Company

During the period under review, no short positions of the directors and chief executive in the shares, underlying shares of equity derivatives and debentures of the Company and its associated corporations were recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

Save as disclosed above, as at 30th September 2009, none of the directors or chief executive of the Company or their respective associates had any interests or short positions in the shares, underlying shares of equity derivative and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be 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), or which were required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by the directors of listed issuers as referred to in Rule 5.46 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS

So far as is known to the directors of the Company, as at 30th September 2009, the following persons who had an interest or short positions in the shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:—

Long positions in shares of the Company

Name of Shareholders	<i>Note</i>	Number of shares held	Approximate Percentage of shareholding
Wise Source Group Ltd.	1	21,542,476	19.73%
Mr. Luk Yat Hung	2	21,542,476	19.73%
Resuccess Investments Ltd.	3	15,890,000	14.55%
Tongfang Co. Ltd	4	15,890,000	14.55%
Tsinghua Holdings Co. Ltd	5	15,890,000	14.55%
Best Jade Ltd.	6	7,190,000	6.58%
Ms.Li Luyuan	7	7,190,000	6.58%

Notes:

1. Wide Source Group Ltd. (“Wide Source”) is a company incorporated in the British Virgin Islands with limited liability and is ultimately and beneficially owned as to 100% by Mr. Luk Yat Hung.
2. Mr. Luk Yat Hung will be taken to be interested in 21,542,476 shares in the Company as a result of him being beneficially interested in 100% of the issued share capital of Wide Source which in turn holds 21,542,476 shares in the Company.
3. Resuccess Investments Ltd. is a company incorporated in the British Virgin Islands with limited liability and is owned by Tongfang Co. Ltd.
4. Tongfang Co. Ltd will be taken to be interest in 15,890,000 shares in the Company as a result of it being beneficially interested in 100% of the issued share capital of Resuccess Investments Ltd.
5. Tsinghua Holdings Co. Ltd will be taken to be interested in 15,890,000 shares in the Company as a result of it being beneficially interested in 33.06% of the issued share capital of Tongfang Co. Ltd.
6. Best Jade Ltd. (“Best Jade”) is a company incorporated in the British Virgin Islands with limited liability and is 100% ultimately and beneficially owned by Ms. Li Luyuan.
7. Ms. Li Luyuan will be taken to be interested in 7,190,000 shares in the Company as a result of her being beneficially interested in the entire issued share capital of Best Jade which in turn holds 7,190,000 shares in the Company.

Long positions in underlying shares of the Company

As at 30th September 2009, no long positions of other persons or substantial shareholders in the underlying shares of equity derivatives of the Company and its associated corporations were recorded in the register.

Short positions in shares of the Company

As at 30th September 2009, no short positions of other persons or substantial shareholders in the shares of the Company and its associated corporations were recorded in the register.

Short positions in underlying shares of the Company

As at 30th September 2009, no short positions of other persons or substantial shareholders in the underlying shares of equity derivatives of the Company and its associated corporations were recorded in the register.

Save as disclosed above, as at 30th September 2009, the directors were not aware of any other person who had an interest or short position in the shares or underlying shares (including interests in options, if any) of the Company as recorded in the register required to be kept under Section 336 of the SFO.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Group was a party and in which a director of the Group had a material interest, whether directly or indirectly, subsisted at the six months ended 30th September 2009 or at any time during such period.

DIRECTORS' COMPETING INTERESTS

As of 30th September 2009, none of the directors, substantial shareholders or management shareholders of the Company or their respective associates (as defined under the GEM Listing Rules) had any business or interest in a business which competes or may compete with the business of the Group.

SHARE OPTION SCHEME

Pursuant to the written resolutions of the shareholders, the Company has conditionally adopted and approved a share option scheme on 22nd October 2003 (“New Share Option Scheme”) to replace the share option scheme adopted on 26th August 2000 (“Old Share Option Scheme”). The principal terms of the New Share Option Scheme were set out in the Appendix I to the circular of the Company dated 30th September 2003. No option has been granted by the Company under both the Old Share Option Scheme and New Share Option Scheme during the period under review or outstanding as at 30th September 2009.

The purpose of the New Share Option Scheme is to enable the Company to grant share options to selected participants as incentives or rewards for their contribution and prospective contribution to and stronger business relationship between the selected participants and the Group.

Save as disclosed above, as at 30th September 2008, none of the directors, chief executive or management shareholders or their respective associates (as defined under the GEM Listing Rules) had any interests or rights to subscribe for any shares of the Company or any of its associated corporations as defined in the SDI Ordinance.

AUDIT COMMITTEE

The Company has established an audit committee on 18th May 2000 with written terms of reference in compliance with the requirements as set out in Rules 5.28 to 5.30 of the GEM Listing Rules. The primary duties of audit committee are to review and supervise the financial reporting process and internal control system of the Group and to provide advice and comments to the Board.

The audit committee comprises four independent non-executive directors, namely, Professor Ip Ho Shing Horace, Mr. Tang Sze Lok, Mr. Yan Yonghong and Mr. Peng Ijun, and Mr. Tang Sze Lok is the chairman of the audit committee.

The audit committee has reviewed these interim results and has provided advice and comments thereon.

BOARD PRACTICES AND PROCEDURES

Up to the six months period ended 30th September 2008, the Company has complied with the board practices and procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The company has complied with the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules throughout the period under review.

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

During the six months period under review, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

On behalf of the Board.

Li Wenli

Executive Director

Hong Kong, 28th October 2009

As at the date hereof, the Board comprises the following directors:

Executive directors:

Mr. Luk Yat Hung (*Chairman*)

Ms. Li Wenli

Independent non-executive directors:

Professor Ip Ho Shing, Horace

Mr. Tang Sze Lok

Mr. Yan Yonghong

Mr. Peng Lijun