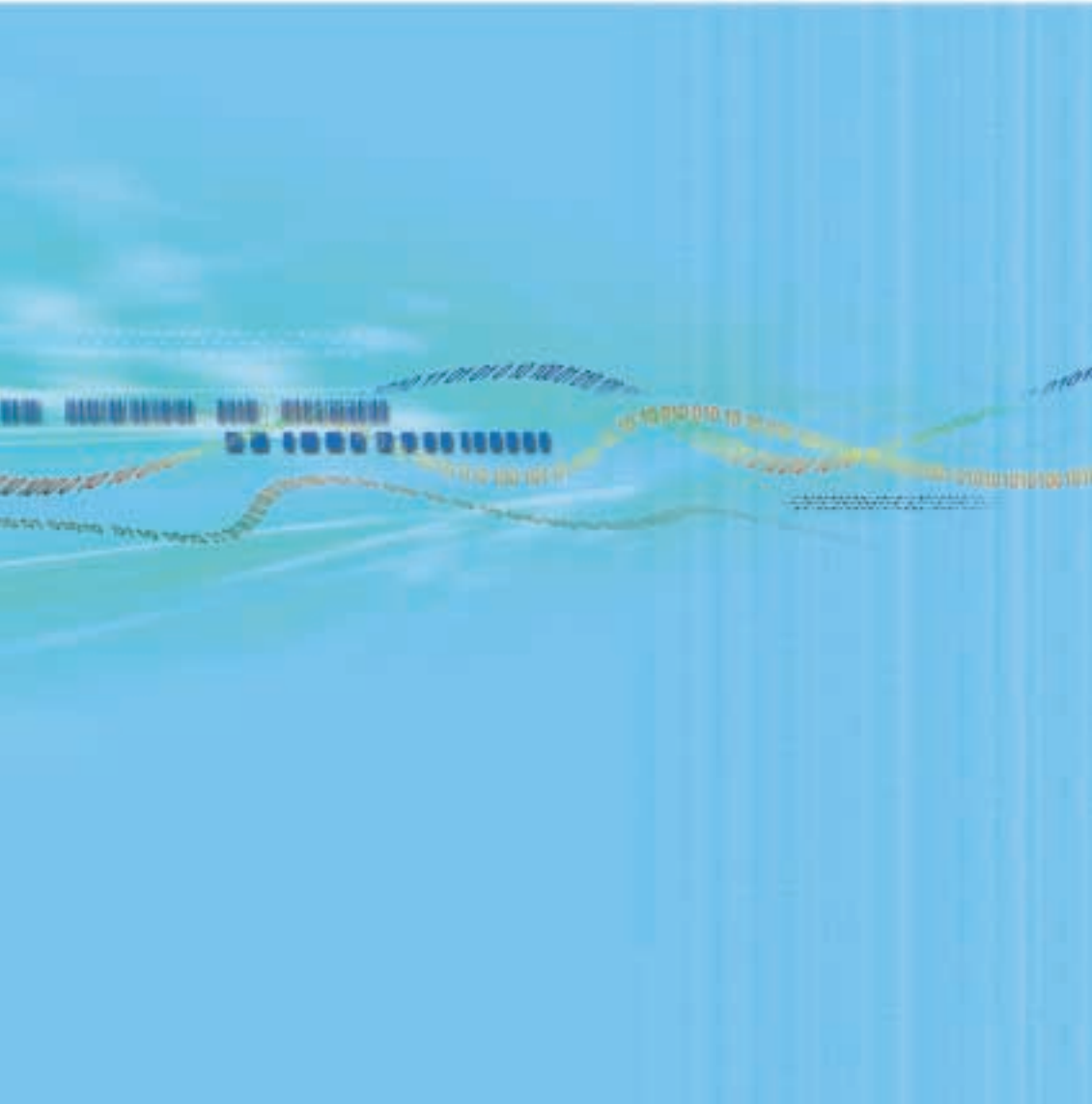




Tomorrow International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 760)



The Board of Directors (the “Board”) of Tomorrow International Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively called the “Group”) for the six months ended 30 June 2006 with comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 June	
		2006 HK\$'000 (unaudited)	2005 HK\$'000 (unaudited)
Turnover	3	242,483	289,964
Cost of sales		(209,068)	(252,017)
Gross profit		33,415	37,947
Other revenue		12,431	11,740
Gain on disposal of interest in subsidiaries		–	43,122
Selling and distribution costs		(5,505)	(11,763)
Administrative expenses		(42,742)	(48,797)
Other operating expenses		–	(134)
(Loss)/profit from operating activities	4	(2,401)	32,115
Share of profits less losses of associates		–	1,524
(Loss)/profit before taxation		(2,401)	33,639
Taxation	5	(268)	198
(Loss)/profit for the period		(2,669)	33,837
Attributable to:			
Shareholders of the Company		474	37,066
Minority interests		(3,143)	(3,229)
		(2,669)	33,837
Earnings per share	6		
Basic		0.45 cent	39.47 cents
Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	As at	
		30 June 2006 HK\$'000 (unaudited)	31 December 2005 HK\$'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment		94,509	103,178
Leasehold land and land use rights		10,182	10,307
Investment properties		7,100	28,750
Interests in associates		156,892	156,892
Prepaid rental		1,535	1,903
Deferred product development costs		7,387	6,819
Available-for-sale financial assets		30,488	27,364
Loans receivable		2,212	1,000
		310,305	336,213
Current assets			
Cash and cash equivalents		609,629	396,775
Properties held for sale		–	6,200
Financial assets at fair value through profit and loss		6,167	2,465
Inventories		66,412	67,540
Accounts receivables	7	67,534	62,892
Loans receivable		8,679	6,046
Interest receivable on loans		24	12
Prepayments, deposits and other receivables		33,439	52,720
		791,884	594,650
LIABILITIES			
Current liabilities			
Accounts payables	8	71,610	71,658
Other payables and accruals		40,750	40,017
Tax payable		19,125	20,369
		131,485	132,044
Net current assets		660,399	462,606
Total assets less current liabilities		970,704	798,819

CONDENSED CONSOLIDATED BALANCE SHEET (continued)

		As at	
		30 June 2006	31 December 2005
	Notes	HK\$'000 (unaudited)	HK\$'000 (audited)
Non-current liabilities			
Provision for long service payments		570	570
Deferred tax liabilities		2,053	2,053
		2,623	2,623
NET ASSETS		968,081	796,196
CAPITAL AND RESERVES			
Issued capital	9	8,991	2,861
Reserves		950,150	781,252
Equity attributable to equity holders of the Company		959,141	784,113
Minority interests		8,940	12,083
TOTAL EQUITY		968,081	796,196

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the six months ended 30 June 2006 (unaudited)

	Attributable to shareholders of the Company											
	Share capital HK\$'000	Share premium HK\$'000	Exchange fluctuation reserve HK\$'000	Capital reserve HK\$'000	Contributed surplus HK\$'000	Capital redemption reserve HK\$'000	Property revaluation reserve HK\$'000	Revaluation reserve for available-for-sale financial assets HK\$'000	Retained profits HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
At 1 January 2006	2,861	200,556	(1,031)	801	283,208	77	6	15,620	282,015	784,113	12,083	796,196
Increase in fair value of available-for-sale financial assets	-	-	-	-	-	-	-	3,124	-	3,124	-	3,124
Exchange realignment	-	-	(16)	-	-	-	-	-	-	(16)	-	(16)
Net gains and losses not recognised in the income statements	2,861	200,556	(1,047)	801	283,208	77	6	18,744	282,015	787,221	12,083	799,304
Issue of shares	3,576	169,853	-	-	-	-	-	-	-	173,429	-	173,429
Expenses for issue of shares	-	(1,983)	-	-	-	-	-	-	-	(1,983)	-	(1,983)
Bonus shares	2,554	(2,554)	-	-	-	-	-	-	-	-	-	-
Net profit/(loss) for the period	-	-	-	-	-	-	-	-	474	474	(3,143)	(2,669)
At 30 June 2006	8,991	365,872	(1,047)	801	283,208	77	6	18,744	282,489	959,141	8,940	968,081

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (continued)

For the six months ended 30 June 2005 (unaudited)

	Attributable to shareholders of the Company											
	Share capital HK\$'000	Share premium HK\$'000	Exchange fluctuation reserve HK\$'000	Capital reserve HK\$'000	Contributed surplus HK\$'000	Capital redemption reserve HK\$'000	Property revaluation reserve HK\$'000	Revaluation reserve for available-for-sale financial assets HK\$'000	Retained profits HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
At 1 January 2005	2,861	200,556	1,942	801	283,208	77	307	-	273,178	762,930	21,136	784,066
Increase in fair value of available-for-sale financial assets	-	-	-	-	-	-	-	9,529	-	9,529	-	9,529
Net profit / (loss) for the period	-	-	-	-	-	-	-	-	37,066	37,066	(3,229)	33,837
At 30 June 2005	2,861	200,556	1,942	801	283,208	77	307	9,529	310,244	809,525	17,907	827,432

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June	
	2006	2005
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash inflow/(outflow) generated from operations	11,445	(59,059)
Net cash inflow/(outflow) from investing activities	29,963	(9,876)
Net cash inflow from financing activities	171,446	–
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	212,854	(68,935)
Cash and cash equivalents at beginning of period	396,775	397,146
CASH AND CASH EQUIVALENTS AT END OF PERIOD	609,629	328,211

Notes:

1 Basis of preparation

The interim financial statements are unaudited but have been reviewed by the Audit Committee.

The condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The condensed consolidated financial statements should be read in conjunction with the 2005 annual financial statements.

The accounting policies and basis of preparation used in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2005.

In the current period, the Group has applied, for the first time, a number of new standards, amendments and interpretations (“new HKFRSs”) issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2006. The adoption of the new HKFRSs has had no material effect on how the results for the current or prior accounting periods are prepared.

The Group has not applied any new standards or interpretation that is not yet effective for the current accounting period. The Group has already commenced an assessment of the impact of these new standards and interpretations but is not yet in a position to state whether they would significantly impact on its results of operations and financial position.

2 Principal activities

During the period, the principal activities of the Group consisted of the design, development, manufacture and sale of electronic products, the manufacture and sale of printed circuit boards (“PCBs”), the trading and distribution of electronic components and parts, the trading of listed equity investments and the provision of loan financing. With the disposal of majority interest in Swank International Manufacturing Company Limited (“Swank”) in year 2005, the business of the manufacturing and sale of optical products ceased to be consolidated.

3 Business segment information

The Group’s operating businesses are classified as follows:

- (a) the electronic products segment consists of the manufacture and sale of electronic products;
- (b) PCBs segment consists of the manufacture and sale of PCBs;
- (c) the electronic components and parts segment consists of the trading and distribution of electronic components and parts;
- (d) the listed equity investments segment consists of the trading of listed equity investments; and

3 Business segment information (continued)

(e) the provision of finance segment consists of the provision of loan financing services.

Turnover represents the invoiced value of goods sold, net of returns and allowances, the proceeds from sale of listed equity investments and interest income from the provision of loan financing.

The following table presents revenues and results for the Group's business segments.

Business segments information

	Electronic products		PCBs		Electronic components & parts		Listed equity investments		Provision of finance		Optical products		Eliminations		Consolidated	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Segment revenues:																
Sales to external customers	162,294	172,328	50,441	49,995	-	-	29,586	3,869	162	242	-	63,530	-	-	242,483	289,964
Inter-segment sales	-	-	-	-	8,231	79,797	-	-	578	1,932	-	-	(8,809)	(81,729)	-	-
Other revenues	1,073	1,361	2,488	1,785	-	5	13	104	-	-	-	3,125	-	-	3,574	6,380
Total	163,367	173,689	52,929	51,780	8,231	79,802	29,599	3,973	740	2,174	-	66,655	(8,809)	(81,729)	246,057	296,344
Segment results	1,519	6,727	(6,923)	(7,485)	(275)	(315)	633	(1,721)	(3,874)	(2,509)	-	(4,557)	(849)	-	(9,769)	(9,860)
Interest, dividend income and unallocated gains															8,857	5,360
Gain on disposal of interests in subsidiaries															-	43,122
Unallocated expenses															(1,489)	(6,507)
(Loss)/profit from operating activities															(2,401)	32,115
Share of profits less losses of associates															-	1,524
(Loss)/profit before taxation															(2,401)	33,639
Taxation															(268)	198
(Loss)/profit for the period															(2,669)	33,837

4 (Loss)/profit from operating activities

The Group's (loss)/profit from operating activities is arrived at after charging/(crediting):

	Six months ended 30 June	
	2006	2005
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Depreciation	11,726	15,479
Amortisation of prepaid rental	368	368
Amortisation of deferred product development costs	929	805
Net gain on disposal of investment properties	–	(1,406)
Net gain on disposal of listed equity investments	(3,467)	(123)
Unrealised holding loss of listed equity investments	817	176
Provision against inventories	1,216	2,061
Bank interest income	(8,372)	(2,606)

5 Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profit arising in Hong Kong during the period.

	Six months ended 30 June	
	2006	2005
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Group:		
Hong Kong	45	361
Mainland China	223	244
	268	605
Deferred tax	–	(803)
Total tax charge for the period	268	(198)

6 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of the Company for the period of HK\$474,000 (2005: HK\$37,066,000) and the weighted average of 105,469,162 (2005: 93,900,769) shares in issue during the period. Diluted earnings per share has not been disclosed, as there is no outstanding share option for the two periods ended 30 June 2006.

The comparative basic earnings per share amounts have been adjusted to reflect the open offer, the bonus issue and the share consolidation as further detailed in note 9 to the financial statements.

7 Accounts receivables

The aged analysis of the Group's accounts receivable is as follows:

	As at	
	30 June 2006 HK\$'000 (unaudited)	31 December 2005 HK\$'000 (audited)
Current to three months	54,054	48,196
Four to six months	1,111	106
Seven months to one year	1,192	943
Over one year	17,388	19,824
	73,745	69,069
Provision	(6,211)	(6,177)
	67,534	62,892

The normal credit period granted by the Group to customers ranges from 30 days to 120 days.

8 Accounts payables

The aged analysis of the Group's accounts payable is as follows:

	As at	
	30 June 2006 HK\$'000 (unaudited)	31 December 2005 HK\$'000 (audited)
Current to three months	49,103	46,809
Four to six months	13,564	12,189
Seven months to one year	4,864	6,629
Over one year	4,079	6,031
	71,610	71,658

9 Share capital

During the period, the movement of share capital of the Company was as follows:

Pursuant to the circular dated 28 April 2006, ordinary resolutions for the open offer, the bonus issue and the share consolidation were passed in the special general meeting of the Company held on 30 May 2006. As the open offer became unconditional on 20 June 2006, the number of issued share capital increased from 286,068,644 shares to 899,072,804 shares at HK\$0.01 each by issuing 357,585,805 offer shares and 255,418,355 bonus shares. On 21 June 2006, the share consolidation became effective, every 4 shares of the Company was consolidated into 1 consolidated share at HK\$0.04 each. Then, the number of issued share capital of the Company became 224,768,201 shares at HK\$0.04 each.

The summary of the captioned share capital movement is as follows:

	Number of issued shares	Share Capital (HK\$'000)
As at 1 January 2006, at HK\$0.01 each	286,068,644	2,861
Issue of shares at HK\$0.01 each by the open offer	357,585,805	3,576
Issue of shares at HK\$0.01 each by the bonus issue	255,418,355	2,554
Before share consolidation at HK\$0.01 each	899,072,804	8,991
After share consolidation of 4 issued shares at HK\$ 0.01 each into 1 consolidated share at HK\$0.04 each	224,768,201	8,991

	As at 30 June 2006	
	No. of shares (in thousand)	HK\$'000
Authorised:		
Ordinary shares of HK\$0.04 each	12,500,000	500,000
Issued and fully paid:		
At beginning of period (at HK\$0.01 each)	286,069	2,861
and at end of period (at HK\$0.04 each)	224,768	8,991

10 Connected and related party transactions

- (1) On 8 March 2006, the Company announced to raise approximately HK\$173.4 million by way of an open offer by issuing 357,585,805 offer shares at a price of HK\$0.485 per offer share. Winspark Venture Limited (“Winspark”), the major shareholder of the Company, undertook not to dispose its own 175,803,363 shares and to accept its full entitlement of 219,754,200 offer shares and to underwrite the balance of 137,831,605 offer shares not taken up by the qualifying shareholders. An underwriting agreement was signed between Winspark and the Company on 8 March 2006. Pursuant to the underwriting agreement, the Company paid an underwriting commission at 2.5% of the aggregate subscription price of the number of offer shares underwritten by Winspark.

Such underwriting arrangement constituted a connection transaction of the Company and since the aggregate consideration under the underwriting agreement (being the aggregate of the maximum amount of the subscription price for the underwritten shares payable by Winspark and the maximum amount of the underwriting commission receivable by Winspark) was more than 25% of the applicable percentage ratios, the underwriting agreement therefore was subject to approval by the independent shareholders under Rule 14A.17 of the Listing Rules. The underwriting agreement was approved on the special general meeting held on 30 May 2006.

- (2) In addition, the Group had certain banking facilities, with a total limit of HK\$45.0 million (31 December 2005: HK\$15.0 million), which were used by a wholly-owned subsidiary of the Group. HK\$15.0 million banking facilities were secured by corporate guarantees executed by E-Top and Plentiful Light Limited, both of them are 57% owned subsidiaries of the Group, and certain wholly-owned subsidiaries of the Group, and certain leasehold land and buildings of the Group with net book value of HK\$21.2 million. HK\$30.0 million banking facilities were secured by corporate guarantees executed by the Company and certain wholly-owned subsidiaries of the Group.

11 Contingent liabilities

	Company as at	
	30 June	31 December
	2006	2005
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Guarantee of banking facilities granted to subsidiaries	45,000	15,300

INTERIM DIVIDENDS

The Board has resolved that no interim dividend will be declared in respect of the six months ended 30 June 2006 (2005 : Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS AND BUSINESS REVIEW

Turnover of the Group for the six months ended 30 June 2006 was HK\$242.5 million as compared with HK\$290.0 million for the same period last year.

Loss before taxation for the current period was HK\$2.4 million (2005: profit HK\$33.6 million).

Turnover of Electronics Product Division for the period under review was HK\$162.3 million (2005: HK\$172.3 million), decreased by 6% compared to that of year 2005. The market competition remained fierce and pricing pressure weighed on the performance of the division. A drop in selling price also occurred in the business of production of lithium rechargeable battery parts. This sub-division, however, managed to maintain a sales volume at more or less the same level as previously and made a profit contribution to the Group. Despite these negative impacts, the division still managed to sustain only a slight drop in gross profit ratio by less than 0.3%. Segmental profit was HK\$1.5 million (2005: HK\$6.7 million).

With more resources invested in research and development and purchase and material control departments in year 2005, the division has been in the progress of aligning resources and operations flow amongst departments and better result is expected within time.

For the manufacture and sale of PCBs, turnover was HK\$50.4 million (2005: HK\$50.0 million) being approximately the same as that of last year. With newly invested capital expenditure, the division benefited by diverting more efforts to serving quality customers who could contribute higher profit margin. However, rising of material costs, especially copper, gold and other heavy metals eroded the profit margin and the PCBs business sustained a loss of HK\$6.9 million (2005: loss HK\$7.5 million).

Turnover of trading of listed equity investments amounted to HK\$29.6 million (2005: HK\$3.9 million), with segmental profit of HK\$0.6 million (2005: loss HK\$1.7 million).

Loan financing business was not active during the period. Segmental loss amounted to HK\$3.9 million (2005: loss HK\$2.5 million). In relation to the loan to Moulin Global Eyecare Holdings Limited, legal proceedings are still in progress and the Board will make announcement in due course.

CORPORATE MOVE

The Company sought investment projects to diversify its business portfolio actively. In view of the robust economic growth and increasing commercial activities, the Board would like to capture the opportunity and believe that making investment projects would bring about rewarding return to the Company and the shareholders as a whole.

On 8 March 2006, the Company announced, amongst others, an open offer, a bonus issue and a share consolidation. The Company intended to raise approximately HK\$173.4 million, before expenses, to facilitate the continual development and daily operation of the Group whilst allowing the Group to invest in any potential investment projects when such opportunities arise, by issuing 357,585,805 offer shares at a price of HK\$0.485 per offer share by way of an open offer on the basis of 5 offer shares for every 4 existing share held on the record date (the "Open Offer"). The registered holders of fully paid offer shares would be issued 5 bonus shares for every 7 fully paid offer shares (the "Bonus Issue"). Upon completion of the Open Offer and the Bonus Issue, every 4 shares would be consolidated into 1 consolidated share (the "Share Consolidation").

The Company received 30 valid applications for 334,859,365 offer shares, representing approximately 93.64% of the total number of 357,585,805 offer shares available for subscription under the Open Offer. As the Open Offer was under-subscribed, being the underwriter of the Open Offer, Winspark Venture Limited ("Winspark"), the major shareholder of the Company, was obliged to subscribe for and/or procure subscription for the remaining balance of 22,726,440 offer shares. The aggregate shareholding of Winspark in the Company therefore increased from approximately 61.45% to 65.79% immediately following completion of the Open Offer and the Bonus Issue. The Open Offer became unconditional and the Share Consolidation was effective on 20 June 2006 and 21 June 2006 respectively.

The Company is now exploring but has not yet earmarked any suitable investment opportunities. The net proceeds from the Open Offer was deposited in bank as time deposit.

FUTURE OUTLOOK

Looking forward, wireless application and radio-frequency products are our direction for development. The Board expects this target market will be less price-sensitive and competitive. As more stringent environmental regulations will come into effect, the Group realises it would be an opportunity and believes it would gradually eliminate competitors with less-equipped and quality-oriented in producing products which conform with the relevant requirements.

It is expected that in the second half of year 2006, the PCBs division will continue to focus on sales orders with higher profit margin and to shift the burden of increase in material cost to customers.

In future, the Group will focus on investments with core businesses which are PRC based and may allocate appropriate resources in subscribing for initial public offerings shares of companies with sound fundamental and prospect.

LIQUIDITY AND FINANCIAL REVIEW

As at 30 June 2006, cash and bank balances (including time deposits) maintained by the Group were HK\$609.6 million, representing an increase of HK\$212.8 million compared with the position as at 31 December 2005. In addition, the Group has available banking facilities of HK\$45.0 million. It is believed that the Group has adequate cash resources to meet the normal working capital requirements and all commitments for future development. The gearing of the Group, measured as total debts to total assets, was 12.2% as at 30 June 2006, comparing with 14.5% as at 31 December 2005.

Most of the business transactions conducted by the Group were nominated in Hong Kong Dollars, United States Dollars and Renminbi. As at 30 June 2006, there were no outstanding forward contracts in foreign currency committed by the Group that might involve it in significant foreign exchange risks and exposures.

HUMAN RESOURCES

As at 30 June 2006, the Group employed approximately 2,760 employees, with about 2,675 in the Mainland China and about 85 in Hong Kong. All employees are remunerated based on industry practice and in accordance with the prevailing labour law. In Hong Kong, apart from basic salary, staff benefits include medical insurance, performance related bonuses and mandatory provident fund would be provided by the Group.

DIRECTORS' INTEREST IN SHARES AND UNDERLYING SHARES

As at 30 June 2006, the interests of the directors in the shares and underlying shares of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to section 352 of the Securities and Futures Ordinance ("SFO") or notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

(a) Directors' interest in shares

Name of Director	Note	Nature of interest	Number of shares
Mr. Yau Tak Wah, Paul	1	Corporate	200,000
Ms. Louie Mei Po		Personal	1,178,571

Note:

- These shares were held through Pacific Shore Profits Limited, a company beneficially owned by Mr. Yau Tak Wah, Paul.

SHARE OPTION SCHEME

As at 30 June 2006, the Company has no share options outstanding.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2006, according to the register of interest in shares and short positions required to be kept by the Company under section 336 of the SFO, the Company has been notified that the following shareholder was interested in 5% or more of the share capital of the Company.

Name of Shareholder	Note	Number of Ordinary Shares	Approximate Percentage
Winspark Venture Limited	1	147,871,114	65.79%

Note:

- The entire issued share capital of Winspark Venture Limited is beneficially owned by Mr. Chan Yuen Ming.

Saved as disclosed above, the directors of the Company are not aware of any person who is, directly or indirectly, interested in 5% or more of the issued share capital of the Company, has short positions in the share or underlying shares or has any rights to subscribe for shares in respect of such capital.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

DIRECTORS

As at the date of this interim report, the Board comprises of seven directors, of which four are executive directors, namely Mr. Yau Tak Wah, Paul, Ms. Louie Mei Po, Ms Wong Shin Ling, Irene, and Mr. Tam Wing Kin and three independent non-executive directors, namely Mr. Ng Wai Hung, Mr. Cheung Chung Leung, Richard and Mr. Wu Wang Li.

CORPORATE GOVERNANCE

Throughout the six months ended 30 June 2006, saved as the following deviations, the Company has complied with the Code of Corporate Governance Practices (the “Code”) as set out in Appendix 14 of the Listing Rules.

The remuneration committee will be established and is primarily of making recommendation to the Board on the remuneration policy for all director and senior management. Meanwhile, the Board conducts an informal assessment of the individual director’s contribution so that no director decides his or her own remuneration and their remuneration has been relatively stable in the past years. All employees are remunerated based on industry practice and in accordance with the prevailing labour law. The Board is in the process of reviewing and formulating its terms of reference in accordance with the Code.

Code Provision A2.1 stipulated that the role of chairman and chief executive officer should be separated and should not be performed by the same individual.

The Company does not appoint chief executive officer. In view of the existing structure of the Board and the operation of the Group, the Board believes that the present structure of the Board will provide a strong leadership for the Group to implement prompt decisions and to formulate efficient strategies, which is for benefits of the Group. Moreover, the day-to-day operation of the Group’s businesses are shared among those executive directors and the management of the Company. Therefore, there should be a clear division of the responsibilities at the board level to ensure a balance of power and authority, so that power is not concentrated in any one individual.

Code Provision A4.1 stipulated that non-executive directors should be appointed for a specific term, subject to re-election.

During the period, two independent non-executive directors of the Company, namely Mr. Ng Wai Hung and Mr. Cheung Chung Leung, Richard, are not appointed for any specific fixed term and one independent non-executive director, Mr. Wu Wang Li, is appointed for the term of one year from 27 September 2005.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Code as set out in Appendix of the Listing Rules as the code of conduct regarding directors’ securities transactions. The Company has made specific enquiry of all directors whether the directors have complied with the required standard set out in the Code regarding directors’ securities transactions and all directors confirmed that they have complied with the Code.

AUDIT COMMITTEE REVIEW

The 2006 interim report has been reviewed by the Company's Audit Committee which comprises three independent non-executive directors.

By Order of the Board
Yau Tak Wah, Paul
Chairman

Hong Kong, 22 September, 2006