



Interim Report 2007



德信科技集團有限公司
Tak Shun Technology Group Limited

Stock Code: 1228

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Tak Shun Technology Group Limited

The Board of Directors (the “Board” or “Directors”) of Tak Shun Technology Group Limited (the “Company”) is pleased to present the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2007 (“the Period”). The unaudited consolidated results have been reviewed by the Company’s audit committee (the “Audit Committee”).

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2007

	Notes	Six months ended 30 June	
		2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Turnover	3	218,883	228,185
Cost of sales		(189,159)	(198,760)
Gross profit		29,724	29,425
Other income		7,428	2,266
Selling and distribution expenses		(7,192)	(9,722)
Administrative expenses		(12,015)	(10,825)
Other expenses		(3,139)	(1,239)
Finance costs	4	(2,586)	(2,759)
Profit before taxation	5	12,220	7,146
Income tax expenses	6	(486)	(376)
Net profit attributable to equity holders of the Company		11,734	6,770
Dividend	7	–	–
Earnings per share	8		
– Basic		HK0.43 cents	HK0.47 cents
– Diluted		HK0.38 cents	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2007

		30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
	Notes		
Assets			
Non-current assets			
Owner-occupied leasehold interest in land		23,273	22,832
Property, plant and equipment	9	211,480	214,596
Total non-current assets		234,753	237,428
Current assets			
Inventories		100,674	108,431
Owner-occupied leasehold interest in land		278	266
Trade receivables	10	104,579	98,614
Prepayments, deposits and other receivables		157,704	37,811
Available-for-sale financial assets	12	56,319	–
Cash and cash equivalents		76,358	101,253
Total current assets		495,912	346,375
Total assets		730,665	583,803
Liabilities			
Current liabilities			
Trade payables	11	55,311	56,196
Tax payables		31,809	32,473
Other payables and accruals		32,970	41,136
Interest-bearing bank loan – due within one year		51,026	33,333
Total current liabilities		171,116	163,138

CONDENSED CONSOLIDATED BALANCE SHEET (continued)

AT 30 JUNE 2007

		30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
	Notes		
Non-current liabilities			
Interest-bearing bank loan			
– due after one year		–	16,667
Total liabilities		171,116	179,805
TOTAL NET ASSETS		559,549	403,998
Capital and reserves			
Share capital	13	27,812	23,040
Reserves		531,737	380,958
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		559,549	403,998

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2007

	Share capital	Share premium ^(a)	Property revaluation reserve	Foreign Exchange reserve	Share options reserve	Statutory reserve fund	Other reserves ^(b)	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2007 (audited)	23,040	76,937	2,326	28,601	2,766	4,186	-	266,142	403,998
Issue of placing shares	4,608	91,922	-	-	-	-	-	-	96,530
Exercise of share options	164	4,459	-	-	-	-	-	-	4,623
Share base payment expenses	-	-	-	-	211	-	-	-	211
Placing of listed warrants	-	23,728	-	-	-	-	-	-	23,728
Translation differences on overseas operations	-	-	-	10,304	-	-	-	-	10,304
Unrealised gain on available-for-sale financial assets	-	-	-	-	-	-	8,421	-	8,421
Net profit for the period	-	-	-	-	-	-	-	11,734	11,734
Transfer of retained profits	-	-	-	-	-	382	-	(382)	-
At 30 June 2007 (unaudited)	27,812	197,046	2,326	38,905	2,977	4,568	8,421	277,494	559,549

	Share capital	Share premium ^(a)	Property revaluation reserve	Foreign Exchange reserve	Share options reserve	Statutory reserve fund	Other reserves ^(b)	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2006 (audited)	14,400	32,715	1,945	10,223	1,964	3,338	-	293,357	357,942
Translation differences on overseas operations	-	-	-	(224)	-	-	-	-	(224)
Net profit for the period	-	-	-	-	-	-	-	6,770	6,770
At 30 June 2006 (unaudited)	14,400	32,715	1,945	9,999	1,964	3,338	-	300,127	364,488

(a) The share premium of the Group includes the premium arising from issue of placing shares, exercise of share options and placing of listed warrants of the Company.

(b) As at 30 June 2007, other reserves amounted to approximately HK\$8,421,000 (30 June 2006: nil) represented revaluation surplus arising from revaluation to market value of equity securities listed in Hong Kong which are available for sale.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2007

	Six months ended 30 June	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Net cash (used in)/from operating activities	(4,969)	25,948
Net cash used in investing activities	(147,580)	(13,110)
Net cash from/(used in) financing activities	123,321	(27,783)
Net decrease in cash and cash equivalents	(29,228)	(14,945)
Cash and cash equivalents at beginning of period	101,253	67,144
Effect of foreign exchange rate changes, net	4,333	(224)
Cash and cash equivalents at end of period	76,358	51,975
Analysis of cash and cash equivalents		
Bank balances and cash	76,358	51,975

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2007

1. BASIS OF PREPARATION

The condensed financial statements of the Group for the Period have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), and the Hong Kong Accounting Standard ("HKAS") 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention except for certain financial instruments, which are measured at fair values.

The principal accounting policies used in the preparation of the condensed consolidated interim financial statements are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2006.

The adoption of the new standards, amendment and interpretations which become effective for accounting periods beginning on or after 1 January 2007 have had no material impact on the Group's results of operations and financial position.

The Group has not early applied the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and Interpretations) that have been issued but are not yet effective, in this interim financial report.

HKAS 23 (Revised)	Borrowing costs ¹
HKFRS 8	Operating segments ¹
HK(IFRIC) – Int 11	HKFRS 2 - Group and Treasury Share Transactions ²
HK(IFRIC) – Int 12	Service Concession Arrangements ³

¹ Effective for annual periods beginning on or after 1 January 2009

² Effective for annual periods beginning on or after 1 March 2007

³ Effective for annual periods beginning on or after 1 January 2008

The adoption of these new and revised HKFRSs will have no material impact on the financial statements of the Group and will not result in substantial changes to the Group's accounting policies.

3. SEGMENT INFORMATION

Geographical Segments

The entity's primary format for reporting segment information is geographical segments. In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers.

	Hong Kong		India		Elsewhere in Asia		Africa, Western Europe, the Middle East, North and South America, and Russia		Consolidated	
	Six months ended		Six months ended		Six months ended		Six months ended		Six months ended	
	30 June		30 June		30 June		30 June		30 June	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Segment revenue:										
Sales to external customers	2,161	1,891	55,840	52,480	72,135	71,294	88,747	102,520	218,883	228,185
Segment results	64	59	2,098	1,601	2,656	2,242	3,717	4,351	8,535	8,253
Unallocated income less expenses									6,271	1,652
Finance costs									(2,586)	(2,759)
Profit before taxation									12,220	7,146
Income tax expenses									(486)	(376)
Net profit attributable to equity holders of the Company									11,734	6,770

4. FINANCE COSTS

	Six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on:		
Bank loans wholly repayable within 5 years	2,586	2,759

5. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging/(crediting):

	Six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories sold	189,159	198,760
Depreciation of property, plant and equipment	9,962	10,114
Amortisation of owner-occupied leasehold interest in land	137	157
Staff costs	33,994	51,298
Gain on disposal of available-for-sale financial assets	(2,310)	-
Interest income	(2,403)	(426)

6. INCOME TAX EXPENSES

	Six months ended 30 June	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Current taxation:		
Hong Kong	–	14
Other jurisdictions	457	528
	<hr/> 457	<hr/> 542
(Over)/under provision in prior years		
Hong Kong	(12)	2
Other jurisdictions	41	(168)
	<hr/> 486	<hr/> 376
	<hr/> <hr/>	<hr/> <hr/>

Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) of the estimated assessable profits for the Period. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

7. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the Period (six month ended 30 June 2006: Nil).

8. EARNINGS PER SHARE**(a) Basic earnings per share**

The calculation of basic earnings per share is based on the Group's earnings for the Period attributable to equity holders of the Company of approximately HK\$11,734,000 (2006: HK\$6,770,000) and the weighted average number of 2,751,619,206 (2006: 1,440,004,800) ordinary shares in issue during the Period, calculated as follows:

Weighted average number of ordinary shares

	Six months ended 30 June	
	2007 (Unaudited)	2006 (Unaudited)
Issued ordinary shares at 1 January	2,304,006,720	1,440,004,800
Effect of issuance of new shares	440,433,149	–
Effect of exercise of share options	7,179,337	–
	<hr/>	<hr/>
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,751,619,206	1,440,004,800

8. EARNINGS PER SHARE (continued)

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the Group's earnings for the Period attributable to equity holders of the Company of approximately HK\$11,734,000 and the weighted average of 3,062,936,419 ordinary shares in issue during the Period, calculated as follows:

Weighted average number of ordinary shares (diluted)

	Six months ended 30 June	
	2007 (Unaudited)	2006 (Unaudited) (Note)
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,751,619,206	1,440,004,800
Effect of share options	380,504	–
Effect of warrants	310,936,709	–
	<hr/>	<hr/>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>3,062,936,419</u>	<u>1,440,004,800</u>

Note:

No diluted earnings per share have been presented for period ended 30 June 2006 as the share options outstanding during the period had an anti-dilutive effect on the basic earnings per share for the period ended 30 June 2006.

9. PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group spent approximately HK\$4 million (1 January 2006 to 30 June 2006: HK\$13 million) on acquisition of property, plant and equipment.

At 30 June 2007, the Directors have considered the carrying amount of the Group's leasehold land and buildings carried at revalued amounts and estimated that the carrying amounts do not differ significantly from that which would be determined using fair values at the balance sheet date. Consequently, no revaluation surplus or deficit has been recognised in the Period.

10. TRADE RECEIVABLES

The Group normally allows credit terms ranging from 30 to 90 days to its customers.

An aging analysis of the trade receivables as at the balance sheet date, based on the date of recognition of sale, is as follows:

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
1 – 30 days	42,952	41,277
31 – 60 days	31,091	29,375
61 – 90 days	16,291	16,938
Over 90 days	14,245	11,024
	104,579	98,614

The fair values of Group's trade receivables at 30 June 2007 approximated to the corresponding carrying amounts.

11. TRADE PAYABLES

An aging analysis of the trade payables as at the balance sheet date, based on the receipt of goods purchased, is as follows:

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
1 – 30 days	24,408	20,410
31 – 60 days	12,971	16,390
61 – 90 days	5,882	4,904
91 – 180 days	3,892	4,674
Over 180 days	8,158	9,818
	55,311	56,196

The fair values of Group's trade payables at 30 June 2007 approximated to the corresponding carrying amounts.

12. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Listed investments:		
Equity securities listed in Hong Kong	56,319	–
Analysed for reporting purposes as:		
Current assets	56,319	–

13. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2007	4,000,000,000	40,000
Creation of an additional 16,000,000,000 unissued shares (Note 1)	16,000,000,000	160,000
At 30 June 2007	20,000,000,000	200,000
Issued and fully paid:		
At 1 January 2007	2,304,006,720	23,040
Exercise of share options (Note 2)	16,432,000	164
Issue of placing Shares (Note 3)	460,800,000	4,608
At 30 June 2007	2,781,238,720	27,812

13. SHARE CAPITAL (continued)

Notes:

- (1) Pursuant to an ordinary resolution passed at the extraordinary general meeting held on 19 March 2007, the authorized share capital of the Company was increased from HK\$40,000,000 divided into 4,000,000,000 shares to HK\$200,000,000 divided into 20,000,000,000 shares by the creation of an additional 16,000,000,000 unissued shares.
- (2) During the Period, 16,432,000 new shares were issued and allotted upon the exercise of share options by the employees of the Group at an exercise price of HK\$0.2814 per share. The gross proceeds from exercise of the share options are approximated to HK\$4,624,000. All new shares issued ranked par pass in all respects with the existing ordinary shares of the Company.
- (3) On 9 January 2007, the placing of new shares of the Company was completed and 460,800,000 new shares were issued and allotted at placing price of HK\$0.215 per share ("Placing price"). The gross proceed from placing of new shares before issue expenses amounted to approximately HK\$99.1 million. The Placing price represents a discount of approximately 12.24% on the closing price of HK\$0.245 per share on 18 December 2006, the last trading date immediately before the announcement of the Placing.

14. SHARE OPTION SCHEME

The Company operates a share option scheme for eligible participants to subscribe for new shares of the Company. A summary of the terms of the share option scheme adopted by the Company was disclosed in the Company's 2006 Annual Report.

The movements in the number of the share options to subscribe for the new shares of the Company during the Period were as follows:

Name or category of participant	Number of share options				At 30 June 2007	Exercise period of share options	Exercise price of share options
	At 1 January 2007	Granted during the period	Exercised during the period	Cancelled during the period			
			(Note 2)		(Note 3)	(Note 1)	HK\$
Employees							
In aggregate	3,889,600	-	(3,670,810)		218,790	24/1/2005 to 25/1/2010	0.2814
	5,834,400	-	(5,506,215)		328,185	24/1/2006 to 25/1/2010	0.2814
	7,779,200	-	(7,254,975)	(2,975)	521,250	24/1/2007 to 25/1/2010	0.2814
	9,724,000	-		(303,875)	9,420,125	24/1/2008 to 25/1/2010	0.2814
	11,668,800	-		(364,650)	11,304,150	24/1/2009 to 25/1/2010	0.2814
	<u>38,896,000</u>	<u>-</u>	<u>(16,432,000)</u>	<u>(671,500)</u>	<u>21,792,500</u>		

Note:

- (1) The vesting period of the share options is from the date of the grant until the commencement of the exercise period.
- (2) The 16,432,000 share options exercised during the Period resulted in the issue of 16,432,000 ordinary shares of the Company and new share capital of HK\$164,320 and share premium of HK\$4,459,645, before issue expenses, as detailed in the statement of changes of equity.
- (3) At the balance sheet date, the Company had 21,792,500 share options outstanding. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 21,792,500 additional ordinary shares of HK\$0.01 each in the Company and proceeds, before relevant share issue expenses, of approximately HK\$6,132,410.

15. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 30 June 2007 (31 December 2006: Nil).

16. COMMITMENTS

- (a) At 30 June 2007, the Group had the following commitments in respect of acquisition of property, plant and equipment:

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Contracted for but not provided in the financial statements in respect of:		
Leasehold land and buildings	3,161	1,234
Plant and machinery	52	–
	3,213	1,234

- (b) On 16 May 2007, the Company entered into an acquisition agreement with, Superview International Limited (“Superview”), an independent third party, to purchase 70% of the issued share capital of Green & Good Group Limited (“Green & Good”) for a contracted sum of HK\$1,380,000,000 which included HK\$200 million in cash; HK\$250,311,150 by the allotment and issue of 556,247,000 consideration shares; and HK\$929,688,850 by the issue of the convertible notes. On 18 April 2007 and 5 June 2007, the Group paid deposits with total amount of HK\$100,000,000 which are refundable and interest-bearing to an escrow agent. Accordingly, the Group had total commitments in respect of the purchase of 70% of the issued share capital of Green & Good of approximately HK\$1,280,000,000 which included HK\$100 million in cash; HK\$250,311,150 by the allotment and issue of 556,247,000 consideration shares; and HK\$929,688,850 by the issue of the convertible notes as at 30 June 2007 (note 17).

17. VERY SUBSTANTIAL ACQUISITION TRANSACTION

On 16 May 2007, the Company entered into an acquisition agreement with Superview International Limited to purchase 70% of the issued share capital of Green & Good Group Limited, an investment holding company incorporated in the British Virgin Islands and its sole asset is the entire equity interest in LEEKA Wood Co. Ltd., a wholly foreign owned enterprise established in the PRC for an aggregate consideration of HK\$1,380,000,000.

The consideration of HK\$1,380,000,000 shall be satisfied in the following manner:

- (i) as to HK\$200 million in cash to be payable upon completion of agreement;
- (ii) as to HK\$250,311,150 by the allotment and issue of 556,247,000 consideration shares at HK\$0.45 per consideration share, credited as fully paid, to the Superview upon the completion of the acquisition; and
- (iii) as to the remaining balance of HK\$929,688,850 by the issue of the convertible notes with a conversion price at HK\$0.45 per conversion share to the Superview upon the completion of acquisition.

On 18 April 2007 and 5 June 2007, deposits with total amount of HK\$100,000,000, which were interest-bearing, were paid to an escrow agent who shall act as a stakeholder and hold such deposits until the satisfactory completion of the acquisition agreement whereupon such deposits will be released to the Superview as partial payment of the total Consideration.

18. POST BALANCE SHEET EVENTS

On the extraordinary general meeting held on 20 September 2007, the following ordinary resolutions were passed:

- (i) the acquisition agreement with Superview International Limited to purchase 70% of the issued share capital of Green & Good Group Limited and the transactions contemplated thereunder including but not limited to the issued of the convertible note, the issue and allotment of any shares which may fall to be issued upon exercise of the conversion rights attaching to the convertible note and the consideration shares, as mentioned in note 17 to the financial statements, were approved, ratified and confirmed.
- (ii) issue of bonus shares to the shareholders on the basis of four bonus shares for every one issued share held on 17 October 2007.
- (iii) the authorized share capital of the Company was increased from HK\$200,000,000 divided into 20,000,000,000 Shares to HK\$1,000,000,000 divided into 100,000,000,000 Shares by the creation of an additional 80,000,000,000 unissued shares.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The Group is principally engaged in manufacturing and distributing electronic calculators and other electronic products and liquid crystal display units. During the Period, the Group recorded turnover of HK\$218.9 million, down 4.1% compared with approximately HK\$228.2 million in corresponding period last year. The slight decrease in turnover was attributable to the decline of sales volume of consumer electronic products resulting from reduction of production scale. The Group's net profit attributable to shareholders was HK\$11.7 million, representing an increase of 72.1% compared with approximately HK\$6.8 million in corresponding period last year.

The Group's gross profit during the Period recorded approximately HK\$29.7 million (2006: approximately HK\$29.4 million), up 1% compared with corresponding period last year. Gross profit margin had increased to 13.6% (2006: 12.9%). The increase in gross profit margin was mainly due to the overall increase in average selling price. During the Period, the Group had stopped the price cutting strategy and strengthened the control of production with an aim of improving the quality of our products.

Electronic Calculators

During the Period, the sales of electronic calculators recorded HK\$130.3 million or 59.6% of the Group's total turnover. (2006: sales of approximately HK\$148.2 million and 64.9% of the Group's total turnover). The decrease is mainly due to scale down of production and short-term effect of overall increase in selling price.

Other Consumer Electronic Products

During the Period, the sales of multifunctional water resistance watches and household telephones recorded HK\$28.6 million and HK\$22.5 million respectively, contributing 13.1% and 10.3% of the Group's total turnover (2006: sales of multifunctional water resistance watches and household telephones were approximately HK\$ 23.9 million and HK\$ 15.3 million respectively, or 10.5% and 6.7% of the Group's total turnover). The increase in sales of multifunctional water resistance watches and household telephones was mainly due to launching of more new models. The sales of electronic game card recorded HK\$1 million or 0.5% of the Group's turnover (2006: sales of HK\$2.5 million or 1% of the Group's turnover) during the Period. The decrease in sales of electronic game card was due to the reason that our customer had re-arranged its sales network and cut down its orders from us.

Liquid Crystal Display (“LCD”)

During the Period, the sale of LCD recorded HK\$19.8 million or 9% of the Group's total turnover (2006: sales of HK\$21.1 million or 9.3% of the Group's total turnover). The slight decrease in sales of LCD was due to keen price competition on TN-LCD and STN-LCD display units. The Group's development on Chip on Glass (“COG”) and modules was behind our schedules and not satisfactory. The Group will continue to focus on TN-LCD and STN-LCD production in the near term.

Corporate Development

On 16 May 2007, the Board announced that the Company, Superview International Limited (“Superview”) and the guarantors, namely Mr. Ho Kam Hung, Mr. Yiu Yat On and Ms. Qian Mingjin, entered into an acquisition agreement, pursuant to which the Company agreed to acquire from Superview 70 % of the issued share capital of Green & Good Group Limited at a total consideration of HK\$1.38 billion (“Acquisition”)

Upon completion, the Company will be beneficially interested in 70 % of the entire issued share capital of Green & Good Group Limited whose sole asset is the entire equity interest in LEEKA Wood Company Limited, a wholly foreign owned enterprise established in the PRC, whose subsidiaries and itself are principally engaged in the (i) exploitation and management of timber resources in the PRC; and (ii) research and development, processing, manufacture, distribution, marketing and sales of a wide range of wood products.

The consideration of HK\$1.38 billion shall be satisfied (i) as to HK\$200 million in cash to be payable upon completion; (ii) as to HK\$250,311,150 by the allotment and issue of 556,247,000 consideration shares at HK\$0.45 per consideration share, credited as fully paid, payable to Superview upon completion; and (iii) as to the remaining balance of HK\$929,688,850 by the issue of the convertible notes at a conversion price of HK\$0.45 per conversion share to Superview upon completion.

Superview and the guarantors jointly and severally undertake to the Company that :

- (1) the aggregate profits after tax shown in the audited consolidated accounts of Green & Good Group Limited in accordance with Hong Kong GAAP compliance for the financial years ending 31 December 2007 and 31 December 2008 shall not be less than HK\$300 million and will compensate the Company for any shortfall between the guaranteed profits and the actual aggregate profits after tax shown in the audited consolidated accounts of Green & Good Group Limited in accordance with Hong Kong GAAP compliance for the financial years ending 31 December 2007 and the financial year ending 31 December 2008 ;
- (2) the fair market value of net assets of Green & Good Group Limited, to be assessed by an independent appraiser and to be confirmed in a valuation report , shall be not less than HK\$2,500 million.

The Acquisition constituted a very substantial acquisition in respect of the Company under the Listing Rules. The Acquisition and the issue of the consideration shares and the convertible notes were approved by the shareholders at an extraordinary general meeting held on 20 September 2007.

Completion of the Acquisition is expected to take place on or before 10 October 2007, or such later date as may be agreed between the Company and Superview. Immediately after the completion, the Company and Superview will respectively own 70% and 30% of the issued share capital of Green & Good Group Limited.

Employees and Remuneration Package

As at 30 June 2007, the Group had approximately 4,900 employees (30 June 2006: approximately 8,200 employees). The remuneration package was based on their work performance, experience and the industry practice. The Group also participated in retirement benefits schemes for its staff in Hong Kong and the People's Republic of China (the "PRC").

Capital Expenditures

During the Period, the Group spent approximately HK\$4 million (2006: HK\$13 million) on acquisition of new production machineries, which was financed by internal cash resources.

Contingent liabilities

The Group did not have any significant contingent liabilities at 30 June 2007 (31 December 2006: Nil).

FINANCIAL REVIEW

Liquidity and Finance Resources

During the Period, the Group generally financed its operations with internally generated resources and banking facilities provided by its principal bankers in Hong Kong and PRC. As at 30 June 2007, the Group had approximately HK\$51 million interest-bearing bank borrowings (31 December 2006: HK\$50 million), of which approximately HK\$41 million was floating interest bearing and denominated in Renminbi with maturity within one year and the remaining was floating interest bearing and denominated in Hong Kong Dollars. The Group's banking facilities were secured by corporate guarantees given by the Company and certain subsidiaries of the Company.

As at 30 June 2007, the Group's bank borrowings were denominated in Renminbi or Hong Kong dollars. The Group's sales and purchases were either denominated in Renminbi, Hong Kong and US dollars. Accordingly, the Directors consider the Group has no significant exposure to foreign exchange fluctuations in view of the stability of the exchange rates of Renminbi, Hong Kong and US dollars. During the Period, the Group did not use any financial instrument for hedging the foreign exchange risk. However, for hedging of interest rate risk, the Group used interest rate swap which could effectively convert the floating interest rate bank loan to fixed interest rate. The amount of swap outstanding as at 30 June 2007 was HK\$10 million (31 December 2006: HK\$13.3 million).

As at 30 June 2007, the Group had current assets of approximately HK\$495.9 million (31 December 2006: HK\$346.4 million) and current liabilities of approximately HK\$171.1 million (31 December 2006: HK\$163.1 million). The Group's current ratio had increased from approximately 2.1 times as at 31 December 2006 to 2.9 times as at 30 June 2007. The Group had total assets of approximately HK\$730.7 million (31 December 2006: HK\$583.8 million) and total liabilities of approximately HK\$171.1 million (31 December 2006: HK\$179.8 million), representing a gearing ratio (expressed as total liabilities to total assets) of approximately 23.4% as at 30 June 2007 as compared with approximately 30.8% as at 31 December 2006.

PROSPECTS

The Group had successfully returned to profit making in this Period from loss in second half of last year after implementation of effective measures such as aggressive pricing strategy, reduction of inventories level and controlling the production etc. The Group will continue to control the production costs and adopt other appropriate measures to improve the production efficiency and profitability. Furthermore, the Group will closely monitor the market condition of electronic consumer products to explore new market opportunities.

In addition the new funds raised from open offer and placing of new shares in last year, the Group had further strengthened its capital structure by raising new funds from placing of new shares and placing of listed warrants during the Period, which enabled the Group to capture potential investment opportunities in the future to enhance shareholders' value. During the Period, the Group attempted to explore an entirely new arena in timber resources and consumer products market by acquisition of controlling interest in Green & Good Group Limited which is engaged in vertical-integrated business in timber and wood products. The Group believes that the new investment in timber and wood products business will bring the Group tremendous commercial returns and enhance shareholders' value.

DISCLOSURE OF ADDITIONAL INFORMATION

Directors' interests or short positions in shares

As at 30 June 2007, the interests of the directors and chief executives of the Company in the shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register kept by the Company pursuant to section 352 of the SFO or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Long position

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

Name of Directors	Number of shares			Percentage of the issued share capital
	Personal interest	Corporate interest	Total	
Lam Ping Kei	–	702,000,000	702,000,000	25.24%
		(Note)		

Note:

These ordinary shares are owned by Super Giant Assets Limited ("Super Giant"), a company incorporated in the British Virgin Islands (the "BVI"). The entire issued share capital of Super Giant is beneficially owned by Mr. Lam Ping Kei, the Chairman of the Company.

Save as disclosed above, none of the other directors, chief executives and their associates, had any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 30 June 2007.

Directors' rights to acquire shares or debentures

Saved as disclosed under the heading "Directors' interests or short positions in shares" above, at no time during the Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Substantial shareholders

As at 30 June 2007, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain directors and chief executives, the following shareholders had notified the Company of the relevant interests in the issued share capital of the Company.

Long positions

Ordinary shares of HK\$0.01 each of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Super Giant Assets Limited (Note)	Beneficial owner	702,000,000	25.24%

Note:

These ordinary shares are owned by Super Giant Assets Limited ("Super Giant"), a company incorporated in the British Virgin Islands (the "BVI"). The entire issued share capital of Super Giant is beneficially owned by Mr. Lam Ping Kei, the Chairman of the Company.

Other than as disclosed above, the Company has not been notified of any other interests or short position in the issued share capital of the Company as at 30 June 2007.

Purchase, redemption or sale of listed securities of the Company

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities for the six months ended 30 June 2007.

Corporate governance

The Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2007, with deviations from code provisions A.2.1 and A.4.1 of the Code in respect of the separation of roles of Chairman and CEO and term of office of non-executive directors.

Under the code provisions A.2.1 of the Code, the role of Chairman and CEO should be separate and should not be performed by the same individual.

Mr. Lam Ping Kei is the Chairman of the Board, who also serves the function of a CEO. The Board believes that the present arrangement enables the Company to make and implement decisions promptly, and thus achieve the Company's objectives efficiently and effectively.

Code provision A.4.1 requires that non-executive directors should be appointed for a specific term and subject to re-election.

Currently, all independent non-executive directors have not been appointed for a specific term of office with the Company. All independent non-executive directors including are subject to retirement by rotation in accordance with the Articles of Association. As such, the Company considers that sufficient measures have been taken to serve the purpose of this code provision.

Model code for securities transactions by directors

The Company has adopted the Model Code for Securities Transactions by Directors by Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Upon enquire by the Company, all Directors of the Company have confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2007.

Audit committee Review

The Company has an Audit Committee which was established for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises the three independent non-executive directors of the Company.

The Audit Committee has reviewed with the management the accounting principles and policies adopted by the Group and the unaudited interim financial reports for the six months ended 30 June 2007.

On behalf of the Board

Lam Ping Kei

Chairman

Hong Kong, 24th September 2007

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

LAM Ping Kei (*Chairman*)

LI Jun (*Vice-Chairman*)

WONG Choi Fung

LAW Wai Fai

YEUNG Kwong Lun

Independent Non-executive Directors

CHAN Chi Yuen

WONG Yun Kuen

QIU Ji Zhi

MEMBERS OF AUDIT

COMMITTEE

CHAN Chi Yuen

WONG Yun Kuen

QIU Ji Zhi

MEMBERS OF REMUNERATION

COMMITTEE

CHAN Chi Yuen

WONG Yun Kuen

QIU Ji Zhi

MEMBERS OF NOMINATION

COMMITTEE

CHAN Chi Yuen

WONG Yun Kuen

QIU Ji Zhi

REGISTERED OFFICE

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 9, 32nd Floor

Cable TV Tower

No. 9 Hoi Shing Road

Tsuen Wan

New Territories

Hong Kong

COMPANY SECRETARY

CHENG Man For

QUALIFIED ACCOUNTANT

LAW Wai Fai

PRINCIPAL BANKERS

Hong Kong

Bank of China (Hong Kong) Limited

The Hongkong and Shanghai Banking

Corporation Limited

Hang Seng Bank Limited

The PRC

Industrial and Commercial Bank of China

China Construction Bank

Agricultural Bank of China

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Bermuda (Cayman) Limited

P.O. Box 513 GT

Strathvale House

North Church Street

George Town

Grand Cayman

Cayman Islands

British West Indies

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited

26/F Tesbury Centre

28 Queen's Road East

Hong Kong

AUDITORS

Lo and Kwong C.P.A. Company Limited

Suite 1304, 13/F.,

Shanghai Industrial Investment Building,

60 Hennessy Road, Wanchai,

Hong Kong

STOCK CODE

1228

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