



TUNGDA INNOVATIVE LIGHTING HOLDINGS LIMITED **東大新材料照明控股有限公司***

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8229)

INTERIM RESULTS ANNOUNCEMENT **FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2008**

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This announcement, for which the directors of Tungda Innovative Lighting Holdings Limited (the “Company”) collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (“GEM Listing Rules”) for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement 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 announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

* For identification purpose only

INTERIM RESULTS

The board of directors (the “Board”) of Tungda Innovative Lighting Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30th September, 2008 together with the unaudited comparative figures for the corresponding period in 2007 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	For the six months ended 30th September,		For the three months ended 30th September,	
		2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Turnover	3	24,031	25,622	12,016	12,353
Cost of sales		<u>(9,481)</u>	<u>(9,651)</u>	<u>(4,782)</u>	<u>(4,754)</u>
Gross profit		14,550	15,971	7,234	7,599
Other income and gain, net		1,537	1,147	786	586
Selling expenses		(463)	(717)	(241)	(330)
Administrative expenses		<u>(6,265)</u>	<u>(6,665)</u>	<u>(3,199)</u>	<u>(2,531)</u>
Profit from operations		9,359	9,736	4,580	5,324
Finance costs	5	<u>(17)</u>	<u>(5)</u>	<u>(8)</u>	<u>(2)</u>
Profit before taxation		9,342	9,731	4,572	5,322
Taxation	6	<u>(3,475)</u>	<u>(1,688)</u>	<u>(1,720)</u>	<u>(835)</u>
Profit for the period		<u>5,867</u>	<u>8,043</u>	<u>2,852</u>	<u>4,487</u>
Dividend	7	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Earnings per share	8	<u>0.53 HK cents</u>	<u>0.73 HK cents</u>	<u>0.26 HK cents</u>	<u>0.41 HK cents</u>

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

		As at 30th September, 2008	As at 31st March, 2008
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	9	49,445	46,907
Leasehold land and land use rights		10,247	9,971
Deposits paid for acquisition of property, plant and equipment	10	—	—
		<u>59,692</u>	<u>56,878</u>
Current assets			
Current portion of leasehold land and land use rights		230	222
Inventories		5,566	5,608
Trade and other receivables	11	5,386	5,754
Tax refundable		16	16
Bank balances and cash		<u>350,902</u>	<u>327,297</u>
		<u>362,100</u>	<u>338,897</u>
Current liabilities			
Trade and other payables	12	20,757	18,184
Obligation under a finance lease	13	114	110
Tax payable		<u>4,746</u>	<u>5,577</u>
		<u>25,617</u>	<u>23,871</u>
Net current assets		<u>336,483</u>	315,026
Total assets less current liabilities		<u>396,175</u>	371,904
Non-current liability			
Obligation under a finance lease	13	<u>412</u>	470
Net assets		<u><u>395,763</u></u>	<u><u>371,434</u></u>
Equity			
Share capital	14	11,056	11,056
Reserves		<u>384,707</u>	<u>360,378</u>
Total equity		<u><u>395,763</u></u>	<u><u>371,434</u></u>

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Special reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	General reserve <i>HK\$'000</i>	Retained profit <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st April, 2007	11,056	101,670	(2,128)	18,655	17,383	177,759	324,395
Exchange realignment	–	–	–	8,176	–	–	8,176
Profit for the period	–	–	–	–	–	8,042	8,042
	<u>11,056</u>	<u>101,670</u>	<u>(2,128)</u>	<u>26,831</u>	<u>17,383</u>	<u>185,801</u>	<u>340,613</u>
At 30th September, 2007	<u>11,056</u>	<u>101,670</u>	<u>(2,128)</u>	<u>26,831</u>	<u>17,383</u>	<u>185,801</u>	<u>340,613</u>
At 1st April, 2008	11,056	101,670	(2,128)	45,430	17,383	198,023	371,434
Exchange realignment	–	–	–	18,462	–	–	18,462
Profit for the period	–	–	–	–	–	5,867	5,867
	<u>11,056</u>	<u>101,670</u>	<u>(2,128)</u>	<u>63,892</u>	<u>17,383</u>	<u>203,890</u>	<u>395,763</u>
At 30th September, 2008	<u>11,056</u>	<u>101,670</u>	<u>(2,128)</u>	<u>63,892</u>	<u>17,383</u>	<u>203,890</u>	<u>395,763</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. General

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Company Law of Cayman Islands. The Company's shares are listed on GEM of the Stock Exchange on 26th July, 2002.

The Company acts as an investment holding company and the principal activities of the Group are trading and manufacturing of light source products.

2. Basic of preparation

This interim financial statements is unaudited and has been prepared under historical cost convention and in accordance with "Hong Kong Accounting Standard ("HKAS") 34 Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and applicable GEM Listing Rules.

This interim financial statements should be read in conjunction with the annual financial statements of the Group for the year ended 31st March, 2008

This interim financial statements has been prepared in consistent with the accounting policies and basis of preparation adopted for the preparation of the Group's annual financial statements for the year ended 31st March, 2008.

3. Turnover

Turnover represents amount received and receivable for goods, net of returns, sales discounts, and value-added tax, where applicable, sold to customers during the six months and three months ended 30th September, 2008.

4. Segmental information

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

Business segments

	(Unaudited)	
	For the six months ended	
	30th September,	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment turnover		
House brand light source products	19,818	20,770
Agency brand light source products	4,213	4,852
	<u>24,031</u>	<u>25,622</u>
Segment results		
House brand light source products	13,430	14,859
Agency brand light source products	1,120	1,112
	<u>14,550</u>	<u>15,971</u>
Unallocated net corporate expenses	(5,191)	(6,235)
Profit from operations	9,359	9,736
Finance costs	(17)	(5)
Profit before taxation	9,342	9,731
Taxation	(3,475)	(1,688)
Profit for the period	<u>5,867</u>	<u>8,043</u>

Geographical segments

The Group's operations are located in the People's Republic of China ("PRC") and Hong Kong. The following tables provide an analysis of the Group's turnover by geographical markets, irrespective of the origin of the goods:

	(Unaudited)	
	For the six months ended	
	30th September,	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	4,213	5,686
Europe	9,905	9,962
U.S.A.	9,905	9,962
Others	8	12
	<u>24,031</u>	<u>25,622</u>

5. Finance costs

	(Unaudited)		(Unaudited)	
	For the six months ended		For the three months ended	
	30th September,		30th September,	
	2008	2007	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on a finance lease	<u>17</u>	<u>5</u>	<u>8</u>	<u>2</u>

6. Taxation

	(Unaudited)		(Unaudited)	
	For the six months ended		For the three months ended	
	30th September,		30th September,	
	2008	2007	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax:				
Hong Kong Profits Tax	–	–	–	–
PRC Enterprise Income Tax	<u>3,475</u>	<u>1,688</u>	<u>1,720</u>	<u>835</u>
	<u>3,475</u>	<u>1,688</u>	<u>1,720</u>	<u>835</u>

No provision for Hong Kong Profits Tax has been made as the Group has no estimated assessable profits arising in or derived from Hong Kong for the respective six months and three months ended 30th September, 2008 and 2007.

Pursuant to the relevant laws and regulations in the PRC, a subsidiary of the Company is entitled to exemption from PRC Enterprise Income Tax for two years commencing from its first profit making year of operation, and thereafter, it is entitled to 50% relief from PRC Enterprise Income Tax which is charged at 24% for the following three years. The first profit-making year of the subsidiary commenced on 1st January, 2003. The tax holiday and concession periods expired on 31st December, 2007. The applicable income tax rate since 1st January, 2008 was 25%.

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

7. Dividend

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

8. Earnings per share

The calculation of the basic and diluted earnings per share for the six and three months ended 30th September, 2008 and 2007 is based on the following data:

	(Unaudited)		(Unaudited)	
	For the six months ended		For the three months ended	
	30th September,		30th September,	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit for the period for the purpose of calculation of basic earnings per share	<u>5,867</u>	<u>8,043</u>	<u>2,852</u>	<u>4,487</u>
Weighted average number of shares for the purpose of calculation of basic earnings per share	<u>1,105,600,000</u>	<u>1,105,600,000</u>	<u>1,105,600,000</u>	<u>1,105,600,000</u>

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

9. Property, plant and equipment

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

As set out in the Company's announcement dated 27th September, 2004, the Group had entered into four contracts for the purchases of machinery and equipment of aggregate amount approximately HK\$102,483,000. The contract for induction lamp machinery of aggregate amount approximately HK\$21,000,000 was completed in the financial year ended 31st March, 2005. Details of the other three contracts were set out in the Company's annual report for the year ended 31st March, 2008.

At 30th September, 2008, a motor vehicle with net book value about HK\$540,000 is held under a finance lease arrangement as mentioned in note 13.

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

The Group

		(Unaudited) As at 30th September, 2008 HK\$'000	(Audited) As at 31st March, 2007 HK\$'000
Balance brought forward	<i>Note</i>	–	9,934
Exchange realignment		–	824
Refunded		–	(10,758)
		<hr/>	<hr/>
Balance carried forward		<u>–</u>	<u>–</u>

Note: The balances at 31st March, 2007 represented outstanding deposits paid for two outstanding contracts for purchases of machinery and equipment as mentioned in note 16 to the Group's annual financial statements for the year ended 31st March, 2008.

11. Trade and other receivables

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

	(Unaudited) As at 30th September, 2008 HK\$'000	(Audited) As at 31st March, 2007 HK\$'000
Within three months	1,371	1,389
Four to six months	150	128
Seven to twelve months	25	13
More than one year	1	2
	<hr/>	<hr/>
	<u>1,547</u>	<u>1,532</u>

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

12. Trade and other payables

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

	(Unaudited) As at 30th September, 2008 <i>HK\$'000</i>	(Audited) As at 31st March, 2007 <i>HK\$'000</i>
Within three months	1,346	1,288
Four to six months	209	588
Seven to twelve months	–	18
More than one year	3	142
	<u>1,558</u>	<u>2,036</u>

13. Obligation under a finance lease

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

	(Unaudited) As at 30th September, 2008 <i>HK\$'000</i>	(Audited) As at 31st March, 2007 <i>HK\$'000</i>
Within one year	142	142
In the second to fifth year inclusive	449	523
Total minimum lease payment	591	665
Future finance lease charges	(65)	(85)
Present value of total minimum lease payments	<u>526</u>	<u>580</u>

The present value of finance lease obligations is due as follows:

Within one year	114	110
In the second to fifth year inclusive	412	470
	526	580
Falling due within one year included in current liabilities	<u>(114)</u>	<u>(110)</u>
	<u>412</u>	<u>470</u>

The Group leases a motor vehicle under a finance lease arrangement for an initial period of 5 years. The lease does not include contingent rentals. The leased motor vehicle secures the above lease obligation.

14. Share capital

	Number of shares	Amount HK\$'000
Shares of HK\$0.01 each		
<i>Authorised:</i>		
At 31st March, 2008 and 30th September, 2008	<u>5,000,000,000</u>	<u>50,000</u>
<i>Issued and fully paid:</i>		
At 31st March, 2008 and 30th September, 2008	<u>1,105,600,000</u>	<u>11,056</u>

15. Related party transactions

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

	(Unaudited) For the six months ended 30th September, 2008		(Unaudited) For the three months ended 30th September, 2008	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Rental paid to Tungda Industrial Limited	<u>54</u>	<u>54</u>	<u>27</u>	<u>27</u>

Tungda Industrial Limited is the ultimate holding company of the Company.

The directors of the Company are of the opinion that the above transactions were carried out in the ordinary course of the Group's business based on normal commercial terms.

DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months period ended 30th September, 2008.

REVIEW

Operating results

For the six months ended 30th September, 2008 ("Period"), the Group's turnover was approximately HK\$24.03 million, representing a decrease of approximately 6.20% as compared to approximately HK\$25.62 million of last corresponding period.

The gross profit margin for the Period was 60.55% compared to 62.33% for the same period in 2007 as profit margin of house brand products decreased during the Period.

Other income and gain, net

The major component of other income and gain, net approximately HK\$1.54 million was interest income for the Period as compared to approximately HK\$1.15 million for the same period in 2007.

Selling and administrative expenses

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

The administrative expenses comprised primarily of directors' and staff remuneration, entertainment, rental expenses and general administrative expenses. The administrative expenses was approximately HK\$6.26 million for the Period, as compared to approximately HK\$6.67 million in the corresponding period in 2007.

Profit for the period

As a result of the factors discussed above and increase in taxation, the profit for the six months ended 30th September, 2008 was approximately HK\$5.86 million as compared to the profit approximately HK\$8.04 million for the same period in 2007.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30th September, 2008, the Group's shareholders' funds amounted to approximately HK\$395.76 million. Cash and bank balances was approximately HK\$350.90 million as at 30th September, 2008, compared to HK\$294.37 million as at 30th September, 2007. Increases in cash stemmed primarily from income generated from operations.

There was no material change in the capital structure of the Group for the six months ended 30th September, 2008.

SIGNIFICANT INVESTMENT HELD AND MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

There were neither significant investment incurred by the Group nor material acquisitions and disposals of subsidiaries and affiliated companies during the six months periods ended 30th September, 2008.

CHARGE ON GROUP ASSETS

One of the leasehold land and land use rights in the PRC has been pledged to a bank to secure banking facilities granted to the Group as mentioned in note 14 to the Group's annual financial statements for the year ended 31st March, 2008.

FOREIGN EXCHANGE EXPOSURE

As most of the Group's trading transactions, monetary assets and liabilities were denominated in Renminbi, United States dollars and Hong Kong dollars, the impact of the foreign exchange exposure of the Group was considered to be minimal and there was no significant adverse effect on the normal operations of the Group. As at 30th September, 2008, no related hedges were made by the Group.

CONTINGENT LIABILITIES

The Group had no contingent liabilities as at both 30th September, 2008.

EMPLOYEE INFORMATION

As at 30th September, 2008, the Group had about 74 full time employees. The Group's employees were remunerated according to the nature of their duty and market trend, with discretionary bonus and benefit of retirement scheme, share options and necessary training.

PROPERTY, PLANT AND EQUIPMENT

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

SUSPENSION ON TRADING OF SHARES

Trading in the shares of the Company has been suspended on the Stock Exchange since 29th July, 2004. In order to resume the share trading as soon as possible and smooth the relevant process, the Company has actively communicated with relevant section of the Stock Exchange of Hong Kong Limited since January 2007.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30th September, 2008, the interests of the directors and the chief executives of the Company and their associates in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) and required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules relating to securities transactions by directors, were as follows:

Long positions

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

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Chu Chien Tung	Held by controlled corporation (<i>Note</i>)	560,000,000	50.65%

Note: These shares were held indirectly by Tungda Industrial Limited (“Tungda Industrial”) through its beneficial interest in the entire issued share capital of Standard Exceed Limited. Messrs. Chu Chien Tung, Chu Chick Kei and Chu Siu Chun (father of Messrs. Chu Chien Tung and Chu Chick Kei) jointly hold the entire issued share capital of Tungda Industrial.

(b) Share options

Name of directors	Capacity	Number of options held	Number of underlying shares
Mr. Chu Chien Tung	Beneficial owner	1,054,944	1,054,944
Mr. Chu Chick Kei	Beneficial owner	1,054,944	1,054,944
Mr. Chu Sen Hei	Beneficial owner	10,549,440	10,549,440

Other than as disclosed above, none of the directors and chief executives of the Company and their associates has any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations at 30th September, 2008.

SHARE OPTIONS

Pursuant to the Company's share option scheme adopted on 12th July, 2002, the board of directors may grant share options to any directors, full time and part time employees of the Group and the consultant or adviser of the Group.

A summary of the movements in the Company's share options during the Period is as follows:

	Date of grant	Exercise price <i>HK\$</i>	Close price at the date of grant <i>HK\$</i>	Number of share options			
				At 1st April, 2008	Granted during the period	Exercised during the period	At 30th September, 2008
Directors							
Mr. Chu Chien Tung	21st November, 2003	0.452	0.440	1,054,944	–	–	1,054,944
Mr. Chu Chick Kei	21st November, 2003	0.452	0.440	1,054,944	–	–	1,054,944
Mr. Chu Sen Hei	21st November, 2003	0.452	0.440	10,549,440	–	–	10,549,440
Sub-total				<u>12,659,328</u>	<u>–</u>	<u>–</u>	<u>12,659,328</u>
Employees							
	3rd October, 2003	0.345	0.345	33,140,672	–	–	33,140,672
Total				<u>45,800,000</u>	<u>–</u>	<u>–</u>	<u>45,800,000</u>

Save as disclosed herein, none of the directors and chief executives and their associates has any interests or short positions in any shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of the SFO) as recorded in the register to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the option holdings disclosed above, at no time during the Period was the Company, its holding companies, fellow subsidiaries or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. None of the directors of the Company, or their spouses or children under 18 years of age, had any rights to subscribe for the shares of the Company, or had exercised any such right during the Period.

SUBSTANTIAL SHAREHOLDERS

At 30th September, 2008, the following substantial shareholders (other than a director or chief executive of the Company) who have interests or short positions in the shares and underlying shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions

Ordinary shares of HK\$0.01 each of the Company

Name of shareholders	Number of issued ordinary shares held	Approximate percentage of shareholding
Standard Exceed Limited (<i>Note 1</i>)	560,000,000	50.65%
Tungda Industrial Limited (<i>Note 1</i>)	560,000,000	50.65%
Mr. Chu Chien Tung (<i>Note 2</i>)	560,000,000	50.65%
Ms. Chan Pik Kam (<i>Note 3</i>)	<u>560,000,000</u>	<u>50.65%</u>

Notes:

1. Standard Exceed Limited is wholly and beneficially-owned by Tungda Industrial which in turn is beneficially-owned as to 33.33334% by Mr. Chu Chien Tung, 33.33333% by Mr. Chu Chick Kei and 33.33333% by Mr. Chu Siu Chun. Mr. Chu Siu Chun has no management role in the Group.
2. Under Section 336 of the SFO, Mr. Chu Chien Tung is deemed to have interests in all the shares of the Company which Tungda Industrial has interests as he is entitled to exercise more than one-third of the voting power at general meetings of Tungda Industrial. The other two shareholders of Tungda Industrial, namely Messrs. Chu Chick Kei and Chu Siu Chun, are not so deemed as they are not entitled to exercise more than one-third of the voting power at general meetings of Tungda Industrial.
3. Ms. Chan Pik Kam is the wife of Mr. Chu Chien Tung. Under Section 336 of the SFO, she is deemed to have interest in all the shares in which Mr. Chu Chien Tung is interested.

Save as disclosed above, no other person (other than a director or chief executive of the Company) has an interest or a short position in the shares and underlying shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

COMPETING INTERESTS

During the Period, the board of directors is not aware of any business or interest of each director, management shareholder of the Company and their respective associates that competes or may compete with the business of the Group or any other conflicts of interest which any such person has or may have with the Group.

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

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

AUDIT COMMITTEE

The Company established an audit committee on 8th July, 2002 with written terms of reference in accordance with Rule 5.28 and Rule 5.29 of the GEM Listing Rules except that the audit committee currently comprises only two members (independent non-executive directors, Mr. Zhu Lei Bo and Mr. Hong Yong Hwan) and is not in compliance with Rule 5.28 of the GEM Listing Rules which requires, among others, the audit committee must comprise a minimum of three members. The Group's unaudited consolidated interim results for the six months ended 30th September, 2008 have been reviewed by the audit committee but not by the external auditors of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has complied with the requirements of director's securities transaction stated in the GEM Listing Rules. All the directors of the Company have confirmed that they have complied with the requirements as set out in the GEM Listing Rules for the Period.

CORPORATE GOVERNANCE

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

The Company has, during the six months ended 30th September, 2008, complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules with deviation as mentioned below.

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

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

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

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

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

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

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

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

By Order of the Board
Chu Chien Tung
Chairman

Hong Kong, 13th November, 2008

Executive directors:

Mr. Chu Chien Tung
Mr. Chu Chick Kei
Mr. Chu Sen Hei

Non-executive director:

Dr. Fung Shiu Lun, Anthony

Independent non-executive directors:

Mr. Zhu Lei Bo
Mr. Hong Yong Hwan