



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, 2009

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

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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, 2009 together with the unaudited comparative figures for the corresponding period in 2008 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	For the six months ended 30th September,		For the three months ended 30th September,	
		2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Turnover	3	4,664	24,031	2,118	12,016
Cost of sales		<u>(6,932)</u>	<u>(9,481)</u>	<u>(2,606)</u>	<u>(4,782)</u>
Gross (loss) profit		(2,268)	14,550	(488)	7,234
Other income and gain, net		714	1,537	357	786
Selling expenses		(238)	(463)	(123)	(241)
Administrative expenses		<u>(3,764)</u>	<u>(6,265)</u>	<u>(1,413)</u>	<u>(3,199)</u>
(Loss) Profit from operations		(5,556)	9,359	(1,667)	4,580
Finance costs	5	<u>(13)</u>	<u>(17)</u>	<u>(6)</u>	<u>(8)</u>
(Loss) Profit before taxation		(5,569)	9,342	(1,673)	4,572
Taxation	6	<u>–</u>	<u>(3,475)</u>	<u>–</u>	<u>(1,720)</u>
(Loss) Profit for the period		<u><u>(5,569)</u></u>	<u><u>5,867</u></u>	<u><u>(1,673)</u></u>	<u><u>2,852</u></u>
Dividend	7	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>–</u></u>
(Loss) Earnings per share	8	<u><u>(0.50) HK cents</u></u>	<u><u>0.53 HK cents</u></u>	<u><u>(0.15) HK cents</u></u>	<u><u>0.26 HK cents</u></u>

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

		As at 30th September, 2009	As at 31st March, 2009
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	<i>9</i>	42,656	44,293
Leasehold land and land use rights		10,253	10,369
		52,909	54,662
Current assets			
Inventories		5,129	5,295
Trade and other receivables	<i>10</i>	3,573	4,364
Current tax refundable		842	16
Cash and cash equivalents		343,177	348,685
		352,721	358,360
Current liabilities			
Trade and other payables	<i>11</i>	18,914	18,033
Obligation under a finance lease – due within one year	<i>12</i>	122	118
Current tax payable		–	5,711
		19,036	23,862
Net current assets		333,685	334,498
Total assets less current liabilities		386,594	389,160
Non-current liabilities			
Obligation under a finance lease	<i>12</i>	290	352
Net assets		386,304	388,808
Equity			
Share capital	<i>13</i>	11,056	11,056
Reserves		375,248	377,752
Total equity		386,304	388,808

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, 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>59,223</u>	<u>17,383</u>	<u>201,604</u>	<u>388,808</u>
Exchange realignment	–	–	–	3,065	–	–	3,065
Loss for the period	–	–	–	–	–	(5,569)	(5,569)
	<u>11,056</u>	<u>101,670</u>	<u>(2,128)</u>	<u>62,288</u>	<u>17,383</u>	<u>196,035</u>	<u>386,304</u>
At 30th September, 2009	<u>11,056</u>	<u>101,670</u>	<u>(2,128)</u>	<u>62,288</u>	<u>17,383</u>	<u>196,035</u>	<u>386,304</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, 2009.

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, 2009.

This interim financial statements has been reviewed by the audit committee but not by the external auditors of the Company.

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, 2009.

4. Segmental information

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

Business segments

	(Unaudited)	
	For the six months	
	ended 30th September,	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment turnover		
House brand light source products	2,179	19,818
Agency brand light source products	2,485	4,213
	<u>4,664</u>	<u>24,031</u>
Segment results		
House brand light source products	(2,800)	13,430
Agency brand light source products	532	1,120
	<u>(2,268)</u>	<u>14,550</u>
Unallocated net corporate expenses	(3,288)	(5,191)
(Loss) Profit from operations	(5,556)	9,359
Finance costs	(13)	(17)
(Loss) Profit before taxation	(5,569)	9,342
Taxation	-	(3,475)
(Loss) Profit for the period	<u>(5,569)</u>	<u>5,867</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,	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	2,485	4,213
Europe	2,172	9,905
U.S.A.	-	9,905
Others	7	8
	<u>4,664</u>	<u>24,031</u>

5. Finance costs

	(Unaudited)		(Unaudited)	
	For the six months		For the three months	
	ended 30th September,		ended 30th September,	
	2009	2008	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on a finance lease	<u>13</u>	<u>17</u>	<u>6</u>	<u>8</u>

6. Taxation

	(Unaudited)		(Unaudited)	
	For the six months		For the three months	
	ended 30th September,		ended 30th September,	
	2009	2008	2009	2008
	<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>-</u>	<u>3,475</u>	<u>-</u>	<u>1,720</u>
	<u>-</u>	<u>3,475</u>	<u>-</u>	<u>1,720</u>

No provision for Hong Kong Profits Tax is made as the Group has sustained a tax loss for both periods.

No provision for PRC Enterprise Income Tax is made for the period as the Group has sustained a tax loss. Provision for PRC Enterprise Income Tax for the corresponding period in 2008 is calculated based on a statutory rate of 25% on the assessable profits.

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, 2009 (six months ended 30th September, 2008: Nil).

8. (Loss) Earnings per share

The calculation of the basic and diluted (loss) earnings per share for the six and three months ended 30th September, 2009 and 2008 is based on the following data:

	(Unaudited)		(Unaudited)	
	For the six months		For the three months	
	ended 30th September,		ended 30th September,	
	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Loss) Profit for the period for the purpose of calculation of basic (loss) earnings per share	<u><u>(5,569)</u></u>	<u><u>5,867</u></u>	<u><u>(1,673)</u></u>	<u><u>2,852</u></u>
Weighted average number of shares for the purpose of calculation of basic (loss) earnings per share	<u><u>1,105,600,000</u></u>	<u><u>1,105,600,000</u></u>	<u><u>1,105,600,000</u></u>	<u><u>1,105,600,000</u></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.

At 30th September, 2009, a motor vehicle with net book value about HK\$410,000 is held under a finance lease arrangement as mentioned in note 12.

10. 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, 2009 <i>HK\$'000</i>	(Audited) As at 31st March, 2009 <i>HK\$'000</i>
Within three months	897	889
Four to six months	37	80
Seven to twelve months	28	32
More than one year	3	–
	<u>965</u>	<u>1,001</u>

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

11. 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, 2009 <i>HK\$'000</i>	(Audited) As at 31st March, 2009 <i>HK\$'000</i>
Within three months	718	906
Four to six months	372	497
Seven to twelve months	347	3
More than one year	159	150
	<u>1,596</u>	<u>1,556</u>

12. 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, 2009 <i>HK\$'000</i>	(Audited) As at 31st March, 2009 <i>HK\$'000</i>
Within one year	142	142
In the second to fifth year inclusive	309	381
Total minimum lease payment	451	523
Future finance lease charges	(39)	(53)
Present value of total minimum lease payments	412	470
The present value of finance lease obligations is due as follows:		
Within one year	122	118
In the second to fifth year inclusive	290	352
Falling due within one year included in current liabilities	(122)	(118)
	290	352

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.

13. Share capital

	Number of shares	Amount HK\$'000
Shares of HK\$0.01 each		
<i>Authorised:</i>		
At 31st March, 2009 and 30th September, 2009	<u>5,000,000,000</u>	<u>50,000</u>
<i>Issued and fully paid:</i>		
At 31st March, 2009 and 30th September, 2009	<u>1,105,600,000</u>	<u>11,056</u>

14. Related party transactions

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

	(Unaudited) For the six months ended 30th September,		(Unaudited) For the three months ended 30th September,	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 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 in respect of the six months ended 30th September, 2009.

REVIEW AND PROSPECT

Operating results

For the six months ended 30th September, 2009 (“Period”), the Group’s turnover was approximately HK\$4.66 million, representing a decrease of approximately 80.61% as compared to approximately HK\$24.03 million of last corresponding period.

The gross loss for the Period was about HK\$2.27 million compared to gross profit about HK\$14.55 million for the same period in 2008. The change is attributable to the material decrease in sales of house brand products which results in corresponding decrease in production whilst the under-utilised fixed direct production overhead does not decrease and is included and reflected in cost of sales.

Other income and gain, net

The major component of other income and gain, net approximately HK\$0.71 million was interest income for the Period as compared to approximately HK\$1.54 million for the same period in 2008.

Selling and administrative expenses

The selling expenses for the Period primarily comprised of salaries. The amount decreased because of decrease in sales staff.

The administrative expenses comprised primarily of staff remuneration, entertainment, rental expenses and general administrative expenses. The administrative expenses was approximately HK\$3.76 million for the Period as compared to approximately HK\$6.27 million for the corresponding period in 2008.

Loss for the period

As a result of the factors discussed above and decrease in taxation, the loss for the six months ended 30th September, 2009 was approximately HK\$5.57 million as compared to the profit approximately HK\$5.87 million for the same period in 2008.

Prospect

The Group's products have longer life hours and high energy efficiency. In addition, more customers are now concerning the importance of environmental protection, and therefore they are intending to use the Group's products instead of traditional light source products. The Group will continue to pursue and focus on its core business of being a provider of good quality light source products.

The Group's business declines since the financial tsunami in about August 2008 and there is no sign of recovery. The Group encounters difficult time in its business and will put more effort to develop the Asian market. The Group's management will use its best endeavor for the future development and prospect of the Group.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30th September, 2009, the Group's shareholders' funds amounted to approximately HK\$386.30 million. Cash and bank balances was approximately HK\$343.18 million as at 30th September, 2009, compared to HK\$350.90 million as at 30th September, 2008. Decrease in cash stemmed primarily from loss generated from operations.

There was no material change in the capital structure of the Group for the six months ended 30th September, 2009.

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, 2009.

CHARGE ON GROUP ASSETS

The leasehold buildings and one of the leasehold land and land use rights in the PRC of the Group have been pledged to a bank to secure banking facilities granted to the Group as mentioned in notes 13 and 14 to the Group's annual financial statements for the year ended 31st March, 2009.

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, 2009, no related hedges were made by the Group.

CONTINGENT LIABILITIES

The Group had no contingent liabilities as at 30th September, 2009.

EMPLOYEE INFORMATION

As at 30th September, 2009, the Group had about 52 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 IN 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.

With reference to the Company's announcement on 3rd April 2009,

- (1) the Company received a letter in around November 2008 from the Stock Exchange in which the Stock Exchange set out conditions prior to uplifting of the Company's suspension of trading in shares pursuant to Rule 9.10 of the GEM Listing Rules.
- (2) the Company has been in contact with the Department of Justice and understands that the CCB's investigation remains ongoing.

The Company will make further announcements as appropriate for any further material developments.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30th September, 2009, 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 (Note)	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, 2009.

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 30th September, 2009
				At 1st April, 2009	Granted during the period	Exercised during the period	
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, 2009, 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>)	560,000,000	50.65%

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, 2009 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. The Company has not appointed a company secretary according to and is not in compliance with Rule 11.07(2) of the GEM Listing Rules. 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, 2009, 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 of trading in shares is needed to be dealt with priority. At the same time, an effective internal control is one of the important factors for resumption of trading in 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, 11th November, 2009

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