

TAI SHING

Tai Shing International (Holdings) Limited

泰盛國際(控股)有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8103)

THIRD QUARTERLY ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2008

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This report, for which the directors of Tai Shing International (Holdings) Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange for the purpose of given information with regard to Tai Shing International (Holdings) Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:— (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

* For identification purpose only

HIGHLIGHTS

- Turnover for the six months ended 30 September 2008 amounted to approximately HK\$20 million representing an increase of approximately 3% over the corresponding period in 2007.
- Loss attributable to the shareholders for the six months ended 30 September 2008 amounted to approximately HK\$2.2 million representing a decrease of approximately 44% over the corresponding period in 2007 (2007: HK\$3.9 million).
- Loss per share for the six months ended 30 September 2008 was approximately 2.0 HK cents (2007: 4.3 HK cents)
- The Board does not recommend the payment of any dividend for the six months ended 30 September 2008.

The board of directors (the “Board”) of Tai Shing International (Holdings) Limited (the “Company”) is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three months and six months ended 30 September 2008, together with the unaudited comparative figures for the corresponding periods in 2007, as follows:—

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

for the three months and six months ended 30 September 2008

	Notes	Three months ended 30 September		Six months ended 30 September	
		2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Turnover	2	4,319	12,090	20,196	19,583
Cost of services and merchandise sold		(5,783)	(13,494)	(18,755)	(18,175)
Gross profit/(loss)		(1,464)	(1,404)	1,441	1,408
Other revenue	4	1,727	1,681	1,811	2,055
Selling expenses		(414)	(782)	(543)	(1,686)
General and administrative expenses		(2,125)	(2,601)	(4,118)	(5,272)
Other operating expenses	5	(161)	—	(385)	—
Loss from operation	6	(2,437)	(3,106)	(1,794)	(3,495)
Finance costs	7	(119)	—	(369)	—
Share of results of associates		—	—	(46)	—
Loss before tax		(2,556)	(3,106)	(2,209)	(3,495)
Income Tax	8	(14)	(367)	(14)	(391)
Loss for the period		<u>(2,570)</u>	<u>(3,473)</u>	<u>(2,223)</u>	<u>(3,886)</u>
Attributable to: Equity holder of the Company		<u>(2,570)</u>	<u>(3,473)</u>	<u>(2,223)</u>	<u>(3,886)</u>
Loss per share -basic (HK cents)	9	<u>(2.4)</u>	<u>(3.8)</u>	<u>(2.0)</u>	<u>(4.3)</u>

CONDENSED CONSOLIDATED BALANCE SHEET*as at 30 September 2008*

		Unaudited 30 September 2008	Audited 31 March 2008
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
Non-current assets			
Fixed assets		4,037	5,270
Interests in associates		—	5
		<u>4,037</u>	<u>5,275</u>
Current assets			
Inventories		6,036	—
Trade and other receivables	10	43,609	50,437
Amount due from customers for contract work		19,712	17,452
Tax recoverable		170	168
Financial assets at fair value through profit or loss	11	362	574
Pledged bank deposits		2,010	2,210
bank and cash balances		2,980	15,651
		<u>74,879</u>	<u>86,492</u>
Current liabilities			
Amount due to customers for contract work		11,393	10,450
Trade and other payables	12	23,682	33,517
Receipts in advance		9,946	12,123
Warranty provision		390	490
Amount due to a substantial shareholder		9,496	9,427
Amount due to associates		—	282
Tax Payable		560	—
Bank Borrowing		9,020	8,946
		<u>64,487</u>	<u>75,235</u>
Net current assets		<u>10,392</u>	<u>11,257</u>
Net Assets		<u>14,429</u>	<u>16,532</u>
Capital and Reserves			
Share capital	13	5,460	5,460
Reserves	14	8,969	11,072
		<u>14,429</u>	<u>16,532</u>

**CONDENSED CONSOLIDATED STATEMENT IN CHANGES IN EQUITY
(UNAUDITED)**

for the six months ended 30 September 2008

	Attributable to equity holders of the company						
	Share Capital	Share Premium	General Reserve	Capital Reserve	Foreign	Accumulated Profits/ (Losses)	Total
					currency translation Reserve		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 April 2008	5,460	22,905	1,904	1,200	4,215	(19,152)	16,532
Exchange differences on translation of foreign operations and net income recognised directly in equity	—	—	—	—	120	—	120
Loss for the period	—	—	—	—	—	(2,223)	(2,223)
At 30 September 2008	<u>5,460</u>	<u>22,905</u>	<u>1,904</u>	<u>1,200</u>	<u>4,335</u>	<u>(21,375)</u>	<u>14,429</u>
At 1 April 2007	4,550	14,049	1,224	1,200	1,932	1,381	24,336
Exchange differences on translation of foreign operations and net income recognised directly in equity	—	—	—	—	540	—	540
Loss for the period	—	—	—	—	—	(3,886)	(3,886)
At 30 September 2007	<u>4,550</u>	<u>14,049</u>	<u>1,224</u>	<u>1,200</u>	<u>2,472</u>	<u>(2,505)</u>	<u>20,990</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)*for the six months ended 30 September 2008*

	Six months ended	
	30 September	
	2008	2007
	HK\$'000	HK\$'000
Net cash outflow from operating activities	(12,833)	(3,854)
Net cash inflow / (outflow) from investing activities	129	(302)
Net cash outflow from financing activities	(369)	—
Net decrease in cash and cash equivalents	(13,073)	(4,156)
Effects of foreign exchange rate	402	187
Cash and cash equivalents at 1 April	15,651	10,146
Cash and cash equivalents at 30 September	2,980	6,177
Analysis of the balances of cash and cash equivalents		
Cash at bank and in hand	2,980	6,177

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED RESULTS

1. Basis of presentation

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

The accounting policies and methods of computation used in the preparation of the financial results are consistent with those used in the audited annual accounts for the year ended 31 March 2008. These financial statements have been prepared under the historical cost convention, except that financial assets at fair value through profit or loss are carried at their fair values.

2. Turnover

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

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

	UNAUDITED			
	Three months ended		Six months ended	
	30 September		30 September	
	2008	2007	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Systems development	3,818	11,049	19,639	18,542
Professional services fees	501	1,041	557	1,041
	<u>4,319</u>	<u>12,090</u>	<u>20,196</u>	<u>19,583</u>

3. Segment reporting

(a) Business segments

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

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

	System development		Professional services		Consolidated	
	2008	2007	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from						
external customers	<u>19,639</u>	<u>18,542</u>	<u>557</u>	<u>1,041</u>	<u>20,196</u>	<u>19,583</u>
Segment results	<u>930</u>	<u>1,110</u>	<u>511</u>	<u>298</u>	<u>1,441</u>	<u>1,408</u>
Interest income					74	38
Unallocated operating income and expenses					<u>(3,309)</u>	<u>(4,941)</u>
Loss before tax					<u>(1,794)</u>	<u>(3,495)</u>
Share of results of associates					(46)	—
Finance costs					(369)	—
Income tax expenses					<u>(14)</u>	<u>(391)</u>
Loss for the period					<u>(2,223)</u>	<u>(3,886)</u>
Assets						
Segment assets	<u>59,137</u>	<u>82,098</u>	<u>1,551</u>	<u>3,666</u>	<u>60,688</u>	<u>85,764</u>
Unallocated assets					<u>18,228</u>	<u>439</u>
Total assets					<u>78,916</u>	<u>86,203</u>
Liabilities						
Segment liabilities	<u>54,717</u>	<u>60,340</u>	<u>1,049</u>	<u>3,049</u>	<u>55,766</u>	<u>63,389</u>
Unallocated liabilities					<u>8,721</u>	<u>1,824</u>
Total liabilities					<u>64,487</u>	<u>65,213</u>
Other information						
Depreciation & Amortisation for the period	<u>760</u>	<u>975</u>	<u>—</u>	<u>—</u>	<u>760</u>	<u>975</u>

(b) Geographical segments

For the period ended 30 September 2008 and 2007, over 90% of the Group's revenue and assets are derived from customers and operations based in the PRC and accordingly, no further analysis of the Group's geographical segments is disclosed.

4. Other revenue

	UNAUDITED			
	Three months ended		Six months ended	
	30 September		30 September	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Fair value gain on financial assets at fair value through profit or loss	—	204	—	247
Reversal of impairment loss in respect of trade receivables	377	497	377	497
Reversal of impairment loss in respect of other receivables	640	518	640	518
Interest income	47	17	74	38
Sundry income	663	445	720	755
	<u>1,727</u>	<u>1,681</u>	<u>1,811</u>	<u>2,055</u>

5. Other operating expenses

	UNAUDITED			
	Three months ended		Six months ended	
	30 September		30 September	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Impairment loss recognised in respect of goodwill	169	—	169	—
Fair value losses on financial assets at fair value through	(8)	—	216	—
	<u>161</u>	<u>—</u>	<u>385</u>	<u>—</u>

On 1 July 2008, the Group acquired 74.5% of the share capital of Acon Enterprise Limited and its wholly owned subsidiary, Tai Shing (HK) Limited. The acquisition has no impact on revenues but contribute net loss of HK\$0.09 million to the Group from 1 July 2008 to 30 September 2008.

Details of net assets acquired and the excess of the Group's interest in the fair value of the associates' net assets acquired over cost are as follows:

HK\$'000

Purchase consideration:

— Direct cost relating to the acquisition	46
Fair value of net assets acquired — as shown below	123
	169

The goodwill is attributable to the bargain price paid for the purchase.

The assets and liabilities arising from the acquisition are as follows:

	Fair value <i>HK\$'000</i>	Acquiree's carrying amount <i>HK\$'000</i>
Cash and cash equivalents	70	70
Other receivables	6	6
Other payable & accrual	(240)	(240)
Net liabilities	(164)	(164)
Less: 25.5% thereof	41	
Net liabilities acquired	(123)	

HK\$'000

Purchase consideration settled in cash	46
Cash and cash equivalents in associates acquired	—
Cash outflow on acquisition	46

6. Loss before tax

Loss before tax is stated after charging / (crediting):

	UNAUDITED			
	Three months ended		Six months ended	
	30 September		30 September	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Auditors' remuneration	141	200	254	400
Depreciation	244	486	760	975
Operating leases	451	541	910	1,100
Staff costs	3,995	7,560	7,744	11,210
Net exchange loss	<u>1</u>	<u>9</u>	<u>9</u>	<u>9</u>

7. Finance costs

	UNAUDITED			
	Three months ended		Six months ended	
	30 September		30 September	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on bank borrowing due within one year	<u>119</u>	<u>—</u>	<u>369</u>	<u>—</u>

8. Income tax

No Hong Kong profits tax has been provided in the financial statements as the group has no assessable profits arising in Hong Kong during the three months and six months ended 30 September 2008 and 2007.

Pursuant to the relevant laws and regulations in the PRC, Beijing Tongfang Electronic Science & Technology Co., Ltd ("Beijing Tongfang") is subject to PRC Enterprise Income Tax at a rate of 15% on its taxable income and is granted a 50% relief, which is effective from 1 January 2004 to 31 December 2006 ("Tax holidays"). After the Tax Holidays, Beijing Tongfang is subject to a preferential Enterprise Income Tax rate of 10% which is effective from 1 January 2007 to 31 December 2009, as it is qualified as an advanced technology enterprise.

9. Loss per share

The calculation of basic loss per share for the three months and six months ended 30 September 2008 were based on the loss attributable to the shareholders of approximately of HK\$2,570,000 and HK\$2,223,000 (2007: losses of HK\$3,473,000 and HK\$3,886,000) divided by the weighted average number of 109,190,000 shares for the three months and six months ended (2007: 90,995,000 shares) in issue during the period.

There were no potential dilutive ordinary shares in issue during the three months and six months ended 30 September 2008 and 2007.

10. Trade and other receivables

	Unaudited At 30 September 2008 HK\$'000	Audited At 31 March 2008 HK\$'000
Trade receivables	24,817	44,587
Less: Impairment loss recognised in respect of trade receivables	<u>—</u>	<u>(11,599)</u>
	24,817	32,988
Retention receivables	4,142	4,222
Prepayments, deposits and other receivables	14,650	26,315
Less: Impairment loss recognised in respect of other receivables	<u>—</u>	<u>(13,088)</u>
	<u>43,609</u>	<u>50,437</u>

An aged analysis of trade receivables is as follows:

	Unaudited At 30 September 2008 HK\$'000	Audited At 31 March 2008 HK\$'000
Within 1 month	2,405	6,911
More than 1 month but within 3 months	6,020	4,220
More than 3 months	<u>16,392</u>	<u>21,857</u>
	<u>24,817</u>	<u>32,988</u>

11. Financial assets at fair value through profit or loss

	Unaudited At 30 September 2008 HK\$'000	Audited At 31 March 2008 HK\$'000
Equity securities listed in the PRC, at fair value	<u>362</u>	<u>574</u>

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

12. Trade and other payables

	Unaudited At 30 September 2008 HK\$'000	Audited At 31 March 2008 <i>HK\$'000</i>
Trade payable	15,097	13,909
Other payable and accruals	8,585	19,608
	23,682	33,517

An aged analysis of trade payable is as follows:

	Unaudited At 30 September 2008 HK\$'000	Audited At 31 March 2008 <i>HK\$'000</i>
Within 1 month	20	838
More than 1 month but within 3 months	518	53
More than 3 months	14,559	13,018
	15,097	13,909

13. Share capital

	Unaudited AS at 30 September 2008		Audited AS at 31 March 2008	
	No. of shares <i>'000</i>	Amount <i>HK\$'000</i>	No. of shares <i>'000</i>	Amount <i>HK\$'000</i>
Authorised:				
Ordinary shares of HK\$0.05 each	4,000,000	200,000	4,000,000	200,000
Issued and fully paid:				
At beginning and at end of the period ordinary shares of HK\$0.05 each	109,190	5,460	109,190	5,460

14. Reserves

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

15. Commitments under operating leases

At 30 September 2008 the total future minimum lease payments under non-cancellable operating leases payable are as follows:

	Unaudited At 30 September 2008 HK\$'000	Audited At 31 March 2008 HK\$'000
Within 1 year	1,013	1,730
After 1 year but within 5 years	<u>—</u>	<u>288</u>
	<u>1,013</u>	<u>2,018</u>

16. Dividend

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

17. Litigation

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Turnover for the six months ended 30 September 2008 amounted to approximately HK\$20 million representing an increase of approximately 3% over the corresponding period in 2007.

In the six months ended 30 September 2008 the Group continues to expand in the security and surveillance business in the PRC through its subsidiary, Tai Shing (Hong Kong) Limited. Management is confident that this will become one of the growth areas of the Group's business in the next few years.

Financial Performance

During the six months ended 30 September 2008, the Group recorded a turnover of HK\$20 million (2007: HK\$19 million) representing an increase of approximately 3% as compared to that of the corresponding period in 2007.

Revenue for the three months ended 30 September 2008 of approximately HK\$4 million is about 64% lower than that for the three months ended 30 June 2008. Loss attributable to the shareholders was approximately HK\$2.3 million (2007: loss HK\$3.9 million).

Liquidity and Financial Resources

As at 30 September 2008, shareholders' funds of the Group amounted to approximately HK\$14 million (2007: HK\$20 million). Current assets amounted to approximately HK\$75 million (2007: HK\$77 million), of which approximately HK\$3 million (2007: HK\$6 million) were cash and cash equivalents. Current liabilities of HK\$64 million (2007: HK\$65 million) were mainly other payables and accruals.

Gearing Ratio

The gearing ratio calculated on the basis of total liabilities over the total shareholders' fund as at 30 September 2008 was 452 % (2007: 311%).

Foreign Currency Exposure

During the six months ended 30 September 2008, the Group experienced only immaterial exchange rate fluctuations as the functional currencies of the Group's operations were mainly Hong Kong dollars and Renminbi. As the risk on exchange rate difference was considered to be minimal, the Group did not employ any financial instruments for hedging purposes.

Capital Structure

There has been no change in the capital structure of the company since 1 April 2008.

New Products and Services

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

Material Acquisitions and significant Investments

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

Employees and Remuneration Policies

As at 30 September 2008, the Group had hired 4 and 192 employees in Hong Kong and PRC respectively (2007: a total of 212) including the executive directors of the Company. Total staff costs including directors' remuneration for the six months period under review amounting to approximately HK\$7.7 million (2007: HK\$11.2 million). The Group's remuneration policies are in line with the prevailing market practices and are determined on the basis of performance and experience of individual employees. The Group provides mandatory provident fund scheme for the employees employed under the jurisdiction of the Hong Kong Employment Ordinance.

The Company has conditionally adopted a share option scheme pursuant to which the executive directors of the Company and full-time employees of the Group may be granted options to subscribe for the shares of the Company. During the six months ended 30 September 2008, no option was granted under the share option scheme.

Charges on Group Assets and Contingent Liabilities

As at 30 September 2008, the Group did not have any material charge on assets or any contingent liabilities (2007: Nil).

Future Plans to Material Investments or Capital Assets

As at 30 September 2008, the Group had no plans for material investments or capital assets.

Future Prospects

The main operation of the Group, supplying information technology services to major institutes such as, power plant and power grid, in China, is expected to benefit from the increase in infrastructure spending by the government.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 30 September 2008, the relevant interests or short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, the Laws of Hong Kong) ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have under such provisions of the SFO), or which are required, pursuant to Section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which are required, pursuant to Rule 5.46 of the GEM Listing Rules relating to securities transactions by the directors, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in the shares of the Company

Nane of Director	Nature of Shares interested	Number of Shares interested	Approximate Percentage of issued share captical
Mr. Luk Yat Hung (<i>Note</i>)	Corporate	21,542,476	19.73%
Mr. Ho Cho Hang	Personal	1,100,000	1.01%

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

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

As at 30 September 2008, no long positions of directors and chief executive in the underlying shares of equity derivatives and debentures of the Company and its associated corporations were recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

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

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

Save as disclosed above, as at 30 September 2008, none of the directors or chief executive of the Company or their respective associates had any interests or short positions in the shares, underlying shares of equity derivative and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by the directors of listed issuers as referred to in Rule 5.46 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS

So far as is known to the directors of the Company, as at 30 September 2008, the following persons who had an interest or short positions in the shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:—

Long positions in shares of the Company

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

Notes:

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

Long positions in underlying shares of the Company

As at 30 September 2008, no long positions of other persons or substantial shareholders in the underlying shares of equity derivatives of the Company and its associated corporations were recorded in the register.

Short positions in shares of the Company

As at 30 September 2008, no short positions of other persons or substantial shareholders in the shares of the Company and its associated corporations were recorded in the register.

Short positions in underlying shares of the Company

As at 30 September 2008, no short positions of other persons or substantial shareholders in the underlying shares of equity derivatives of the Company and its associated corporations were recorded in the register.

Save as disclosed above, as at 30 September 2008, the directors were not aware of any other person who had an interest or short position in the shares or underlying shares (including interests in options, if any) of the Company as recorded in the register required to be kept under Section 336 of the SFO.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Group was a party and in which a director of the Group had a material interest, whether directly or indirectly, subsisted at the six months ended 30 September 2008 or at any time during such period.

DIRECTORS' COMPETING INTERESTS

As of 30 September 2008, none of the directors, substantial shareholders or management shareholders of the Company or their respective associates (as defined under the GEM Listing Rules) had any business or interest in a business which competes or may compete with the business of the Group.

SHARE OPTION SCHEME

Pursuant to the written resolutions of the shareholders, the Company has conditionally adopted and approved a share option scheme on 22 October 2003 (“New Share Option Scheme”) to replace the share option scheme adopted on 26 August 2000 (“Old Share Option Scheme”). The principal terms of the New Share Option Scheme were set out in the Appendix I to the circular of the Company dated 30 September 2003. No option has been granted by the Company under both the Old Share Option Scheme and New Share Option Scheme during the period under review or outstanding as at 30 September 2008.

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

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

AUDIT COMMITTEE

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

The audit committee comprises four independent non-executive directors, namely, Mr. Chung Shui Ming Timpson, Professor Ip Ho Shing Horace and Mr. Yan Yonghong, and Mr. Chung Shui Ming Timpson is the chairman of the audit committee. Mr. Yan Yonghong and Mr. Peng Iijun, and Mr. Chung Shui Ming Timpson is the chairman of the audit committee.

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

BOARD PRACTICES AND PROCEDURES

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

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

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

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

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

On behalf of the Board.

Ho Cho Hang

Executive Director

Hong Kong, 14 November 2008

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

Executive directors:

Mr. Ho Cho Hang

Ms. Li Wenli

Non-executive director:

Mr. Luk Yat Hung (*Chairman*)

Independent non-executive directors:

Mr. Chung Shui Ming, Timpson

Professor Ip Ho Shing, Horace

Mr. Yan Yonghong

Mr. Peng Lijun