

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)

INTERIM RESULTS ANNOUNCEMENT 2006

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCKEXCHANGE")

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This announcement, 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 giving 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 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*

HIGHLIGHTS

- Turnover for the six months period ended 30 September 2006 amounted to approximately HK\$36 million representing an increase of approximately 21% over the corresponding period in 2005.
- Profit attributable to the shareholders for the six months ended 30 September 2006 amounted to approximately HK\$5.6 million. Profit attributable to the shareholders for the six months ended 30 September 2005 amounted to approximately HK\$1.8 million.
- Earnings per share for the six months ended 30 September 2006 was approximately 6.2 HK cents. Earnings per share for the six months ended 30 September 2005 was approximately 2.5 HK cents.
- The Board does not recommend the payment of any dividend for the six months ended 30 September 2006.

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 2006, together with the unaudited comparative figures for the corresponding periods in 2005, are as follows:-

CONDENSED CONSOLIDATED INCOME STATEMENT(UNAUDITED)
for the three months and six months ended 30 September 2006

		Three months ended 30 September		Six months ended 30 September	
		2006	2005	2006	2005
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	2	22,282	10,769	36,554	30,100
Cost of services and merchandise sold		(17,206)	(8,403)	(27,771)	(24,032)
Gross profit		5,076	2,366	8,783	6,068
Other revenue		1,707	1,502	2,704	2,154
Selling expenses		(719)	(1,414)	(1,372)	(2,923)
General and administrative expenses		(2,365)	(2,454)	(4,292)	(4,754)
Profit from operations	4	3,699	—	5,823	545
Finance costs		—	9	—	(36)
Others gains-net		—	2,282	—	2,282
Profit before tax		3,699	2,291	5,823	2,791
Income tax	5	(74)	(26)	(203)	(57)
Profit for the period from continuing operations		3,625	2,265	5,620	2,734
Discontinued operations:					
Profit for the period from discontinued operations		—	44	—	77
Profit for the period		3,625	2,309	5,620	2,811
Attributable to:					
Equity holder to the parent		3,625	1,946	5,620	1,843
Minority interest		—	363	—	968
		3,625	2,309	5,620	2,811
Earnings per share-basic (HK cents)	6	4.0	2.6	6.2	2.5

CONDENSED CONSOLIDATED BALANCE SHEET

as at 30 September 2006

		Unaudited 30 September 2006 <i>Notes</i> HK\$'000	Audited 31 March 2006 <i>HK\$'000</i>
Non-current assets			
Fixed assets		7,102	7,489
		7,102	7,489
Current assets			
Inventories		8,920	140
Financial assets at fair value through profit or loss	7	233	1,727
Gross amount due from customers for contract work		12,498	14,255
Trade and other receivables	8	53,837	42,845
Tax recoverable		—	115
Pledged bank deposits		—	3,045
bank and cash balances		4,026	4,796
		79,514	66,923
Current liabilities			
Gross amount due to customers for contract work		393	153
Trade and other payables	9	39,660	33,677
Receipts in advance		4,591	3,767
Warranty provision		289	283
Amount due to a substantial shareholder		10,276	11,428
Tax payable		—	1
		55,209	49,309
Net current assets		24,305	17,614
Net Assets		31,407	25,103
Capital and Reserves			
Share capital	10	4,550	4,550
Reserves	11	26,857	20,553
		31,407	25,103

CONDENSED CONSOLIDATED STATEMENT IN CHANGES IN EQUITY(UNAUDITED)

for the six months ended 30 September 2006

	Attributable to equity holders of the company							
	Share Capital	Share Premium	General Reserve	Capital Reserve	Foreign currency translation Reserve	Accumulated Profit/ (losses)	Sub-total	Minority Interest
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2006	4,550	14,049	466	1,200	235	4,603	25,103	—
Exchange differences on translation of foreign operations and net income recognised directly in equity	—	—	—	—	684	—	684	—
Profit for the period	—	—	—	—	—	5,620	5,620	—
At 30 September 2006	<u>4,550</u>	<u>14,049</u>	<u>466</u>	<u>1,200</u>	<u>919</u>	<u>10,223</u>	<u>31,407</u>	<u>—</u>
At 1 April 2005	3,755	12,270	—	1,200	(763)	(6,372)	10,090	14,892
Profit for the period	—	—	—	—	—	1,843	1,843	—
Acquired on subsidiaries	—	—	—	—	260	—	260	(5,575)
At 30 September 2005	<u>3,755</u>	<u>12,270</u>	<u>—</u>	<u>1,200</u>	<u>(503)</u>	<u>(4,529)</u>	<u>12,193</u>	<u>9,317</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT(UNAUDITED)*for the six months ended 30 September 2006*

	Six months ended	
	30 September	
	2006	2005
	HK\$'000	HK\$'000
Net cash inflow/(outflow) from operating activities	(2,775)	27,372
Net cash inflow/(outflow) from investing activities	1,453	(4,714)
Net cash inflow/(outflow) from financing activities	—	(16,897)
Net increase/(decrease) in cash and cash equivalents	(1,322)	5,761
Effects of foreign exchange rate	552	—
Cash and cash equivalents at 1 April	4,796	3,917
Cash and cash equivalents at 30 September	4,026	9,678
Analysis of the balances of cash and cash equivalents		
Cash at bank and in hand	4,026	9,678
	4,026	9,678

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.

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.

In the six months ended 30 September 2006, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2006. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group’s accounting policies and amounts reported for the current period or prior accounting periods.

2. Turnover

The principal activities of the Group are the provision of systems development, sales of software and hardware products, provision of professional services and provision of training services. Turnover represents income arising from the provision of systems development and consultancy services, provision of IT engineering and technical support services, provision of training courses and the sales of software and hardware products.

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	
	2006	2005	2006	2005
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
<i>Continuing operations</i>				
Systems development	21,192	10,600	35,464	29,650
Professional services fees	1,090	169	1,090	450
	<u>22,282</u>	<u>10,769</u>	<u>36,554</u>	<u>30,100</u>
<i>Discontinuing operations</i>				
Training fees	—	56	—	118
	<u>—</u>	<u>56</u>	<u>—</u>	<u>118</u>

3. Segment reporting

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:

	Continuing operation				Discontinued operation			
	System development		Professional services		Training		Combined	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Results								
Revenue from external customers	35,464	29,650	1,090	450	—	118	36,554	30,218
Segment result	8,026	6,001	757	67	—	77	8,783	6,145
Unallocated operating income and expenses							(2,960)	(5,523)
Profit from operations							5,823	622
Finance costs							—	(36)
Other gains-net							—	2,282
Profit before taxation							5,823	2,868
Taxation							(203)	(57)
Profit after taxation							5,620	2,811
Assets								
Segment assets	82,264	82,789	2,188	3,003	—		84,452	85,792
Unallocated assets							2,164	6,903
Total assets							86,616	92,695
Liabilities								
Segment liabilities	50,444	64,800	554	809	—		50,998	65,609
Unallocated liabilities							4,211	5,577
Total liabilities							55,209	71,186
Other information								
Depreciation & Amortisation								
For the period	923	902	—	—	—	—	923	902

The Group does not have any inter-segment sales.

An analysis of the Group's turnover for the period by geographical segments is as follows:

	Six months ended	
	30 September	
	2006	2005
	HK\$'000	HK\$'000
Hong Kong	—	2,229
PRC	36,554	27,989
	36,554	30,218

4. Profit from operations

Profit from operations is stated after charging / (crediting):

	UNAUDITED			
	Three months ended		Six months ended	
	30 September		30 September	
	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Auditors' remuneration	170	100	340	100
Depreciation	632	887	923	902
Finance costs - bank interests	—	(18)	—	27
Operating leases	1,054	1,163	1,163	1,207
Staff costs	3,251	3,163	6,843	6,974
Net exchange loss	—	30	—	30

5. 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 2006 and 2005.

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.

6. Earnings per share

The calculation of basic earnings per share for the three months and six months ended 30 September 2006 were based on the profit attributable to the shareholders of approximately of HK\$3,625,000 and HK\$5,620,000 (2005: earnings of HK\$1,946,000 and HK\$1,843,000) divided by the weighted average number of 90,995,000 shares for the three months and six months ended (2005: 75,105,000 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 2006 and 2005.

7. Financial assets at fair value through profit or loss

	Unaudited	Audited
	At 30 September	At 31 March
	2006	2006
	HK\$'000	HK\$'000
At fair value:		
Equity securities listed in the PRC	<u>233</u>	<u>1,727</u>

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

8. Trade and other receivables

	Unaudited	Audited
	At 30 September	At 31 March
	2006	2006
	HK\$'000	HK\$'000
Trade receivables	34,449	23,239
Retention receivables	2,202	2,590
Prepayments, deposits and other receivables	<u>17,186</u>	<u>17,016</u>
	<u>53,837</u>	<u>42,845</u>

An aged analysis of trade receivables is as follows:

	Unaudited	Audited
	At 30 September	At 31 March
	2006	2006
	HK\$'000	HK\$'000
Within 1 month	10,268	125
More than 1 month but within 3 months	3,233	1,216
More than 3 months	<u>20,948</u>	<u>21,898</u>
	<u>34,449</u>	<u>23,239</u>

9. Trade and other payables

	Unaudited At 30 September 2006 HK\$'000	Audited At 31 March 2006 HK\$'000
Bills payable	964	—
Trade payable	17,466	9,881
Other payable and accruals	21,230	23,796
	<u>39,660</u>	<u>33,677</u>

An aged analysis of trade payable is as follows:

	Unaudited At 30 September 2006 HK\$'000	Audited At 31 March 2006 HK\$'000
Within 1 month	6,218	276
More than 1 month but within 3 months	2,142	624
More than 3 months	9,106	8,981
	<u>17,466</u>	<u>9,881</u>

All bills payables are due within two months.

10. Share capital

	Unaudited As at 30 September 2006		Audited As at 31 March 2006	
	No. of shares '000	Amount HK\$'000	No. of shares '000	Amount HK\$'000
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	90,995	4,550	90,995	4,550

11. 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.

12. Commitments under operating leases

At 30 September 2006, the total future minimum lease payments under non-cancellable operating leases payable are as follows:

	Unaudited	Audited
	At 30 September	At 31 March
	2006	2006
	HK\$'000	HK\$'000
Within 1 year	1,139	1,636

13. Dividend

The Board does not recommend the payment of any dividend for the six months ended 30 September 2006 (2005: Nil).

14. 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 the 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 the double 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 strongly believe that the Company has reasonable good defence in this action and therefore, no provision for liabilities were made.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Business Review

Turnover for the six months ended 30 September 2006 amounted to approximately HK\$ 36 million representing an increase of approximately 21% over the corresponding period in 2005. The increase is mainly due to the consolidation of the results from Beijing Tongfang .

During the period under review, contracts completed by the Group included management information system provided to Neimenggu Electric Power College, Guangdong Power Grid Corporation, and Jiangsu Electric Power Corporation. The Group continue to experience strong demand for its power plant operations and management software.

Financial Performance

During the six months ended 30 September 2006, the Group recorded a turnover of HK\$36 million (2005: HK\$30 million) representing a increase of approximately 21% as compared to that of the corresponding period in 2005.

Revenue for the three months ended 30 September 2006 of approximately HK\$22 million (ended 30 June 2006: HK\$14 million) is about 56% higher than that for the three months ended 30 June 2006. Profit attributable to the shareholders was approximately HK\$ 5.6 million (2005: profit HK\$1.8million).

Liquidity and Financial Resources

As at 30 September 2006, shareholders' funds of the Group amounted to approximately HK\$31 million (2005: HK\$12 million). Current assets amounted to approximately HK\$79 million (2005: HK\$83 million), of which approximately HK\$4 million (2005: HK\$10 million) were cash and cash equivalents. Current liabilities of HK\$55 million (2005: HK\$71 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 2006 was 176 % (2005: 584%).

Foreign Currency Exposure

During the six months ended 30 September 2006, 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 2006.

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 2006, the Group had hired 4 and 217 employees in Hong Kong and PRC respectively (2005: a total of 238) including the executive directors of the Company. Total staff costs including directors' remuneration for the six months period under review amounting to approximately HK\$6.8 million (2005: HK\$7 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 2006, no option was granted under the share option scheme.

Charges on Group Assets and Contingent Liabilities

As at 30 September 2006, the Group did not have any material charge on assets or any contingent liabilities (2005: the acquisition of a further 35% interest in Beijing Tongfang as disclosed in the circular of the company date 26 August 2005).

Future Plans to Material Investments or Capital Assets

As at 30 September 2006, the Group had no plans for material investments or capital assets.

Future Prospects

The main operation of the Group, supplying management information system to power plant and power grid in China, is expected to benefit from the building of power plants in the PRC and the improvement of management information system for existing power plants. In addition to expanding into nuclear power station, the Group is actively looking for new growth areas through merger and acquisition.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 30 September 2006, 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

Name of Director	Nature of Shares interested	Number of Shares interested	Approximate Percentage of issued share capital
Mr. Luk Yat Hung			
(Note)	Corporate	21,542,476	23.67%
Mr. Ho Cho Hang	Personal	1,100,000	1.21%

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 2006, 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 2006, 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 2006, 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	23.67%
Mr. Luk Yat Hung	2	21,542,476	23.67%
Resuccess Investments Ltd.	3	15,890,000	17.46%
Tongfang Co.Ltd	4	15,890,000	17.46%
Tsinghua Holdings Co.Ltd	5	15,890,000	17.46%
Best Jade Ltd.	6	7,190,000	7.90%
Ms.Li Luyuan	7	7,190,000	7.90%

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 2006, 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 2006, 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 2006, 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 2006, 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 2006 or at any time during such period.

DIRECTORS' COMPETING INTERESTS

As of 30 September 2006, 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 2006.

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 2006, 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, Mr. Yan Yonghong, and Mr. Peng Lijun, and Mr. Chung Shui Ming Timpson is the chairman of the audit committee.

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

BOARD PRACTICES AND PROCEDURES

Up to the six months period ended 30 September 2006, 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
Li Wenli
Director

Hong Kong, 10 November 2006

As at the date of announcement, 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

This announcement will remain on the "Latest Company Announcement" page of the GEM website for at least 7 days from its date of publication.