



139 HOLDINGS LIMITED

(139 控股有限公司) *

(Incorporated in Bermuda with limited liability)

(Stock Code: 139)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2006

The Board of Directors (the "Board") of 139 Holdings Limited (the "Company") announces the audited results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2006 (the "Year") together with comparative figures for the previous year as follows:-

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2006

		For the year ended 31 March	
	Notes	2006 HK\$'000	2005 HK\$'000
REVENUE	3		
Electronic products		29,216	7,794
Treasury investment		(18,893)	32,064
		<u>10,323</u>	<u>39,858</u>
Cost of electronic products sold		(29,308)	(15,522)
Brokerage and commission expenses		(1,242)	(241)
		<u>(30,550)</u>	<u>(15,763)</u>
		(20,227)	24,095
Other income and gains	3	3,246	698
Selling and distribution costs		(303)	(642)
Administrative expenses		(16,247)	(17,896)
Other operating expenses		(415)	(3,941)
Fair value losses, net:			
Equity investments at fair value through profit or loss		(10,096)	—
Conversion option derivative		(1,479)	—
Unrealised gain on other securities		—	22,961
Finance costs	5	(961)	(150)
PROFIT/(LOSS) BEFORE TAX	4	<u>(46,482)</u>	<u>25,125</u>
Tax	6	—	—
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT		<u>(46,482)</u>	<u>25,125</u>
DIVIDEND	7	<u>—</u>	<u>—</u>
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		Restated
Basic		<u>(4.10 cents)</u>	<u>2.67 cents</u>
Diluted		<u>N/A</u>	<u>N/A</u>

CONSOLIDATED BALANCE SHEET
31 March 2006

		As at 31 March	
	<i>Notes</i>	2006	2005
		HK\$'000	HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		403	172
Prepaid land lease payment		–	–
Convertible notes – loan portion/convertible notes		12,480	13,500
Available-for-sale equity investments/investment securities		122,743	–
Total non-current assets		<u>135,626</u>	<u>13,672</u>
CURRENT ASSETS			
Equity investments at fair value through profit or loss/other securities		192,558	194,743
Inventories		6	379
Trade receivables	9	10,235	–
Prepayments, deposits and other receivables		7,985	26,132
Pledged time deposits		6,731	6,572
Cash and cash equivalents		18,780	83,505
Total current assets		<u>236,295</u>	<u>311,331</u>
CURRENT LIABILITIES			
Trade payables	10	250	196
Tax payable		363	363
Other payables and accruals		7,170	8,533
Finance lease payables		78	–
Bank overdrafts, secured		–	1
Total current liabilities		<u>7,861</u>	<u>9,093</u>
NET CURRENT ASSETS		<u>228,434</u>	<u>302,238</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>364,060</u>	<u>315,910</u>
NON-CURRENT LIABILITIES			
Finance lease payables		69	–
Deferred tax liabilities		6,471	–
Total non-current liabilities		<u>6,540</u>	<u>–</u>
Net assets		<u>357,520</u>	<u>315,910</u>
Equity attributable to equity holders of the parent			
Issued Capital	11	11,332	113,324
Reserves		346,188	202,586
Total equity		<u>357,520</u>	<u>315,910</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of Hong Kong Companies Ordinance. The financial statements also comply with applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“Listing Rules”).

The accounting policies and basis of preparation used in the preparation of these financial statements are consistent with those used in the preparation of the Company’s audited consolidated financial statements for the year ended 31 March 2005, except that the Group has in the current year applied, for the first time, the following new and revised HKFRSs and interpretations (hereinafter collectively referred to as “new HKFRSs”) issued by the HKICPA that are effective for the accounting periods commencing on or after 1 January 2005:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue

HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39	Financial Instruments : Recognition and Measurement
HKAS 39	Transition and Initial Recognition of Financial Assets and Financial liabilities
Amendment	
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations

The adoption of HKASs 1,2,7,8,10,12,14,16,17,18,19,21,23,24,27,33,36,37,39 Amendment, HKFRSs 2 and 3 has had no material impact on the accounting policies of the Group and the Company and the methods of computation in the Group's and the Company's financial statements.

The impact of adopting the other HKFRSs is summarised as follows:

HKASs 32 and 39 – Financial Instruments

(i) Equity securities

At 31 March 2005, the Group classified its investments in securities into investment securities and other securities, which were stated in the balance sheet at cost less any impairment losses and at fair value, respectively. Any impairment losses on investment securities and changes in fair value on other securities were recognised in the income statement for the period in which they arise.

From 1 April 2005 onwards, the Group classified its investments in securities into the following categories, taking into account the purpose for which the investments are acquired:

Equity investments at fair value through profit or loss

Equity investments at fair value through profit or loss are financial assets held for trading and those designated at fair value through profit or loss at inception. They are carried at fair value in the balance sheet. Any change in fair value is recognised in the income statement.

Available-for-sale equity investments

Available-for-sale equity investments are non-derivative financial assets that are either designated in this category or not classified in any other categories. They are carried at fair value except for certain available-for-sale equity investments that do not have a published quoted price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any accumulated impairment losses. The impairment loss is charged to the income statement for the period in which they arise.

For available-for-sale equity investments carried at fair value, any gain or loss arising from the change in fair value is recognised directly in equity except for impairment losses, until the financial asset is derecognised at which time the cumulative gain or loss previously recognised in equity is recognised in the income statement.

When a decline in the fair value of an available-for-sale equity investment has been recognised directly in equity and there is objective evidence that asset is impaired, the cumulative loss that had been recognised directly in equity is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments shall not be reversed through profit or loss.

In accordance with the transitional provisions of HKAS 39, the Group re-designated other securities with total carrying amounts of HK\$43,646,000 and HK\$171,471,000 into available-for-sale equity investments and equity investments at fair value through profit or loss on 1 April 2005, respectively.

In prior years, in accordance with paragraph 41 of Statement of Standard Accounting Practice (“SSAP”) 24 “Accounting for Investment in Securities”, a discount was applied in determining the fair values of other securities with large size in holding to reflect the reduction in price likely to be incurred in disposing of the securities with such a large-sized holding.

Upon the adoption of HKAS 39, the application of discount on the determination of the fair value of the large-sized holding securities is not permitted. In accordance with the transitional provisions of HKAS 39, comparative amounts have not been restated and an adjustment of HK\$20,374,000 was credited to the opening balance of accumulated losses to reflect the write-back of discount made in previous years.

(ii) Convertible notes

In prior years, convertible notes which were held for long term purposes were stated at cost less any impairment losses. Upon the adoption of HKAS 39, convertible notes are separated into two components: (1) loan portion and (2) conversion option derivative.

Loan portion is carried at amortised cost using the effective interest method at subsequent balance sheet date. Conversion option derivative is carried at fair value at each balance sheet date, with changes in fair value recognised in the income statement.

In accordance with the transitional provisions of HKAS 39, comparative amounts have not been restated.

Summary of the impact of changes in accounting policies

(a) Effect on the consolidated balance sheet

At 1 April 2005	Effect of adopting			Total HK\$'000
	HKASs 32 and 39* Re-designation of equity securities HK\$'000	HKAS 39* Convertible notes HK\$'000	HKAS 39* Fair value measurement on financial instruments HK\$'000	
Effect of new policies (Increase/(decrease))				
<u>Assets</u>				
Available-for-sale equity investments	43,646	–	–	43,646
Convertible notes	–	(13,500)	–	(13,500)
Convertible notes-loan portion	–	12,021	–	12,021
Conversion option derivative	–	1,479	–	1,479
Equity investments at fair value through profit or loss	171,471	–	–	171,471
Other securities	(215,117)	–	20,374	(194,743)
				<u>20,374</u>
<u>Equity</u>				
Accumulated losses	–	–	20,374	<u>20,374</u>

* Adjustments taken effect prospectively from 1 April 2005

At 31 March 2006	Effect of adopting			Total HK\$'000
	HKASs 32 and 39 Re-designation of equity securities HK\$'000	HKAS 39 Convertible notes HK\$'000	HKAS 39 Fair value measurement on financial instruments HK\$'000	
Effect of new policies (Increase/(decrease))				
<u>Assets</u>				
Available-for-sale equity investments	122,743	–	–	122,743
Convertible notes	–	(13,500)	–	(13,500)
Convertible notes-loan portion	–	12,480	–	12,480
Equity investments at fair value through profit or loss	192,558	–	–	192,558
Other securities	(315,301)	–	37,928	(277,373)
				<u>36,908</u>
<u>Liabilities/Equity</u>				
Tax payable	(6,471)	–	–	(6,471)
Deferred tax liabilities	6,471	–	–	6,471
Available-for-sale equity investment revaluation reserve	67,832	–	–	67,832
Accumulated losses	(67,832)	(1,020)	37,928	(30,924)
				<u>36,908</u>

(b) Effect on the consolidated income statement for the year ended 31 March 2006

Year ended 31 March 2006	Effect of adopting			Total HK\$'000
	HKASs 32 and 39 Re-designation of equity securities HK\$'000	HKAS 39 Convertible notes HK\$'000	HKAS 39 Fair value measurement on financial instruments HK\$'000	
Effect of new policies				
Increase in revenue from treasury investment	–	459	–	459
Increase/(decrease) in fair value gains on equity investments at fair value through profit or loss	(74,303)	–	17,554	(56,749)
Increase in fair value losses on a conversion option derivative	–	(1,479)	–	(1,479)
Decrease in tax	6,471	–	–	6,471
Total increase/(decrease) in profit	<u>(67,832)</u>	<u>(1,020)</u>	<u>17,554</u>	<u>(51,298)</u>
Increase/(decrease) in basic earnings/(loss) per share	<u>(5.9 cents)</u>	<u>(0.1 cents)</u>	<u>1.5 cents</u>	<u>(4.5 cents)</u>

2. Segment information

An analysis by business and geographical area of operation of the Group's turnover and segment results for the Year and the year ended 31 March 2005 is summarised as follows:–

(a) *Primary reporting format – business segments:*

Group

	Electronic products		Treasury investment		Corporate & others		Consolidated	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Segment revenue:								
Sales to external customers	29,216	7,794	–	–	–	–	29,216	7,794
Gains/(losses) from treasury investment	–	–	(18,893)	32,064	–	–	(18,893)	32,064
Total	29,216	7,794	(18,893)	32,064	–	–	10,323	39,858
Segment results	(2,916)	(15,721)	(35,687)	50,581	(9,035)	(9,392)	(47,638)	25,468
Interest income, gains and unallocated gains							3,109	696
Unallocated expenses							(992)	(889)
Finance costs							(961)	(150)
Profit/(loss) before tax							(46,482)	25,125
Tax							–	–
Profit/(loss) for the year							(46,482)	25,125
Assets and liabilities								
Segment assets	12,835	648	338,687	204,465	1,224	65,294	352,746	270,407
Unallocated assets							19,175	54,596
Total assets							371,921	325,003
Segment liabilities	5,447	4,975	120	–	2,301	3,210	7,868	8,185
Unallocated liabilities							6,533	908
Total liabilities							14,401	9,093

(b) *Secondary reporting format – geographical segments:*

Group

	People's Republic of China (including Hong Kong)		United States of America and Europe		Total	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Segment revenue:						
Electronic products	27,315	–	1,901	7,794	29,216	7,794
Treasury investment	(18,893)	32,064	–	–	(18,893)	32,064
	8,422	32,064	1,901	7,794	10,323	39,858
Other segment information:						
Segment assets	371,921	325,003	–	–	371,921	325,003

3. Revenue, other income and gains

	For the year ended 31 March	
	2006 HK\$'000	2005 HK\$'000
Revenue		
Sales of goods	29,216	7,794
Gains/(losses) on disposal of equity investments at fair value through profit or loss/other securities	(24,066)	28,220
Dividend income from listed securities	4,289	3,655
Interest income from convertible notes	884	189
	10,323	39,858
Other income and gains		
Bank interest income	1,931	167
Gain on disposal of subsidiaries	1,173	–
Gain on disposal of items of property, plant and equipment	109	–
Others	33	531
	3,246	698

4. Profit/(loss) before Tax

The Group's profit/(loss) before tax is arrived at after charging:–

	For the year ended 31 March	
	2006	2005
	HK\$'000	HK\$'000
Cost of inventories sold	29,945	9,361
Depreciation	143	4,513
Provision for impairment of items of property, plant and equipment	–	3,777
	<u> </u>	<u> </u>

5. Finance costs

	For the year ended 31 March	
	2006	2005
	HK\$'000	HK\$'000
Interest on bank overdrafts wholly repayable within five years	1	150
Interest on other loans	949	–
Interest on finance lease	11	–
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>

6. Tax

No provision for Hong Kong profits tax has been made as the Group had no assessable profits during the year (2005: Nil). No provision for Mainland China corporate income tax has been made as the Group did not generate any assessable profits in Mainland China during the year (2005: Nil).

7. Dividend

The Board has resolved not to pay any dividend for the year ended 31 March 2006 (2005: Nil)

8. Earnings/(loss) per share attributable to ordinary equity holders of the parent

The calculation of basic earnings/(loss) per share is based on the net loss for the Year attributable to ordinary equity holders of the parent for the year of HK\$46,482,000 (2005: net profit for the year attributable to equity holders of the parent of HK\$25,125,000) and the weighted average number of 1,133,243,047 (2005: 942,558,116) ordinary shares in issue during the Year. The weighted average number of shares in 2005 is adjusted to reflect the changes in the number of ordinary shares as a result of the capital reorganisation of the Company during the Year.

Diluted earnings/(loss) per share amounts for the years ended 31 March 2006 and 2005 have not been disclosed as no diluting events existed during these years.

9. Trade receivables

Ageing analysis:

	As at 31 March	
	2006	2005
	HK\$'000	HK\$'000
Within 1 month	8,709	–
1 to 2 months	736	–
2 to 3 months	790	–
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>

The Group's trading terms with customers are mainly on credit except for new customers, where payment in advance is normally required. The credit period is generally for a period of one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict credit control over its outstanding receivables. Overdue balances are regularly reviewed by senior management.

10. Trade payables

Ageing analysis:

	As at 31 March	
	2006	2005
	HK\$'000	HK\$'000
Within 1 month	210	14
1 to 2 months	–	68
2 to 3 months	–	68
Over 3 months	40	46
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>

11. Share capital

	As at 31 March	
	2006	2005
	HK\$'000	HK\$'000
Authorised:		
60,000,000,000 ordinary shares of HK\$0.01 each	<u>600,000</u>	<u>600,000</u>
Issued and fully paid:		
1,133,243,047 (2005: 11,332,430,478) ordinary shares of HK\$0.01 each	<u>11,332</u>	<u>113,324</u>

A capital reorganisation scheme was approved by the shareholders under a special resolution on 28 July 2005, details of the which are as follows:

- (a) Every ten shares of HK\$0.01 each in the issued share capital of the Company were consolidated into one consolidated share of HK\$0.10;
- (b) Every issued consolidated share was reduced in nominal amount by cancelling HK\$0.09 of the capital paid up for each issued consolidated share so as to form (after the share consolidation) one reorganised share of HK\$0.01; and
- (c) The credit arising from the capital reorganisation was transferred to the contributed surplus of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group's revenue for the year was HK\$10.3 million, representing a decrease of HK\$29.5 million or 74% compared with last year. This decrease was mainly attributable to the loss of disposal of equity investments at fair value through profit or loss of HK\$24.1 million which was included as part of the Group's revenue. The net loss for the year was HK\$46.5 million, compared to a net profit of HK\$25.1 million last year. The Group's net loss for the year was primarily attributable to the loss on disposal of equity investments at fair value through profit or loss of HK\$24.1 million, a fair value loss on equity investments at fair value through profit or loss of HK\$10.1 million and on conversion option derivative of HK\$1.5 million.

During the year, the revenue from electronic products trading increased by HK\$21.4 million to HK\$29.2 million. The marked increase in revenue was mainly due to the sales of other non-car audio electronic products. With the lean cost structure and the contributions from the broader array of electronic products, the operating loss for this electronic products trading substantially reduced by HK\$12.8 million or 81.5% to HK\$2.9 million.

During the year, the Group's car audio market remained highly competitive in terms of rising raw material costs and the cut-throat price pressures. The costs of memory integrated circuits and plastic resin increased substantially and thus further eroded the profit margin of the car audio products. Coupled with the growing popularity of new digital car audio and video products, the demand for the traditional car audio products were severely affected. In order to compensate for the falling sales volumes and diminishing profit margin of car audio products, the Group has decided to put more efforts on developing the trading of other non-car audio electronic products covering broader spectrum of price points, product ranges and market niches.

During the year, the Group has put more resources and efforts in developing close relationships with large-volume distribution channels, strengthening its after-sales services and value-added services. Through reinforcing the sales and marketing team, cooperation with business partners and active participation in trade fair, the Group has traded a wide range of electronic products and expanded the trading business steadily. As a result, the electronic products trading started to contribute to the results of the Group.

The Group has continued to utilise its available fund in treasury investment during the Year. Due to the uncertainty in interest rate and volatile local equity market, this segment incurred a loss on disposal of equity investments at fair value through profit or loss of HK\$24.1 million, a fair value loss on equity investments at fair value through profit or loss of HK\$10.1 million and on conversion option derivative of HK\$1.5 million.

Prospects

The intense price pressure and rising material costs remain the unfavorable factors adversely affecting the electronic products market in the year to come. To be more competitive and flexible in the competitive electronic products market, the Group would continue to put strict cost control in place and secure more distribution and trading business of new and innovative electronic products.

Looking ahead, it is anticipated that the global economic environment is positive and economic growth momentum will continue, in particular in Mainland China. The fast economic growth in Mainland China will boost various business and industries and create enormous investment opportunities throughout the region. With these positive economic trends, the Group will continue to pursue its prudent strategy to explore business opportunities for diversifying its existing business and revenue streams.

Financial Review

The Group's revenue for the year was HK\$10.3 million, representing a decrease of HK\$29.5 million or 74% compared with last year. The Group's revenue principally comprised the sales electronic products of HK\$29.2 million and the loss on disposal of equity investments at fair value through profit or loss of HK\$24.1 million. During the year, the revenue of electronic products increased by HK\$21.4 million or 275% to HK\$29.2 million.

The loss for the year was HK\$46.5 million, comparing to profit for last year of HK\$25.1 million. As at 31 March 2006, the Group's net asset value stood at HK\$357.5 million (at 31 March 2005: HK\$315.9 million). The Group maintained a sound financial position in terms of high assets liquidity and nil debt burden.

Liquidity and Financial Resources

During the year, the Group has generally financed its operation with internally generated cash flow and banking facilities. The Group's cash and bank balances and time deposit as at 31 March 2006 amounted to HK\$25.5 million (at 31 March 2005: HK\$90.0 million).

As at 31 March 2006, there were no bank overdrafts, short and long term interest-bearing bank borrowings to the Group (at 31 March 2005: Nil).

As at 31 March 2006, the Group's current ratio was 30.1 times (at 31 March 2005: 34.2 times) based on current assets of HK\$236.3 million (at 31 March 2005: HK\$311.3 million) and current liabilities of HK\$7.9 million (at 31 March 2005: HK\$9.1 million).

As at 31 March 2006, the Group has no contingent liabilities or material commitments for the purchase of property, plant and equipment.

Capital Structure

As at 31 March 2006, the Group's gearing ratio, being the total finance lease payables to net worth was 0.04% (31 March 2005: Nil).

The Group's bank deposits and borrowings are mainly denominated in Hong Kong dollars. Most of the Group's sales and purchases are made in United States dollars and Hong Kong dollars. Therefore, the exchange risks exposed to the Group is minimal.

Significant Investments

As at 31 March 2006, the Group had convertible notes issued by a company listed on The Stock Exchange of Hong Kong Limited with carrying amount of HK\$12.5 million. The related interest for the Year was HK\$0.9 million.

As at 31 March 2006, the Group maintained a portfolio of equity investments (including available-for-sale equity investments and equity investments at fair value through profit or loss) with total carrying amount of HK\$315.3 million. The related dividend income for the Year was HK\$4.3 million.

Details of Charges on Assets

At 31 March 2006, a fixed deposit of HK\$6.7 million (2005:HK\$6.6 million) were pledged to secure banking facilities granted to the Group.

Material Acquisitions and Disposals

During the Year, the Company has no material acquisition and disposal of subsidiaries and associate.

Employment, Training and Development

At 31 March 2006, the Group had a total of 45 employees of which 22 are based in Hong Kong and 23 based in Mainland China. The Group has committed itself to its staff training and development and structured training programs for all employees.

Remuneration packages are maintained at competitive level and reviewed on a periodic basis. Bonus and share options are awarded to certain employees according to the assessment of individual performance and industry practice.

Share Option Scheme

The Company currently operates a share option scheme ("Scheme") adopted on 27 August 2003 for the purpose of providing incentives and rewards to eligible participants (including but not limited to the directors and employees of the Group) who contribute to the success of the Group's operations. No share options of the Company have been granted under the Scheme since its adoption.

Final Dividend

The Board does not recommend the payment of a final dividend in respect of the Year (2005: Nil).

Closure of Register of Members

The register of members of the Company will be closed from Wednesday, 23 August 2006 to Monday, 28 August 2006 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for attending the annual general meeting of the Company to be held on Monday, 28 August 2006, all transfers of shares of the Company accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company's Share Registrar in Hong Kong, Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 22 August 2006.

Code on Corporate Governance Practices

In the opinion of the directors of the Company, the Company has complied with the code provisions set out in Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Listing Rules throughout the Year except for the deviation as mentioned below:

Under the code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Wong Howard, an executive director of the Company, has been appointed as the chairman of the Company with effect from 15 December 2005 and hence currently assumes the roles of both the chairman and the chief executive officer of the Company. The Board believes that this structure provides the Group with strong and consistent leadership and allows for more effective and efficient business planning and decisions as well as execution of long term business strategies. As such, it is beneficial to the business prospects of the Company.

Purchase, Sale or Redemption of Listed Securities

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Year.

Audit Committee

The Audit Committee meets at least twice a year to monitor and review the integrity and effectiveness of the Company's financial report. The Audit Committee has reviewed the Company's audited consolidated financial statement for the year ended 31 March 2006 and discussed auditing, financial and internal control, and financial reporting matters of the Company. The Audit Committee comprises three members, Mr. Tung Tat Chiu, Michael (Chairman of the Audit Committee), Mr. Li Chi Ming and Mr. Wan Ngar Yin, David who are the independent non-executive directors of the Company.

Directors of the Company

As at the date hereof, the Company's executive directors are Mr. Wong Howard, Mr Wong Yat Fai, and Mr Wu Qing and the independent non-executive directors of the Company are Mr Li Chi Ming, Mr Tung Tat Chiu, Michael and Mr Wan Ngar Yin, David.

On behalf of the Board
Wong Howard
Chairman of the Board

Hong Kong, 20 July 2006

* *For identification purposes only*