

STELUX Holdings International Limited

寶光實業(國際)有限公司*

http://www.irasia.com/listco/hk/stelux
(Incorporated in Bermuda with limited liability)
(Stock Code: 84)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2005

The Directors are pleased to report the Group's interim results and accounts for the six months ended 30th September 2005. The Group reported a profit attributable to shareholders of HK\$68.8 million for the period under review.

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2005

		Unaudited Six months ended 30th September	
		2005	2004
	Note	HK\$'000	HK\$'000
Turnover	2	703,997	672,618
Cost of sales		(249,278)	(231,208)
Gross profit		454,719	441,410
Other revenues		7,336	7,301
Selling expenses		(335,006)	(291,672)
General and administrative expenses		(90,484)	(79,896)
Other operating expenses		(25,730)	(24,895)
Other operating income		83,149	–
Operating profit before financing	3	93,984	52,248
Finance costs		(12,972)	(10,756)
Profit before taxation		81,012	41,492
Taxation charge	4	(12,138)	(2,026)
Profit for the period		68,874	39,466
Attributable to:			
Equity holders of the Company		68,874	39,466
Minority interests		–	–
		68,874	39,466
Dividend	5	9,513	9,513
Earnings per share	6	HK cents	HK cents
– basic		7.24	4.18
– diluted		N/A	4.17

CONSOLIDATED BALANCE SHEET

AT 30TH SEPTEMBER 2005 AND 31ST MARCH 2005

		Unaudited 30th September		Restated 31st March	
		2005	2004	2005	2004
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS					
Non-current assets					
Property, plant and equipment		158,471	154,670	158,471	154,670
Investment properties		758,970	712,350	758,970	712,350
Prepayment of lease premium		165,431	162,830	165,431	162,830
Intangible assets		21,264	17,052	21,264	17,052
Deferred tax assets		33,273	32,875	33,273	32,875
Investment securities		–	4,299	–	4,299
Available-for-sale financial assets		11,500	–	11,500	–
		1,148,909	1,084,076	1,148,909	1,084,076
Current assets					
Stocks		517,080	388,849	517,080	388,849
Debtors and prepayments	7	421,036	292,830	421,036	292,830
Marketable securities		–	83	–	83
Financial assets at fair value					
through profit or loss		48,078	–	48,078	–
Bank balances and cash		80,480	64,779	80,480	64,779
		1,066,674	746,541	1,066,674	746,541
Total assets		2,215,583	1,830,617	2,215,583	1,830,617
EQUITY					
Capital and reserves attributable to the Company's equity holders:					
Share capital		95,134	95,134	95,134	95,134
Reserves		905,353	844,529	905,353	844,529
Declared interim/proposed final dividend		9,513	23,784	9,513	23,784
Shareholders' funds		1,010,000	963,447	1,010,000	963,447
Minority interests		6,288	2,494	6,288	2,494
Total equity		1,016,288	965,941	1,016,288	965,941
LIABILITIES					
Non-current liabilities					
Deferred tax liabilities		57,027	47,985	57,027	47,985
Other non-current liabilities		400,675	279,719	400,675	279,719
		457,702	327,704	457,702	327,704
Current liabilities					
Creditors and accruals	8	399,117	284,436	399,117	284,436
Loans from the ultimate holding company		38,500	–	38,500	–
Loan from a shareholder		36,500	–	36,500	–
Loans from a director		8,288	8,648	8,288	8,648
Taxation payable		15,980	15,770	15,980	15,770
Current portion of other non-current liabilities		15,292	23,465	15,292	23,465
Bank overdrafts and short term loans					
Secured		129,389	141,058	129,389	141,058
Unsecured		98,527	63,595	98,527	63,595
		741,593	536,972	741,593	536,972
Total liabilities		1,199,295	864,676	1,199,295	864,676
Total equity and liabilities		2,215,583	1,830,617	2,215,583	1,830,617
Net current assets		325,081	209,569	325,081	209,569
Total assets less current liabilities		1,473,990	1,293,645	1,473,990	1,293,645

* For identification purpose only

NOTES TO INTERIM ACCOUNTS

1 Basis of preparation and accounting policies

(a) Basis of preparation

These unaudited condensed consolidated interim accounts have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The accounting policies and methods of computation used in the preparation of these condensed interim accounts are consistent with those used in the annual accounts for the year ended 31st March 2005 except that the Group has changed some of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards ("HKFRS") and Hong Kong Accounting Standards ("HKAS") (collectively the "new HKFRSs") which are effective for accounting periods commencing on or after 1st January 2005.

The condensed consolidated interim accounts should be read in conjunction with the 2005 annual accounts.

(b) Changes in accounting policies

In the six months ended 30th September 2005, the Group adopted the new HKFRSs below which are relevant to its operations. The prior comparatives have been amended in accordance with the relevant requirements and current period classification.

HKAS	Description
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 16	Property, Plant and Equipment
HKAS 17	Leases
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: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations
HKFRS 5	Non-current Asset held for Sale and Discontinued Operations

(i) The following is a summary of effect of adopting the new HKFRSs on the interim accounts

(a) Consolidated profit and loss account for the six months ended 30th September 2005

	Increase/(decrease)			
	HKAS			
	HKAS 17	32 and 39	HKAS 38	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other operating expenses	–	–	(1,178)	(1,178)
	HK cents	HK cents	HK cents	HK cents
Earnings per share	–	–	0.12	0.12

There is no material impact of adopting the new HKFRSs on the consolidated profit and loss account for the six months ended 30th September 2004.

(b) Consolidated balance sheet

As at 30th September 2005

	Increase/(decrease)			
	HKAS			
	HKAS 17	32 and 39	HKAS 38	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Fixed assets	(1,082,872)	–	–	(1,082,872)
Property, plant and equipment	158,471	–	–	158,471
Investment properties	758,970	–	–	758,970
Prepayment for lease premium	165,431	–	–	165,431
Intangible assets	–	–	1,178	1,178
Investment securities	–	(4,299)	–	(4,299)
Available-for-sale financial assets	–	11,500	–	11,500
Debtors and prepayments	–	6,186	–	6,186
Bank overdrafts and short term loans, secured	–	(6,186)	–	(6,186)
Net assets	–	7,201	1,178	8,379
Retained profits	–	–	1,178	1,178
Other reserves	–	7,201	–	7,201
Shareholders' funds	–	7,201	1,178	8,379

As at 31st March 2005

	Increase/(decrease)			
	HKAS			
	HKAS 17	32 and 39	HKAS 38	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Fixed assets	(1,029,850)	–	–	(1,029,850)
Property, plant and equipment	154,670	–	–	154,670
Investment properties	712,350	–	–	712,350
Prepayment for lease premium	162,830	–	–	162,830
Net assets	–	–	–	–

2 Segment information

Primary reporting format – business segments

	Unaudited Six months ended 30th September 2005						
	Retail and trading						
	Watch	Optical	Hipo.fant	Property	Investment	Eliminations	Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	415,323	232,053	40,979	21,012	70	(5,440)	703,997
Segment results	9,038	17,270	(7,811)	87,333	8,069	–	113,899
Net corporate expenses							(19,915)
Operating profit before financing cost							93,984
Finance costs							(12,972)
Profit before taxation							81,012
Taxation charge							(12,138)
Profit for the period							68,874

Note: The Board has resolved on 14th July 2005 to close the Hipo.fant business during the current financial year no later than 31st March 2006.

	Unaudited Six months ended 30th September 2004						
	Retail and trading						
	Watch	Optical	Hipo.fant	Property	Investment	Eliminations	Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	437,112	184,295	36,373	20,154	21	(5,337)	672,618
Segment results	52,014	12,823	(5,252)	8,878	21	–	68,484
Net corporate expenses							(16,236)
Operating profit before financing cost							52,248
Finance costs							(10,756)
Profit before taxation							41,492
Taxation charge							(2,026)
Profit for the period							39,466

Secondary reporting format – geographical segments

	Six months ended 30th September – Unaudited Turnover				Six months ended 30th September – Unaudited Segment Results			
	2005		2004		2005		2004	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	As restated 2004
Hong Kong	390,080	362,635	100,667	28,124	390,080	362,635	100,667	28,124
South East and Far East Asia	220,975	186,756	13,553	20,281	220,975	186,756	13,553	20,281
Europe	63,455	91,543	4,497	14,528	63,455	91,543	4,497	14,528
North America	5,315	13,967	1,827	6,201	5,315	13,967	1,827	6,201
PRC mainland and others	24,172	17,717	(6,645)	(650)	24,172	17,717	(6,645)	(650)
	703,997	672,618	113,899	68,484	703,997	672,618	113,899	68,484

3 Operating profit before financing

Operating profit before financing is stated after crediting and charging:

	Unaudited Six months ended 30th September	
	2005	2004
	HK\$'000	HK\$'000
Crediting		
Compensation received on arbitration (note)	38,489	–
Fair value gain on financial assets at fair value through profit or loss	8,000	–
Surplus on revaluation of investment properties	36,660	–
Write back of provision for stock obsolescence	9,666	–
Charging		
Depreciation		
Owned property, plant and equipment	23,128	21,267
Leased property, plant and equipment	220	268
Amortisation of prepayment of lease premium	4,445	4,205
Amortisation of trademarks	–	1,136
Loss on disposal of property, plant and equipment	389	66
Provision for stock obsolescence and stocks written off	3,944	1,178
Provision for doubtful debts and bad debts written off	1,090	406

Note: As disclosed in note 6 to the 2004 Annual Accounts, the Group was entitled to counter-claim liquidated damages and other costs or losses from the contractor for Stelux House in March 2004. In December 2004, the arbitrator awarded legal costs and interests in favour of the Group. The Contractor filed an appeal but failed to overturn the arbitrator's award. After deducting other related costs, a sum of HK\$38,489,000 was recognised during the period.

4 Taxation charge

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profit for the period less relief for available tax losses. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the consolidated profit and loss account represents:

	Unaudited Six months ended 30th September	
	2005	2004
	HK\$'000	HK\$'000
Current taxation		
Overseas profits tax	4,009	

	Unaudited	
	Six months ended	
	30th September 2005	2004
	HK\$'000	HK\$'000
Interim, declared, of HK\$0.01 (2004: HK\$0.01) per ordinary share	9,513	9,513

At a meeting held on 20th December 2005, the Directors declared an interim dividend of HK\$0.01 per ordinary share. This declared dividend is not reflected as a dividend payable in the interim accounts, but will be reflected as an appropriation of retained earnings for the year ending 31st March 2006.

6 Earnings per share

Basic

Basic earnings per share is calculated by dividing the Group's profit attributable to equity holders by the weighted average number of ordinary shares in issue during the period.

	Unaudited	
	Six months ended	
	30th September 2005	2004
	HK\$'000	HK\$'000
Group's profit attributable to equity holders	68,874	39,466
Weighted average number of ordinary shares in issue (thousands)	951,340	943,438
Basic earnings per share (HK cents per share)	7.24	4.18

Diluted

The diluted earnings per share for the six months ended 30th September 2005 was not presented as there are no outstanding share options during the period.

The calculation of diluted earnings per share for the six months ended 30th September 2004 was based on the Group's profit attributable to equity holders of HK\$39,466,000 and 946,580,231 shares which is the weighted average number of shares in issue during the period plus the weighted average number of 3,141,847 shares deemed to be issued at no consideration if all outstanding options had been exercised.

	Unaudited	
	Six months ended	
	30th September 2005	2004
	HK cents	HK cents
Diluted earnings per share	N/A	4.17

7 Debtors and prepayments

The Group allows an average credit period of 60 days to its trade debtors. Included in debtors and prepayments are trade debtors (net of provision for doubtful debts) with the following aging analysis:

	Unaudited		Audited	
	30th September 2005		31st March 2005	
	HK\$'000		HK\$'000	
Trade debtors				
60 days or below	68,067	15,360		
Over 60 days	45,680	28,916		
	113,747	44,276		
Deposits, prepayments and other debtors	307,289	248,554		
	421,036	292,830		

8 Creditors and accruals

Included in creditors and accruals are trade creditors with the following aging analysis:

	Unaudited		Audited	
	30th September 2005		31st March 2005	
	HK\$'000		HK\$'000	
Trade creditors				
60 days or below	150,634	62,306		
Over 60 days	77,031	69,622		
	227,665	131,928		
Other creditors and accruals	171,452	152,508		
	399,117	284,436		

9 Commitments

	Unaudited		Audited	
	30th September 2005		31st March 2005	
	HK\$'000		HK\$'000	
Commitments in respect of expenditure on property, plant and equipment Contracted but not provided for	4,126	1,825		
Authorised but not contracted for	–	420		
	4,126	2,245		

10 Acquisition of subsidiary

On 30th September 2005, the Group acquired 100.0%, 96.0% and 94.4% equity interests respectively in Thong Sia Company (Singapore) Pte Limited, Thong Sia Watch Company Limited and Thong Sia Sdn Bhd (collectively "Thong Sia"). Thong Sia is principally engaged in the wholesaling of Seiko watches, clocks and optical products in Singapore, Hong Kong and Malaysia.

Details of net assets acquired and goodwill are as follows:

	HK\$'000	
Purchase consideration:		
– Cash paid		55,268
– Direct cost relating to the acquisition		4,000
Fair value of net assets acquired – shown as below		(55,037)
Goodwill		4,231

The goodwill is attributable to the future profitability of the acquired business and the synergies expected to arise after the Group's acquisition of Thong Sia.

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

	Fair value	Thong Sia Companies' carrying amount
	HK\$'000	HK\$'000
Property, plant and equipment	3,107	3,107
Investment properties	9,960	9,960
Deferred tax assets	941	941
Stocks	63,743	63,743
Debtors and prepayments	59,724	59,724
Cash and cash equivalents	30,165	30,165
Deferred tax liabilities	(1,557)	(1,557)
Loans from related companies	(41,609)	(41,609)
Bank overdrafts and short term loans, unsecured	(13,216)	(13,216)
Taxation payable	(1,447)	(1,447)
Creditors and accruals	(50,901)	(50,901)
Net assets	58,910	58,910
Minority interests	(3,873)	
Net assets acquired	55,037	
Purchase consideration settled in cash		59,268
Cash and cash equivalents in subsidiary acquired		30,165
Cash outflow on acquisition		29,103

There were no significant acquisitions for the year ended 31st March 2005.

11 Event after the balance sheet date

Subsequent to the balance sheet date, an agreement was entered into between the Group with Yee Hing Company Limited ("Yee Hing") on 20th December 2005, pursuant to which the Company has agreed to dispose of Stelux House to Yee Hing for a cash consideration of HK\$820,000,000 through the disposal of the entire issued share capital of Stelux (BVI) following a group reorganisation of the Company. Following the completion of such group reorganisation of the Company and immediately prior to the completion of the Agreement, the sole assets of Stelux (BVI) will be the entire issued share capital of Stelux Holdings Limited ("SHL") and SHL, which is the current registered owner of 100% interest in Stelux House, will in turn own the property as its sole asset.

MANAGEMENT DISCUSSION AND ANALYSIS REVIEW OF GROUP OPERATIONS

The Group is pleased to announce a profit attributable to shareholders of HK\$68.8 million for the six months ended 30th September 2005 compared to a profit of HK\$39 million during the same period last year. Group turnover increased by 4.7% from HK\$673 million to HK\$704 million over the corresponding period. The Directors have proposed that an interim dividend of HK\$0.01 per share be payable for the six months ended 30th September 2005.

Turnover

Poor consumer sentiment across South East Asian countries brought on by high oil prices and escalating interest rates, coupled with mainland visitors delaying their trips to Hong Kong for the Disney opening in September affected the first half turnover of our watch retail business, City Chain Group ("City Chain"). City Chain did not meet its targeted double-digit growth in turnover. Turnover increased by only 4%. However, market share and gross profit margins were maintained.

Our optical retail business, Optical 88 Group ("Optical 88"), showed strong growth because of gains in market share in Hong Kong and South East Asia. Compared to the first six months of last year, turnover at Optical 88 increased by 26%.

Because of the end of the adidas watch global license, our Watch Manufacturing, Export and Trading Division reported a decrease in turnover of 27% compared to the same time last year.

Profit and Loss

Excluding the revaluation surplus on the Group's investment properties, interests and legal costs recovered from an arbitration, other related expenses and the loss related to the Hipo.fant business, the Group reported an operating profit before tax of HK\$20 million compared to a profit of HK\$47 million over the same period last year.

The decrease in operating profit was largely because of the performance of City Chain which reported a loss of HK\$3 million compared to profits of HK\$30 million over the first six months last year. This was due to an increase in operating costs like rent, newly launched advertising on the CYMA brand and setting up expenses to build the PRC market. However, as of the date of this announcement, the benefits reaped from the CYMA brand advertising has been satisfactory and in the longer term, we expect investments made in this regard to be recouped. City Chain PRC turnover has started to pick up since September as a result of the newly launched CYMA advertising campaign.

Despite the disappointing performance of our watch retail business in the first half year, baring unforeseen circumstances, we are still confident of becoming profitable during the full financial year.

Significant growth in profits was reported by Optical 88 - an increase of 42% boosting profits before tax to HK\$15.4 million compared to HK\$11 million during the corresponding period last year. This was due to increased gross profit margins and improved market share. Organic expansion of Optical 88 in South East Asian and PRC markets is making good progress.

Hipo.fant incurred a loss of HK\$8 million during the first half of the financial year. This was not unexpected. Due to accounting policy, the loss was not included as a provision in the accounts for the previous financial year 2004/2005. Based on performance in the third quarter of the financial year, we expect to see further losses of no more than HK\$3 million until closure of this business in March 2006.

Business Strategy

During the first six months, the Group has been busy restructuring its businesses to clearly focus on watch and optical products, businesses where we enjoy competitive advantages and good market share.

Firstly, in September 2005, the Group has completed the acquisition of the Thong Sia Group ("Thong Sia"), the sole distributor for Seiko watches, clocks and optical products in Hong Kong, Singapore and Malaysia from our substantial shareholder. The profits and turnover for this business will only be reflected in the second half of the year and performance up to now has been up to expectation.

The inclusion of Thong Sia into the Group enhances the Group's leadership position in the Asian watch retail and wholesale industry. The Group believes that the synergy effect between Thong Sia and City Chain will boost prospects for future growth in both businesses.

The strategy of injecting the substantial shareholder's watch and optical businesses into the Group would further align the interests of all shareholders in the Group and minimise connected transactions in the core businesses.

Secondly, the proposed disposal of Stelux House to the Group's substantial shareholder, as announced separately today, is also in line with our business strategy. Through this disposal, we believe that future Group operating results will no longer be affected by fluctuations in the property market. In addition, the disposal will increase the Group's return on capital and further reduce bank borrowings.

The Directors have resolved to recommend distribution of a special dividend of HK\$0.50 per share to shareholders subject to the disposal being approved at a Special General Meeting by the Group's independent shareholders.

When all this restructuring is complete, the Group will become highly focused on watch and optical products, with its value based on recurring earnings from these two core businesses.

FINANCE

The Group's bank borrowings at balance sheet date was HK\$601 million (at 31st March 2005: HK\$495 million), out of which, HK\$243 million (at 31st March 2005: HK\$216 million) were repayable within 12 months. The Group's gearing ratio at balance sheet date was 0.60 (at 31st March 2005: 0.51), which was calculated based on the Group's bank borrowings and shareholders' funds of HK\$1,010 million (at 31st March 2005: HK\$963 million).

Of the Group's bank borrowings, 4% (at 31st March 2005: 3%) were denominated in foreign currencies. The Group's bank borrowings denominated in Hong Kong Dollars were on a floating rate basis at either bank prime lending rates or short-term inter-bank offer rates.

The Group does not engage in speculative derivative trading.

CAPITAL STRUCTURE OF THE GROUP

There was no change in the capital structure of the Group during the period.

SHARE OPTION SCHEME

On 9th March 2005, a new share option scheme, replacing the previous scheme, for the employees, officers and directors of the Company and its subsidiary companies (the "Share Option Scheme") was approved and adopted by the shareholders. Details of the terms of the Share Option Scheme were disclosed in the Group's Annual Report 2005. No option was granted during the period. As at 30th September 2005, the total number of ordinary shares available for issue in the remaining life of the Share Option Scheme was 95,134,002.

CHANGES IN THE COMPOSITION OF THE GROUP DURING THE INTERIM PERIOD

During the period, 100.0%, 96.0% and 94.4% equity interests in respect of Thong Sia Company (Singapore) Pte Limited, Thong Sia Watch Company Limited and Thong Sia Sdn Bhd were acquired at a total consideration of HK\$55,267,775. Details of the acquisition were disclosed in a circular to shareholders on 31st August 2005. As the acquisition of these three companies was completed on 30th September 2005, the assets and liabilities were therefore incorporated into the Group's Consolidated Balance Sheet as at 30th September 2005. There were no other significant acquisitions of associated companies during the interim period.

SEGMENTAL INFORMATION

An analysis of the Group's segment turnover and segment results by business activities and markets is shown in note 2 to the interim accounts.

NUMBER AND REMUNERATION OF EMPLOYEES, REMUNERATION POLICIES, BONUS AND SHARE OPTION SCHEMES AND TRAINING SCHEMES

The Group's remuneration policies are reviewed on a regular basis and remuneration packages are in line with market practices in the relevant countries where the Group operates. As of 30th September 2005, the Group had 2,479 (at 30th September 2004: 2,165) employees.

DETAILS OF THE CHARGES ON GROUP ASSETS

At 30th September 2005, certain of the Group's freehold land and buildings amounting to HK\$55,104,000 (at 31st March 2005: HK\$56,391,000), investment properties amounting to HK\$757,660,000 (at 31st March 2005: HK\$711,100,000) and leasehold land amounting to HK\$106,677,000 (at 31st March 2005: HK\$109,458,000) were pledged to secure banking facilities granted to the Group.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 18th January 2006 to 25th January 2006 both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the entitlement to the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Registrar, Computershare Hong Kong Investor Services Limited, 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:00 p.m. on 17th January 2006. The interim dividend will be paid on 16th February 2006.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

CORPORATE GOVERNANCE

During the six months ended 30th September 2005, the Company has complied with the provisions of the Code on Corporate Governance Practices (the "Code Provisions") as set out in Appendix 14 of the Listing Rules, except for the following deviations:–

Code Provision A.4.2

Under Code Provision A.4.2, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Not all Directors of the Company retire strictly under Code Provision A.4.2 but in accordance with the Company's Bye-Laws. Bye-Law 110(A) stipulates that one-third of the Directors of the Company who have been longest serving in office since their last election, except the Chairman, Vice-Chairman or Chief Executive Officer, shall retire from office by rotation at each annual general meeting.

Code Provision B.1.1

Under Code Provision B.1.1, issuers should establish a remuneration committee with specific written terms of reference which deal clearly with its authority and duties. The Company established a remuneration committee on 20th December 2005 and Mr. Joseph C. C. Wong (the Vice-Chairman of the Company), Mr. Kwong Yiu Chung, Mr. Wu Chun Sang and Dr. Lawrence Wu Chi Man (all independent non-executive directors of the Company) were appointed as committee members.

Code Provision B.1.3

This Code Provision deals with the terms of reference of the remuneration committee. The Company has adopted the terms of reference under Code Provision B.1.3 except that the terms of reference does not include reviewing and determining the remuneration packages of senior management. The Company believes that the remuneration packages of senior management should be the responsibility of the executive directors as they are in a better position to appraise the performance of senior management.

Code Provision E.1.2

Under the first part of Code Provision E.1.2, the Chairman of the Board should attend annual general meetings. The Chairman of the Board did not attend the annual general meeting of the Company held on 6th September 2005 as he was not in Hong Kong.

DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

A detailed announcement of the interim results of the Group for the six months ended 30th September 2005 containing all the information required by paragraph 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange (<http://www.hkex.com.hk>) in due course.

On behalf of the Board
Joseph C. C. Wong
Vice Chairman and Chief Executive Officer

Hong Kong, 20th December 2005

Directors of the Company as at the date hereof:

Executive Directors:

Wong Chong Po (*Chairman*), Chumphol Kanjanapas (alias Joseph C. C. Wong) (*Vice Chairman and Chief Executive Officer*), Anthony Chu Kai Wah, Stan Lee Shu Chung and Wong Yuk Woon.

Non-Executive Directors:

Sakorn Kanjanapas, Kwong Yiu Chung (*independent*), Wu Chun Sang (*independent*) and Lawrence Wu Chi Man (*independent* – appointed on 28th October 2005).