



MASCOTTE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 136)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2005

INTERIM RESULTS

The Board of Directors (the “Directors”) of Mascotte Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th September, 2005 together with comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30th September,	
		2005	2004
		(Unaudited)	(Unaudited)
			(As restated)
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	3	101,337	88,700
Cost of sales		(71,574)	(61,068)
Gross profit		29,763	27,632
Other operating income		152	821
Selling and distribution costs		(5,400)	(4,982)
Administrative expenses		(13,591)	(14,064)
Profit from operations	3&4	10,924	9,407
Finance costs		(889)	(612)
Profit before taxation		10,035	8,795
Income taxes	5	(1,755)	(693)
Profit for the period		8,280	8,102
Attributable to:			
Shareholders of the Company		8,218	7,957
Minority interests		62	145
		8,280	8,102
Interim dividend	6	–	–
Earnings per share	7		
Basic		1.9 cents	1.9 cents

CONDENSED CONSOLIDATED BALANCE SHEET

	30th September, 2005 (Unaudited) <i>HK\$'000</i>	31st March, 2005 (Audited) (As restated) <i>HK\$'000</i>
Non-current assets		
Investment properties	34,236	29,880
Property, plant and equipment	47,187	48,394
Goodwill	7,042	7,042
Deposit paid	18,000	18,300
Prepaid lease payments	5,200	5,408
	111,665	109,024
Current assets		
Inventories	8,111	8,230
Trade and bills receivable	34,247	23,701
Loans receivable	46,710	46,710
Other debtors and prepayments	13,295	14,488
Tax recoverable	–	149
Bank balances and cash	41,127	34,566
	143,490	127,844
Current liabilities		
Trade creditors	15,274	9,126
Other creditors and accrued charges	11,402	8,725
Dividend payable	405	405
Tax payable	5,943	4,562
Bank borrowings	24,719	22,908
	57,743	45,726
Net current assets	85,747	82,118
Total assets less current liabilities	197,412	191,142
Non-current liabilities		
Bank borrowings	9,273	7,043
Net assets	188,139	184,099
Capital and reserves		
Share capital	42,400	42,400
Reserves	142,824	138,846
Shareholder's equity	185,224	181,246
Minority interests	2,915	2,853
Total equity	188,139	184,099

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2005

1. **Basis of presentation**

The interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with Hong Kong Accounting Standard 34 (HKAS 34) “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

2. **Principal accounting policies**

The accounting policies adopted are consistent with those adopted by the Group in its annual financial statements for the year ended 31st March, 2005, except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (“HKAS”) and Interpretations (hereinafter collectively referred to as “new HKFRSs”) issued by HKICPA that are effective for accounting periods beginning on or after 1st January, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interests has been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented.

Business Combinations

In the current period, the Group has applied the transitional provisions of HKFRS 3 “Business Combinations” and the principal effects are summarized below:

Goodwill

In prior years, goodwill arising on acquisitions prior to 1st April, 2001 was held in reserves, and goodwill arising on acquisitions after 1st April, 2001 was capitalised and amortised over its estimated useful life.

In the current period, the Group has applied the relevant transitional provisions in HKFRS 3. With respect to goodwill previously capitalised on the balance sheet, the Group has discontinued amortising such goodwill from 1st April, 2005 onwards and goodwill will be tested for impairment at least annually and in the financial year in which the acquisition takes place. Goodwill arising on acquisitions after 1st April, 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortization of goodwill has been charged in the current period. This new accounting policy has been applied prospectively.

Negative goodwill

In prior years, negative goodwill arising on acquisitions prior to 1st April, 2001 was held in reserves. In accordance with relevant transitional provisions in HKFRS 3, the Group has re-classified all negative goodwill at 1st April, 2005, which was previously presented in negative goodwill reserve, with a corresponding increase to retained earnings.

Financial Instruments

In the current period, the Group has applied HKAS 32 “Financial Instruments: Disclosure and Presentation” and HKAS 39 “Financial Instruments: Recognition and Measurement”. HKAS 32 requires retrospective application, while HKAS 39 generally does not permit recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarized as below:

Classification of measurement of financial assets and financial liabilities

The Group has applied the relevant provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

Derecognition

HKAS 39 provides more rigorous criteria for the derecognition of financial assets than the criteria applied in previous periods. Under HKAS 39, a financial asset is derecognized, when and only when, either the contractual rights to the asset’s cash flows expire, or the asset is transferred and the transfer qualifies for derecognition in accordance with HKAS 39. The decision as to whether a transfer qualifies for derecognition is made by applying a combination of risks and rewards and control tests. The Group has applied the relevant transitional provisions and applied the revised accounting policy prospectively for transfers of financial assets on or after 1st April, 2005. As a result, the Group’s bills receivable with full recourse which were derecognized prior to 1st April, 2005 have not been restated. As at 30th September, 2005, the Group’s bills receivable with full recourse have not been derecognized. Instead, the related borrowings of HK\$3,854,897 have been recognized on the balance sheet date. This change has had no material effect on the results for the current period.

Owner-occupied Leasehold Interest in Land

In prior years, owner-occupied leasehold land and buildings were included in property, plant and equipment and stated at cost less accumulated depreciation, amortization and impairment loss.

In the current period, the Group has applied HKAS 17 “Leases”. Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and building elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively. Alternatively, where the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment. The change in accounting policy has had no effect on the income statement and retained profits. Comparative figures on the balance sheet have been restated to reflect the reclassification of leasehold land.

3. Segments information

Analysis of the Group's turnover and contribution to operating profit by business segments and geographical segments is as follows:

Business segments

	Six months ended 30th September, 2005		
	Manufacture and sales of goods <i>HK\$'000</i>	Property investment and development <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
TURNOVER			
To external customers	<u>99,842</u>	<u>1,495</u>	<u>101,337</u>
RESULT			
Segment profit	<u>11,034</u>	<u>603</u>	11,637
Unallocated other operating income			32
Unallocated corporate expenses			<u>(745)</u>
Profit from operations			<u>10,924</u>
	Six months ended 30th September, 2004		
	Manufacture and sales of goods <i>HK\$'000</i>	Property investment and development <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
TURNOVER			
To external customers	<u>87,123</u>	<u>1,577</u>	<u>88,700</u>
RESULT			
Segment profit	<u>8,666</u>	<u>1,016</u>	9,682
Unallocated other operating income			27
Unallocated corporate expenses			<u>(302)</u>
Profit from operations			<u>9,407</u>

Geographical segments

	Six months ended 30th September,			
	Revenue by		Contribution to	
	geographical market		profit from operations	
	2005	2004	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Europe	64,498	50,610	7,128	5,034
United States of America	13,062	11,857	1,443	1,179
Hong Kong	11,631	8,365	966	560
Other regions in the PRC	2,705	3,553	1,057	1,485
Others	9,441	14,315	1,043	1,424
	<u>101,337</u>	<u>88,700</u>	<u>11,637</u>	<u>9,682</u>
Unallocated other operating income			32	27
Unallocated corporate expenses			(745)	(302)
Profit from operations			<u>10,924</u>	<u>9,407</u>

4. Profit from operations

Profit from operations has been arrived at after charging:

	Six months ended	
	30th September,	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Allowance for doubtful debts	433	–
Amortisation of goodwill included in administrative expenses (HKFRS 3)	–	542
Depreciation and amortisation	1,671	1,994
Interest on bank borrowings	889	612
	<u>2,993</u>	<u>3,158</u>

5. Income taxes

	Six months ended	
	30th September,	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong Profits Tax	1,519	660
Other jurisdictions	236	33
	<u>1,755</u>	<u>693</u>

Hong Kong Profits Tax has been calculated at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits for the period. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

There was no material unprovided deferred tax for the interim period (2004: Nil).

6. Interim dividend

At a meeting held on 27th July, 2005, the Directors proposed a final dividend of HK 1 cent per ordinary share totaling HK\$4,240,001 for the year ended 31st March, 2005, which was paid on 9th September, 2005 and has been reflected as an appropriation of retained earnings for the six months period ended 30th September, 2005.

The Directors do not recommend the payment of any interim dividend for the six months ended 30th September, 2005 (2004: Nil).

7. Earnings per share - basic

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders for the six months period ended 30th September, 2005 of HK\$8,218,000 (2004: HK\$7,957,000) and on 424,000,100 shares (2004: 424,000,100 shares) of the Company in issue during the period.

No diluted earnings per share has been presented as there were no potential dilution ordinary shares in issue during the six months ended 30th September, 2005 and 2004.

FINANCIAL RESULTS

For the six months period ended 30th September, 2005, the Group recorded a turnover of approximately HK\$101.3 million, representing an increase of 14.2% when compared with previous corresponding period.

Profit before taxation and profit attributable to shareholders for the period ended 30th September, 2005 amounted to approximately HK\$10.0 million and HK\$8.2 million respectively (2004: HK\$8.8 million and HK\$7.9 million). Such increases in profit were mainly attributable to an increase in turnover of the Group's manufacture and sale activity.

BUSINESS REVIEW AND PROSPECTS

Manufacture and Sale of Photographical, Electrical and Multimedia Accessories

During the period under review, the demand for the Group's products remained strong and healthy and the Group achieved growth in both turnover and profit approximately of HK\$99.8 million and HK\$11.0 million, representing an increase of 14.6% and 27.3% over the last corresponding period. Europe continued to be the Group's largest market, accounting for approximately 63.6% of the turnover of the period. Total export sales to Europe rose to HK\$64.5 million, representing a growth of 27.4% as compared to that of same period last year. The management has good knowledge and confidence in this market and will adhere to its established strategy to further penetrate into this very huge market.

In this year 2005, the Group has also re-distributed and diversified more marketing resource into the US market, which accounts for around 12.9% of the Group's sales turnover in this period under review. The Group has added to an experienced marketing executive for the North American market that has over 18 years of experience in the multimedia and audio accessories industry and is optimistic to increase market share in the post quota era.

Property Portfolio Refinement

During the period under review, the Group was able to maintain a stable property letting income of approximately HK\$1.5 million when compared with HK\$1.6 million last period.

The management considers that the economic growth of the PRC is promising and will continue to take opportunity to focus upon and expand its strategic business developments in refining the PRC property portfolio.

Prospects

The management continues to take a down-to-earth approach with a continued focus on new revenue channels in the Group's core business of accessories for photographic, multimedia and electrical products. The increased demand for digital SLR camera bags is helping to maintain a sustainable turnover in the photographic area albeit in a declining market, whereas extended relationships with multimedia brand manufacturers are allowing the Group to expand in the thriving audio market. Despite of the challenges ahead, the Group is confident to maintain its leading position in the photographic market; and at the same time to increase its market share in the multimedia market.

In prior years, the Group signed various co-operation and manufacturing agreements with Eleksen Limited (www.eleksen.com), a UK technology company, which is a patent holder for soft fabric switches and sensors. After several specific projects involving intense R&D and market research, Eleksen have now launched generic controllers for wearables and a Bluetooth keyboard compatible with most mobile devices with pre-orders and deliveries for Q1 2006. The Group manufactures both generic sensors and several convergence products for Eleksen customers. The management sees good growth potential in the Group's continued investment into convergence products (textile and electronic combinations) and further strategic relationships with technology partners such as NXT PLC (www.nxtplc.com) and Eleksen, which offer patented and unique products for the multimedia and audio industry. The management believes that these projects will contribute positively to the Group's results in the coming years.

FINANCIAL REVIEW

Liquidity and Gearing Ratio

As at 30th September, 2005, the Group recorded a total of cash and bank balances of HK\$41.1 million (as at 31st March, 2005 of HK\$34.6 million). Moreover, the Group had current assets of HK\$143.5 million (as at 31st March, 2005 of HK\$127.9 million). The shareholder's equity was of HK\$185.2 million (as at 31st March, 2005 of HK\$181.2 million) and the total bank borrowings was of HK\$34.0 million (as at 31st March, 2005 of HK\$29.9 million); and accordingly, the gearing ratio was of 18.4% (as at 31st March, 2005 of 16.5%). The management considers that the existing gearing ratio level of the Group is in a healthy position.

Pledge of Assets

As at 30th September, 2005, the Group had pledged its investment properties and leasehold land and buildings with carrying value of HK\$28.5 million (as at 31st March, 2005 of HK\$22.7 million) and HK\$27.6 million (as at 31st March, 2005 of HK\$28.2 million) respectively to banks to secure banking facilities granted to the Group.

Contingent Liabilities

As at 30th September, 2005, the Company provided corporate guarantees of HK\$85.0 million (as at 31st March, 2005 of HK\$101.0 million) to banks to secure general banking facilities granted to subsidiaries. The total amount of facilities utilized by the subsidiaries as at 30th September, 2005 amounted to HK\$34.0 million (as at 31st March, 2005 of HK\$29.9 million).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities during the six months ended 30th September, 2005.

CODE ON CORPORATE GOVERNANCE

The Company has adopted its own code on corporate governance practices which incorporates all the code provisions in the Code of Corporate Governance Practices ("Code Provisions") set out in Appendix 14 of the Listing Rules. In compliance with the Code A.4.2, the amendments to the Company's Bye-laws were approved by the shareholders at the 2005 annual general meeting of the Company which was held on 25th August, 2005. The Company's Bye-laws was amended to the effect that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

In the opinion of the Directors, the Company has complied throughout the period with Code Provisions except for the deviations from the following provisions:

1. Code A.2.1 stipulates that the roles of chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual. The Company does not at present have any officer with the title of CEO. Ms. Chan Oi Ling, Maria Olimpia is the chairman and has also carried out the responsibilities of CEO. Ms. Chan possesses essential leadership skills and has extensive knowledge in the business of the Group. The Directors consider the present structure is more suitable to the Company because it can promote the efficient formulation and implementation of the Company's strategies.
2. Code A.4.1 stipulates that non-executive directors should be appointed for specific terms, subject to re-election. However, all the independent non-executive directors are not appointed for specific terms. Since all the directors of the Company (including executive and independent non-executive) are subject to retirement provisions under the Company's Bye-laws. The Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

AUDIT COMMITTEE

The audit committee of the Company comprises three independent non-executive directors, namely Mr. Wong Yui Leung, Larry (chairman of audit committee), Mr. Lui Wai Shan, Wilson and Mr. Cheung Ngai Lam. The audit committee is responsible for reviewing and supervising the Group's financial reporting process and internal control system and providing advice and recommendations to the Directors of the Company.

The audit committee has reviewed the unaudited financial statements of the Group for the six months ended 30th September, 2005.

REMUNERATION COMMITTEE

The remuneration committee of the Company comprises three independent non-executive directors, namely Mr. Wong Yui Leung, Larry (chairman of remuneration committee), Mr. Lui Wai Shan, Wilson and Mr. Cheung Ngai Lam. The remuneration committee is principally responsible for formulating the Group's policy and structure for all remunerations of the directors and senior management and providing advice and recommendations to the Directors of the Company.

PUBLICATION OF DETAILED RESULTS ANNOUNCEMENT ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

A detailed results announcement containing all the information required by paragraphs 46(1) to 46(6) of appendix 16 to the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited in due course.

By Order of the Board
Chan Oi Ling, Maria Olimpia
Chairman

Hong Kong, 22nd December, 2005

As at the date of this announcement, the executive directors of the Company are Ms. Chan Oi Ling, Maria Olimpia, Mr. Lam Yu Ho, Daniel, Mr. Cheng Lok Hing, Mr. Cheng Chun Kit and Ms. Ji Hong and the independent non-executive directors of the Company are Mr. Wong Yui Leung, Larry, Mr. Lui Wai Shan, Wilson and Mr. Cheung Ngai Lam.