



# KIN YAT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)  
(Stock Code: 638)

## INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005 AND DISCLOSURE PURSUANT TO RULE 13.14 OF THE LISTING RULES

The Board of Directors is pleased to announce the unaudited consolidated results for Kin Yat Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the six months ended 30 September 2005 together with the comparative figures for the corresponding period in 2004 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited Six months ended 30 September 2005	2004 (Restated) HK\$'000
	Notes	HK\$'000	HK\$'000
<b>TURNOVER</b>	3	<b>531,155</b>	<b>406,591</b>
Cost of sales		(421,376)	(347,581)
Gross profit		<b>109,779</b>	<b>59,010</b>
Other revenue		<b>6,392</b>	<b>4,807</b>
Selling and distribution expenses		(10,377)	(10,753)
Administrative expenses		(31,150)	(32,145)
<b>PROFIT FROM OPERATIONS</b>		<b>74,644</b>	<b>20,919</b>
Finance costs		(702)	(298)
Share of profits less losses of associates		(5,855)	(2,382)
<b>PROFIT BEFORE TAX</b>	4	<b>68,087</b>	<b>18,239</b>
Tax	5	(6,595)	(2,743)
<b>PROFIT FOR THE PERIOD</b>		<b>61,492</b>	<b>15,496</b>
<b>ATTRIBUTABLE TO:</b>			
Equity holders of the parent		<b>58,295</b>	<b>12,625</b>
Minority interests		<b>3,197</b>	<b>2,871</b>
		<b>61,492</b>	<b>15,496</b>
<b>DIVIDENDS</b>	6	<b>8,096</b>	<b>2,024</b>
<b>EARNINGS PER SHARE</b>	7		
Basic		<b>HK14.40 cents</b>	<b>HK3.12 cents</b>
Diluted		<b>HK14.37 cents</b>	<b>HK3.11 cents</b>

### CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited 30 September 2005	Audited 31 March 2005 (Restated) HK\$'000
	Notes	HK\$'000	HK\$'000
<b>NON-CURRENT ASSETS</b>			
Fixed assets		<b>327,656</b>	<b>334,553</b>
Goodwill		<b>4,650</b>	<b>4,650</b>
Interests in associates		<b>102</b>	<b>4,969</b>
Deferred development costs		<b>7,615</b>	<b>8,025</b>
		<b>340,023</b>	<b>352,197</b>
<b>CURRENT ASSETS</b>			
Inventories		<b>150,708</b>	<b>163,450</b>
Accounts receivable	8	<b>141,246</b>	<b>68,851</b>
Prepayments, deposits and other receivables		<b>13,609</b>	<b>49,788</b>
Time deposits		<b>113,778</b>	<b>13,025</b>
Cash and bank balances		<b>33,912</b>	<b>39,542</b>
		<b>453,253</b>	<b>334,656</b>
<b>CURRENT LIABILITIES</b>			
Accounts and bills payable, accrued liabilities and other payables	9	<b>157,883</b>	<b>91,290</b>
Interest-bearing bank borrowings		<b>16,101</b>	<b>22,767</b>
Tax payable		<b>14,292</b>	<b>8,668</b>
Proposed interim dividend	6	<b>8,096</b>	<b>-</b>
		<b>196,372</b>	<b>122,725</b>
<b>NET CURRENT ASSETS</b>		<b>256,881</b>	<b>211,931</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>596,904</b>	<b>564,128</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings		<b>5,833</b>	<b>15,833</b>
Deferred tax liabilities		<b>13,312</b>	<b>13,312</b>
		<b>19,145</b>	<b>29,145</b>
<b>NET ASSETS</b>		<b>577,759</b>	<b>534,983</b>
<b>CAPITAL AND RESERVES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital		<b>40,482</b>	<b>40,482</b>
Reserves		<b>520,811</b>	<b>470,612</b>
Proposed final dividend		<b>-</b>	<b>10,120</b>
		<b>561,293</b>	<b>521,214</b>
<b>Minority interests</b>		<b>16,466</b>	<b>13,769</b>
<b>TOTAL EQUITY</b>		<b>577,759</b>	<b>534,983</b>

### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). Except for certain fixed assets, which are measured at revalued amounts, as appropriate, the condensed financial statements have been prepared under the historical cost basis. The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the audited financial statements for the year ended 31 March 2005, except in relation to the changes in accounting policies following the first-time adoption in the current period of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and Interpretations) which are effective for accounting periods commencing on or after 1 January 2005.

The application of HKFRSs has resulted in a change in the presentation of the income statement and balance sheet. In particular, the presentation of minority interests and share of tax of associates have been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's 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, and the impact is shown in note 2 herein:

##### (a) HKAS 17 – Leases

In prior periods, leasehold land and buildings held for own use were stated at cost less accumulated depreciation and any impairment losses.

Upon the adoption of HKAS 17, the Group's leasehold interests in land and buildings is separated into leasehold land and leasehold buildings. The Group's leasehold land is classified as an operating lease, because the title of the land is not expected to pass to the Group by the end of the lease term, and is reclassified from fixed assets to prepaid land lease payments, while leasehold buildings continue to be classified as part of property, plant and equipment. Prepaid land lease payments under operating leases are initially stated at cost and subsequently amortised on the straight-line basis over the lease term. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

In the opinion of the directors, the leasehold land and buildings of the Group cannot be allocated reliably between the land and buildings elements, therefore, the entire lease payments are included in the cost of land and buildings and are amortised over the shorter or the lease terms and useful lives.

Save as disclosed above, this change in accounting policy has had no effect on the interim financial statements.

##### (b) HKFRS 2 – Share-based Payment

In prior periods, no recognition and measurement of share-based transactions in which employees (including directors) were granted share options over shares in the Company was required until such options were exercised by employees, at which time the share capital and share premium were credited with the proceeds received.

Upon the adoption of HKFRS 2, when employees (including directors) render services as consideration for equity instruments ("equity-settled transactions"), the cost of the equity-settled transactions with employees is measured by reference to the fair value at the date at which the instruments are granted. The fair value is determined by directors using a binomial model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company, if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

The adoption of HKFRS 2 on the Group's share options granted to employees after 7 November 2002 but had not vested by 1 January 2005 has no material financial impact on the results of the Group for current nor prior accounting periods. Accordingly, no prior period adjustment is required.

##### (c) HKFRS 3 – Business Combinations and HKAS 36 – Impairment of Assets

In prior periods, goodwill/negative goodwill arising on acquisitions prior to 1 January 2001 was eliminated against consolidated capital reserve in the year of acquisition and was not recognised in the income statement until disposal or impairment of the acquired business.

Goodwill arising on acquisitions on or after 1 January 2001 was capitalised and amortised on the straight-line basis over its estimated useful life and was subject to impairment testing when there was any indication of impairment. Negative goodwill was carried in the balance sheet and was recognised in the consolidated income statement on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets, except to the extent it related to expectations of future losses and expenses that were identified in the acquisition plan and that could be measured reliably, in which case, it was recognised as income in the consolidated income statement when the future losses and expenses were recognised.

Upon the adoption of HKFRS 3 and HKAS 36, goodwill arising on acquisitions is no longer amortised but subject to an annual impairment review (or more frequently if events or changes in circumstances indicate that the carrying value may be impaired). Any impairment loss recognised for goodwill is not reversed in a subsequent period.

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of the acquisition of subsidiaries and associates (previously referred to as "negative goodwill"), after reassessment, is recognised immediately in the income statement.

The transitional provisions of HKFRS 3 have required the Group to eliminate at 1 January 2005 the carrying amounts of accumulated amortisation with a corresponding entry to the cost of goodwill and to derecognise the carrying amounts of negative goodwill (including that remaining in consolidated capital reserve) against retained earnings. Goodwill previously eliminated against consolidated capital reserve remains eliminated against consolidated capital reserve and is not recognised in the income statement when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

The effect of the above changes are summarised in note 2 to the condensed consolidated financial statements. In accordance with the transitional provisions of HKFRS 3, comparative amounts have not been restated.

#### 2. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES

Following the adoption of the HKFRSs, the opening balances of the following accounts were adjusted retrospectively. The details of the prior period adjustments are summarized as follows:

##### (a) Effect on opening balance of total equity at 1 April 2005 and 1 April 2004

Effect of new policies Increase/(decrease)	Capital reserve on consolidation (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000

Prior period adjustment:

HKFRS 3			
Capital reserve on consolidation	(1,599)	1,599	-

##### (b) Effect on profit for the period for the six months ended 30 September 2005 and 2004

Effect of new policies Increase/(decrease)	For the six months Ended 30 September 2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000

Effect on profit for the period:

HKFRS 3		
Discontinuation of amortisation of goodwill	1,163	-

Effect on basic earnings per share:

	<b>HK0.29 cent</b>	-
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#### 3. TURNOVER AND SEGMENT INFORMATION

Turnover represents the net invoiced value of goods sold, after allowance for returns and trade discounts but excluding intra-Group transactions.

##### (a) Business segments

The following table presents revenue and profit for the Group's business segments.

	Toys and related products		Motors		Unaudited six months ended 30 September Electrical household appliances		Material development		Eliminations		Consolidated	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Segment revenue:												
Sales to external customers	366,473	238,195	116,605	114,237	28,179	37,997	19,898	16,162	-	-	531,155	406,591
Inter-segment sales	-	-	3,663	5,048	-	-	-	-	(3,663)	(5,048)	-	-
Other revenue												
and gain	2,610	1,776	1,791	1,728	-	-	8	113	-	-	4,409	3,617
Total	<b>369,083</b>	<b>239,971</b>	<b>122,059</b>	<b>121,013</b>	<b>28,179</b>	<b>37,997</b>	<b>19,906</b>	<b>16,275</b>	<b>(3,663)</b>	<b>(5,048)</b>	<b>535,564</b>	<b>410,208</b>
Segment results	<b>47,142</b>	<b>(5,039)</b>	<b>28,209</b>	<b>26,854</b>	<b>874</b>	<b>(616)</b>	<b>1,135</b>	<b>1,986</b>	<b>-</b>	<b>-</b>	<b>77,360</b>	<b>23,185</b>
Interest, dividend income and unallocated gains											1,983	1,190
Unallocated expenses											(4,699)	(3,456)
Profit from operations											<b>74,644</b>	<b>20,919</b>

**(b) Geographical segments**

The following table presents the Group's geographical segment revenue.

	Unaudited six months ended 30 September											
	United States of America		Europe		Asia		Others		Eliminations		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:												
Sales to external customers	221,504	113,497	123,439	120,224	145,399	140,560	40,813	32,310	-	-	531,155	406,591

**4. PROFIT BEFORE TAX**

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

	Unaudited Six months ended 30 September 2005 HK\$'000	2004 HK\$'000
Depreciation	21,818	20,447
Amortisation of deferred development costs	3,901	3,516
Amortisation of goodwill	-	1,163
Interest income	(799)	(46)

**5. TAX**

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable overseas have been calculated at the applicable rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Unaudited Six months ended 30 September 2005 HK\$'000	2004 HK\$'000
Current period provision: Hong Kong Elsewhere	6,289 306	2,444 299
Total tax charge for the period	6,595	2,743

There was no significant unprovided deferred tax in respect of the period and as at the balance sheet date (2004: Nil).

**6. DIVIDENDS**

The directors have decided to pay an interim dividend of HK2 cents per share to the shareholders whose name appear on the register of members of the Company on 13 January 2006. The dividend will be paid on 19 January 2006.

	Unaudited Six months ended 30 September 2005 HK\$'000	2004 HK\$'000
Interim – HK2 cents (2004: HK0.5 cent) per ordinary share	8,096	2,024

**7. EARNINGS PER SHARE**

The calculation of basic earnings per share is based on the profit attributable to equity holders of the parent for the period of HK\$58,295,000 (2004: HK\$12,625,000) and the weighted average of 404,820,000 (2004: 404,820,000) ordinary shares in issue during the period.

The calculation of diluted earnings per share for the period is based on the profit attributable to equity holders of the parent for the period of HK\$58,295,000 (2004: HK\$12,625,000) and 405,800,975 (2004: 406,004,138) ordinary shares, being the weighted average number of shares outstanding during the period, adjusted for the effects of the dilutive potential ordinary shares outstanding during the period.

A reconciliation of the weighted average number of shares used in calculating basic and diluted earnings per share is as follows:

	Unaudited Six months ended 30 September 2005	2004
Weighted average number of ordinary shares used in calculating basic earnings per share	404,820,000	404,820,000
Weighted average number of ordinary shares assumed to have been issued at no consideration on deemed exercise of all options outstanding during the period	980,975	1,184,138
Weighted average number of ordinary shares used in calculating diluted earnings per share	405,800,975	406,004,138

**8. ACCOUNTS RECEIVABLE**

Trading terms with customers are largely on credit, except for new customers where cash on sale or payment by letter of credit is normally required. Invoices are normally payable within 60 days of issuance, except for certain well-established customers, for whom the credit terms are extended to 90 days. The ageing of the Group's accounts receivable as at 30 September 2005 is analysed as follows:

	Unaudited 30 September 2005 HK\$'000	Audited 31 March 2005 HK\$'000
0 – 30 days	84,253	50,738
31 – 60 days	30,309	5,864
61 – 90 days	15,107	8,038
Over 90 days	11,577	4,211
Total	141,246	68,851

The substantial increase in the accounts receivable is owing to the seasonal factor where September (30 September 2004: HK\$154,058,000) is the high season and March (31 March 2004: HK\$53,597,000) is the low season. The Group considered such balances are normal and healthy.

**9. ACCOUNTS AND BILLS PAYABLE, ACCRUED LIABILITIES AND OTHER PAYABLES**

The ageing of the Group's accounts and bills payable as at 30 September 2005 is analysed as follows:

	Unaudited 30 September 2005 HK\$'000	Audited 31 March 2005 HK\$'000
0 – 30 days	51,763	29,664
31 – 60 days	47,269	14,593
61 – 90 days	23,973	15,630
Over 90 days	4,849	5,097
Accounts and bills payable	127,854	64,984
Accrued liabilities and other payables	30,029	26,306
Total	157,883	91,290

**10. COMPARATIVE AMOUNTS**

Due to the adoption of new HKFRSs and HKASs for the current period, the accounting treatment and presentation of certain items on the financial statements have been revised to comply with the new requirements. Accordingly, certain figures have been adjusted to reserves in prior year. Also, certain comparative figures have been reclassified to conform with the current period's presentation.

**CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from Tuesday, 10 January 2006 to Friday, 13 January 2006 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for entitlement to the interim dividend for the six months ended 30 September 2005, 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 Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Monday, 9 January 2006.

**MANAGEMENT DISCUSSION AND ANALYSIS**

The past six months continued to be a very difficult one for the toys industry, but the Group was able to achieve a 362% attributable profits growth to HK\$58,295,000 on a 31% increase in turnover to HK\$531,155,000, as a result of strong orders for the toys division and steady performance of the motors division, as well as dedicated efforts to realign production flow and diversify production and customer base.

**REVIEW OF OPERATIONS****Toys**

The toys market remained highly competitive during the period, however the toys division was pleased to achieve a momentous turnaround with HK\$47,142,000 in segment results, compared with a HK\$5,039,000 loss for the same period last year. Turnover rose significantly to HK\$366,473,000 (2004: HK\$238,195,000) which was largely attributable to orders relating to a blockbuster movie and the Group's relentless efforts to enhance production efficiency and cost effectiveness. Increased economies of scale, and the relocation of more production lines from Shenzhen to low cost base Shaoguan, also contributed to the improved bottom lines for the division.

In view of the high concentration of movie-related and other orders in the first half, it is foreseeable that the division may have to embrace a low season in the second half. In response, the Group will step up efforts in resources deployment and utilization.

High fuel and raw material prices, as well as labor and electricity shortages in China, are likely to remain a serious concern. The year ahead will remain highly challenging. The Group will actively pursue the development of innovative and functional entertainment toys and products in order to achieve broad-based growth.

**Motors**

The toys industry continues to provide core support for the motors division. Given the cyclical nature of the toys industry, it is the Group's strategy to maintain a more balanced product portfolio. The Group is pleased to report that the shift in product mix contributed to the division's stable turnover and segment results for the period despite continued unfavorable market environment brought on by higher material costs.

During the first half of fiscal 2005/06, the motors division reported a 5% increase in segment results to HK\$28,209,000 from HK\$26,854,000 a year earlier. Turnover increased slightly by 1% to HK\$120,268,000 from HK\$119,285,000 of the previous period.

In addition to the orders from core toys customers, the Group has received positive comments from other industries, and the management remains optimistic as to the prospect of a long term relationship with these new customers. We are confident that the division will continue to maintain existing customer base, identify niche segments and products to sustain growth.

**Materials development**

This segment is intended to provide a stable revenue stream to complement the cyclical toys and motors divisions. Efforts in expanding customer portfolio have helped increase sales; however, as most of the production activities have been shifted to new factories, profitability was affected by higher depreciation and interest costs. At present, materials under development are primarily for use in cathode ray tube and liquid crystal display.

**CDRs**

The Group's 50%-owned CDR manufacturing arm had to share a loss of HK\$6 million, largely attributable to increased production costs, suppressed selling prices and an influx of competitors in the market. The situation is unlikely to improve shortly and the Group is actively adjusting the strategy for this division.

**Prospects**

The securing of movie-related toys orders has underlined the Group's strong turnaround performance for the first six months, despite no improvement in the overall market environment. This indicates the importance in staying abreast of the growing popular demand for entertainment toys and products.

The Group has been making strenuous efforts in enhancing operating efficiency over the past few years and is encouraged to see that such efforts are beginning to pay off. The operating environment for the Group will remain challenging and we must continue to improve from within and strive to strengthen product and market development capabilities to seize potentially lucrative diversification opportunities.

**LIQUIDITY AND FINANCIAL POSITION**

The Group primarily used its internally generated cash flow and banking facilities to finance its operations and business development during the period. The Group adopts a prudent and conservative policy in its financial management. At the end of the financial period, the Group's aggregated time deposits and cash and bank balances amounted to HK\$148 million (31 March 2005: HK\$53 million). In addition, the Group currently maintains aggregate composite banking facilities of approximately HK\$157 million (31 March 2005: HK\$186 million) with various banks, of which HK\$22 million (31 March 2005: HK\$39 million) has been utilized as at 30 September 2005.

The Group continues to enjoy healthy financial position. As at 30 September 2005, the current ratio (current assets divided by current liabilities) was 2.3 times (31 March 2005: 2.7 times) and the gearing ratio (long term liabilities divided by shareholder funds) was 3.3% (31 March 2005: 5.4% as restated).

**DISCLOSURE PURSUANT TO RULE 13.14 OF THE LISTING RULES**

Reference is made to the Company's announcement dated 22 July 2005 and made pursuant to Rule 13.13 of the Listing Rules. The announcement disclosed that the total trade receivables from Hasbro SA, a customer of the Group, amounted to a total of HK\$32,461,000 as at 30 June 2005 which individually exceeded 8 per cent of the Group's total market capitalisation.

Under Rule 13.14 of the Listing Rules, a disclosure obligation arises where the total advance to an entity increase from that previously disclosed under Rule 13.13 by 3 per cent or more with reference to the Company's total market capitalisation.

As at 30 September 2005, the Group had trade receivables (the "Trade Receivables") due from Hasbro SA of HK\$48,554,000 which individually exceeded by more than 3 per cent of the Group's total market capitalisation from the percentage calculated at 30 June 2005. The Trade Receivable are for sales of toys and related products which are unsecured, interest-free and have a normal repayment term of about 21 days. Hasbro SA is independent third party not connected to directors, chief executives or substantial shareholders of the Group or their respective associates.

**PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES**

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

**CODE ON CORPORATE GOVERNANCE PRACTICES**

In the opinion of the directors, the Company has complied with the code provisions as set out in Appendix 14 of the Listing Rules, throughout the accounting period covered by the interim report, with deviations from certain code provisions as explained below.

Under the code provision A.2.1, the division of responsibilities between the chairman and CEO should be clearly established and set out in writing. The Company has adopted written terms of reference in relation to the division of responsibilities between the chairman and CEO on 28 September 2005.

Under the 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. As at 30 September 2005, Mr. Chui Pak Shing has been a director of the Company for 3.5 years without being subject to retirement by rotation.

Under the code provision B.1.1, a listed issuer should establish a remuneration committee with specific written terms of reference which deal clearly with its authority and duties. The Company has only set up the remuneration committee on 28 September 2005.

**MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 of the Listing Rules (the "Model Code"). Having made specific enquiry of the Company's directors, all directors confirmed that they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by directors adopted by the Company throughout the accounting period covered by the interim report.

**AUDIT COMMITTEE**

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises all the three independent non-executive directors of the Company.

**REMUNERATION COMMITTEE AND NOMINATION COMMITTEE**

On 28 September 2005, a remuneration committee and a nomination committee were established by the Company. Each of the committees comprises five members, the majority of which being all the three independent non-executive directors of the Company. Each of the committees has adopted the terms of the reference in line with those set out in Appendix 14 of the Listing Rules.

**PUBLICATION OF INTERIM RESULTS ON THE STOCK EXCHANGE WEBSITE**

A detailed results announcement containing all the information required by Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange in due course.

On behalf of the Board  
**Cheng Chor Kit**  
Chairman

Hong Kong, 9 December 2005

As at the date of this announcement, the Board consists of five executive directors, Mr. Cheng Chor Kit, Mr. Chui Pak Shing, Mr. Fung Wah Cheong, Vincent, Mr. Yuen Wai Kwong and Mr. Wong Kin Chung and three independent non-executive directors, Mr. Chung Chi Ping, Roy, Mr. Wong Chi Wai, Albert and Ms. Sun Kwai Yu, Vivian.