TEEM FOUNDATION GROUP LTD.

（浩基集團有限公司）*

(Incorporated in Bermuda with limited liability)

(Stock Code: 628)

RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 MARCH 2006

The Board of Directors (the "Board") of Teem Foundation Group Ltd. (the "Company") announced the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2006.

CONSOLIDATED INCOME STATEMENT
For the year ended 31 March 2006

	Notes	2006 HK$'000	2005 HK$'000
Turnover	3	**10,645**	67,090
Cost of sales		**(9,551)**	(60,631)
Gross profit		**1,094**	6,459
Other revenue	3	**72**	–
Other income	3	**255**	431
Administrative expenses		**(7,255)**	(12,996)
Other operating expenses		**(514)**	(5,082)
Impairment loss recognised in respect of goodwill		**(8,536)**	–
Impairment loss recognised in respect of investment property		**(395)**	–
Loss from operating activities	4	**(15,279)**	(11,188)
Finance costs	5	**(28)**	(235)
Loss before taxation		**(15,307)**	(11,423)
Taxation	6	**–**	(180)
Loss for the year		**(15,307)**	(11,603)
Attributable to:			
Equity holders of the Company		**(15,307)**	(11,603)
Loss per share attributable to the equity holders of the Company			
– Basic		**(2.28 cents)**	(1.73 cents)
– Diluted		**N/A**	N/A

Notes:

1. **THE ADOPTION OF NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")**

During the year ended 31 March 2006, the Group adopted the new/revised standards and interpretations of HKFRSs below, which are relevant to its operations. The 2005 comparative figures have been restated as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
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: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations
HKAS-Int 21	Income Taxes - Recovery of Revalued Non-depreciable Assets

The adoption of new/revised HKASs 1, 7, 8, 10, 16, 17, 21, 23, 24, 27 and 33 did not result in substantial changes to the Group's accounting policies. In summary:

– HKAS 1 has affected the presentation of minority interest, share of net after-tax results of associates and other disclosures.

– HKASs 7, 8, 10, 16, 23, 27 and 33 had no material effect on the Group's policies.

– HKAS 17 has affected on the classification of leasehold land and land use rights from property, plant and equipment to operating leases. The up-front payments made for the leasehold land and land use rights are expensed in the income statement on a straight-line basis over the period of the lease or when there is impairment, the impairment is expensed in the income statement. In prior years, the leasehold land was accounted for at fair value or cost less accumulated depreciation and accumulated impairment.

– HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. All the Group entities have the same functional currency as the presentation currency for respective entity financial statements.

– HKAS 24 has affected the identification of related parties and some other related-party disclosures.

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the classification of financial assets at fair value through profit or loss and available-for-sale financial assets. It has also resulted in the recognition of derivative financial instruments at fair value and the change in the recognition and measurement of hedging activities.

The adoption of revised HKAS 40 has resulted in a change in the accounting policy of which the changes in fair values are recorded in the income statement as part of other income. In prior years, the increases in fair value were credited to the investment properties revaluation reserve. Decreases in fair value were first set off against increases on earlier valuations on a portfolio basis and thereafter expensed in the income statement.

The adoption of revised HKAS-Int 21 has resulted in a change in the accounting policy relating to the measurement of deferred tax liabilities arising from the revaluation of an asset. Such deferred tax liabilities are measured on the basis of tax consequences that would follow from recovery of the carrying amount of that asset through use. In prior year, the carrying amount of that asset was expected to be recovered through sale.

The adoption of revised HKFRS 2 has resulted in a change in the accounting policy for share-based payments. Until 31 March 2005, the provision of share options to employees did not result in an expense in the income statement. Effective from 1 April 2005, HKFRS 2 required the change in fair value of share options granted must be recognised in the income statement. During the year ended 31 March 2006, no share option had been granted to any person.

The adoption of HKFRS 3, HKAS 36 and HKAS 38 results in a change in the accounting policy for goodwill. Until 31 March 2005, goodwill was:

– Amortised on a straight line basis over its estimated useful life of not exceeding 20 years; and

– Assessed for an indication of impairment at each balance sheet date.

In accordance with the provisions of HKFRS 3:

– The Group ceased amortisation of goodwill from 1 April 2005;

– Accumulated amortisation as at 31 March 2005 has been eliminated with a corresponding decrease in the cost of goodwill; and

– From the year ended 31 March 2006 onwards, goodwill will be tested annually for impairment, as well as when there is indication of impairment.

The Group has reassessed the useful lives of its intangible assets in accordance with the provisions of HKAS 38. No adjustment resulted from this reassessment.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards, wherever applicable. All standards adopted by the Group require retrospective application other than:

– HKAS 16 – the initial measurement of an item of property, plant and equipment acquired in an exchange of assets transaction is accounted at fair value prospectively only to future transactions;

– HKAS 21 – prospective accounting for goodwill and fair value adjustments as part of foreign operations;

– HKAS 39 – does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied the previous SSAP 24 "Accounting for investments in securities" to investments in securities and also to hedge relationships for the 2005 comparative information. The adjustments required for the accounting differences between SSAP 24 and HKAS 39 are determined and recognised at 1 April 2005.

– HKFRS 3 – prospectively after 1 April 2005.

The adoption of HKFRS 3 resulted in:

	2006 HK$'000	2005 HK$'000
Goodwill, at cost	**(3,955)**	–
Accumulated amortisation	**3,955**	–
	–	–

The adoption of HKAS 39 resulted in:

	2006 HK$'000	2005 HK$'000
Increase in financial assets at fair value through profit or loss	**4,953**	5,076
Decrease in short term investments	**(4,953)**	(5,076)
	–	–

The adoption of HKFRS 3 and HKAS 39 has no impact on opening retained earnings at 1 April 2005.

2. **SEGMENT INFORMATION**

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provided. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(a) the construction segment provides and installs fire-rated timber door sets, as well as provides interior decoration and renovation services and other carpentry works;

(b) the timber segment engages in the trading of timber logs; and

(c) the corporate segment included general corporate income and expense items.

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

	Construction		Timber		Corporate		Total	
	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	**106**	471	**10,539**	66,619	**–**	–	**10,645**	67,090
Other revenue	**–**	–	**–**	–	**72**	–	**72**	–
Other income	**–**	–	**–**	–	**255**	431	**255**	431
Total	**106**	471	**10,539**	66,619	**327**	431	**10,972**	67,521
Segment results	**304**	(1,845)	**(79)**	(1,088)	**(6,573)**	(8,255)	**(6,348)**	(11,188)
Impairment loss recognised in respect of goodwill	**–**	–	**(8,536)**	–	**–**	–	**(8,536)**	–
Impairment loss recognised in respect of investment property	**–**	–	**–**	–	**(395)**	–	**(395)**	–
Finance cost	**–**	–	**–**	–	**(28)**	(235)	**(28)**	(235)
Loss before tax							**(15,307)**	(11,423)
Taxation							**–**	(180)
Net loss attributable to shareholders							**(15,307)**	(11,603)

3. **TURNOVER AND REVENUE**

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and an appropriate proportion of contract revenue from construction contracts.

An analysis of turnover and other revenue and other income is as follows:

	Group 2006 HK$'000	Group 2005 HK$'000
Turnover		
Trading of timber logs	**10,539**	66,619
Contract revenue	**106**	471
	10,645	67,090
Other revenue		
Interest income	**59**	–
Dividend income	**13**	–
	72	–
Other income		
Gain on disposal of subsidiaries	**–**	230
Gain on disposal of property, plant and equipment	**–**	137
Realised fair value gain on financial assets through profit or loss	**255**	–
Unrealised fair value gain on financial assets through profit or loss	**–**	64
	255	431

4. **LOSS FROM OPERATING ACTIVITIES**

The Group's loss from operating activities is arrived at after charging/(crediting):

	Group 2006 HK$'000	Group 2005 HK$'000
Depreciation	**729**	2,888
Impairment loss recognised in respect of goodwill	**8,536**	–
Impairment loss recognised in respect of investment property	**395**	–
Impairment of property, plant and equipment#	**–**	1,861
Goodwill amortisation#	**–**	2,498
Auditors' remuneration	**580**	800
Staff cost (excluding directors' remuneration)		
Salaries and wages	**1,697**	4,163
Pension scheme contributions	**31**	114
	1,728	4,277
Unrealised fair value loss on financial assets through profit or loss	**714**	–
Minimum lease payments under operating leases in respect of rented premises	**495**	830
(Write-back of provision)/provision for impairment loss on account receivable#	**(200)**	723

\# *The impairment of property, plant and equipment, amortisation of goodwill and write-back of provision/provision for impairment loss on account receivable are included in "Other operating expenses" on the face of the consolidated income statement.*

5. **FINANCE COSTS**

	Group 2006 HK$'000	Group 2005 HK$'000
Interest on a bank loan wholly repayable within five years	**28**	20
Interest on obligations under finance leases	**–**	215
	28	235

6. **TAXATION**

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits arising from Hong Kong during the year.

	Group 2006 HK$'000	Group 2005 HK$'000
Charge for the year – Hong Kong	**–**	180

* *For identification purpose only*

7. DIVIDENDS

The directors do not recommend the payment of any dividends in respect of the year (2005: Nil).

8. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the year of HK$15,307,000 (2005: HK$11,603,000), and the ordinary shares in issue of 672,000,000 (2005: weighted average of 672,000,000 ordinary shares in issue).

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

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the year under review, the turnover of the Group was approximately HK$10.6 million (2005: HK$67.1 million) representing a reduction of 84.2% comparing to the last year.

The net loss attributable to shareholders of the Group was HK$15.3 million comparing to last year's loss of HK$11.6 million. Net loss per share for the year was 2.28 cents (2005: 1.73 cents). The increase in net loss was a result of

a) reduction in trading volume which correspondingly brings in less gross profit; and

b) an one-off written off of the impairment loss in respect of goodwill for HK$8.5 million.

In fact, excluding the one-off written off of the impairment loss, the Group has improved its operating results. Due to the selection of orders in logs trading, the Group managed to achieve a slight improvement in gross profit margin from 9.6% in 2005 to 10.3% in 2006. Substantial reduction has also been achieved in both the administrative expenses (HK$7.3 million in 2006 vs. HK$13.0 million in 2005) and other operating expenses (HK$0.5 million in 2006 vs. HK$5.1 million in 2005) through streamlining of operation, reduction of unnecessary headcount and the relocation of principal place of business in Hong Kong.

Review of Operation

Due to the negative sentiment widely spread in the world following the successive 14 times interest rate hike by the Federal Reserve Bank of the United States and the politically instability that lead to the fluctuation and in general upward trend of the oil and gasoline prices, the Group's performance has been suffered.

The reduction in turnover was a result of the Group's move in reconsidering the appropriate strategy with respect to the trading of timber business and/or expanding further to grasp a bigger market share and in achieving an economy of scale.

Vertical or horizontal integrations through acquiring the rights in the upstream operations and the getting of additional suppliers had not been realised.

The acquiring of the upstream operations, i.e. the rights of logging operations either in Asia or Africa had subsequently been discarded due to

a) the inability to recruit suitable staff in supervising the operations of trimming sector, in particular, the language barrier;

b) the unclear title right as to the ownership and the other legal and political factors that may lead to the change/cancellation of the title right; and

c) the continuous pooling of fund to support the operations, especially during the rainy season, may worsen the Group's financial position.

With the fluctuation and in general upsurge in the oil and gasoline prices which in turn causes the increase in freight charges, the profit margin generated from the trading of logs from Africa to the People's Republic of China (the "PRC") is very fluctuating. The situation is getting worse during the latter part of the year not to mention the subsequent much undermined profit margin due to the slowdown of the property market in the PRC. These, together with

a) the requirement to pay a higher unit price over the logs in view of the increasing production costs, i.e. costs of repair & maintenance of trucks incurred by the supplier;

b) the requirement to place additional number of personnel to the forest so as to monitor and to get the priority in getting the logs and to provide a larger amount of deposits to finance the supplier's operation due to the construction of roads leading to the inner part of the forest for trimming; and

c) the unstable supply of logs and poor transportation caused by the rainy season,

had made the Board decided to take back the said deposits from the supplier and would transact the logs on an ad hoc basis with consideration paid after each deal.

In view of the slowdown of the property market both in Hong Kong and the PRC due to the continuous increase in discount rate by the Federal Reserve Bank of the United States (thereby pushing Hong Kong banks to raise prime lending rate as well) and measures adopted by the PRC government to cool down the overheated and speculative PRC property market, the Group is adopting a prudent policy toward bidding for projects relating to the supply of fire-rated timber door sets. As such, the submission of bid for projects will be restricted to quality developers with good financial standing. Only a minimal turnover has thus been recorded during the year 2005/06 and the Board does not anticipate a jump in the operation in this area for the forthcoming years unless there are signs of recovery. Nonetheless, the Board is glad to mention that it has managed to recover the long overdue receivables brought forward from last year.

Liquidity and Financial Resources

During the year under review, in order to manage the risk associated with an uncertain market environment, the Group has continued its prudent financial management policy and maintains a sound financial position.

The financial position of the Group is even better than last year and ready for future expansion while keeping a sufficiently high level of cash and bank balances.

The liquidity of the Group has been improved since the second half of the financial year despite additional loss incurred and circa HK$10.0 million had been paid in the acquisition of land in Tuen Mun. This was due to the withdrawn of the deposits previously lodged for logs as the Group has preferred reassigning the fund for a more meaningful utilisation.

The Group continues to maintain a strong cash position. As at 31 March 2006, the Group had cash and bank balances amounted to approximately HK$30.0 million which was more than sufficient to pay off its normal engagement. Additionally, circa HK$5.0 million had been vested in equity investments, the readily available financial assets which would bring in both potential dividends and/or capital appreciation.

The Group was basically in a cash rich position with the liabilities restricted to current payables of HK$2.2 million (2005: HK$5.5 million). The Group's gearing ratio which is defined as total liabilities over equities is correspondingly low at 4.9% (2005: 9.3%). In fact, the Group was at a net cash position of HK$27.8 million (2005: HK$5.9 million) after charging the liabilities with the cash and bank balances and even the equity investments of HK$5 million has not been included.

The Group had a net current asset of HK$34.4 million (2005: HK$50.7 million) as at 31 March 2006. The current ratio, calculated on the basis of current assets divided by current liabilities of the Group was 16.6 (2005: 10.2) as at 31 March 2006.

The Group continues to adopt a conservative treasury policy with all bank deposits in Hong Kong dollars, keeping a minimum exposure to foreign exchange risks. As the majority of the inflow and outflow are both denominated in Hong Kong Dollars and the United States Dollars which are pegged together, the Group has not adopted any hedging policy or entered into any derivative products which are considered not necessary for the Group's treasury management activities.

As at 31 March 2006, the Group had provided corporate guarantee of HK$1.6 million (2005: HK$3.4 million) to certain financial institutions in connection with hire purchase contracts granted to certain disposed subsidiaries. Yet, this is counter-indemnified by the buyer of the disposed subsidiaries. The buyer has honoured all his obligations to the financial institutions up to the date of this announcement. Accordingly, no delinquent record was noted and none of the guarantees had been called.

Save for the potential commitment entered into on 30 March 2006 of the acquisition of 100% interest in Youngrich Limited (the "Youngrich") (see Very Substantial Acquisition below and announcement on 6 April 2006) which is subjected to the shareholders' approval, the Group does not have any significant commitment as at 31 March 2006.

There is no change in the share capital structure of the Company during the year under review.

All in all, the liquidity continues to be healthy and the existing financial position can facilitate us to capitalise on future business opportunities and has sufficient working capital to meet its present and anticipated obligations.

Very Substantial Acquisition

The Group has on 30 March 2006 entered into a conditional sale & purchase agreement for acquiring 100% interest in Youngrich which holds 49% of Worth Perfect International Limited (the "Worth Perfect"), a company that get "profit stream" from Sat Ieng Sociedade Unipessoal Limitada (the "Sat Ieng"), a licensed junket operator at the Sands Macao's Paiza Club gaming rooms. Total consideration is HK$539 million which is to be satisfied by

a) cash of HK$160 million;

b) a 10-year convertible bond of HK$134.4 million at 5% coupon rate with clause of pre-mature retirement possible; and

c) a 10-year promissory note of HK$244.6 million at 5% coupon rate with clause of pre-mature retirement possible.

More details about the deal including the opinion from the independent financial adviser would be provided in the circular to be dispatched to the shareholders in due course.

Some salient features of the deal are that,

a) it is an alternative type of "junket" operation which is more regulated, whereby the "junket operator" is responsible for "introducing" clients to the casino while the win/loss would be the sole responsibility of the casino (vs. the "traditional" type which have to pay a minimal to the concessionaire while bearing the risk of win/loss);

b) while acquiring effectively 49% of the profit stream of Worth Perfect which receives 0.4% rolling turnover of Sat Ieng provides a good investment opportunity for the Group in entering into the booming Macau gaming sector at a prudent manner – as a pure investment, not involving in the daily operation, not affected by the expenses and risk elements of being a junket operator;

c) the convertible bonds can be converted only starting the third year and at a rate of 10% of the convertible bonds (or 2% existing shares of the Company) per year. The dilution effect would be none in the first two years and carefully controlled in the subsequent years; and

d) translating the acquisition price to price earning multiple, the junket operation is acquired at a price earning multiple of circa 7.3 times for the first year and circa 4.4 times for the second year with the profit of which be guaranteed for the first two years (vs. the listed stocks of the same industry trading at higher than 30 times in the market).

Material capital expenditures will be incurred for the development of the project. The Board considers the acquisition a rare and commendable investment and is confident that the project paves the way for the Group in entering into the fast growing and highly rewarding Macau business sentiment. The Group expects the project can generate sufficient cashflow in meeting its obligation upon due.

Employment and Remuneration Policy

Due to the streamlining of the timber trading operation, as at 31 March 2006, the Group reduced the number of employees to 7 (2005: 15). Accordingly, the staff costs incurred were reduced to HK$3.7 million this year (2005: HK$6.2 million).

If the material acquisition has been approved by the shareholders at the forthcoming general meeting, the Board intends to recruit additional staff to look after the operation in ensuring the compliance of anti-money laundering and in keeping track on the operational performance of Sat Ieng.

The Group believes that the key to success lies in its people and would strive to create an environment that enables the staff in creating a sound of belongingness. The Group recruits individuals based on their competencies, merit and development potential. The Group's remuneration policies are formulated on the performance of individual employees, company performance, individual qualifications and the basis of the salaries trends and will be reviewed regularly. Apart from provident fund scheme and medical insurance, discretionary bonuses and employee share options are also awarded according to the assessment of individual performance for the purpose of providing competitive package and long term retention of management talents. However, no share option has yet been granted under the scheme up to date of this announcement.

Emphasis would also be placed on the provision of training and development opportunities.

Future Prospects

With the surplus fund on hand following the recovery of the long overdue receivables and the re-possession of the deposits previously paid for the timber operation, the Group has identified two investment opportunities, namely,

1) the acquisition of a piece of land in Tuen Mun. Although an impairment loss of HK$0.4 million was incurred in current financial year, the Board is still confident over its potential and prospect; and

2) the investment in Youngrich (see Very Substantial Acquisition above), the acquisition of which will bring in steady cashflow at a minimal risk. In fact, based on the financial information provided, the Board is confident in the profitability and cashflow position for the coming years and shareholders will be rewarded accordingly.

The investment in the Youngrich represents the very first step for the Group to see and evaluate whether additional resources would be allocated to the area and get the key to the rapidly growing economy in Macau.

In fact, the acquisition will position the Group to capture the high growth potentials of the Macau emerging market and strengthen the long term profitability. The move has facilitated the Group in entering into the Macau business circle in possibly gaining bids for the provision and installation of fire-rated timber door sets and the provision of interior decoration and renovation services from developers, either in the commercial, hotel or residential aspects of the Macau construction sector.

Nonetheless, the Group would continue the bidding of projects and the trading of logs but at a very prudent angle, i.e.

a) positive contribution to the Group's profit;

b) a reasonable profit margin; and

c) no or low risk on the recovery of receivables or of good standing customers (i.e. big developers or government).

On the operation aspect, the Group would continue to focus on stringent cost control, overhead reduction and efficiency enhancement. The directors will continue to closely monitor the Group's finance costs and improve the gearing ratio (if the Very Substantial Acquisition is approved) so as to enhance the Group's profitability and liquidity.

With the investments achieved or underwent, the management is fully confident in the competitive edge of its partner in Worth Perfect and hence, is optimistic about the future development and is confident that the Group will weather through the winter timing and achieve turnaround results in the coming years.

Meanwhile, we will continue to fine-tune the execution of these projects/policies in order to keep the Group's growing in the right direction. As a matter of self-monitoring, more and more internal controls will be deployed to regulate the growing process.

The year 2006/07 and the following couple of years will witness the Group's dramatic growth. The plan established is based on a self-financed model once it has been kicked off. We are fully confident of achieving the goals in the near future and thereafter our shareholders can enjoy the benefit of a rapid growing cash cow company.

Investor Relations

The Group recognises and appreciates the significance of communicating important information to shareholders and the investors community in a professional and timely manner.

It is the Group's management philosophy to maintain a high degree of transparency and to provide appropriate and prompt disclosure of the Group's corporate strategies and new business development.

The Groups would place great emphasis on providing clear information to investors regarding its business strategy and direction, the progress of its projects and the industry environment in which the Group operates.

The Group's financial and operational information will disseminate in the annual and interim reports. Annual general meeting will provide a communication channel between the Board and the shareholders.

Senior management intends to regularly meet with research analysts and institutional investors, attend investors' conferences and participates in non-deals roadshows in both Hong Kong and overseas.

Site visits would be arranged when deem necessary for analysts and investors to fully understand our business.

Additionally, the Group is also building up its own web-site so as to ensure prompt information would be posted and delivered to the public. The domain name is www.teemfoundationgroup.com.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules, throughout the accounting period covered by the annual report, except that the independent non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation in accordance with the Company's bye-laws.

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 the three independent non-executive directors of the Company.

CORPORATE GOVERNANCE

The Board of Directors (the "Board") of the Company is committed to maintain a high standard of corporate governance with a view to enhance the management of the Company as well as to preserve the interests of the shareholders as a whole. In the opinion of the Board, the Company had complied with all code provisions set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Rules Governing the listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") during the financial year, except for the deviation from Code A.2.1 and Code A.4.1 of CG Code as described below.

Code A.2.1 of CG Code provides, inter alia, that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

The Company does not officially have a position of Chief Executive Officer. However, Mr. Lum Chor Wah, Richard has been assuming the roles of both the Chairman and Chief Executive Officer of the Company. In this regard, the Company has deviated from Code A.2.1 of CG Code. The Board intends to maintain this structure in the future as it believes that it would provide the Group with strong and consistent leadership and allow the Group's business operations, planning and decision making as well as execution of long-term business strategies to be carried out more effectively and efficiently. Nonetheless, the Board would review and monitor the situation on a regular basis and would ensure that the present structure would not impair the balance of power in the Company.

Code A.4.1 of CG Code provides that non-executive directors should be appointed for a specific term, subject to re-election. Mr. Leung Chi Hung, Mr. Tsui Robert Che Kong and Mr. Lam Allan Shu Cheuk, being the Company's independent non-executive Directors, were not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Bye-laws.

PUBLICATION OF DETAILED RESULTS ANNOUNCEMENT ON THE STOCK EXCHANGE'S WEBSITE

A detailed results announcement containing all information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited will be subsequently published on the website of the Stock Exchange in due course.

As at the date of this announcement, the Executive Directors of the Company are Mr. Lum Chor Wah, Richard, Mr. Pun Yuen Sang, Mr. Tang Hin Keung, Alfred, and the Independent Non-Executive Directors of the Company are Mr. Leung Chi Hung, Mr. Tsui Robert Che Kong and Mr. Lam Allan Shu Cheuk.

By Order of the Board
Lum Chor Wah, Richard
Chairman

Hong Kong, 20 July 2006