天鷹電腦集團

SKY HAWK COMPUTER GROUP HOLDINGS LIMITED

天 鷹 電 腦 集 團 控 股 有 限 公 司

(incorporated in the Cayman Island with limited liability)

(Stock Code: 1129)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2005

The board of Directors (the "Board") of Sky Hawk Computer Group Holdings Limited (the "Company") is pleased to announce that the unaudited results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2005 with unaudited comparative figures for the corresponding period of last year, are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)
For the six months ended 30 June 2005

	Notes	Six months ended 30 June 2005 HK$'000	2004 HK$'000
Turnover	2	**24,096**	30,163
Cost of sales		**(14,955)**	(20,869)
		9,141	9,294
Other revenue	3 & 4	**131**	412
Distribution costs		**(2,811)**	(4,669)
Administrative expenses		**(6,127)**	(1,978)
Profit from operations		**334**	3,059
Finance costs		**(118)**	(107)
Profit before taxation	5	**216**	2,952
Taxation	6	**–**	–
Profit attributable to shareholders		**216**	2,952
Dividends	7	**–**	–
Earnings per share			
Basic	8	**0.04 cent**	0.6 cent

CONDENSED CONSOLIDATED BALANCE SHEET
At 30 June 2005

	Notes	At 30 June 2005 (unaudited) HK$'000	At 31 December 2004 (audited) HK$'000
Non-current assets			
Property, plant and equipment		**30,623**	32,576
Intangible assets		**2,475**	2,825
Deferred tax assets		**1,718**	1,718
		34,816	37,119
Current assets			
Inventories	9	**56,417**	42,065
Trade receivables	10	**34,770**	40,599
Prepayments, deposits and other receivable		**8,164**	6,873
Bank balances and cash		**5,775**	5,451
		105,126	94,988
Current liabilities			
Bank loans and overdrafts	11	**6,303**	2,959
Trade payables	12	**10,334**	14,900
Other payables and accruals		**10,035**	9,887
Tax payable		**9,376**	10,441
		36,048	38,187
Net current assets		**69,078**	56,801
Capital and reserves			
Share capital	13	**59,400**	49,500
Reserves		**44,494**	44,420
		103,894	93,920

Notes:

1. Basis of preparation

The consolidated interim accounts were unaudited and had been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and on a basis consistent with the accounting policies adopted in the Group's audited annual financial statements for the year ended 31 December 2004.

The consolidated interim accounts had also been prepared in accordance with all applicable disclosure requirements of the Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The HKICPA had issued a number of new Hong Kong Financial Reporting Standards. Hong Kong Accounting Standards and Interpretations (hereinafter collectively referred to as "new HKFRSs") which are generally effective for accounting periods beginning on or after 1 January 2005. During the six months ended 30 June 2005, the Group had applied, for the first time, the new HKFRSs and such application had not resulted in a material change in the presentation of the Group's financial statements for the six months ended 30 June 2005.

2. Turnover

Turnover represents amounts received and receivable for goods sold during the period less returns and discounts.

3. Segment information

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group in making operating and financial decisions.

(a) Business segment

i) Computer peripherals segment engages in manufacture and distribution of computers chassies and accessories;

ii) Industrial products segment engages in sales of related petroleum products.

The Group's turnover and net profit for the period by business segment are as follows:

	Computer peripherals Six months ended 30 June 2005 HK$'000	2004 HK$'000	Industrial products Six months ended 30 June 2005 HK$'000	2004 HK$'000	Consolidated Six months ended 30 June 2005 HK$'000	2004 HK$'000
Segment turnover	**21,000**	30,163	**3,096**	–	**24,096**	30,163
Segment results	**393**	3,145	**11**	–	**404**	3,145
Unallocated income less expenses					**(70)**	(86)
Finance costs					**(118)**	(107)
Profit before taxation					**216**	2,952
Taxation					**–**	–
Net profit for the period					**216**	2,952

(b) *Geographical segment*

The Group's business is managed on a worldwide basis, focusing on four major principal economic zones, namely Europe, Asia Pacific, North America and South Africa.

All segment assets and capital expenditures are located in the Greater China region (including the PRC, Hong Kong and Taiwan).

	At 30 June 2005 (unaudited) HK$'000	At 30 June 2004 (unaudited) HK$'000
Europe	**4,083**	5,681
Asia Pacific	**5,478**	8,295
North America	**14,535**	16,187
	24,096	30,163

There is no major discrepancy in the ratios between turnover and profit in relation to the above geographical locations, hence no analysis is given of the profit contributions from the above geographical locations.

4. Other revenue

	At 30 June 2005 (unaudited) HK$'000	At 30 June 2004 (unaudited) HK$'000
Interest income	**6**	3
Net (loss)/gain on disposal of fixed assets	**–**	48
Gains on disposal of scrap materials	**125**	361
	131	412

5. Profit before taxation

Profit before taxation is arrived at after charging:

	At 30 June 2005 (unaudited) HK$'000	At 30 June 2004 (unaudited) HK$'000
(a) Finance costs:		
Interest on bank loans and overdrafts	**118**	107
(b) Other items:		
Cost of inventories	**14,995**	20,869
Depreciation of property, plant and equipment	**3,807**	3,632
Operating lease rentals in respect of properties	**1,645**	1,684
Research and development costs	**63**	1,026
Staff costs		
– wages, salaries and benefits	**2,818**	3,835
– Defined contributions retirement scheme	**160**	76

6. Taxation

Tax on the profits of subsidiaries operating elsewhere, if any, has been calculated at the rates of tax prevailing in their respective jurisdictions for financial reporting purposes.

During the six months ended 30 June 2005, no provisions for Taiwan income tax, PRC income tax and Hong Kong profits tax have been made as the Group sustained a loss or no estimated profit for Taiwan, PRC and Hong Kong tax purposes.

No provisions for deferred tax have been made as the effect of all timing differences is immaterial at the respective balance sheet date.

7. Dividends

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

8. Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK$216,000 (30 June 2004: profit HK$2,952,000) and the weighted average of 514,800,000 shares (30 June 2004: 474,780,220 shares) in issue during the six months ended 30 June 2005, being the shares that would have been in issue throughout the period.

There were no potential dilutive shares in issue for both periods.

9. Inventories

	At 30 June 2005 (unaudited) HK$'000	At 31 December 2004 (audited) HK$'000
Raw materials	**13,879**	16,757
Work in progress	**42,108**	17,242
Finished goods	**430**	8,066
	56,417	42,056

Inventories were stated after charging a general provision, which was made in order to state these inventories at the lower of their cost and estimated net realisable value.

10. Trade receivables

The Group normally allows credit terms ranging from one to six months to its customers. An aging analysis of the trade receivables is as follows:

	At 30 June 2005 (unaudited) *HK$'000*	At 31 December 2004 (audited) *HK$'000*
Current	**520**	–
1 to 3 months	**8,090**	24,916
More than 3 months but less than 12 months	**24,785**	12,683
Over 1 year	**1,375**	3,000
	34,770	40,599

11. Bank loans and overdrafts

	At 30 June 2005 (unaudited) *HK$'000*	At 31 December 2004 (audited) *HK$'000*
Secured bank borrowings		
Bank loans – Secured	**6,303**	2,959
	6,303	2,959

All the bank loans and overdrafts are either repayable within one year or repayable on demand.

As at 30 June 2005, the bank borrowings of the Group were secured as follows:

(i) inventories released under the trust receipt loans;

(ii) mortgages over certain properties of the Group; and

(iii) personal guarantees issued by a director.

12. Trade payables

An aging analysis of the trade payables is follows:

	At 30 June 2005 (unaudited) *HK$'000*	At 31 December 2004 (audited) *HK$'000*
Due within 1 month or on demand	**–**	9,780
Due after 1 month but within 3 months	**5,430**	2,769
Due after 3 months but within 6 months	**2,965**	2,160
Due after 6 months but within 1 year	**1,939**	191
Total trade payables	**10,334**	14,900

13. Share capital

	At 30 June 2005 (unaudited) *HK$'000*	At 31 December 2004 (audited) *HK$'000*
Authorised:		
4,000,000,000 ordinary shares of HK$0.1 each	**400,000**	400,000
Issued and fully paid:		
594,000,000 (31 December 2004: 495,000,000) ordinary shares of HK$0.1 each	**59,400**	49,500

The increase in issued and fully paid shares of 99,000,000 shares related to a share placement of 99,000,000 shares during the six months ended 30 June 2005. Details of which were set out in the announcement of the Company dated 24 May 2005.

FINANCIAL REVIEW

Results

For the six months ended 30 June 2005, the Group recorded a turnover of approximately HK$24.1 million, representing a decrease of 20.09% as compared with HK$30.16 million for the corresponding period of last year. Profit for the Group attributable to shareholders for the corresponding period dropped by approximately HK$2.73 million (for the corresponding period of 2004 decreased by HK$0.05 million). Basic and diluted earning per share for the six months ended 30 June 2005 amounted to $0.04 Hong Kong cent (six months ended 30 June 2004: $0.60 Hong Kong cent).

Liquidity and Financial Resources

As at 30 June 2005, the Group had cash and bank balance of total amount of approximately HK$5.78 million, net current assets of approximately HK$69.08 million and long-term and current liabilities of HK$36.05 million. As at 30 June 2005, the current ratio of the Group was 34.29% (31 December 2004: 40.20%).

Foreign Exchange Exposure

Most of the Group's business transactions are denominated in either United State dollars, Hong Kong dollars and Reminbi. As such, the Group had no significant exposure to foreign exchange fluctuations.

Contingent Liabilities

The Group had no material contingent liabilities as at 30 June 2005 (30 June 2004: Nil).

Distribution of Business

During the six months ended 30 June 2005, turnover and operating profit by geographical area recorded a decline in every one of the geographical areas, with 60.32% in America, 16.94% in Europe and 22.73% in Asia Pacific, etc. These were mainly contributed by the sales of large computer chain stores in these areas.

Administration Expenses

Due to the continued streamlining measures adopted by the Group in human resources, distribution and administration expenses dropped 67% for the six months ended 30 June 2005 over the corresponding period last year. Costs saving measures in various departments and improvement in technological effectiveness will carry on to strive to lower the waste of resources.

Use of Proceeds

The net proceeds from the share placement of 99,000,000 shares of the Company in 24 May 2005 amounted to approximately HK$9.57 million. As at 30 June 2005, the Group has utilized approximately HK$3.07 million in sales development and advertising expenses, approximately HK$3 million for research & development and production facilities, and of approximately HK$3.05 million for general working capital. The use of proceeds was in line with the disclosure made in the announcement of the placing of existing shares and subscription of new shares of the Company dated 24 May 2005.

INTERIM DIVIDENDS

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

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2005, the Group had a total of 352 employees, 318 of whom were employed in mainland China and 34 in Hong Kong, Taiwan and overseas.

The Group implements remuneration policy, bonus and share options schemes with reference to the performance of the Group and individual employees. The Group also provides benefits such as insurance, medical and retirement funds to employees.

BUSINESS REVIEW

Turnover for the six months ended 30 June 2005 was approximately HK$24.10 million, representing a significant decline of 20% from the corresponding period last year. During the six months ended 30 June 2005, the operating environment of the computer manufacturing industry could only be regarded stable and there were full of challenges in terms of prices due to the substantially higher prices of raw materials. By way of active cost control, the rise in sales was able to offset the production costs and therefore, gross profit consequently maintained at 12%. In view of the increase in costs which had put a heavy burden on various industries worldwide, the Group made an effort in quality control and also tried to recycle stockpiles. On the other hand, the Group further expanded its research team and improved its customer service platform, steered growth by emphasizing its project sales of OEM mini-barebone systems and helped the main board manufacturers and the U.S. and European large computer chain store distributors to offer tailor made and more stylish products to facilitate higher profits from distribution and retail.

During the six months ended 30 June 2005, with respect to overseas distribution markets, the Group restructured its European and Japanese market segments and its efforts in marketing. Turnover decreased 18.7% from HK$139.76 million to HK$95.61 million. The Group also endeavored to cultivate business personnel and utilize advertisements to launch a new image for its high-end chassis and power supply. The Group will further plan for and expand its market share.

Personal Computer Business

During the six months ended 30 June 2005, turnover of personal computer business was approximately HK$11.4 million, representing 47% of the Group's turnover. Personal computer remained the largest production of the Group. Of the turnover contributed by this business, 38% was attributable to the Company's alloyed aluminum branded products. When compared with last year, the growth in OEM customer orders of North America represented 52% of the turnover, primarily contributed by computer chain stores and to a lesser extent by Taiwan main board manufacturers and direct distributors.

Network Products

During the six months ended 30 June 2005, sales of network products represented 12% of the Group's turnover, which was more stable than last year. Gross profit margin was 35% (30 June 2004: 39%).

Power Supply

During the six months ended 30 June 2005, the strategy for production and sales was changed. Technological efforts were committed to medium- to high-end power supply. Turnover rose 3% from the corresponding period last year to approximately HK$1.0 million.

Sale of Industrial Products

The Group incorporated the sale of industrial products into its business scope since May 2005. Turnover of its industrial related petroleum products represented 11% of the relevant segment turnover of the Group, which amounted to approximately HK$3.0 million, and gross profit ratio for this product category was approximately 0.35%.

PROSPECT

The Group will continue to pursue higher level of quality and technology with the support of systematic and computerized examination and control. The Group still firmly believed that the computer and technological products will become the world's consumer and integrated home multimedia and entertainment electrical appliances. Alloyed aluminum chassis will be the best solution for the release of heat arising from the increasing speed of main board and CPU. In terms of technological products, the Group will be the best partner for the sellers of worldwide famous computer brands and OEM/ODM clients.

Apart from the foregoing, with the joining of a new director and the development of strategic governance of business, the Group holds a positive view towards the production volume of the manufacturing industry and the rising economy of global business. The demand for energy related products such as petroleum and industrial related chemical products continued to grow, which promised a flourishing prospect for this business segment in the forthcoming year. Moreover, the selling prices of crude oil by-products are likely to rise. The said factors have posed a great opportunity for the Group to further develop this segment of business.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Listing Rules during the six months ended 30 June 2005 except for the below.

Code Provision A.2.1

Code A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The Company does not have any officer with the title "chief executive officer" (the "CEO"). At present, the duties of a CEO are undertaken by Mr. Wang Chia Chin ("Mr. Wang"). Mr. Wang also is the founder and Chairman of the Company. Mr. Wang has over 17 years of experience in the computer peripherals manufacturing and distributing industry and is responsible for the strategic planning, overall business development and distribution business of the Group. The Board considered that, due to the nature and extent of the Group's operations, Mr. Wang is the most appropriate chief executive of the Company because he particular have the in-depth knowledge and experience in the computer peripherals manufacturing and distributing industry. Notwithstanding the above, the Board will review the current structure from time to time. When at the appropriate time and if candidate with suitable leadership, knowledge, skills and experience can be identified within or outside the Group, the Company may make necessary arrangements.

Code Provision A.4.1

Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

The existing independent non-executive directors of the Company do not have a specific term of appointment but are subject to retirement by rotation and re-election at the Company's annual general meeting under the Bye-laws of the Company. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

Code Provision A.4.2

Code provision A.4.2 stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

According to the provisions of the Company's Bye-laws, at each annual general meeting one-third of the directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation save that the Chairman and/or the Managing Director of the Company shall not be subject to retirement by rotation or be taken into account in determining the number of directors to retire in each year. The board of directors of the Company will review the relevant provisions in the Bye-laws of the Company in the course of this year and propose relevant amendments to be made for approval by the shareholders at the forthcoming annual general meeting or special general meeting of the Company, whichever is earlier.

REMUNERATION COMMITTEE

A Remuneration Committee has been established with written terms of reference in accordance with the requirements of the CG Code. The Remuneration Committee comprise two independent non-executive directors and one executive director of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 to the Listing Rules (the "Model Code"). Having made specific enquiry of all directors, all directors confirmed 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 for the six months ended 30 June 2005.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the unaudited financial statements for the six months ended 30 June 2005. The Committee meets regularly with the management, the external auditors and the internal audit personnel to discuss the accounting principles and practices adopted by the Group, internal control and financial reporting matters.

At present, the audit committee members comprise Mr. Chan But Leung, Mr. Shum Po Cheung and Mr. Lui Nam Kit, all being the independent non-executive directors of the Company.

PURCHASES, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2005.

By order of the Board
Wang Chia Chin
Chairman

Hong Kong, 23 September 2005

As of the date of this announcement, the board of directors comprises Mr. Wang Chia Chin, Mr. Chen Ho Fa, Mr. Wu Chi Lok and Mr. Wong Chong Fai, William, all being the executive directors and Mr. Chan But Leung, Mr. Shum Po Cheung and Mr. Lui Nam Kit, all being the independent non-executive directors.