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 Islands with limited liability)

(Stock Code: 1129)

ANNUAL RESULT FOR THE YEAR ENDED 31 DECEMBER 2005

The board of directors (the "Board") of Sky Hawk Computer Group Holdings Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2005 together with comparative figures for the corresponding year in 2004 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2005

	Notes	**2005** **HK$'000**	2004 HK$'000
Turnover	3	**61,220**	82,840
Cost of sales		**(53,238)**	(72,213)
Gross profit		**7,982**	10,627
Other operating income		**681**	921
Selling and distribution costs		**(10,794)**	(8,467)
Administrative expenses		**(32,245)**	(18,702)
Allowances for bad and doubtful debts		**(7,903)**	(2,988)
Finance costs		**(262)**	(198)
Loss before taxation		**(42,541)**	(18,807)
Taxation	5	**(1,718)**	406
Loss for the year		**(44,259)**	(18,401)
Attributable to:			
Equity holders of the parent		**(44,172)**	(18,401)
Minority interests		**(87)**	–
		(44,259)	(18,401)
Loss per share	7		
Basic		**(7.7) cents**	(3.8) cents
Diluted		**N/A**	N/A

CONSOLIDATED BALANCE SHEET

At 31 December 2005

	Notes	**2005** **HK$'000**	2004 HK$'000
Non-current assets			
Property, plant and equipment		**20,991**	32,576
Intangible assets		**2,160**	2,825
Deferred tax assets		**–**	1,718
		23,151	37,119
Current assets			
Inventories		**43,979**	42,065
Trade and other receivables	8	**48,635**	47,472
Tax recoverable		**165**	–
Bank balances and cash		**4,491**	5,451
		97,270	94,988
Current liabilities			
Trade and other payables	9	**27,775**	24,787
Tax payables		**10,497**	10,441
Obligations under finance leases		**239**	–
Bank borrowings		**3,898**	2,959
		42,409	38,187
Net current assets		**54,861**	56,801
Assets classified as held for sale		**1,081**	–
		55,942	56,801
Total assets less current liabilities		**79,093**	93,920
Capital and reserves			
Share capital		**73,450**	49,500
Reserves		**3,149**	44,420
Equity attributable to equity holders of the parent		**76,599**	93,920
Minority interests		**1,960**	–
Total equity		**78,559**	93,920
Non-current liability			
Obligations under finance leases		**534**	–
		79,093	93,920

Notes:

1. GENERAL

The Company is incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated 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's accounting policies in the following areas that have an effect on how the results for the current or prior accounting years are prepared and presented.

Financial instruments

In the current year, the Group has applied HKAS 32 Financial Instruments: Disclosure and Presentation and HKAS 39 Financial Instruments: Recognition and Measurement. HKAS 32 requires retrospective application and HKAS 39, which is effective for accounting periods beginning on or after 1 January 2005, generally does not permit the recognition, derecognition or measure financial assets and liabilities on a retrospective basis. The application of HKAS 32 has had no material impact on how financial instruments of the Group are presented for current and prior accounting periods. The principal effects resulting from the implementation of HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

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

Financial assets and financial liabilities other than debt and equity securities

From 1 January 2005 onwards, the Group has classified and measured its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of Statement of Standard Accounting Practice 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "other financial liabilities". Financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value being recognised in profit or loss directly. Other financial liabilities are carried at amortised cost using the effective interest method after initial recognition. The application of HKAS 39 has had no material impact on how financial instruments of the Group are presented for current and prior accounting periods.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective as at 31 December 2005. The directors of the Company anticipate that the application of these HKFRSs will have no material impact on the financial statements of the Group.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures[2]
HKAS 21 (Amendment)	Net investment in a Foreign Operation[2]
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions[2]
HKAS 39 (Amendment)	The Fair Value Option[2]
HKAS 39 & HKFRS 4 (Amendments)	Financial Guarantee Contracts[2]
HKFRS 6	Exploration for and Evaluation of Mineral Resources[2]
HKFRS 7	Financial Instruments: Disclosures[1]
HK(IFRIC) – INT 4	Determining whether an Arrangement Contains a Lease[2]
HK(IFRIC) – INT 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds[2]
HK(IFRIC) – INT 6	Liabilities arising from Participating in a Specific Market, Waste Electrical and Electronic Equipment[3]
HK (IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[4]

[1] Effective for annual periods beginning on or after 1 January 2007.

[2] Effective for annual periods beginning on or after 1 January 2006.

[3] Effective for annual periods beginning on or after 1 December 2005.

[4] Effective for annual periods beginning on or after 1 March 2006.

3. TURNOVER

Turnover represents the net amounts received and receivable for computer peripherals sold and trading of watches and accessories by the Group to outside customers, less returns and discounts.

An analysis of the Group's turnover is as follows:

	2005 **HK$'000**	2004 HK$'000
Sales of computer peripherals	**53,627**	82,840
Trading of watches and accessories	**4,496**	–
Others	**3,097**	–
	61,220	82,840

4. SEGMENT INFORMATION

Business segments

For management purposes, the Group is currently organised into two operating divisions - production and sale of computer peripherals and trading of watches and accessories. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

(a) Production and sale of computer peripherals; and

(b) Trading of watches and accessories to customers in Hong Kong.

Segment information about these businesses is presented below:

For the year ended 31 December

	Production and sale of computer peripherals		**Trading of watches and accessories**		**Others**		**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
TURNOVER								
External sales	**53,627**	82,840	**4,496**	–	**3,097**	–	**61,220**	82,840
RESULT								
Segment results	**(39,523)**	(18,263)	**327**	–	**11**	–	**(39,185)**	(18,263)
Unallocated corporate income							**627**	223
Unallocated corporate expenses							**(3,721)**	(569)
Finance costs							**(262)**	(198)
Loss before taxation							**(42,541)**	(18,807)
Taxation							**(1,718)**	406
Loss for the year							**(44,259)**	(18,401)
OTHER INFORMATION								
Depreciation of property, plant and equipment	**8,469**	8,324	**93**	–	**–**	–	**8,562**	8,324
Amortisation of intangible assets	**720**	706	**–**	–	**–**	–	**720**	706
Allowance for bad and doubtful debts	**7,903**	2,988	**–**	–	**–**	–	**7,903**	2,988
Allowance for inventories	**4,810**	2,705	**–**	–	**–**	–	**4,810**	2,705
Loss on disposal of property, plant and equipment	**6,560**	–	**–**	–	**–**	–	**6,560**	–
Capital expenditure	**5,014**	3,571	**465**	–	**–**	–	**5,479**	3,571
Balance sheet at 31 December								
ASSETS								
Segment assets	**106,076**	126,656	**15,270**	–	**–**	–	**121,346**	126,656
Unallocated segment assets							**156**	5,451
Consolidated total assets							**121,502**	132,107
LIABILITIES								
Segment liabilities	**24,327**	21,828	**3,982**	–	**–**	–	**28,309**	21,828
Unallocated segment liabilities							**14,634**	16,359
Consolidated total liabilities							**42,943**	38,187

Geographical segments

The Group's operations are located in the People's Republic of China (the "PRC") and Hong Kong. The Group's trading of watches and accessories division is located in Hong Kong. Production and sale of computer peripherals is carried out in the PRC.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/services:

	Sales revenue by geographical market	
	2005	2004
	HK$'000	*HK$'000*
Europe	**5,812**	16,994
Asia Pacific	**22,071**	19,340
North America	**33,337**	45,742
South Africa	**–**	764
	61,220	82,840

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment and intangible assets, analysed by the geographical areas in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment and intangible assets	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The PRC	**95,132**	123,799	**3,594**	3,571
Hong Kong	**19,386**	1,140	**1,885**	–
Taiwan	**6,984**	7,168	**–**	–
	121,502	132,107	**5,479**	3,571

5. TAXATION

	2005	2004
	HK$'000	*HK$'000*
Deferred taxation	**1,718**	(406)

No Hong Kong Profits Tax is provided as the Group did not have estimated assessable profits for both years.

The taxation for the years can be reconciled to the loss before taxation per the consolidated income statement as follows:

	2005	2004
	HK$'000	*HK$'000*
Loss before taxation	**(42,541)**	(18,807)
Tax at the domestic income tax rate of 17.5% (2004: 17.5%)	**(7,445)**	(3,291)
Tax effect of expenses that not deductible in determining taxable profit	**11,109**	301
Tax effect of income not taxable for tax purpose	**(8,789)**	–
Effect of difference tax rate of subsidiaries operating in other jurisdictions	**570**	–
Tax effect of deferred tax assets not recognised	**6,273**	2,584
Tax charge for the year	**1,718**	(406)

6. DIVIDENDS

No dividend was paid or proposed during 2005 and 2004, nor has any dividend been proposed since the balance sheet date.

7. LOSS PER SHARE

The calculation of basic loss per share for the year is based on the loss for the year attributable to equity holders of the parent of approximately HK$44,172,000 (2004: HK$18,401,000), and the weighted average of 575,914,247 (2004: 482,759,563) ordinary shares in issue during the year.

No diluted loss per share has been presented as there were no potential ordinary shares in issue in both years.

8. TRADE AND OTHER RECEIVABLES

	2005	2004
	HK$'000	*HK$'000*
Trade receivables	**30,401**	40,599
Other receivables	**12,234**	6,873
Deposit paid	**6,000**	–
	48,635	47,472

The Group allows an average credit period of 30 days to 180 days given to its trade customers.

An aged analysis of the trade receivable as at the balance sheet date, based on invoice date, and net of impairment losses is as follows:

	2005	2004
	HK$'000	*HK$'000*
Current to 90 days	**18,688**	24,916
91 to 180 days	**1,722**	11,270
181 to 365 days	**9,991**	1,413
Over 1 year	**–**	3,000
	30,401	40,599

The fair values of the Group's trade and other receivables at 31 December 2005 approximate to the corresponding carrying amounts.

9. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade and other payables at the balance sheet date, based on payment due date:

	2005	2004
	HK$'000	*HK$'000*
Current to 30 days	**10,190**	9,780
31 to 90 days	**7,034**	2,769
91 to 180 days	**2,124**	2,160
181 to 365 days	**635**	191
Over 1 year	**165**	–
	20,148	14,900
Other payables	**7,627**	9,887
	27,775	24,787

The fair values of the Group's trade and other payables at 31 December 2005 approximate to the corresponding carrying amounts.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

The Group recorded a further significant drop in turnover for the year ended 31 December 2005. Turnover was approximately HK$61,220,000, which, when compared to last year of HK$82,840,000, represents a 26% decrease. Net loss increased to approximately HK$44,172,000 (as compared to HK$18,401,000 in 2004). This can, in part, be explained by the factory removal, as well as increased in bad and doubtful debt provision during the year. Gross profit margin of the Group was maintained at 13% this year.

BUSINESS REVIEW

2005 created many challenges for the Group. With computer peripherals accounting for 87.6% of turnover, one of the key tasks it faced was how to deal with the ever-increasing price of metal materials, particularly aluminum used in the production of its PC cases and the increasing price of plastic material due to the rise in oil price, plus the appreciation of RMB. By emphasizing greater cost control, the Group successfully managed to offset part of the higher production costs, which in turn kept gross profit margins at around the 13%. Nevertheless, turnover was still 26% down on the year under review. To react to the global problem of rising costs in plastic and metal materials, the Group embarked on various new initiatives that included recycling existing stockpiles, and improving production quality control standards.

It was also decided by the Board in March 2005 to relocate the current factory to a modern industrial zone in Shenzhen. Production was made fully operational in mid-August. In the meantime, some of the assembling facilities and equipments had been disposed, of which some items were too outdated and some were damaged during factory removal that caused approximately HK$6.56 million fixed assets had been written off. The Group is pleased to report that our clients are loyal to the Group and continuing to place orders to show their support.

Approximately total extra HK$6.5 million moving cast as administration expenses was spent by the Group for relocation of the new factory. Such a strategic decision was made for long-term benefits to the Group and its shareholders as a whole. It is not only will make production line become faster and more cost-effective by operating on a horizontal level, which in turn will allow for better and efficient management and operational supervision, but also by being located in the industrial zone, it will ensure that all imports and exports are tightly monitored with a newly upgraded computer system network. This improved of the Group of quality control will, benefit all of our customers and further consolidate the position in the market.

The Group strategically acquires 50.01% of interest in TechnoStore Ltd. Subsequently, on 20 December 2005, entered into the sales and distribution agreement starting in January 2006 which gave us the exclusive right to market, sell and distribute the TechnoMarine brand of luxurious watches and accessories in Asia Pacific. With a distribution and retail network spanning 9 countries, the Asia Pacific region represents over 20% of the brand's global sales. On top of the Stores in Korea and Philippines which have been running for a few years, a latest TechnoMarine Store was opened in Taiwan in late 2005. The principal reason for the acquisition and entering into the sales and distribution agreement is in the view of the Directors, that would make additional contribution to the Group's earnings, as well as to broaden the future income base of the Group.

BUSINESS SEGMENTS REVIEW

1. **Computer Peripherals**

For the year ended 31st December 2005, turnover attributable to the personal computer business was HK$53,627,000. This accounted for approximately 87.6% of the Group's turnover. The personal computer business still remains the most productive in this segment. To strengthen its position further, the Group will look to develop the OEM/ODM business more completely in 2006. Discussions are being held with ULTRA and NZXT with a view to develop future business co-operations. The production of low profit margin PC DIY products will be gradually reduced as a result.

Geographical distribution of business showed that North America still represented the biggest market, accounting for approximately 54.45% of the Group's annual turnover. The Asia Pacific market made up 36.05% of turnover, with the remaining 9.50% coming from Europe.

2. **TechnoMarine**

With Asia Pacific being a the fastest growing economic entity in the world in the view of the Group that distribution and retail potentials of the TechnoMarine brand within the region for the coming years will be very high indeed. The actual turnover recorded from November to December 2005 was HK$4,496,000, which produced a contribution approximately of HK$327,000 to the Group. In the future years, the Group continues to developing the sales network in Asian Pacific and Mainland China.

FUTURE PROSPECTS

1. **Computer Peripherals**

The Group will put utmost effort to maintain the profit margin of this business segment, even though, in the long-term, the surging price of materials and the appreciation of RMB will continue to be critical factors affecting the results of this segment.

Currently, the production and operational management is become more streamlined, efficient, and, more importantly, cost-effective with its strategic relocation into a new factory on the mainland. One of the Group's key strategies for 2006 is to strengthen its position in the OEM/ODM business by offer attractive, tailor-made OEM/ODM mini barebones systems to its clients in North America and Europe. The Group will also look into worldwide partnerships with major OEM/ODM computer manufacturers who need experienced partners to help them expand into the Asia Pacific market, particularly in the PRC. This is a fast-emerging market which holds enormous economic potential for the business. The Group will also continue to develop the power supply business segment, which yields higher profit margins than PC casing. Obtaining new clients such as ULTRON reflects our commitment in this field. Furthermore, with the higher standard style of living, the demand of multi-functional entertainment PC system is expected to grow strongly. To tie in with the growing trend, the Group has produced a series of aluminum home theatre PC cases for clients with various needs.

2. **TechnoMarine**

There is much to be optimistic about for 2006. Our experienced members of directors looked carefully at the Asia Pacific market before investing in the brand of TechnoMarine. Based on the opinion World Bank, that average earnings per head in the Asia Pacific region are expected to rise 5% per annum over the next 10 years, the Group strongly believes that profits derived from TechnoMarine will contribute positively to its business operations in the coming years.

Currently, the Group has an image store in Kowloon, with a second one schedules to be opened in Hong Kong Island in the coming year. The Group is targeting to spread the distribution network to new market such as Taiwan & other south-east Asian countries in the near future. The key aim of the Group is, however, to focus business growth in the PRC by investing in image branding and opening more image stores. As the Chinese economy is growing rapidly, as a result; a high increase on population of wealthy Chinese cusumers who are willing to spend money on luxury goods. The Group will focus on developing costal cities, then, in the long term, expand to cover the secondary and metropolitans cities in North-eastern and North-western areas.

LIQUIDITY & FINANCIAL RESOURCES

For the year ended 31st December 2005, the Group recorded net current assets of HK$54,861,000, of which approximately HK$4,491,000 related to cash and bank deposits. Current liabilities were HK$42,409,000. With regard to foreign currency exposure, as the Group's business transactions are mainly made in US Dollars, HK Dollars or RMB, it has no significant exposure to foreign currency fluctuations. The gearing ratio was 4.96% (2004: 3.15%) which was defined as the Group's bank borrowings and its total equity.

CAPITAL STRUCTURE AND USE OF PROCEEDS

The Group has two fund raising activities during 2005. In May 2005, the Group placed existing shares and top-up subscription of 99,000,000 new shares to raise approximately HK$9.552 million, of which HK$3.35 million used for sales and advertising expenses, HK$3.1 million spent on research and development, upgrading production facilities and HK$3.1 million for general working capital. In October 2005, the Group placed again 58,000,000 existing and top-up subscription and placed the new 41,000,000 shares to raise approximately HK$9.7 million. Subsequently, HK$2 million was used to take over 50.01% interest of Technostore, and HK$6 million was paid as deposit for the 7 years exclusive distribution license of TechnoMarine watches. The balance HK$1.7 million is used as general working capital for the Group.

In additioin, a total of 41,500,000 shares were issued pursuant to the exercise of the share options by the option holders of the Company at an exercise price of HK$0.0994 per share during the year.

As a result, the total number of issued share capital is 734,500,000 shares as at 31 December 2005.

SIGNIFICANT INVESTMENTS

Save as disclosed in the announcement, there was no significant investment held by the Company for the year ended 31 December 2005.

MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES

During the year under review, the Group acquired 50.01% share interest in TechnoStore Limited for an aggregate consideration of HK$2 million. Further details in respect of the above acquisition are set out in the circular dated 13 December 2005.

In 20 December 2005, the Group entered an agreement with Linear Ltd, to grant Mascot Industries Ltd, a 100% subsidiary of the Group, an exclusive right to market, sell and distribute Technolmarine watches in the Asia Pacific Territory for a term of seven years commencing from 1 January 2006. The total consideration is HK$14 million.

Save as disclosed above, there is no material acquisitions and disposal of subsidiaries during the year.

EMPLOYEE & REMUNERATION POLICY

As at 31st December 2005, the Group had a total of 370 employees, 342 of whom were employed in mainland China and 28 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.

CHARGES ON GROUP ASSETS

The Group has pledged land and buildings having a net book value of approximately HK$4,593,000 (2004: HK$4,682,000) to secure general banking facilities granted to the Group.

DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed above, the Directors presently do not have any future plans for material investments or capital assets. The management will continue to monitor the industry and review its business expansion plans regularly, so as to take necessary measures in the Group's best interests.

FOREIGN CURRENCY EXPOSURE

The Group mainly earns revenue and incurs cost in US dollars, HK dollars and RMB. Foreign exchange exposure of the Group is minimal as long as the policy of the Government of HKSAR to link the Hong Kong dollars to the US dollars remains in effect.

POST BALANCE SHEET EVENT

On 20 December 2005, arrangements were made for a placement of 250,000,000 new shares of HK$0.1 each in the Company, among which, as to 60,000,000 to Mr. Wu Chi Lok; as to 60,000,000 to Mr. Yeung Tsz Keung, Jacky, both executive directors of the Company and as to 130,000,000 to not less than six independent places. The placing price of HK$0.11 per share represented a discount of approximately 19.71% to the closing market price of the Company's shares on 19 December 2005. The placing was completed on 2 February 2006.

PURCHASES, REDEMPTIONS OR SALES OF COMPANY'S LISTED SECURITIES

There were no purchases, redemptions of sales of the Company's listed securities by the Company or any of its subsidiaries during the year.

CORPORATE GOVERNANCE PRACTICES

Throughout the year ended 31 December 2005, the Group has applied the principles and complied with the code provisions prescribed in the recently promulgated Code on Corporate Governance Practices ("CG Code") set out in the Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), which became effective on 1 January 2005, except for the deviations from Code Provisions A.2.1, A.4.1 and A.4.2 which are explained in the following relevant paragraphs:

1. According to the code provision A.2.1 of the CG Code, the roles of the Chairman and the Chief Executive Officer (the "CEO") should be separated and should not be performed by the same individual. The Company does not have any officer with the title CEO. At present, the duties of a CEO are undertaken by Mr. Wang China 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 distribution 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 has the in-depth knowledge and experience in the computer peripherals manufacturing and distributing industry.

2. According to the code provision A.4.1 of the CG Code, Independent Non-Executive directors should be appointed for a specific term of service. However, independent non-executive Directors of the Company are not appointed for a specific term, but they are subject to retirement in rotation at the annual general meeting of the Company according to the articles and association of the Company (the "Articles").

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

   According to the provisions of the Company's Articles, at each annual general meeting one-third of the directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not exceeding one-third, shall retire from office by rotation provided that no Director holding office as Chairman, Deputy Chairman or the Managing Director or Joint Managing Directors 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. For these deviations, the Board of Directors has proposed to amend the Articles at the forthcoming annual general meeting in order to comply with the CG Code.

AUDIT COMMITTEE

The Company has established with written terms of reference in accordance with the requirements of the CG Code. The audit committee has three members, including the Company's three Independent Non-Executive Directors, namely Mr. Chan But Leung, Mr. Shum Po Cheung and Mr. Lui Nam Kit, Mr. Lui Nam Kit is the chairman of the committee. The audit committee acts as an important link between the Board the Company's auditors in matters within the scope of the group audit. The duties of the audit committee are to review the Company's annual report and accounts, interim reports and to provide advice and comments thereon to the Board. 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. The audit committee had reviewed the financial statement for the year ended 31 December 2005.

CLOSURE OF REGISTER OF MEMBERS

The register of Members of the Company will be closed from 29 May 2006 to 1 June 2006, both days inclusive, during which period no transfer of shares will be registered.

In order to qualify for attending the annual general meeting of the Company to be held on 1 June 2006, all transfer documents accompanied by the relevant share certificates must be lodged with Hong Kong branch shares registrar and transfer office, Union Registrars Limited, at 311-312 Two Exchange Square, Central, Hong Kong not later than 4:00 p.m. on 26 May 2006.

By order of the Board
Wang Chia Chin
Chairman

Hong Kong, 24 April 2006

As of the date of this announcement, the board of directors comprises Mr. Wang Chia Chin, Mr. Chen Ho Fa, Mr. Wu Chi Lok, Mr. Wong Chong Fai, William and Mr. Yeung Tze Keung, Jackey 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.