



# MASCOTTE HOLDINGS LIMITED

*(Incorporated in Bermuda with limited liability)*

Interim Report 2005



## CORPORATE INFORMATION

### DIRECTORS

#### Executive Directors

Chan Oi Ling, Maria Olimpia  
*(Chairman)*  
Lam Yu Ho, Daniel  
*(Managing Director)*  
Cheng Lok Hing  
Cheng Chun Kit  
Ji Hong

#### Independent Non-Executive Directors

Wong Yui Leung, Larry  
Lui Wan Shan, Wilson  
Cheung Ngai Lam

### COMPANY SECRETARY

Au Kin Fai, Alfred

### REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

1st Floor, Po Chai Industrial Building  
28 Wong Chuk Hang Road  
Aberdeen, Hong Kong

### WEBSITE ADDRESS

[www.mascotte.com](http://www.mascotte.com)

### PRINCIPAL BANKERS

Standard Chartered Bank  
The Hongkong and Shanghai Banking  
Corporation Limited  
The Bank of East Asia Limited,  
Guang Zhou Branch  
DBS Bank (Hong Kong) Limited

### AUDITORS

Deloitte Touche Tohmatsu

### SHARE REGISTRARS

#### Bermuda

Butterfield Corporate Services Limited  
Rosebank Centre  
11 Bermudiana Road  
Pembroke, Bermuda

#### Hong Kong

Secretaries Limited  
G/F., Bank of East Asia Harbour View Centre,  
56 Gloucester Road,  
Wanchai, Hong Kong

## INTERIM RESULTS

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

### CONDENSED CONSOLIDATED INCOME STATEMENT

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

## CONDENSED CONSOLIDATED BALANCE SHEET

		30th September, 2005 (Unaudited) HK\$'000	31st March, 2005 (Audited) (As restated) HK\$'000
	<i>Notes</i>		
<b>Non-current assets</b>			
Investment properties		34,236	29,880
Property, plant and equipment		47,187	48,394
Goodwill		7,042	7,042
Deposit paid	8	18,000	18,300
Prepaid lease payments		5,200	5,408
		<b>111,665</b>	109,024
<b>Current assets</b>			
Inventories		8,111	8,230
Trade and bills receivable	9	34,247	23,701
Loans receivable	10	46,710	46,710
Other debtors and prepayments		13,295	14,488
Tax recoverable		–	149
Bank balances and cash		41,127	34,566
		<b>143,490</b>	127,844
<b>Current liabilities</b>			
Trade creditors	11	15,274	9,126
Other creditors and accrued charges		11,402	8,725
Dividend payable		405	405
Tax payable		5,943	4,562
Bank borrowings		24,719	22,908
		<b>57,743</b>	45,726
<b>Net current assets</b>		<b>85,747</b>	82,118
<b>Total assets less current liabilities</b>		<b>197,412</b>	191,142
<b>Non-current liabilities</b>			
Bank borrowings		9,273	7,043
<b>Net assets</b>		<b>188,139</b>	184,099
<b>Capital and reserves</b>			
Share capital	12	42,400	42,400
Reserves		142,824	138,846
Shareholder's equity		<b>185,224</b>	181,246
Minority interests		2,915	2,853
<b>Total equity</b>		<b>188,139</b>	184,099

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED**

For the six months ended 30th September, 2005

	Attributable to Shareholders of the Company											
	Share capital	Share premium	Special reserve	Goodwill reserve	Negative goodwill reserve	Translation reserve	Reserve fund	Enterprise expansion reserve	Retained profits	Total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April, 2005												
As previously reported	42,400	66,672	14,901	(10,638)	2,080	(1,119)	1,083	1,083	64,784	181,246	2,853	184,099
Opening adjustment HKFRS 3	-	-	-	-	(2,080)	-	-	-	2,080	-	-	-
As restated	42,400	66,672	14,901	(10,638)	-	(1,119)	1,083	1,083	66,864	181,246	2,853	184,099
Net profit for the period	-	-	-	-	-	-	-	-	8,218	8,218	62	8,280
2005 final dividend paid	-	-	-	-	-	-	-	-	(4,240)	(4,240)	-	(4,240)
At 30th September, 2005	42,400	66,672	14,901	(10,638)	-	(1,119)	1,083	1,083	70,842	185,224	2,915	188,139
At 1st April, 2004	42,400	66,672	14,901	(10,638)	2,080	(1,150)	1,083	1,083	62,464	178,895	2,654	181,549
Net profit for the period	-	-	-	-	-	-	-	-	7,957	7,957	145	8,102
2004 final dividend paid	-	-	-	-	-	-	-	-	(4,240)	(4,240)	-	(4,240)
At 30th September, 2004	42,400	66,672	14,901	(10,638)	2,080	(1,150)	1,083	1,083	66,181	182,612	2,799	185,411

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30th September,	
	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
Net cash from (used in) operating activities	12,249	(1,692)
Net cash (used in) from investing activities	(4,600)	34,647
Net cash used in financing activities	(168)	(12,861)
Increase in cash and cash equivalents	7,481	20,094
Cash and cash equivalents at beginning of the period	33,605	12,130
Cash and cash equivalents at end of the period	41,086	32,224
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	41,127	33,099
Bank overdraft	(41)	(875)
	41,086	32,224

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2005

### 1. BASIS OF PRESENTATION

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

### 2. PRINCIPAL ACCOUNTING POLICIES

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

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

#### Business Combinations

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

##### *Goodwill*

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

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

##### *Negative goodwill*

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

#### Financial Instruments

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

##### *Classification of measurement of financial assets and financial liabilities*

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

##### *Derecognition*

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





*Geographical segments*

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

**4. PROFIT FROM OPERATIONS**

Profit from operations has been arrived at after charging:

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

**5. INCOME TAXES**

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

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

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

**6. INTERIM DIVIDEND**

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

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

**7. EARNINGS PER SHARE – BASIC**

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

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

**8. DEPOSIT PAID**

	As at 30th September, 2005 HK\$'000	As at 31st March, 2005 HK\$'000
Deposit for acquisition of a property in the PRC	18,000	18,000
Deposit for acquisition of a property in Hong Kong	–	300
	<b>18,000</b>	<b>18,300</b>

**9. TRADE AND BILLS RECEIVABLE**

	As at 30th September, 2005 HK\$'000	As at 31st March, 2005 HK\$'000
Trade receivable	30,392	23,701
Bills receivable (HKAS 39)	3,855	–
	<b>34,247</b>	<b>23,701</b>

The following is an aged analysis:

	As at 30th September, 2005 HK\$'000	As at 31st March, 2005 HK\$'000
Within 60 days	28,990	21,492
61–180 days	3,848	1,425
More than 180 days	1,409	784
	<b>34,247</b>	<b>23,701</b>

The Group allowed a credit period ranging from 30 days to 60 days to its trade customers.

**10. LOANS RECEIVABLE**

	As at 30th September, 2005 HK\$'000	As at 31st March, 2005 HK\$'000
Loans advanced for property development projects (Notes)	46,710	46,710

Notes:

- (i) Pursuant to various agreements signed between the Group and various companies in the PRC (the "Borrowers") on 15th June, 2002 (the date of first advance) and subsequent dates, the Group advanced totalling HK\$34,710,000 to the Borrowers for property development purpose.
- (ii) Pursuant to an agreement signed between the Group and an individual in the PRC (the "Individual") on 15th November, 2002, the Group advanced an amount of HK\$12,000,000 to the individual for project development purpose.

Pursuant to various settlement agreements signed among the Group, the Borrowers and the Individual on 23rd March 2005, the Borrowers and the Individual agreed to repay the loans plus a return of 10% or properties equivalent to the amount by March 2006.

### 11. TRADE CREDITORS

The following is an aged analysis:

	As at 30th September, 2005 HK\$'000	As at 31st March, 2005 HK\$'000
Within 60 days	15,003	8,526
61–180 days	118	447
More than 180 days	153	153
	<b>15,274</b>	<b>9,126</b>

### 12. SHARE CAPITAL

	As at 30th September, 2005 HK\$'000	As at 31st March, 2005 HK\$'000
Authorised: 1,000,000,000 ordinary shares of HK\$0.10 each	100,000	100,000
Issued and fully paid: 424,000,100 ordinary shares of HK\$0.10 each	42,400	42,400

### 13. RELATED PARTY TRANSACTIONS

During the period, the following related party transactions took place:

(i) Transactions with directors' related companies:

Name of party	Directors' interest	Nature of transactions	Six months ended 30th September,	
			2005 HK\$'000	2004 HK\$'000
Dawnvast Ltd.	Mr. Cheng Lok Hing Mr. Cheng Chun Kit	Rental expense	185	185
Techford Development Ltd.	Ms. Chan Oi Ling, Maria Olimpia	Rental expense	78	78
Wing Nin Trading Co. Ltd.	Family member of Ms. Chan Oi Ling, Maria Olimpia	Rental expense	96	100

(ii) Transaction with a minority shareholder:

Name of party	Nature of transactions	Six months ended 30th September,	
		2005 HK\$'000	2004 HK\$'000
東莞市橋光實業集團公司 Dongguan City Qiao Guang Industrial Group Company	Rental expenses	446	446

Rental expenses represent amounts agreed with reference to the market rate between the respective management of the companies concerned.

## FINANCIAL RESULTS

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

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

## BUSINESS REVIEW AND PROSPECTS

### Manufacture and Sale of Photographical, Electrical and Multimedia Accessories

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

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

### Property Portfolio Refinement

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

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

### Prospects

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

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

## FINANCIAL REVIEW

### Liquidity and Gearing Ratio

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

### Pledge of Assets

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

### Contingent Liabilities

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

## NUMBER OF EMPLOYEES AND REMUNERATION POLICY

As at 30th September, 2005, the Group had more than 1,000 employees and with around 95% of them were employed in the PRC for the manufacturing business. The Group remunerates its employees based on their work performance and with reference to prevailing condition of labor markets.

## DIRECTORS' INTERESTS IN SECURITIES

As 30th September, 2005, the interests of the directors and their associates in the shares and underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

### Long positions

Name of director	Number of issued ordinary shares held		Percentage of issued share capital of the Company
	Personal interest	Held by controlled corporation (Note)	
Ms. Chan Oi Ling, Maria Olimpia	–	193,340,000	45.60%
Mr. Lam Yu Ho, Daniel	24,376,000	–	5.75%
Mr. Cheng Lok Hing	8,000,000	–	1.89%
Mr. Cheng Chun Kit	8,200,000	–	1.93%

Note: These shares are held by Honeyard Corporation. The entire issued share capital of Honeyard Corporation is held by The Honeyard Trust, a discretionary trust of which the family members of Ms. Chan Oi Ling, Maria Olimpia are discretionary beneficiaries.

Save as disclosed above, other than certain nominee shares in subsidiaries held by Chan Oi Ling, Maria Olimpia, none of the directors nor their associates had any interests or short position in any shares, underlying shares and debentures of the Company or any of its associated corporations as at 30th September, 2005.

Furthermore, no share options were granted under the Company's share option scheme since its adoption on 21st August, 2003. Other than that, at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## **SUBSTANTIAL SHAREHOLDERS**

As at 30th September, 2005, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that, other than the interests of certain directors disclosed under the section headed "Directors' interests in securities" above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company.

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

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

## **CODE ON CORPORATE GOVERNANCE**

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

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

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

## **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 of the Listing Rules (the "Model Code"). Having made specific enquiry of all 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.

## AUDIT COMMITTEE

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

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

## REMUNERATION COMMITTEE

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

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

Hong Kong, 22nd December, 2005

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