



# CONTINENTAL

HOLDINGS LIMITED

恒和珠寶集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00513)

## RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2008

(Expressed in Hong Kong dollars)

### RESULTS FOR THE YEAR ENDED 30 JUNE 2008

The board of directors (the “Board”) of Continental Holdings Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 30 June 2008 together with comparative figures for the previous financial year as follows:

#### CONSOLIDATED INCOME STATEMENT

for the year ended 30 June 2008

	Notes	2008 HK\$'000	2007 HK\$'000
<b>Revenue</b>	3	<b>1,497,682</b>	1,632,180
Cost of sales		<b>(1,337,277)</b>	(1,474,303)
<b>Gross profit</b>		<b>160,405</b>	157,877
Selling and distribution costs		<b>(26,676)</b>	(28,397)
Administrative expenses		<b>(73,143)</b>	(61,884)
Other operating expenses		<b>(18,690)</b>	(8,695)
Changes in fair value of investment properties		<b>81,445</b>	216,765
<b>Profit from operations</b>		<b>123,341</b>	275,666
Finance costs	4	<b>(19,733)</b>	(17,636)
Share of results of associates		<b>(681)</b>	(550)
Share of results of jointly controlled entities		<b>(1,854)</b>	2,314
<b>Profit before income tax</b>	5	<b>101,073</b>	259,794
Income tax expense	6	<b>(13,985)</b>	(52,898)
<b>Profit for the year</b>		<b>87,088</b>	206,896

	<i>Notes</i>	<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Attributable to:			
Equity holders of the Company		<b>83,477</b>	113,986
Minority interests		<b>3,611</b>	92,910
		<u>          </u>	<u>          </u>
<b>Profit for the year</b>		<b>87,088</b>	206,896
		<u>          </u>	<u>          </u>
<b>Dividends</b>	7		
Interim		<b>2,798</b>	2,798
Proposed final		<b>4,197</b>	5,596
		<u>          </u>	<u>          </u>
		<b>6,995</b>	8,394
		<u>          </u>	<u>          </u>
<b>Earnings per share for profit attributable to the equity holders of the Company during the year</b>	8		
– Basic		<b>HK29.8 cents</b>	HK41.0 cents
		<u>          </u>	<u>          </u>
– Diluted		<b>N/A</b>	N/A
		<u>          </u>	<u>          </u>

# CONSOLIDATED BALANCE SHEET

as at 30 June 2008

	<i>Notes</i>	<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$'000</i>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>50,723</b>	49,009
Leasehold land/Land use rights		<b>9,119</b>	9,538
Investment properties		<b>752,400</b>	775,955
Interests in associates		<b>3,606</b>	4,029
Interests in jointly controlled entities		<b>131,978</b>	96,969
Available-for-sale financial assets		<b>14,177</b>	18,507
Long term receivables		<b>6,135</b>	8,724
Deferred tax assets		<b>8,890</b>	18,558
		<hr/> <b>977,028</b>	<hr/> 981,289
<b>Current assets</b>			
Inventories		<b>338,573</b>	347,351
Trade receivables	9	<b>168,745</b>	193,260
Prepayments, deposits and other receivables		<b>42,257</b>	30,029
Current portion of long term receivables		<b>4,926</b>	3,643
Financial assets at fair value through profit or loss		<b>12,763</b>	22,513
Derivative financial instruments		–	39
Due from associates		<b>493</b>	516
Due from a jointly controlled entity		<b>120</b>	2,110
Cash and bank balances		<b>128,868</b>	102,281
		<hr/> <b>696,745</b>	<hr/> 701,742

	<i>Notes</i>	<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$'000</i>
<b>Current liabilities</b>			
Trade payables	<i>10</i>	<b>(199,930)</b>	(211,031)
Other payables and accruals		<b>(46,170)</b>	(43,167)
Provision for tax		<b>(17,183)</b>	(35,762)
Due to associates		<b>(538)</b>	(607)
Due to a related party		–	(148,742)
Due to jointly controlled entities		<b>(3)</b>	(39)
Bank loans and overdrafts, secured		<b>(90,870)</b>	(8,282)
		<u><b>(354,694)</b></u>	<u>(447,630)</u>
<b>Net current assets</b>		<u><b>342,051</b></u>	<u>254,112</u>
<b>Total assets less current liabilities</b>		<b>1,319,079</b>	1,235,401
<b>Non-current liabilities</b>			
Loans from minority shareholders		<b>(1,125)</b>	(21,505)
Deferred tax liabilities		<b>(66,972)</b>	(63,209)
Bank loans, secured		<b>(372,409)</b>	(350,497)
		<u><b>(440,506)</b></u>	<u>(435,211)</u>
<b>Net assets</b>		<u><b>878,573</b></u>	<u>800,190</u>
<b>EQUITY</b>			
<b>Equity attributable to the Company's equity holders</b>			
Issued capital		<b>27,980</b>	27,980
Reserves		<b>844,531</b>	765,406
Proposed final dividend		<b>4,197</b>	5,596
		<u><b>876,708</b></u>	<u>798,982</u>
<b>Minority interests</b>		<u><b>1,865</b></u>	<u>1,208</u>
<b>Total equity</b>		<u><b>878,573</b></u>	<u>800,190</u>

Notes:

## **1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the requirements of the Hong Kong Companies Ordinance. The financial statements also include the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The financial statements have been prepared on the historical cost basis except for investment properties and certain financial assets, which are stated at fair values.

## **2. ADOPTION OF NEW OR AMENDED HKFRSs**

### **2.1 Impact of new or revised HKFRSs which are effective during the year**

In the current year, the Group has applied, for the first time, the following new standards, amendment and interpretations (the “new HKFRSs”) issued by the HKICPA, which are relevant to and effective for the Group’s financial statements beginning on 1 July 2007.

HKAS 1 (Amendment)	Presentation of Financial Statements – Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment
HK(IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented except for additional disclosures made in adopting HKAS 1 (Amendment), Presentation of Financial Statements – Capital Disclosure and HKFRS 7, Financial Instruments: Disclosures. Accordingly, no prior period adjustment is required.

## 2.2 Impact of new and revised HKFRSs that have been issued but are not yet effective

The Group has not early adopted the following standards or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>2</sup>
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation <sup>1</sup>
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations <sup>1</sup>
HKFRS 3 (Revised)	Business Combinations <sup>2</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC) – Int 12	Service Concession Arrangements <sup>3</sup>
HK(IFRIC) – Int 13	Customer Loyalty Programmes <sup>4</sup>
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction <sup>3</sup>
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate <sup>1</sup>
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation <sup>5</sup>

<sup>1</sup> *Effective for annual periods beginning on or after 1 January 2009*

<sup>2</sup> *Effective for annual periods beginning on or after 1 July 2009*

<sup>3</sup> *Effective for annual periods beginning on or after 1 January 2008*

<sup>4</sup> *Effective for annual periods beginning on or after 1 July 2008*

<sup>5</sup> *Effective for annual periods beginning on or after 1 October 2008*

Among these new standards and interpretations, HKAS 1 (Revised) is expected to be relevant to the Group's financial statements.

### *HKAS 1(Revised) Presentation of Financial Statements*

This amendments affects the presentation of owner changes in equity and introduces a statement of comprehensive income. The Group will have the option of presenting items of income and expenses and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of other comprehensive income). The amendment does not affect the financial position or results of the Group but will give rise to additional disclosures. Management is currently assessing the detailed impact of this revised standard on the Group's financial statements.

The directors of the Company are currently assessing the impact of the other new or revised HKFRSs but are not yet in a position to state whether they would have material financial impact on the Group's financial statements.

## 3. REVENUE AND SEGMENT INFORMATION

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts, gross rental income, interest income and dividend income from investments.

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 provide. 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 other business segments.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers and assets are attributed to the segments based on the location of the assets.

**(a) Business segment**

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments.

	Design, manufacturing, marketing and trading of fine jewellery and diamonds		Property investment		Investment		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Sales to/revenue from external parties	<u>1,462,746</u>	<u>1,594,786</u>	<u>31,464</u>	<u>31,883</u>	<u>3,472</u>	<u>5,511</u>	<u>1,497,682</u>	<u>1,632,180</u>
Segment results	<u>24,250</u>	<u>34,558</u>	<u>108,025*</u>	<u>241,425*</u>	<u>(2,518)</u>	<u>2,146</u>	<u>129,757</u>	<u>278,129</u>
Unallocated expenses							<u>(6,416)</u>	<u>(2,463)</u>
Profit from operations							<u>123,341</u>	<u>275,666</u>
Finance costs							<u>(19,733)</u>	<u>(17,636)</u>
Share of results of associates							<u>(681)</u>	<u>(550)</u>
Share of results of jointly controlled entities							<u>(1,854)</u>	<u>2,314</u>
Profit before income tax							<u>101,073</u>	<u>259,794</u>
Income tax expense							<u>(13,985)</u>	<u>(52,898)</u>
Profit for the year							<u>87,088</u>	<u>206,896</u>

\* The changes in fair value of investment properties of HK\$81,445,000 (2007: HK\$216,765,000) were included in the segment results of the business segment of "Property investment".

	Design, manufacturing, marketing and trading of fine jewellery and diamonds		Property investment		Investment		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment assets	619,230	640,983	753,748	778,287	27,369	41,851	1,400,347	1,461,121
Interests in associates							3,606	4,029
Interests in jointly controlled entities							131,978	96,969
Unallocated assets							137,842	120,912
Total assets							<u>1,673,773</u>	<u>1,683,031</u>
Segment liabilities	236,222	250,733	9,765	152,059	354	304	246,341	403,096
Bank loans and overdrafts, secured							463,279	358,779
Unallocated liabilities							85,580	120,966
Total liabilities							<u>795,200</u>	<u>882,841</u>
Other segment information:								
Depreciation	8,855	10,156	112	112	59	56	9,026	10,324
Amortisation on leasehold land/land use rights	239	239	-	-	-	-	239	239
Non-cash expenses	17,408	5,827	-	-	-	11,827	17,408	17,654
Capital expenditure	7,459	5,242	-	78,190	-	357	7,459	83,789

**(b) Geographical segment**

- (i) The following table provides an analysis of the Group's revenue by geographical market, irrespective of the origin of the goods and services.

	Sales revenue by geographical market	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
North America	762,303	780,589
Europe	499,675	611,870
Hong Kong	225,828	222,039
Other locations	9,876	17,682
	<u>1,497,682</u>	<u>1,632,180</u>



- (ii) The following is an analysis of the carrying amount of segment assets and capital expenditure, analysed by the geographical area in which the segment assets are located.

	Carrying amount of segment assets		Capital expenditure	
	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
North America	132,222	143,513	–	–
Europe	107,168	118,584	1,536	92
Hong Kong	937,098	981,961	318	79,904
Mainland China	218,971	212,852	5,605	3,776
Other locations	4,888	4,211	–	17
	<u>1,400,347</u>	<u>1,461,121</u>	<u>7,459</u>	<u>83,789</u>

#### 4. FINANCE COSTS

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Interest expense on bank loans and overdrafts wholly repayable within five years	2,782	2,715
Interest expense on bank loans repayable over five years	16,951	14,921
	<u>19,733</u>	<u>17,636</u>

#### 5. PROFIT BEFORE INCOME TAX

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
The Group's profit before income tax is arrived at after charging/(crediting):		
Cost of inventories sold	1,292,926	1,387,891
Depreciation of property, plant and equipment	9,026	10,324
Amortisation of leasehold land/land use rights	239	239
Minimum lease payments under operating leases on land and buildings	5,171	6,683
Auditors' remuneration	997	782
(Write back)/Provision against inventories	(3,342)	2,497
Provision for impairment of property, plant and equipment	–	2,629
Net foreign exchange gains	(2,197)	(5,690)
Provision/(Write back) for long term receivables	1,195	(363)
Bad debts written off	2,227	81
Provision/(Write back) for trade receivables	9,006	(5,088)
Provision for impairment on an amount due from a jointly controlled entity	–	11,670
Gain on disposal of leasehold land/land use rights	(3)	–
Loss/(Gain) on disposal of property, plant and equipment	45	(104)
Amount due from an associate written off	1,070	620
	<u>1,070</u>	<u>620</u>

## 6. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Current tax		
Hong Kong	<b>10,108</b>	8,982
Over provision in prior years	<b>(9,554)</b>	(137)
	<u>554</u>	<u>8,845</u>
Deferred tax		
Current year	<b>15,982</b>	44,053
Attributable to decrease in tax rate	<b>(2,551)</b>	-
	<u>13,431</u>	<u>44,053</u>
Total tax charge for the year	<b><u>13,985</u></b>	<b><u>52,898</u></b>

The Hong Kong SAR Government enacted a reduction in the Profits Tax Rate from 17.5% to 16.5% with effect from the year of assessment 2008/09. Accordingly, the relevant profits tax and deferred tax liabilities have been calculated using the new tax rate of 16.5%.

## 7. DIVIDENDS

(a) Dividends payable to the equity holders of the Company attributable to the year:

	<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Interim – HK\$0.010 (2007: HK\$0.010) per ordinary share	<b>2,798</b>	2,798
Proposed final – HK\$0.015 (2007: HK\$0.020) per ordinary share	<b>4,197</b>	5,596
	<u>6,995</u>	<u>8,394</u>

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date, but reflected as an appropriation of retained profits for the year ended 30 June 2008.

- (b) Dividends payable to the equity holders of the Company attributable to the previous financial year, approved and paid during the year:

	<b>2008</b>	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Final dividend in respect of the previous financial year, approved and paid during the year, of HK\$0.020 per ordinary share (2007: HK\$0.030 per ordinary share)	<b>5,596</b>	8,394

## 8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to the equity holders of the Company for the year of HK\$83,477,000 (2007: HK\$113,986,000), and 279,800,031 ordinary shares in issue during the year.

No diluted earnings per share amounts are shown as the Company has no potential dilutive ordinary shares for the years ended 30 June 2008 and 2007.

## 9. TRADE RECEIVABLES

The Group normally apply credit terms to its customers according to industry practice together with consideration of their creditability, repayment history and years of establishment. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are regularly reviewed by senior management.

An ageing analysis of trade receivables, net of provision, as at the balance sheet date, based on the date of recognition of the sale, is as follows:

	<b>2008</b>	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	<b>82,269</b>	100,329
31 – 60 days	<b>36,343</b>	27,013
61 – 90 days	<b>17,430</b>	33,025
Over 91 days	<b>32,703</b>	32,893
	<b>168,745</b>	193,260

## 10. TRADE PAYABLES

An ageing analysis of the trade payables at the balance sheet date is as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Current	104,170	157,806
31-60 days	41,260	39,103
61-90 days	21,085	7,544
Over 91 days	33,415	6,578
	<u>199,930</u>	<u>211,031</u>

## DIVIDENDS

An interim dividend of HK\$0.01 per ordinary share was paid on Tuesday, 22 April 2008. The directors recommend the payment of a final dividend of HK\$0.015 per ordinary share in respect of the year, to shareholders on the register of members on Wednesday, 10 December 2008. The final dividend will be paid on or about Friday, 19 December 2008.

## CLOSURE OF REGISTERS OF MEMBERS

The register of member of the Company will be temporarily closed from Monday, 8 December 2008 to Wednesday, 10 December 2008, both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for the final dividend and for attendance at the Company's annual general meeting to be held on Wednesday, 10 December 2008, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on Friday, 5 December 2008.

## BUSINESS REVIEW

During the fiscal year 2008, the Group has achieved a turnover of HK\$1.498 billion (2007: HK\$1.632 billion). Profit attributable to equity holders of the Company was HK\$83 million (2007: HK\$114 million) and earnings per share was HK29.8 cents (2007: HK41.0 cents).

It was a challenging year for the Group in 2008. The results of jewellery and diamond trading were affected by the sub-prime mortgage crisis as well as the downturn of U.S. economy. The high volatility of the gold price, appreciation of Renminbi, global inflation and high production costs in China added pressure to our overall performance. However, with our solid foundation and extensive distribution network, we continue to focus our resources in developing new markets and will remain vigilant about maximizing our operational efficiency and controlling our production costs.

Rental income from properties, with a close to full occupancy, provides a steady income stream to the Group. In the future, the Group will continue to identify potential opportunities both locally and overseas.

## **BUSINESS OUTLOOK**

Looking ahead, we remain cautious as we foresee the business environment is still clouded with uncertainties on the global markets particularly the U.S. economy. Facing with these market conditions, the Group will continue to utilize its core competencies in jewellery and diamonds segments, while keeping an outlook for future investment opportunities. Subsequent to the year end, the Group has acquired a site situated in a prime commercial area in Central district for development. In the long term, the Group holds a cautious yet optimistic view towards its future business development.

## **LIQUIDITY, FINANCIAL RESOURCES AND GEARING**

As of 30 June 2008, the Group had a moderate gearing ratio of 0.28 (2007: 0.26), which is net debt divided by total equity plus net debt. Net debt is calculated as the sum of bank and other borrowings less the sum of time deposits and cash and bank balances. Total cash and bank balances were HK\$128,868,000 (2007: HK\$102,281,000) which were mainly denominated in Hong Kong Dollars, US Dollars and UK Pounds, while bank loans and overdrafts were HK\$463,279,000 (2007: HK\$358,779,000) which were mainly denominated in Hong Kong Dollars. The movement represents new bank loans borrowed by the Group to repay amount due to a related party. These bank loans and overdrafts are secured by first legal charges over the Group's investment properties, certain leasehold land and buildings, assignment of rental income of certain investment properties and corporate guarantees executed by the Company.

In line with the Group's prudent financial management, the directors considered that the Group has sufficient working capital to meet its operational requirements.

## **PLEDGE OF ASSETS**

As of 30 June 2008, the Group's investment properties, certain leasehold land and buildings with an aggregate net book/carrying value of HK\$776,972,000 (2007: HK\$785,086,000) were pledged to certain banks to secure general banking facilities granted to the Group.

## **CAPITAL STRUCTURE**

All the Group's borrowings are denominated in local Hong Kong Dollars and PRC Renminbi. Interest is determined on the basis of Hong Kong inter-bank offering rates or Prime Rate and PRC Renminbi fixed rate. There was no change to the Group's capital structure during the year ended 30 June 2008. In the light of the current financial position of the Company and provided there is no unforeseeable circumstance, the management does not anticipate the need to change the capital structure.

## **NUMBER OF EMPLOYEES, REMUNERATION POLICIES AND SHARE OPTION SCHEMES**

The Group employs a total of approximately 2,100 employees with the majority in the PRC. The Group remunerates its employees largely based on the industrial practice. There is no share option scheme being adopted by the Company.

## **EXPOSURE TO FINANCIAL RISK AND RELATED HEDGES**

The Group utilises conservative strategies on its risk management and the market risk is kept to minimum. With the exception of the UK subsidiaries, all transactions and the borrowings of the Group are primarily denominated mainly in US Dollars and Hong Kong Dollars respectively. The risk of foreign exchange fluctuations is minimal under the peg. The Group's cashflow and interest rate risks were managed by means of derivative financial instruments such as interest rate swaps, to ensure short to medium term liquidity. During the year, the interest rate swap contracts entered by the Group matured and thereafter, the Group did not use any other derivative financial instrument for hedging purposes. As of 30 June 2008, there was no hedging instrument outstanding.

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

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

## **AUDIT COMMITTEE**

The Company has an audit committee which was established in accordance with the Listing Rules, for the purposes of reviewing and providing supervision over the financial reporting process and internal controls of the Group. The audit committee has discussed the Group's accounting policies and basis adopted, the financial and internal control process of the Group and has reviewed the interim and annual financial statements. As of the date of this announcement, the audit committee comprises the four independent non-executive directors and one non-executive director of the Company.

## **CORPORATE GOVERNANCE**

The Company has complied with all the code provisions set out in Appendix 14 Code on Corporate Governance Practices (the "Code") of the Listing Rules throughout the accounting year ended 30 June 2008, except for the following deviations:

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

Dr. Chan Sing Chuk, Charles is the Chairman of the Company. Dr. Chan oversees the direction of the Group and also provides leadership for the Board. He ensures that the Board works effectively and discharges its responsibilities, and that all key and appropriate issues are discussed by the Board

in a timely manner. Dr. Chan is also responsible to ensure that all Directors are properly briefed on issues arising at Board meetings and that all Directors receive adequate information, which must be complete and reliable, in a timely manner. Dr. Chan is the husband of Ms. Cheng Siu Yin, Shirley.

Ms. Cheng Siu Yin, Shirley is the Managing Director of the Company. She is responsible for day-to-day management and the marketing activities of the Group. Ms. Cheng is the wife of Dr. Chan Sing Chuk, Charles.

Although the Company does not have a post of chief executive officer, the Board considers that there is adequate segregation of duties within the Board to ensure a balance of power and authority.

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

Non-executive Director and 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 in accordance with articles 115(A) and 115(D) of the articles of association of the Company. The Board considers that the deviation from Code Provision A.4.1 is not material as Non-executive Directors are subject to retirement by rotation and re-election in view of the small number of total directors of the Company, the Directors will consider to adopt the Code Provision should the number of Directors increase substantially.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules.

The Company has made specific enquiry with all Directors and all of them confirmed that, for the financial year ended 30 June 2008, they have complied with the required standard set out in the Model Code.

## **PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This annual results announcement is available for viewing on the website of Hong Kong Exchanges and Clearing Limited website at [www.hkex.com.hk](http://www.hkex.com.hk) under "Latest Listed Companies Information" and at the website [www.equitynet.com.hk/hk513](http://www.equitynet.com.hk/hk513). The annual report for 2008 of the Company will be dispatched to the shareholders and will be available on the above websites in due course.

## ACKNOWLEDGEMENT

On behalf of the Board, I would like to express my sincere gratitude to the Group's management and staff member for their dedication and hard work, our customers for their confidence and support for our products, and our shareholders for their trust and support.

On behalf of the Board  
**Chan Sing Chuk, Charles**  
*Chairman*

Hong Kong, 13 October 2008

*As at the date of this announcement, Dr. Chan Sing Chuk, Charles, J.P., Ms. Cheng Siu Yin, Shirley, Ms. Chan Wai Kei, Vicki and Mr. Chan Wai Lap, Victor are executive Directors, Mr. Chu Wai Kok is a non-executive Director, Mr. Wong Kai Cheong, Mr. Yu Shiu Tin, Paul, B.B.S., M.B.E., J.P., Mr. Chan Ping Kuen, Derek and Mr. Sze, Irons are independent non-executive Directors.*