LINMARK

LINMARK GROUP LIMITED

林麥集團有限公司*

(Incorporated in Bermuda with limited liability)

Stock Code: 915

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 OCTOBER 2005

INTERIM RESULTS HIGHLIGHTS

- Profit after taxation amounted to approximately US$10.5 million (equivalent to HK$81.9 million), an increase of approximately 42.8% as compared to the corresponding period of last year.
- Turnover grew by approximately 279.2% to approximately US$98.4 million (equivalent to HK$767.5 million) as compared to the corresponding period of last year.
- Shipment value amounted to approximately US$435.9 million (equivalent to HK$3,400.0 million), an increase of approximately 15.8% as compared to approximately US$376.4 million (equivalent to HK$2,935.9 million) for the corresponding period of last year.
- Declared an interim dividend of 2.70 HK cents per share.

UNAUDITED RESULTS

The board of directors ("Board" or "Directors") of Linmark Group Limited ("Company" or "Linmark") is pleased to announce that the unaudited condensed consolidated results of the Company and its subsidiaries ("Group") for the six months ended 31 October 2005, together with comparative figures, are as follows:

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidated Income Statement

		For the six months ended 31 October	
		2005	2004
		(Unaudited)	(Unaudited)
	Notes	***US$'000***	*US$'000*
Turnover	*3*	**98,377**	25,946
Cost of sales		**(70,790)**	(3,895)
Gross profit		**27,587**	22,051
Other operating income		**1,172**	1,380
General and administrative expenses		**(20,695)**	(15,817)
Excess of interest in fair value of acquired subsidiaries' net assets over cost		**3,428**	–
Gain on dissolution of a subsidiary		**–**	14
Profit from operations	*4*	**11,492**	7,628
Finance costs		**(110)**	(1)
Share of loss of a joint venture		**(31)**	–
Profit before taxation		**11,351**	7,627
Income tax expense	*5*	**(808)**	(243)
Profit for the period		**10,543**	7,384

	Notes		
Attributable to:			
Equity holders of the Company		**10,492**	7,384
Minority interest		**51**	–
		10,543	7,384
Dividends	*6*	**2,350**	2,207
Earnings per share (US cents)	*7*		
– Basic		**1.6**	1.1
– Diluted		**1.6**	1.1

Condensed Consolidated Balance Sheet

		At 31 October 2005 (Unaudited) ***US$'000***	At 30 April 2005 (Audited) *US$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*8*	**3,474**	3,119
Goodwill		**42,446**	42,446
Patents and trademarks	*11*	**65,179**	–
Deferred expenditure		**3,014**	3,014
Other asset		**83**	83
Investment in a joint venture		**139**	170
		114,335	48,832
CURRENT ASSETS			
Inventories		**10,458**	55
Trade receivables	*9*	**44,935**	20,308
Prepayments, deposits and other receivables		**7,139**	3,709
Loan to a related company		**1,432**	–
Amounts due from related companies		**311**	–
Bank balances and cash		**38,033**	27,323
		102,308	51,395
CURRENT LIABILITIES			
Trade payables	*10*	**46,169**	9,144
Accruals and other payables		**15,613**	6,588
Short-term bank loan		**3,850**	2,300
Balance of consideration payable for acquisitions of subsidiaries/business and assets – due within one year		**14,273**	6,461
Amount due to an immediate holding company		**10,495**	–
Current tax liabilities		**1,527**	1,454
		91,927	25,947
NET CURRENT ASSETS		**10,381**	25,448
TOTAL ASSETS LESS CURRENT LIABILITIES		**124,716**	74,280
NON-CURRENT LIABILITIES			
Balance of consideration payable for acquisitions of subsidiaries/business and assets – due after one year		**16,822**	7,192
Post-employment benefits		**1,668**	1,651
Deferred tax liabilities		**124**	118
		18,614	8,961
NET ASSETS		**106,102**	65,319

CAPITAL AND RESERVES		
Share capital	**13,326**	13,113
Reserves	**61,822**	52,206
	75,148	65,319
Minority interest	**30,954**	–
TOTAL EQUITY	**106,102**	65,319

Notes:

1. Basis of Preparation and Principal Accounting Policies

The unaudited condensed consolidated financial information of the Group has been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board ("IASB").

The unaudited condensed consolidated financial information should be read in conjunction with the annual financial statements as at and for the year ended 30 April 2005.

The principal accounting policies applied in the preparation of these unaudited condensed consolidated financial information are consistent with those applied in the preparation of annual financial statements as at and for the year ended 30 April 2005, except that the Group has adopted a number of new/revised IAS and International Financial Reporting Standards ("IFRS") issued by IASB and a number of International Financial Reporting Interpretations Committee Interpretation ("IFRIC Interpretation") issued by the International Financial Reporting Interpretations Committee ("IFRIC"), which are effective for accounting periods commencing on or after 1 January 2005.

This interim financial information has been prepared in accordance with those IAS and interpretations issued and effective as at the time of preparing this information. The IAS and interpretations that will be applicable at 30 April 2006, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing this interim financial information.

The changes to the Group's accounting policies and the effect of adopting these new policies are set out in Note 2 below.

2. Changes in Accounting Policies

During the six months ended 31 October 2005, the Group adopted the following new/revised IAS, IFRS and IFRIC Interpretation, which are relevant to its operations. The comparatives for the six months ended 31 October 2004 and as at 30 April 2005 have been amended as required, in accordance with the relevant requirements:

IAS 1	Presentation of Financial Statements
IAS 2	Inventories
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10	Events after the Balance Sheet Date
IAS 16	Property, Plant and Equipment
IAS 17	Leases
IAS 21	The Effects of Changes in Foreign Exchange Rates
IAS 24	Related Party Disclosures
IAS 27	Consolidated and Separate Financial Statements
IAS 31	Financial Reporting of Interests in Joint Ventures
IAS 32	Financial Instruments: Disclosure and Presentation
IAS 33	Earnings per Share
IAS 39	Financial Instruments: Recognition and Measurement
IFRS 2	Share-based Payments
IFRIC Interpretation 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities

The adoption of IAS 1, 2, 8, 10, 16, 17, 21, 24, 27, 31, 32, 33 and 39 and IFRIC Interpretation 1 did not result in substantial changes to the accounting policies of the Group. In summary:

- IAS 1 has affected the presentation of minority interest and other disclosures.
- IAS 2, 8, 10, 16, 17, 31, 32, 33 and 39 and IFRIC Interpretation 1 had no material effect on the policies of the Group.
- IAS 21 had no material effect on the policy of the Company and its subsidiaries. The functional currency of each of the entities of the Company and its subsidiaries has been re-evaluated based on the guidance to the revised standard. All the Group entities have the same functional currency as the presentation currency for respective entity financial statements.
- IAS 24 has extended the identification of related parties and some other related party disclosures.
- The adoption of IAS 27 has resulted in changes in accounting policies for investments in subsidiaries at company level.

The adoption of IFRS 2 has resulted in a change in the accounting policy for share-based payments. Until 30 April 2005, the provision of share options to employees did not result in an expense in the income statement. Effective on 1 May 2005, the Group expenses the cost of share options in the income statement. As a transitional provision, the cost of share options granted after 7 November 2002 and had not yet vested on 1 May 2005 was expensed retrospectively in the income statement of the respective periods.

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

- IAS 16 – the initial measurement of an item of property, plant and equipment acquired in an exchange of assets transaction is accounted at fair value prospectively only to future transactions;
- IAS 39 – does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis; and
- IFRS 2 – only retrospective application for all equity instruments granted after 7 November 2002 and not vested on 1 May 2005.

The adoption of IFRS 2 has resulted in increase in general and administrative expenses and employee share option reserve by approximately US$221,000 respectively, and a decrease in basic and diluted earnings per share by 0.03 US cent and 0.03 US cent, respectively.

No early adoption of the following new standards or interpretations that have been issued but are not yet effective. The adoption of such standards will not result in substantial changes to the Group's accounting policies:

IAS 19	Employee Benefits
IAS 32 (amended)	Financial Instruments: Disclosure and Presentation
IAS 39 (amended)	Financial Instruments: Recognition and Measurement
IFRS 1 (amended)	First-time Adoption of International Financial Reporting Standards
IFRS 6	Exploration for and Evaluation of Mineral Resources
IFRIC Interpretation 4	Determining Whether an Arrangement Contains a Lease
IFRIC Interpretation 5	Rights to Interest Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

3. Segmental Information

An analysis of the Group's revenue and profit for the period by principal activities and geographical markets is as follows:

By Principal Activities

	For the six months ended 31 October 2005		
	Sales of merchandise (Unaudited) ***US$'000***	**Provision of services (Unaudited)** ***US$'000***	**Total (Unaudited)** ***US$'000***
REVENUE			
External revenue	**78,888**	**19,489**	**98,377**
SEGMENT RESULTS	**2,978**	**5,132**	**8,110**
Interest income			**424**
Excess of interest in fair value of acquired subsidiaries' net assets over cost			**3,428**
Unallocated corporate expenses			**(470)**
Finance costs			**(110)**
Share of loss of a joint venture			**(31)**
Profit before taxation			**11,351**
Income tax expense			**(808)**
Profit for the period			**10,543**

3. Segmental Information (Cont'd)

By Principal Activities (Cont'd)

	For the six months ended 31 October 2004		
	Sales of merchandise (Unaudited) *US$'000*	Provision of services (Unaudited) *US$'000*	Total (Unaudited) *US$'000*
REVENUE			
External revenue	5,438	20,508	25,946
SEGMENT RESULTS	913	5,859	6,772
Interest income			1,060
Gain on dissolution of a subsidiary			14
Unallocated corporate expenses			(218)
Finance costs			(1)
Profit before taxation			7,627
Income tax expense			(243)
Profit for the period			7,384

By Geographical Markets

The following table provides an analysis of the Group's revenue by geographical location of customers:

	For the six months ended 31 October	
	2005	2004
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
Europe	**40,184**	2,306
Australia	**18,097**	–
North America	**15,765**	16,366
Africa	**14,064**	1,491
Others	**10,267**	5,783
	98,377	25,946

4. Profit from Operations

Profit from operations has been arrived at after (crediting)/charging:

	For the six months ended 31 October	
	2005	2004
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
Interest income	**(424)**	(1,060)
Reimbursement income from customers	**(243)**	(160)
Amortisation of goodwill	**–**	414
Depreciation of property, plant and equipment	**626**	528

5. Income Tax Expense

Taxation charge comprises:

	For the six months ended 31 October	
	2005	2004
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
Hong Kong profits tax		
– current period	**611**	162
– under provision in prior years	**3**	–
Income tax in other jurisdictions		
– current period	**196**	67
– under provision in prior years	**–**	14
Deferred taxation	**(2)**	–
	808	243

6. Dividends

On 10 January 2005, a dividend of 2.63 HK cents per share was paid to shareholders of the Company as an interim dividend for the year ended 30 April 2005. On 19 August 2005, a dividend of 4.80 HK cents per share was paid to shareholders of the Company as the final dividend for the year ended 30 April 2005.

The Directors have declared an interim dividend of 2.70 HK cents per share in respect of the six months ended 31 October 2005 and such interim dividend will be paid on or about 12 January 2006 in cash to shareholders whose names appear on the register of members of the Company on 5 January 2006.

7. Earnings Per Share

The calculation of the basic earnings per share for the six months ended 31 October 2005 was based on the profit attributable to equity holders of the Company of approximately US$10,492,000 (2004: US$7,384,000) and on the weighted average number of approximately 656,523,000 (2004: 654,378,000) shares in issue during the financial period.

The calculation of the diluted earnings per share for the six months ended 31 October 2005 was based on the profit attributable to equity holders of the Company of approximately US$10,492,000 (2004: US$7,384,000) and on the weighted average number of approximately 661,483,000 (2004: 662,731,000) shares issued and issuable, comprising the weighted average number of approximately 656,523,000 (2004: 654,378,000) shares in issue during the financial period and the weighted average number of approximately 4,960,000 (2004: 8,353,000) shares, as adjusted for the dilutive effect of share options outstanding during the financial period.

8. Additions in Property, Plant and Equipment

During the six months ended 31 October 2005, the Group spent approximately US$819,000 (2004: US$539,000) on acquisition of property, plant and equipment.

9. Trade Receivables

The general credit terms granted to customers range from 60 to 90 days. The ageing analysis of trade receivables is as follows:

	At 31 October 2005 (Unaudited) ***US$'000***	At 30 April 2005 (Audited) *US$'000*
0 – 30 days	**29,704**	13,237
31 – 60 days	**6,826**	3,453
61 – 90 days	**2,726**	578
Over 90 days *(Notes (i), (ii) and (iii))*	**6,643**	3,649
	45,899	20,917
Less: Allowance for doubtful debts	**(964)**	(609)
	44,935	20,308

Notes:

(i) As of the date of this announcement, approximately US$1.0 million of this balance has subsequently been settled since 31 October 2005.

(ii) Approximately US$1.1 million of this balance is attributable to Dowry Peacock Group Limited ("Dowry Peacock"), a newly acquired subsidiary of the Company.

(iii) Approximately US$2.1 million of this balance relates to customers which have credit terms of 90 days or more.

10. Trade Payables

The ageing analysis of trade payables is as follows:

	At 31 October 2005 (Unaudited) ***US$'000***	At 30 April 2005 (Audited) *US$'000*
0 – 30 days	**15,828**	6,547
31 – 60 days	**19,418**	759
61 – 90 days	**8,253**	227
Over 90 days	**2,670**	1,611
	46,169	9,144

11. Business Combination

On 19 October 2005, a wholly-owned subsidiary of the Company completed the acquisition of 60% interest in Dowry Peacock. This transaction has been accounted for using the purchase method of accounting. The acquired business contributed revenues of approximately US$8,364,000 and net profit after tax of approximately US$115,000 to the Group for the period from 19 October 2005 to 31 October 2005. If the acquisition had occurred on 1 May 2005, the Group's revenue for the six months ended 31 October 2005 would have been approximately US$174,908,000 and profit for the period would have been approximately US$11,256,000.

The effect of the acquisition is summarised as follows:

	US$'000
Property, plant and equipment	280
Patents and trademarks	65,179
Inventories	4,244
Trade receivables	23,304
Prepayments, deposits and other receivables	235
Loan to a related company	1,432
Amounts due from related companies	306
Tax recoverable	591
Bank balances and cash	16,810
Trade payables	(29,134)
Accruals and other payables	(5,983)
Deferred tax liabilities	(7)
Minority interest	(30,903)
Net assets acquired	46,354
Excess of interest in fair value of acquired subsidiaries' net assets over cost	(3,428)
Total consideration	42,926
Satisfied by:	
Fair value of cash consideration, including expense incurred in respect of the acquisition	36,658
Fair value of shares issued/to be issued	6,268
	42,926
Net cash outflow in respect of the acquisition	
Fair value of cash consideration, including expense incurred in respect of the acquisition	36,658
Outstanding purchase consideration payable	(18,468)
Cash and cash equivalents acquired	(16,810)
	1,380

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Overview

The acquisitions made by the Group, the latest being that of Dowry Peacock Group Limited ("Dowry Peacock"), have seen a change in the Group's operational model – trading activities in which customers are charged on the basis of shipment value now constitute a significant proportion of its business (trading model) while previously its income came predominantly from commission (commission agent model). As such, the Group believes examining shipment value instead of turnover should reflect its performance more accurately.

For the six months ended 31 October 2005, the Group recorded shipment value of approximately US$435.9 million (equivalent to HK$3,400.0 million), representing an increase of approximately 15.8% as compared to the corresponding period of last year. The results were particularly notable against the backdrop of high oil prices and rising interest rates that caused uncertainty in customer buying sentiment, and the trade friction between China and the EU and US over Chinese apparel exports.

Turnover increased by approximately 279.2% from approximately US$25.9 million (equivalent to HK$202.0 million) to approximately US$98.4 million (equivalent to HK$767.5 million). The increase was mainly attributable to the newly acquired businesses, which were accounted for on the basis of shipment value during the period under review.

Operating expenses and finance costs increased by approximately US$5.0 million (equivalent to HK$39.0 million) from approximately US$15.8 million (equivalent to HK$123.2 million) to approximately US$20.8 million (equivalent to HK$162.2 million). The consolidation of expenses from the newly acquired businesses was the major reason for the increase.

Aided by a one-time non-operating income of approximately US$3.4 million (equivalent to HK$26.5 million) which represents an excess of interest in fair value of acquired subsidiaries' net assets over cost of investment arising from the acquisition of 60% interest in Dowry Peacock, net profit after tax increased by approximately 42.8% to approximately US$10.5 million (equivalent to HK$81.9 million). Net profit after tax as a percentage of shipment value increased from approximately 2.0% to approximately 2.4%. Excluding the one-time non-operating income as mentioned above, net profit after tax was approximately US$7.1 million (equivalent to HK$55.4 million); and net profit after tax to shipment value ratio slided to approximately 1.6% mainly because of the longer time period required for adjustment of operating cost associated with the changes in the volume of business activities.

Basic earnings per share were approximately 1.6 US cents (equivalent to 12.5 HK cents).

Segmental analysis

The Group achieved a more diversified geographic footprint during the period under review. Bolstered by the newly acquired businesses, the Group's business volume in Europe, Australia and other regions increased significantly. During the period under review, shipment value to Europe surged approximately 100.3% from approximately US$33.8 million (equivalent to HK$263.6 million) to approximately US$67.7 million (equivalent to HK$528.1 million), accounting for approximately 15.5% of the Group's total shipment value. Shipment value to Australia increased from nil to approximately US$18.1 million (equivalent to HK$141.2 million). However, as a result of weakened demand from the Group's key customers in North America, shipment to North America decreased by approximately 10.8% from approximately US$288.8 million (equivalent to HK$2,252.6 million) to approximately US$257.5 million (equivalent to HK$2,008.5 million). Nevertheless, North America remained as the Group's largest revenue contributor, accounting for approximately 59.1% of the Group's total shipment value.

Acquisition

The acquisition of 60% interest in Dowry Peacock was completed on 19 October 2005. Dowry Peacock is a UK-based consumer electronics products brand owner and supply chain management company. It is principally engaged in the business of consultancy, design, sourcing, planning, procurement, quality inspection, brand and warranty management of home entertainment and consumer electronics products. Its major customers include leading supermarkets and mass merchandise retailers predominantly in the UK. Dowry Peacock also owns four major consumer electronics and small domestic appliance product brands, namely "*Dual*", "*Nordmende*", "*Pacific*" and "*Digilogic*". Products carrying these brands are sold primarily in the UK, France, and Germany. With Dowry Peacock having strong presence predominantly in the UK, shipment to Europe is expected to surge in the second half of the financial year.

Financial Review

The Group's financial position is strong with bank balances and cash of approximately US$38.0 million (equivalent to HK$296.4 million) as at 31 October 2005. In addition, the Group has total banking facilities of approximately US$53.4 million (equivalent to HK$416.5 million).

The Group's current ratio was 1.1 and gearing ratio was low at 0.04, based on interest-bearing borrowing of approximately US$3.9 million (equivalent to HK$30.4 million) and total equity of approximately US$106.1 million (equivalent to HK$827.6 million) as at 31 October 2005. During the period under review, the Group's capital comprised total equity. There has not been any material change in the Group's borrowings since 31 October 2005.

During the period under review, trade receivables increased from approximately US$20.3 million (equivalent to HK$158.3 million) to approximately US$44.9 million (equivalent to HK$350.2 million) mainly due to the acquisition of Dowry Peacock. As at 31 October 2005, trade receivables aged over 90 days was approximately US$6.6 million (equivalent to HK$51.5 million) which is being carefully monitored by management and subsequent settlement is proceeding in accordance with plan.

The Group's unaudited net asset value as at 31 October 2005 was approximately US$106.1 million (equivalent to HK$827.6 million).

As at 31 October 2005, pledges of bank deposits amounted to approximately US$7.0 million (equivalent to HK$54.6 million) and there was a fixed and floating debenture over the assets of Dowry Peacock to cover banking facilities in the ordinary course of business. The Group had no material contingent liability as at 31 October 2005 and there has been no material change since then.

The majority of the Group's transactions are denominated in US dollars and Hong Kong dollars. Since Hong Kong dollar is pegged to US dollar, management believes that the Group is not exposed to any major risks from exchange rate fluctuation.

Prospects

Management sees opportunities as well as challenges for the second half of the financial year. The implementation of textile safeguards for the EU and more recently the US has failed to address the uncertainty surrounding the future use of China to source products for our customers – in the EU until 2008, and in the US possibly beyond 2009. In addition, developments such as the potential appreciation of the Renminbi against US dollar and Euro might bring new uncertainties to the market. Nevertheless, the Group believes the outsourcing trend will continue to grow and more leading retail chain operators, well-known brands, wholesalers, mail order houses and department stores will continue to look for sourcing partner who can provide them with comprehensive sourcing services as well as value-added services. Riding on its global sourcing network, Linmark is uniquely positioned to find the best sourcing solutions for its customers regardless of market situation and trade policies.

As one of the Group's strongest growth drivers, the business of Dowry Peacock is expected to generate significant contribution in the second half of the financial year. The acquisition will not only boost both the Group's top and bottom lines, but will also broaden its customer base in Europe and allow it to further expand its hardgoods business for a more balanced business mix. The Group will continue to work on creating synergistic benefits from its acquired businesses including cross-selling opportunities, and promoting value-added services that meet its customers' needs.

To further expand the Group's business scope, Linmark will continue to seek acquisition opportunities. Such initiatives will also help to accelerate Linmark's growth and supplement its corporate objective of diversifying its customer base, markets, products and services.

Based on current assessment, management maintains an overall positive view of the Group's performance in the rest of the financial year.

Recognition in Corporate Governance

On 17 November 2005, Mr. WANG Lu Yen, Chairman and executive Director of Linmark, received the Directors of the Year Awards 2005. Instigated by The Hong Kong Institute of Directors with 66 project partners, the Directors Of The Year Awards 2005 is co-organised with the Financial Services and the Treasury Bureau of the Government of the Hong Kong Special Administrative Region, the Securities and Futures Commission and the Hong Kong Exchanges and Clearing Limited. The awards recognise the winners' excellent corporate governance efforts and contribution to raising corporate governance standards in Hong Kong.

INTERIM DIVIDEND

The Directors have declared the payment of an interim dividend of 2.70 HK cents per share in respect of the six months ended 31 October 2005 and such interim dividend will be paid on or about 12 January 2006 in cash to shareholders whose names appear on the register of members of the Company on 5 January 2006.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 3 January 2006 to 5 January 2006, both days inclusive. In order to qualify for the interim dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar of the Company, Standard Registrars Limited of Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4.30 p.m. on 30 December 2005.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the period under review.

REVIEW OF RESULTS

The unaudited results of the Group for the six months ended 31 October 2005 have been reviewed by the external auditors of the Company in accordance with Statement of Auditing Standards No. 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Institute of Certified Public Accountants. The audit committee, comprising the three independent non-executive Directors referred to below, has reviewed with management and the Company's external auditors the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters. The audit committee has also discussed with the external auditors the interim audit committee report issued by the external auditors in relation to their review of the Company's interim financial report.

The audit committee has also reviewed the terms and conditions of connected transactions of the Company took place during the period under review.

CORPORATE GOVERNANCE

The Company has adopted most of the Code Provisions as stated in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as the Code on Corporate Governance Practices ("Code") of the Company.

During the six months ended 31 October 2005, the Company has complied with the Code Provisions of the Code, except for the following deviations:

1. **Code Provision B.1.3**

   The terms of reference of the remuneration committee were in compliance with the Code Provisions except modifications have been made to Code Provision B.1.3 (a) such that the remuneration committee has the power to do such things and to approve all matters in relation to compensation regarding all the Directors and the senior management of the Group in accordance with the terms and conditions of their respective agreement/ contract with the Company, or as the case may be, the relevant subsidiary of the Company and Code Provision B.1.3 (b) has been deleted. In addition, the remuneration committee is also delegated to exercise all the powers of the Board in relation to the share option scheme of the Company.

   Management considers that the remuneration committee can better serve its functions under the modified terms of reference of the remuneration committee set out above ("Modified Terms") as its duties under the Modified Terms are more extensive and onerous than those prescribed in the Code Provisions. The Company therefore proposes that the remuneration committee shall continue to abide by the provisions of the Modified Terms in the future.

2. **Code Provision B.1.4**

   Code Provision B.1.4 provides that the remuneration committee should make available its terms of reference, explaining its role and the authority delegated to it by the Board. The terms of reference of the remuneration committee are available for inspection upon request at the Company's head office and principal place of business in Hong Kong and will be posted on the Company's website by the end of the current financial year.

3. **Code Provision C.3.4**

   Code Provision C.3.4 provides that the audit committee should make available its terms of reference, explaining its role and the authority delegated to it by the Board. The terms of reference of the audit committee are available for inspection upon request at the Company's head office and principal place of business in Hong Kong and will be posted on the Company's website by the end of the current financial year.

4. **Code Provision E.1.2**

   Code Provision E.1.2 provides that the chairman of the Board should attend the annual general meeting of the Company. It has always been the intention of the Company to comply with this Code Provision. However, due to unexpected business commitment, Mr. WANG Lu Yen, the chairman of the Board, was unable to attend the annual general meeting of the Company held on 19 August 2005.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises six executive Directors, being Mr. WANG Lu Yen (Chairman), Mr. Steven Julien FENIGER (Chief Executive Officer), Mr. FU Jin Ming, Patrick, Mr. WONG Wai Ming, Mr. KHOO Kim Cheng and Mr. KWOK Chi Kueng and three independent non-executive Directors, being Mr. WANG Arthur Minshiang, Dr. WOON Yi Teng, Eden and Mr. TSE Hau Yin, Aloysius.

By Order of the Board
WANG Lu Yen
Chairman

Hong Kong, 14 December 2005

Head Office and Principal Place of Business in Hong Kong:
20th Floor, Office Tower One
The Harbourfront, 18 Tak Fung Street
Hunghom, Kowloon, Hong Kong

* *For identification purpose only*

Please also refer to the published version of this announcement in The Standard.