



MOBICON GROUP LIMITED

萬保剛集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1213)

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

RESULTS

The board of Directors (the "Board") of Mobicon Group Limited (the "Company") hereby announces the unaudited interim consolidated results of the Company and its subsidiaries (hereinafter the "Group") for the six months ended 30 September 2005 (the "Period") together with the comparative figures for the corresponding period in 2004. These unaudited interim results have not been audited by the Company's auditors, but have been reviewed by the Audit Committee of the Company.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 September 2005

		Six months ended 30 September	
		2005	2004
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Turnover	Notes 2	600,468	682,780
Cost of sales		(511,180)	(592,663)
Gross profit		89,288	90,117
Other revenue		1,410	490
Distribution and selling expenses		(26,776)	(21,830)
General and administrative expenses		(34,144)	(37,585)
Operating profit	2,3	29,778	31,192
Finance costs		(2,039)	(841)
Share of profit of an associated company		261	101
Profit before taxation		28,000	30,452
Income tax expenses	4	(5,924)	(7,316)
Profit for the period		22,076	23,136
Attributable to:			
Equity holders of the Company		19,404	20,790
Minority interests		2,672	2,346
		22,076	23,136
Dividends	5	5,000	6,000
Earnings per share – Basic	6	HK9.7 cents	HK10.4 cents

* for identification purpose only

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2005

	Note	As at 30 September 2005 (Unaudited) HK'000	As at 31 March 2005 (Audited) HK'000
ASSETS AND LIABILITIES			
Non-current assets			
Intangible assets		3,929	4,534
Fixed assets		8,177	7,194
Interest in an associated company		1,233	849
		13,339	12,577
Current assets			
Inventories		171,470	178,156
Accounts receivable	7	129,718	104,317
Prepayments, deposits and other receivables		9,040	8,391
Cash and bank balances		42,977	48,456
		353,205	339,320
Current liabilities			
Accounts payable	8	69,967	74,402
Accruals and other payables		20,112	25,780
Short-term bank loans – unsecured		84,565	80,306
Taxation		7,981	3,815
		182,625	184,303
Net current assets		170,580	155,017
Total assets less current liabilities		183,919	167,594
Non-current liabilities			
Deferred taxation		164	164
		183,755	167,430
EQUITY			
Capital and reserves attributable to the Company's equity holders:			
Share capital		20,000	20,000
Reserves		152,074	138,721
		172,074	158,721
Minority interests		11,681	8,709
Total equity		183,755	167,430

NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS

1. Basis of preparation and accounting policies

The unaudited condensed consolidated accounts have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and with the applicable disclosure requirements set out in Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

These condensed accounts should be read in conjunction with the 2005 annual accounts.

The accounting policies used in the preparation of these condensed accounts are consistent with those used in the annual accounts for the year ended 31 March 2005, except that the Group has changed certain of its accounting policies following its adoption of the new/revised Hong Kong Financial Reporting Standards (“HKFRSs”) and Hong Kong Accounting Standards which are effective for accounting periods commencing on or after 1 January 2005.

Beginning from 1 April 2005, the Group adopted the new/revised HKFRSs and HKASs below, which are relevant to its operations.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosure and Presentation

HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations

- (a) In prior years, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and as deduction from net assets. Minority interests in the results of the Group for the year were also separately presented in the profit and loss account as a deduction before arriving at the profit attributable to shareholders.

With effect from 1 April 2005, in order to comply with HKAS 1 and HKAS 27, minority interests at the balance sheet date are presented in the consolidated balance sheet within equity, separately from the equity attributable to the equity holders of the Company, and minority interests in the results of the Group for the period are presented on the face of the consolidated profit and loss account as an allocation of the total profit or loss for the period between the minority interests and the equity holders of the Company.

The presentation of minority interests in the consolidated balance sheet, profit and loss account and statement of changes in equity for the comparative period has been restated accordingly.

- (b) The adoption of HKAS 2, 7, 8, 10, 12, 16, 17, 18, 19, 21, 23, 24, 28, 32, 33, 36, 37, 38 and 39 and HKFRS 2 and 3 has no material effect on the accounting policies of the Group.

2. Segment information

(a) Primary segment

The Group is principally engaged in the trading and distribution of electronic parts, components and equipment and computer products and accessories.

The Group is organised into two main business segments:

Electronic products – Trading and distribution of electronic parts, components and equipment
 Computer products – Trading and distribution of computer products and accessories

There were no sales between the business segments.

	Six months ended 30 September 2005		
	Electronic products HK\$'000	(Unaudited) Computer products HK\$'000	Total HK\$'000
Turnover	409,318	191,150	600,468
Segment results	32,490	(1,240)	31,250
Unallocated costs			(1,472)
Operating profit			29,778
Finance costs			(2,039)
Share of profit of an associated company			261
Profit before taxation			28,000
Income tax expenses			(5,924)
Profit for the period			22,076

	Six months ended 30 September 2004		
	Electronic products HK\$'000	(Unaudited) Computer products HK\$'000	Total HK\$'000
Turnover	413,081	269,699	682,780
Segment results	34,575	(3,305)	31,270
Unallocated costs			(78)
Operating profit			31,192
Finance costs			(841)
Share of profit of an associated company			101
Profit before taxation			30,452
Income tax expenses			(7,316)
Profit for the period			23,136

(b) **Secondary segment**

The Group operates in the following main geographical areas.

	Six months ended 30 September 2005					Total
	(Unaudited)					
	Hong Kong	Asia Pacific	South Africa	Europe	Others	
	<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 turnover	<u>527,451</u>	<u>39,641</u>	<u>19,271</u>	<u>11,765</u>	<u>2,340</u>	<u>600,468</u>
Segment results	<u>26,127</u>	<u>1,035</u>	<u>3,389</u>	<u>583</u>	<u>116</u>	<u>31,250</u>
Unallocated costs						<u>(1,472)</u>
Operating profit						<u>29,778</u>

	Six months ended 30 September 2004					Total
	(Unaudited)					
	Hong Kong	Asia Pacific	South Africa	Europe	Others	
	<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 turnover	<u>605,735</u>	<u>44,516</u>	<u>17,273</u>	<u>10,939</u>	<u>4,317</u>	<u>682,780</u>
Segment results	<u>25,977</u>	<u>2,811</u>	<u>1,828</u>	<u>469</u>	<u>185</u>	<u>31,270</u>
Unallocated costs						<u>(78)</u>
Operating profit						<u>31,192</u>

The above geographical turnover and results are determined on the basis of the destination of delivery of merchandise to customers.

3. **Operating profit**

Operating profit in the condensed consolidated profit and loss account was determined after charging and crediting the following:

	Six months ended	
	30 September	
	2005	2004
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
<u>Charging</u>		
Staff costs (including directors' emoluments)		
– Wages and salaries	31,356	26,969
– Pension costs – defined contribution plans	1,368	1,336
Amortisation of intangible assets (included in general and administrative expenses)	605	–
Inventories write-down	4,383	1,438
Bad debts written off	522	–
Provision for impairment of receivables	–	425
Depreciation of fixed assets	1,446	1,090
Operating lease rentals of premises	8,263	7,350
Loss on dilution of interests in a subsidiary	–	2,161
Net exchange loss	<u>185</u>	<u>1,851</u>
<u>Crediting</u>		
Gain on disposal of fixed assets	<u>25</u>	<u>1</u>

4. **Income tax expenses**

	Six months ended	
	30 September	
	2005	2004
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current taxation		
– Hong Kong profits tax	4,452	5,878
– Overseas taxation	1,703	1,183
– (Over)/under-provision in prior year	<u>(231)</u>	<u>255</u>
	<u>5,924</u>	<u>7,316</u>

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the tax rate of Hong Kong is as follows:

	Six months ended 30 September	
	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
Profit before taxation	28,000	30,452
Calculated at a tax rate of 17.5%	7,261	5,329
Effect of different tax rates in other countries	959	462
Expenses not deductible for tax purposes	229	1,571
(Over)/under-provision in prior year	(231)	255
Others	(2,294)	(301)
Income tax charge	5,924	7,316

The Company is exempted from taxation in Bermuda until 2016.

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profit arising in or derived from Hong Kong.

Mobicon Electronic Trading (Shenzhen) Limited ("MET") being a foreign investment enterprise established in the free trade zone of Futian, Shenzhen, People's Republic of China ("PRC"), is subject to PRC enterprise income tax at the rate of 15%. No provision for PRC enterprise income tax has been made as MET is still in a tax loss position.

Taxation on profits on the other overseas subsidiaries has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the subsidiaries operate.

There was no material unprovided deferred tax for the period.

5. Dividends

At a meeting held on 19 December 2005, the directors declared an interim dividend of HK\$0.025 per ordinary share for the six months ended 30 September 2005. This interim dividend is not reflected as a dividend payable in these condensed interim accounts, but will be reflected as an appropriation of retained profits for the year ending 31 March 2006 (2004: HK\$0.03 per ordinary share). The interim dividend will be payable on 20 January 2006 to shareholders whose names appear on the register of members of the Company on 13 January 2006.

6. Earnings per share

The calculation of basic earnings per share for the six months ended 30 September 2005 is based on the Group's profit attributable to equity holders of the Company of approximately HK\$19,404,000 (2004: HK\$20,790,000) and on the weighted average of 200,000,000 ordinary shares (2004: 200,000,000 ordinary shares) in issue during the period.

No diluted earnings per share is presented as there were no potential dilutive ordinary shares in issue during the six months ended 30 September 2004 and 2005.

7. Accounts receivable

The Group normally grants to its customers credit periods for sales of goods ranging from 7 to 90 days. The ageing analysis of accounts receivable is stated as follows:

	As at 30 September 2005 (Unaudited) HK\$'000	As at 31 March 2005 (Audited) HK\$'000
0 to 60 days	117,627	87,293
61 to 120 days	8,984	10,587
121 to 180 days	1,725	4,176
181 to 365 days	1,817	2,812
	130,153	104,868
Less: Provision for impairment of receivables	(435)	(551)
	129,718	104,317

8. Accounts payable

The ageing analysis of accounts payable is stated as follows:

	As at 30 September 2005 (Unaudited) HK\$'000	As at 31 March 2005 (Audited) HK\$'000
0 to 60 days	64,583	71,852
61 to 120 days	4,060	1,473
121 to 180 days	138	185
181 to 365 days	1,186	892
	69,967	74,402

FINANCIAL RESULTS

The Group continued to report steady performance in its financial results for the Period. The turnover for the Period slightly decreased by about 12% to approximately HK\$600 million, which compared with approximately HK\$683 million for the six months ended 30 September 2004 (the “Corresponding Period”).

Despite the decrease in turnover, gross profit for the Period only decreased slightly by 1% to approximately HK\$89 million, representing a gross margin of 14.8%, which compared with that of the Corresponding Period at 13.2%. The improvement in the gross margin is mainly attributable to (i) the continuous implementation of “Small Order Services” (“SOS”) business model across overseas subsidiaries and (ii) the scaling down of computer products distribution business with relatively low gross margin.

Operating profit for the Period was approximately HK\$29.8 million, compared with approximately HK\$31.2 million in the Corresponding Period. Total operating expenses for the Period slightly increased by 1% to approximately HK\$59.5 million from approximately HK\$58.9 million in the Corresponding Period.

Finance costs for the Period increased to approximately HK\$2.0 million from approximately HK\$0.8 million in the Corresponding Period, which was mainly the result of the increase in bank interest rate in Hong Kong during the Period.

As a result of the above, profit for the Period attributable to equity holders of the Company was down by about 6.7% to approximately HK\$19.4 million from approximately HK\$20.8 million in the Corresponding Period. This represents a net margin of 3.2%, which compared with the net margin of 3.0% in the Corresponding Period. Basic earnings per share for the Period was HK9.7 cents, which compared to HK10.4 cents for the Corresponding Period.

The Board of Directors has resolved to declare an interim dividend of HK2.5 cents per ordinary share (Corresponding Period: HK3 cents per ordinary share) for the period ended 30 September 2005, totaling HK\$5 million.

BUSINESS REVIEW

During the Period, the Group continued to focus on its two core businesses, namely (1) the distribution of electronic components, automation parts and equipment under **MOBICON** service branding (the “Electronics Trading Business”) and (2) computer related business (the “Computer Business”) which includes (i) the retail sales of computer products and accessories under **VideoCom** retail branding (the “Computer Retail Business”) and (ii) the provision of IT outsourcing and solutions services to small and medium enterprises in Hong Kong (the “IT Outsourcing Services”).

Electronic Trading Business

Electronic Trading Business’s turnover for the Period slightly decreased by 1% to approximately HK\$409 million, which compared to approximately HK\$413 million in the Corresponding Period. This segment accounted for 68% of the Group’s turnover, up from 60% in the Corresponding Period.

Hong Kong

During the Period, the Group maintained its “Satellite Development Strategy” together with the SOS business model. With the completion of the unification of its product database, the Group distributed its own products catalogue, covering over 70,000 products details, to its local and overseas business partners and customers. This catalogue tool further enhanced the effectiveness of the Group’s SOS business model as its business partners and customers can have a more convenient and efficient access to the up-to-date and comprehensive products and pricing information from the Group.

Overseas

Turnover contributed by the Group’s overseas subsidiaries continued to demonstrate a steady growth. During the Period, it increased by 11% to approximately HK\$41 million, compared with approximately HK\$37 million in the Corresponding Period. Geographically, Hong Kong remained as the major market of the Group which contributed approximately 88% of the Group’s total turnover. The remaining 12% Group’s total turnover was contributed by its overseas market including Asia Pacific region, South Africa, Europe and other regions.

Computer Business

The drop in the Computer Business’s turnover was relatively visible, from approximately HK\$270 million in the Corresponding Period to approximately HK\$191 million in the Period, a decrease of 29%. The drop was the result of the continuous realignment of the operation strategy of the Computer Business by scaling down of the computer products distribution business with low profit margin so that the Group can increase its overall profitability and operation efficiency.

Computer Retail Business

With a view to further streamline the retail operation of the Computer Business and to increase the profitability of this business, retail outlets located in Golden Shopping Centre in Shamshuipo were reduced from 6 to 4. On the other hand, a new retail outlet was opened in Yuen Long area in September 2005 with lower rental expenditure. As a result, the Group’s retail network was further expanded beyond the traditional computer malls area with reduced operating costs.

IT Outsourcing Services

During the Period, the continuous recovery of the local economy gave a favourable market environment to the IT Outsourcing Services business. A Power Limited, one of the Group’s subsidiaries, which engaged in the distribution and direct sales business of IT products to small and medium enterprises and organizations demonstrated a satisfactory performance during the Period. Its products range included MP3 players, digital earphones and computer memory cards under its own brand **源尚** and **IT** and its customer base had been extended from traditional computer products dealers to other IT products dealers, such as mobile phone and digital camera dealers. As a quality IT product solutions provider, the Group provided uninterrupted power supply (UPS) equipment to the East Asia Games 2005 which was held in Macau in November 2005.

OUTLOOK

The Group will continue to develop its Electronics Trading Business in Hong Kong and China. In October 2005, the Group has expanded its office spaces by 15,000 sq. ft. (including a 3,000 sq. ft. display centre) and its warehouse space by 25,000 sq. ft. near its San Po Kong headquarter. Besides, the number of sales engineering team members is expected to be further expanded from 60 to 100 within two years. Such an expansion will pave the way for the future business development with a more spacious and comfortable environment for its staff training and management.

Geographically, the Group plans to further expand its geographical coverage and starts to explore the Taiwan SME market in the coming year. A sales office will be set up in Taiwan before the second quarter of 2006 and positive contribution is expected from this Taiwan satellite through the synergistic support from the Hong Kong headquarter.

For the Computer Business, another new retail outlet would be opened in Sheung Shui area in December 2005 with lower rental expenditure and the Group will continue to seek suitable locations for the expansion of its retail network. On the other hand, the Group will also try to explore other efficient and effective technical support solutions with an aim to be the key IT Outsourcing Services business service provider to the SMEs in Hong Kong.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2005, the Group's cash and bank balances amounted to approximately HK\$43 million and the net current assets were approximately HK\$171 million. As at 30 September 2005, the current ratio stood at 1.93 which was improved from 1.84 as recorded as at 31 March 2005.

The Group generally finances its operation by internally generated resources and banking facilities provided by several banks in Hong Kong. Banking facilities of the Group include overdrafts, term loans and trust receipt loans, which are principally on the floating interest rates. During the Period, the Group's borrowings bore interest at rates ranging from 3.2% to 5.5% per annum (31 March 2005: ranging from 1.7% to 4.1% per annum). As at 30 September 2005, the Group had aggregate banking facilities of approximately HK\$204 million (31 March 2005: HK\$202 million) from several banks with an unused balance of approximately HK\$119 million (31 March 2005: HK\$122 million) and its existing financial resources are sufficient to fulfill its commitments and current working capital requirements.

As at 30 September 2005, the Group's gross borrowings, which were repayable within one year, amounted to approximately HK\$85 million (31 March 2005: HK\$80 million). After deducting cash and cash equivalents of approximately HK\$43 million, the Group's net borrowings amounted to approximately HK\$42 million (31 March 2005: HK\$32 million). The increase in borrowings was mainly due to the increase in accounts receivable. Total equity at 30 September 2005 was approximately HK\$184 million (31 March 2005: HK\$167 million). Accordingly, the Group's net gearing ratio, based on net borrowings to total equity, increased to 22.8% (31 March 2005: 19.2%).

Compared with audited balances as at 31 March 2005, the Group's accounts receivable increased by 24% whereas accounts payable and inventories decreased by 6% and 4% respectively. The substantial increase in accounts receivable was in line with the traditional trend of stronger sales performance in the third quarter than in the first quarter of each calendar year which gave a higher accounts receivable balance as at 30 September 2005. The debtor turnover days and creditors turnover days for the Period was 36 days and 26 days respectively as compared to 29 days and 24 days for the year ended 31 March 2005.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group's financial statements are denominated in Hong Kong dollars. The Group conducts its business transactions mainly in Hong Kong dollars, Renminbi and US dollars. Given the exchange rate of Hong Kong dollars against Renminbi has been and is likely to remain stable, and the HKSAR Government's policy of linking the Hong Kong dollars to the US dollars remains in effect, the Group's risk on foreign exchange will remain minimal.

In order to properly hedge against the demand for US dollars, the Group has entered into a forward contract to buy US\$500,000 per month at a rate of HK\$7.75 which will be continued for the coming seventeen months (i.e. from October 2005 to February 2007). Other than that, as at 30 September 2005, the Group had no significant risk exposure pertaining to foreign exchange contracts, interest rates or currency swaps or other financial derivatives.

CHARGES ON ASSETS

The Group did not have any charge on its assets as at 30 September 2005.

COMMITMENT AND CONTINGENT LIABILITIES

During the Period, two successive forward contracts were in force whereby the Group has committed to buy US dollars on each specified monthly settlement date and the subsisting contract will be in force up to 15 February 2007. Pursuant to the contract's terms, the Group is committed to buy US\$500,000 in the event that the spot USD-HKD rate at expiration date is greater than or equal to the contract forward rate (i.e. US\$1.00 = HK\$7.75). Otherwise, the Group is committed to buy US\$1,500,000 in the event that the spot USD-HKD rate at expiration date is less than the contract forward rate.

As at 30 September 2005, the Group had total outstanding operating lease commitments of approximately HK\$14 million (as at 31 March 2005: HK\$13 million). In view of the Group's high level of liquid funds, it is expected that the Group will be able to fulfill all these commitments without any difficulty.

The Group had no significant contingent liabilities as at 30 September 2005.

EMPLOYMENT, TRAINING AND REMUNERATION POLICY

As at 30 September 2005, the Group's operations engaged a total of 466 full time employees. The Group has also developed its human resources policies and procedures based on performance, merits and market condition. Discretionary bonus is linked to the performance of the Group as well as individual performance. Benefits include staff accommodation, medical schemes, share option scheme, Mandatory Provident Fund Scheme for employees in Hong Kong, Employee Provident Fund Scheme for employees in Malaysia, Central Provident Fund Scheme for employees in Singapore, and state-sponsored retirement plans for employees in the PRC.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 12 January 2006 (Thursday) to 13 January 2006 (Friday), both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers of share accompanied by the relevant share certificate must be lodged with the Company's branch share registrar in Hong Kong, Hong Kong Registrars Limited at its office situated at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on 11 January 2006 (Wednesday).

DEALING IN COMPANY'S LISTED SECURITIES

During the Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company had complied with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules (the "Code") throughout the Period, except for the deviations stated below:

- (i) According to the code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. The roles of the Chairman and the CEO of the Company are not separated and are performed by the same individual, Dr. Hung Kim Fung, Measure. The directors consider that this structure provides the Group with strong and consistent leadership in the Company's decision making and operational efficiency.
- (ii) According to the code provisions A.4.1 and A.4.2 of the Code, (a) non-executive directors should be appointed for a specific term, subject to re-election; and (b) all directors appointed to fill a causal vacancy should be subject to election by shareholders at the first general meeting after their appointment, and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. None of the independent non-executive directors of the Company was appointed for specific term but all of them are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's Bye-laws. In accordance with the provisions of the Bye-laws of the Company, any director appointed by the Board during the year shall retire and submit themselves for re-election at the first annual general meeting immediately following his/her appointment. Further, at each annual general meeting, one third of the directors for the time being, or if their number is not three or multiple of three, then the number nearest to but not exceeding one-third, shall retire from office. The directors to retire by rotation shall be those who have been longest in office since their last re-election or appointment. As such, the Company considers that the Company's corporate governance practices are similar to those in the Code. According to the Bye-laws of the Company, the Chairman and Managing Director are not subject to retirement by rotation or be taken into account in determining the number of directors to retire which deviated from code provision A.4.2 of the Code. As continuation is a key factor to the successful implementation of any long term business plans, the Board believes that the present arrangement is most beneficial to the Company and the shareholders as a whole.
- (iii) According to the code provision B.1.1 of the Code, the Company should establish a remuneration committee with a majority of the members thereof being independent non-executive directors. It is scheduled that the remuneration committee will be formed prior to 31 March 2006. A specific written terms of reference which deal clearly with the authority and duties of the remuneration committee will be adopted in accordance with the requirements as set out in the code provision B.1.3 of the Code.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited condensed accounts for the six months ended 30 September 2005 with the directors. The Audit Committee comprises three independent non-executive directors, namely Mr. Charles E. Chapman, Dr. Leung Wai Cheung and Mr. Chow Shek Fai.

PUBLICATION OF FURTHER INFORMATION

This announcement will be published on the website of the Stock Exchange. The Group's interim report for the six months ended 30 September 2005 containing the interim accounts and all the applicable information required by Appendix 16 to the Listing Rules will be dispatched to shareholders and published on the website of the Stock Exchange in late December 2005.

MEMBERS OF THE BOARD

As at the date of this announcement, the Board comprises Dr. Hung Kim Fung, Measure, Madam Yeung Man Yi, Beryl, Mr. Hung Ying Fung and Mr. Yeung Kwok Leung, Allix as executive directors and Mr. Charles E. Chapman, Dr. Leung Wai Cheung and Mr. Chow Shek Fai as independent non-executive directors.

APPRECIATION

I would like to take this opportunity to express my gratitude to my fellow directors and all members of the staff for their loyalty and dedication and the continuous support from our customers, suppliers, banks and shareholders.

By order of the Board
Hung Kim Fung, Measure
Chairman and Managing Director

Hong Kong, 19 December 2005

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