



Kiu Hung International Holdings Limited

僑雄國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 381)

ANNOUNCEMENT OF 2005 FINAL RESULTS

RESULTS

The Board of the Directors (the “Board”) of Kiu Hung International Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2005, together with the comparative figures for the year ended 31 December 2004 as follows:

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2005	(Restated)
	Notes	HK\$'000	2004
			HK\$'000
REVENUE	4	67,528	80,674
Cost of sales		(44,705)	(59,715)
Gross profit		22,823	20,959
Other income		6,631	3,286
Distribution costs		(6,601)	(11,889)
Administrative expenses		(17,709)	(19,361)
Other operating expenses		(771)	(1,626)
OPERATING PROFIT/(LOSS)	5	4,373	(8,631)
Finance costs	6	(3,533)	(3,549)
Share of loss of a jointly controlled entity		(869)	(487)
Share of loss of an associate		(335)	(65)
LOSS BEFORE INCOME TAX		(364)	(12,732)
Income tax credit	7	323	790
LOSS FOR THE YEAR		(41)	(11,942)
ATTRIBUTABLE TO:			
Equity holders of the Company		(41)	(11,888)
Minority interests		–	(54)
		(41)	(11,942)
BASIC LOSS PER SHARE FOR LOSS ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY	9	HK(0.0019) cent	HK(0.54) cent

CONSOLIDATED BALANCE SHEET

		As at 31 December 2005 HK\$'000	(Restated) As at 31 December 2004 HK\$'000
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Property, plant and equipment		66,369	60,318
Prepaid land lease payments		6,118	6,270
Investment property		400	400
Interest in an associate		–	335
Interest in a jointly controlled entity		–	27,550
Amount due from a related company		2,619	–
Deferred tax assets		1,987	2,219
		<u>77,493</u>	<u>97,092</u>
CURRENT ASSETS			
Inventories		7,609	7,059
Trade and bills receivables	10	12,749	1,379
Prepayment, deposits and other receivables		1,796	2,282
Amount due from an associate		–	1,487
Amount due from a related company		5,513	–
Tax recoverable		126	28
Financial assets at fair value through profit or loss/ Short term investments		286	306
Cash at banks and on hand		48,034	56,616
		<u>76,113</u>	<u>69,157</u>
CURRENT LIABILITIES			
Trade and bills payables	11	10,858	7,179
Other payables and accruals		5,655	7,585
Capital contribution payable to a jointly controlled entity		–	13,983
Provision for tax		263	3,546
Borrowings		30,650	30,246
		<u>47,426</u>	<u>62,539</u>
NET CURRENT ASSETS		<u>28,687</u>	<u>6,618</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>106,180</u>	<u>103,710</u>
NON-CURRENT LIABILITIES			
Borrowings		2,251	2,819
Deferred tax liabilities		3,764	3,726
		<u>6,015</u>	<u>6,545</u>
NET ASSETS		<u>100,165</u>	<u>97,165</u>
EQUITY ATTRIBUTABLE TO COMPANY'S EQUITY HOLDERS			
Share capital		44,277	44,277
Reserves		55,888	52,888
TOTAL EQUITY		<u>100,165</u>	<u>97,165</u>

NOTES:

1. GENERAL INFORMATION

Kiu Hung International Holdings Limited (the “Company”) is a limited liability company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company’s registered office is located at Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681GT, George Town, Grand Cayman, Cayman Islands and its principal place of business is 14/F, Yale Industrial Centre, 61-63 Au Pui Wan Street, Fo Tan, Shatin, Hong Kong.

The principal activities of the Group are principally engaged in the design, manufacture and sale of a wide range of toys and decorative gift items. There were no significant changes in the nature of the Group’s principal activities during the year.

The audited consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) as published by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

These consolidated financial statements have been reviewed by the audit committee of the Company and were approved by the board of directors on 24 April 2006.

2. ADOPTION OF NEW / REVISED HKFRS

From 1 January 2005, the Group has adopted the following new / revised standards and interpretations of HKFRS which are relevant to its operations and effective for accounting periods beginning on or after 1 January 2005. These include the following new, revised and renamed standards:

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 Tax
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effect of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separated 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 39	Financial Instruments: Recognition and Measurement
HKAS 39 Amendment	Transitional and Initial Recognition of Financial Assets and Financial Liabilities
HKAS 40	Investment Property
HKFRS 3	Business Combinations
HK (SIC)	Consolidation – Special Purpose Entities
Int - 12	
HK (SIC)	Income Taxes – Recovery of Revalued Non-Depreciable Assets
Int - 21	

All the standards have been applied retrospectively except where specific transitional provisions require a different treatment and accordingly the 2004 financial statements and their presentation have been amended in accordance with HKAS 8. Due to the change in accounting policies, the 2004 comparatives contained in these financial statements differ from those published in the financial statements for the year ended 31 December 2004.

Significant effects on current, prior or future periods arising from the first-time application of the standards listed above in respect to presentation, recognition and measurement of accounts are described in the following notes:

2.1 Adoption of HKAS 1

The application of HKAS 1 has resulted in a change in the presentation of the financial statements. Minority interests are now included as a separate line item within equity. Profit and loss attributable to minority interests and that attributable to equity holders of the Company is now presented as an allocation of the net result of the year.

2.2 Adoption of HKAS 17

In previous years, leasehold land and buildings were included in property, plant and equipment and carried at valuation less accumulated depreciation and accumulated impairment losses.

Upon the adoption of HKAS 17, the land and building elements are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid land lease payments under operating leases, which are carried at cost and subsequently recognised in the income statement on a straight-line basis over the lease term. This change in accounting policy has been applied retrospectively. Where the land and buildings elements cannot be allocated reliably, the entire lease payments continue to be treated as finance leases and included in property, plant and equipment

2.3 Adoption of HKAS 32 and HKAS 39

HKAS 32 requires all disclosure and presentation rules regarding financial instruments to be applied retrospectively. HKAS 39 generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis.

Prior to the adoption of HKAS 39, the Group has investments in listed equity securities held for trading purposes and are stated at fair values on the basis of their quoted market prices at the balance sheet date, on an individual investment basis. Gains or losses arising from changes in the fair value of a security are credited or charged to the income statement in the period in which they arise. Any gains or losses on disposal of a security are accounted for in the income statement as they arise.

There are no material adjustments arising from the adoption of HKAS 39 for trading securities apart from reclassification of trading securities from short term investments to financial assets at fair value through profit or loss on 1 January 2005.

2.4 Adoption of HKAS 40 and HK(SIC) Int-21

In prior years, the Group stated its investment properties at valuation and recorded the increase in valuation in the investment properties revaluation reserve. Decreases in the valuation are first set off against increases on earlier valuations on a portfolio basis and thereafter are expensed in the income statement. Where a decrease had previously been charged to the income statement, the increase that subsequently arose was credited to the income statement to the extent of the decrease previously charged with the remaining part of the increase credited to the investment properties revaluation reserve. Investment properties held on leases with unexpired periods of 20 years or less are depreciated over the remaining period of the lease.

The adoption of HKAS 40 has led to the changes in the fair value of investment properties being recorded in the income statement and the investment properties are no longer subject to depreciation where the unexpired periods of the lease are 20 years or less.

According to the transitional provisions of HKAS 40, as the Group has previously disclosed publicly the fair value of the investment properties in prior years, the Group adjusted the opening balance of retained earnings for the earliest period presented and restated the comparative figures accordingly.

2.5 Other standards adopted

The adoption of other new or revised standards did not result in significant changes to the Group's accounting policies. The specific transitional provisions contained in some of these standards were considered. The adoption of these other standards did not result in any changes to the amounts or disclosures in these financial statements.

2.6 The effect of changes in the accounting policies on the consolidated income statement is summarised below:

	Effect of adopting			Total HK\$'000
	HKAS 17 HK\$'000	HKAS 32 & HKAS 39 HK\$'000	HKAS 40 & HK(SIC) Int 21 HK\$'000	
Year ended 31 December 2005				
Decrease/(Increase) in loss for the year				
Decrease in depreciation and amortisation	1,413	–	–	1,413
Decrease in gain on disposal of subsidiaries	–	(868)	–	(868)
	<u>1,413</u>	<u>(868)</u>	<u>–</u>	<u>545</u>
Total decrease/(increase) in loss for the year	<u>1,413</u>	<u>(868)</u>	<u>–</u>	<u>545</u>
Decrease/(Increase) in basic loss per share (HK cent)	<u>0.06</u>	<u>(0.04)</u>	<u>–</u>	<u>0.02</u>

	Effect of adopting			Total
	HKAS 17	HKAS 32 & HKAS 39	HKAS 40 & HK(SIC) Int 21	
	HK\$'000	HK\$'000	HK\$'000	
Year ended 31 December 2004				
Decrease in loss for the year				
Decrease in depreciation and amortisation	1,384	–	–	1,384
Total decrease in loss for the year	<u>1,384</u>	<u>–</u>	<u>–</u>	<u>1,384</u>
Decrease in basic loss per share (HK cent)	<u>0.06</u>	<u>–</u>	<u>–</u>	<u>0.06</u>

2.7 The effect of changes in the accounting policies on the consolidated balance sheet is summarised below:

	Effect of adopting			Total
	HKAS 17	HKAS 32 & HKAS 39	HKAS 40 & HK(SIC) Int 21	
	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2004 (Equity only)				
Increase/(Decrease) in equity				
Assets revaluation reserve	(53,250)	–	(557)	(53,807)
Investment property revaluation reserve	–	–	(280)	(280)
Retained profits	4,091	–	280	4,371
At 31 December 2004				
Increase/(Decrease) in assets				
Property, plant and equipment	(70,436)	–	(400)	(70,836)
Prepaid land lease payment	6,270	–	–	6,270
Investment property	–	–	400	400
Increase/(Decrease) in liabilities				
Deferred tax	(15,400)	–	557	(14,843)
Increase/(Decrease) in equity				
Assets revaluation reserve	(54,241)	–	(557)	(54,798)
Investment property revaluation reserve	–	–	(280)	(280)
Retained profits	5,475	–	280	5,755

	Effect of adopting			Total
	HKAS 17	HKAS 32 & HKAS 39	HKAS 40 & HK(SIC) INT 21	
	HK\$'000	HK\$'000	HK\$'000	
At 31 December 2005				
Increase/(Decrease) in assets				
Property, plant and equipment	(68,871)	–	(400)	(69,271)
Prepaid land lease payments	6,118	–	–	6,118
Amount due from a related company	–	(868)	–	(868)
Investment property	–	–	400	400
Increase/(Decrease) in liabilities				
Deferred tax	(15,400)	–	557	(14,843)
Increase/(Decrease) in equity				
Assets revaluation reserve	(54,241)	–	(557)	(54,798)
Investment property revaluation reserve	–	–	(280)	(280)
Retained profits	6,888	(868)	280	6,300

3. SEGMENT INFORMATION

(a) Business segments

The following tables present revenue and results for the Group's business segments.

	Toys		Decorative gift items		Total	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Segment revenue:						
Sales to external customers	<u>31,838</u>	<u>39,741</u>	<u>35,690</u>	<u>40,933</u>	<u>67,528</u>	<u>80,674</u>
Segment results	<u>(645)</u>	<u>(5,545)</u>	<u>(723)</u>	<u>(2,171)</u>	<u>(1,368)</u>	<u>(7,716)</u>
Interest, rental income and unallocated gains					6,631	3,286
Unallocated expenses					<u>(890)</u>	<u>(4,201)</u>
Operating profit/(loss)					4,373	(8,631)
Finance costs					<u>(3,533)</u>	<u>(3,549)</u>
Share of loss of a jointly controlled entity					<u>(869)</u>	<u>(487)</u>
Share of results of an associate					<u>(335)</u>	<u>(65)</u>
Loss before income tax					<u>(364)</u>	<u>(12,732)</u>
Income tax credit					<u>323</u>	<u>790</u>
Loss for the year					<u>(41)</u>	<u>(11,942)</u>
Segment assets	44,021	37,641	76,446	83,399	120,467	121,040
Unallocated assets					<u>33,139</u>	<u>45,209</u>
Total assets					<u>153,606</u>	<u>166,249</u>
Segment liabilities	17,274	6,779	10,879	19,615	28,173	26,394
Unallocated liabilities					<u>25,268</u>	<u>42,690</u>
Total liabilities					<u>53,441</u>	<u>69,084</u>
Other segment information:						
Depreciation and amortisation	1,899	3,685	3,624	3,375	5,523	7,060
Unallocated amounts					<u>828</u>	<u>1,078</u>
					<u>6,351</u>	<u>8,138</u>
Impairment loss on goodwill					<u>261</u>	<u>–</u>
Other non-cash expenses	6	4,254	–	1,654	6	5,908
Unallocated amounts					<u>205</u>	<u>1,375</u>
					<u>211</u>	<u>7,283</u>
Capital expenditure	492	162	10,419	5,027	<u>10,911</u>	<u>5,189</u>

(b) *Geographical segments*

The following tables present revenue and results for the Group's geographical segments.

	PRC (including Hong Kong)		North America		European Union		Others		Consolidated	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Segment revenue:										
Sales to external customers	<u>3,005</u>	<u>15,073</u>	<u>48,611</u>	<u>46,703</u>	<u>13,161</u>	<u>14,336</u>	<u>2,751</u>	<u>4,562</u>	<u>67,528</u>	<u>80,674</u>
Segment results	<u>55</u>	<u>2,475</u>	<u>1,012</u>	<u>(7,878)</u>	<u>260</u>	<u>(1,824)</u>	<u>41</u>	<u>(489)</u>	<u>1,368</u>	<u>(7,716)</u>
Other segment information:										
Segment assets	143,232	165,294	9,391	836	439	102	544	17	<u>153,606</u>	<u>166,249</u>
Capital expenditure	10,911	5,189	-	-	-	-	-	-	<u>10,911</u>	<u>5,189</u>

4. REVENUE

Revenue, which is also turnover, represents total invoiced value of goods supplied.

5. OPERATING PROFIT/(LOSS)

	2005 HK\$'000	Restated 2004 HK\$'000
Operating profit/(loss) is arrived at after charging/(crediting):		
Impairment loss on goodwill (included in other operating expenses)	261	-
Amortisation of goodwill (included in other operating expenses)	-	269
Amortisation of production and distribution rights (included in distribution costs)	-	1,000
Auditors' remuneration		
- current year	460	460
- overprovision in prior years	(13)	-
	<u>447</u>	<u>460</u>
Bad debts written-off	162	49
Cost of inventories recognised as expenses	40,174	57,274
Depreciation and amortisation:		
- owned property, plant and equipment	6,060	6,303
- leased property, plant and equipment	139	414
- prepaid land lease payments	152	152
	<u>6,351</u>	<u>6,869</u>
Impairment loss on production and distribution rights (included in distribution costs)	-	3,667
Provision for slow-moving inventories	3,131	2,191
Loss on disposal of		
- investment properties	-	440
- other property, plant and equipment	-	121
	<u>-</u>	<u>561</u>
Loss on dissolution of a subsidiary (included in other operating expenses)	-	448
Operating lease charges on land and buildings	281	709
Realised losses on disposal of short-term investments	-	148
Changes in fair value of financial assets at fair value through profit and loss/short-term investments	20	194
Research and development costs - current year expenditure	1,401	1,634
Staff costs		

– Wages and salaries	11,670	12,734
– Pension costs – retirement benefits schemes contributions for staff and directors	818	858
– Directors’ remuneration	<u>3,360</u>	<u>3,370</u>
	<u>15,848</u>	<u>16,962</u>
Write off of property, plant and equipment	<u>29</u>	<u>25</u>

6. FINANCE COSTS

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Interest charges on:		
Bank loans and trust receipts loans wholly repayable within five years	2,139	2,154
Bank loans not wholly repayable within five years	140	131
Finance charges on finance lease	30	94
Interest on capital contribution payable to a jointly controlled entity	<u>1,224</u>	<u>1,170</u>
	<u>3,533</u>	<u>3,549</u>

7. INCOME TAX CREDIT

Hong Kong profits tax has been provided at the rate of 17.5% (2004 : 17.5%) on the estimated assessable profit for the year. Taxation on other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Current tax – Hong Kong		
– Tax for the year	<u>73</u>	<u>72</u>
	<u>73</u>	<u>72</u>
Current tax – overseas		
– Tax for the year	–	26
– Over provision in respect of prior years	<u>(306)</u>	<u>–</u>
	<u>(233)</u>	<u>98</u>
Deferred tax		
Current year	<u>(90)</u>	<u>(888)</u>
Total income tax credit	<u>(323)</u>	<u>(790)</u>

8. FINAL DIVIDENDS

The Board does not recommend the payment of any final dividend in respect of the year (2004: Nil).

9. LOSS PER SHARE

The calculation of basic loss per share is based on the Group’s loss attributable to shareholders for the year of HK\$41,000 (2004 restated: HK\$11,888,000) and the weighted average of 2,213,820,000 (2004: 2,213,820,000) ordinary shares in issue during the year.

Diluted loss per share for the years ended 31 December 2005 and 2004 has not been shown as there is no dilutive potential ordinary share.

10. TRADE AND BILLS RECEIVABLES

The Group’s trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally for a period of one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management.

At 31 December 2005, the ageing analysis of trade and bills receivables net of provision, is as follows:

	As at 31 December 2005 <i>HK\$'000</i>	As at 31 December 2004 <i>HK\$'000</i>
0 - 30 days	6,679	342
31 days – 90 days	5,990	1,037
91 days – 180 days	80	–
	<u>12,749</u>	<u>1,379</u>

11. TRADE AND BILLS PAYABLES

At 31 December 2005, the ageing analysis of the trade and bills payables were as follows:

	As at 31 December 2005 <i>HK\$'000</i>	As at 31 December 2004 <i>HK\$'000</i>
0-30 days	2,728	976
31 days – 90 days	5,595	3,665
91 days – 180 days	2,196	2,380
181 days – 360 days	308	152
Over 360 days	31	6
	<u>10,858</u>	<u>7,179</u>

REVIEW OF OPERATIONS

Business Review

The Group's turnover and loss for the year ended 31 December 2005 were approximately HK\$67.5 million (2004: HK\$80.7 million) and HK\$0.04 million (2004: HK\$11.9 million), respectively. Basic loss per share for the year under review was 0.0019 HK cent (2004: 0.54 HK cent).

During the year under review, the Group continued to engage in the design, manufacture and sale of toys as well as decorative gift items. Turnover decreased as a result of the intense competition in the People's Republic of China (the "PRC") toy and gift markets. Nevertheless, the Group managed to significantly narrow its net losses from HK\$11.9 million in 2004 to HK\$0.04 million in 2005 as a result of the development of new products with value-added features to enhance product profitability and the implementation of various cost control measures by the Group. During the year under review, revenue from toys and decorative gift items was approximately HK\$31.8 million and HK\$35.7 million, respectively (2004: approximately HK\$39.8 million and HK\$40.9 million, respectively), accounting for approximately 47% and 53% of the Group's total turnover, respectively.

During the year, the Group has increased its interest in Miracles For Fun (HK) Limited ("MFF") from 30% to 63%. MFF is principally engaged in the design and sale of a wide range of toys and decorative gift items. We believe that such acquisition will expand the customer base of the Group and provide cross-selling opportunities between the Group and MFF. Details of the acquisition are set out in the Company's announcement and circular dated 30 December 2005 and 13 January 2006, respectively.

In addition, the Group has liquidated its investment in the spandex business by disposing its interest in Sangyang Spandex Co., Ltd. ("SY Spandex") during the year. As SY Spandex had not commenced any operation, the disposal had negligible impact on the business operations of the Group. Details of the disposal are set out in the Company's announcement and circular dated 25 April 2005 and 1 June 2005, respectively.

Liquidity and Financial Resources

The Group's cash and cash equivalents are mostly held in Hong Kong dollars and Renminbi. The Group's bank and other borrowings are made in Hong Kong dollars and Renminbi, approximately 77% of such borrowings bear interest at fixed lending rate. At 31 December 2005, the Group's bank and other borrowings amounted to approximately HK\$32.9 million, out of which approximately 93% is repayable within one year. The gearing ratio of the Group at 31 December 2005 calculated as a ratio of total bank and other borrowings to total assets is approximately 21% (2004: 20%). Net current assets at 31 December 2005 was approximately HK\$28.7 million and current ratio was maintained at a healthy level of approximately 160%. The Group had not used any financial instruments for hedging purposes during the year under review.

At 31 December 2005, certain of the Group's buildings and leasehold land and buildings with carrying values of approximately HK\$10.2 million and HK\$9.3 million, respectively, were pledged to secure general banking facilities granted to the Group.

OUTLOOK

Looking forward, we are optimistic about the performance of the Group as the global economy continues to flourish. The Group will continue to strengthen its foothold in the toys and gifts business through the development of products with add-on features and functions. The Group will continue to expand its sales team and distribution channels in North America, Europe and the PRC and to explore co-operation opportunity with famous brandnames and retail chain stores to increase its marketing efforts and broaden its customer base. In addition, the Group will continue to explore other investment opportunities that have earning potentials to expand its existing operations and to diversify its business. With the committed efforts of the staff and management, we are confident and optimistic on the prospects of the Group.

Employment, Training and Development

At 31 December 2005, the Group has a total of 1,053 employees. Remuneration packages are maintained at a competitive level and reviewed on a periodical basis. Bonus is awarded to employees according to the assessment of individual performance and industrial practice.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company has complied with the Code on Corporate Governance Practices, as set out in Appendix 14 of the Listing Rules, throughout the year.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company (the "Code"). Having made specific enquiry of the directors of the Company, all the directors confirmed that they had complied with the required standards as set out in the Code during the year.

FINANCIAL INFORMATION

The figures in respect of the preliminary announcement of the Group's consolidated balance sheet, consolidated income statement and the related notes thereto for the year ended 31 December 2005 have been agreed by the Group's auditors, Messrs. Grant Thornton, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Grant Thornton in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Grant Thornton on the preliminary announcement.

APPRECIATION

I would like to take this opportunity to express our most sincere thanks and gratitude for the continuing supports of our shareholders, customers, business partners and suppliers, and also for the dedication and hard-working of our directors and staff members in last year.

By order of the Board
HUI Kee Fung
Chairman

Hong Kong, 24 April 2006

As at the date of this announcement, the Board consists of three executive directors, Mr. Hui Kee Fung, Mr. Hui Ki Yau and Madam Hui Hung Tan, Teresa and three independent non-executive directors, Dr. Lin Al Yue, Mr. Peng Guanghui and Mr. Kung King Ching, Conrad.

Please also refer to the published version of this announcement in China Daily.