



ALCO HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 328)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31ST MARCH 2006

PERFORMANCE HIGHLIGHTS

	2006	Restated 2005
– Turnover (HK\$)	4,877m	5,389m
– Profit attributable to equity holders (HK\$)	283m	240m
– Final and special dividends per share	HK22 cents	HK16 cents
– Full year dividends per share	HK32 cents	HK21 cents

The Directors of Alco Holdings Limited (the “Company”) are pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31st March 2006 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31st March 2006

	Note	Year ended 31st March	
		2006 HK\$'000	Restated 2005 HK\$'000
Turnover	3	4,876,788	5,389,124
Cost of goods sold	5	(4,359,738)	(4,921,101)
Gross profit		517,050	468,023
Other gains	4	46,226	29,710
Selling expenses	5	(123,208)	(114,622)
Administrative expenses	5	(96,296)	(92,381)
Other operating expenses	5	(4,924)	(11,181)
Operating profit		338,848	279,549
Finance costs		(21,833)	(8,532)
Profit before income tax		317,015	271,017
Income tax expense	6	(33,540)	(28,782)
Profit for the year		283,475	242,235
Attributable to:			
Equity holders of the Company		283,475	239,716
Minority interest		—	2,519
		283,475	242,235
Earnings per share attributable to the equity holders of the Company			
– basic	7	HK50.6 cents	HK43.8 cents
– diluted	7	HK50.6 cents	HK43.1 cents
Dividends	8	179,600	117,005

CONSOLIDATED BALANCE SHEET

As at 31st March 2006

As at 31st March

		2006	Restated 2005
	Note	HK\$'000	HK\$'000
Non-current assets			
Property, plant and equipment		320,262	335,361
Investment properties		36,060	34,260
Leasehold land and land use rights		56,497	56,835
Deferred development costs		6,797	8,112
Long-term bank deposits		–	111,400
Held-to-maturity investments		110,887	–
		<u>530,503</u>	<u>545,968</u>
Current assets			
Inventories		618,405	549,546
Trade receivables, prepayments and deposits	9	413,510	367,616
Cash and cash equivalents		1,028,572	746,944
		<u>2,060,487</u>	<u>1,664,106</u>
Current liabilities			
Trade payables, other payables and accruals	10	796,816	671,093
Trust receipt loans		139,978	89,050
Current income tax liabilities		18,768	12,814
Borrowings		103,545	77,825
		<u>1,059,107</u>	<u>850,782</u>
Net current assets		<u>1,001,380</u>	<u>813,324</u>
Total assets less current liabilities		<u>1,531,883</u>	<u>1,359,292</u>
Capital and reserves attributable to the equity holders of the Company			
Share capital		56,125	55,733
Reserves		1,369,912	1,228,981
Total equity		<u>1,426,037</u>	<u>1,284,714</u>
Non-current liabilities			
Borrowings		77,682	40,000
Deferred income tax liabilities		28,164	34,578
		<u>105,846</u>	<u>74,578</u>
Total equity and non-current liabilities		<u>1,531,883</u>	<u>1,359,292</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2006

1. Basis of preparation and accounting policies

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out in Note 2 below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2. The adoption of new/revised HKFRS

In the year ended 31st March 2006, the Group adopted the new/revised standards and interpretations of HKFRS below, which are relevant to its operations. The comparatives for the year ended 31st March 2005 have been amended as required, in accordance with the relevant requirements.

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 16	Property, Plant and Equipment
HKAS 17	Leases
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 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 (Amendment)	Translation and Initial Recognition of Financial Assets and Financial Liabilities
HKAS 40	Investment Property
HKAS-Int 15	Operating Leases – Incentives
HKAS-Int 21	Income Taxes – Recovery of Revalued Non-Depreciable Assets
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 16, 21, 23, 24, 27, 33, 36, 38, HKAS-Int 15, HKFRSs 2 and 3 did not result in substantial changes to the Group's accounting policies. In summary:

- HKAS 1 has affected the presentation of minority interest and other disclosures.
- HKASs 2, 7, 8, 10, 16, 23, 27, 33, 36, 38, HKAS-Int 15, HKFRSs 2 and 3 had no material effect on the Group's accounting policies.
- The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised HKAS 21.
- HKAS 24 has affected the identification of related parties and some other related-party disclosures.

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land and land use rights from property, plant and equipment to operating leases. The up-front prepayments made for the leasehold land and land use rights are expensed in the income statement on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the income statement. In prior years, the leasehold land was accounted for at cost less accumulated depreciation and accumulated impairment.

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the classification, measurement and recognition of financial instruments.

The adoption of revised HKAS 40 has resulted in a change in the accounting policy of which the changes in fair values of investment properties are recorded in the income statement as part of other gains. In prior years, the increases in fair value were credited to the investment properties revaluation reserve. Decreases in fair value were first set off against increases on earlier valuations on a portfolio basis and thereafter expensed in the income statement.

The adoption of HKAS-Int 21 has resulted in a change in the accounting policy relating to the measurement of deferred tax liabilities arising from the revaluation of investment properties. Such deferred tax liabilities are measured on the basis of tax consequences that would follow from recovery of the carrying amount of that asset through use. In prior years, the carrying amount of that asset was expected to be recovered through sale.

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

- HKAS 21 – prospective accounting for goodwill and fair value adjustments as part of foreign operations;
- HKAS 39 – does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis;
- HKAS-Int 15 – does not require the recognition of incentives for leases beginning before 1st April 2005;
- HKFRS 2 – only retrospective application for all equity instruments granted after 7th November 2002 and not vested at 1st April 2005; and
- HKFRS 3 – prospectively after 1st April 2005.

The adoption of revised HKAS 17 resulted in an increase in opening retained earnings at 1st April 2004 by HK\$7,547,000.

	As at 31st March	
	2006	2005
	HK\$'000	<i>HK\$'000</i>
Decrease in property, plant and equipment	46,987	48,307
Increase in leasehold land and land use rights	56,497	56,835
Increase in retained earnings	9,510	8,528

	Year ended 31st March	
	2006	2005
	HK\$'000	<i>HK\$'000</i>
Decrease in administrative expenses	982	981
Increase in basic earnings per share	HK0.2 cent	HK0.2 cent
Increase in diluted earnings per share	HK0.2 cent	HK0.2 cent

The adoption of HKAS-Int 21 resulted in a decrease in opening retained earnings at 1st April 2004 by HK\$1,180,000.

	As at 31st March	
	2006	2005
	HK\$'000	<i>HK\$'000</i>
Increase in deferred income tax liability	1,777	1,591
Decrease in retained earnings	1,777	1,591

	Year ended 31st March	
	2006	2005
	HK\$'000	<i>HK\$'000</i>
Increase in income tax expense	186	411
Decrease in basic earnings per share	Nil	HK0.1 cent
Decrease in diluted earnings per share	Nil	HK0.1 cent

3. Segment information

The Group is principally engaged in the design, manufacture and sale of consumer electronic products and plastic products.

(a) Business segment

The Group mainly operates in the People's Republic of China (the "PRC") and Hong Kong in two main business segments:

- | | | |
|------------------------------|---|--|
| Consumer electronic products | – | Design, manufacture and sale of consumer electronic products |
| Plastic products | – | Manufacture and sale of plastic and packaging products |

The Group's inter-segment transactions mainly consist of plastic products between subsidiaries. The transactions were entered into under normal commercial terms and conditions that would also be available to unrelated third parties.

Segment assets consist primarily of property, plant and equipment, investment properties, leasehold land and land use rights, deferred development costs, held-to-maturity investments, inventories, receivables, operating cash and long-term bank deposits.

Segment liabilities comprise operating liabilities and exclude items such as taxation, minority interest and certain corporate borrowings.

Capital expenditure comprises additions to property, plant and equipment, investment properties, leasehold land and land use rights and deferred development costs.

The segment results and capital expenditure for the years ended 31st March 2006 and 2005 are as follows:

	Year ended 31st March							
	2006				Restated 2005			
	Consumer electronic products HK\$'000	Plastic products HK\$'000	Elimination HK\$'000	Group HK\$'000	Consumer electronic products HK\$'000	Plastic products HK\$'000	Elimination HK\$'000	Group HK\$'000
Turnover								
External sales	4,866,005	10,783	-	4,876,788	5,379,739	9,385	-	5,389,124
Inter-segment sales	-	206,005	(206,005)	-	-	215,190	(215,190)	-
	<u>4,866,005</u>	<u>216,788</u>	<u>(206,005)</u>	<u>4,876,788</u>	<u>5,379,739</u>	<u>224,575</u>	<u>(215,190)</u>	<u>5,389,124</u>
Segment results	338,460	388		338,848	273,736	590		274,326
Negative goodwill arising from additional interest in a subsidiary	-	-		-	-	5,223		5,223
Operating profit				338,848				279,549
Finance costs				(21,833)				(8,532)
Profit before income tax				317,015				271,017
Income tax expense				(33,540)				(28,782)
Profit for the year				<u>283,475</u>				<u>242,235</u>
Capital expenditure	56,471	23,620		80,091	89,454	13,665		103,119
Depreciation of property, plant and equipment	54,608	10,788		65,396	64,355	10,040		74,395
Amortisation of leasehold land and land use rights	326	12		338	326	12		338
Amortisation and write-off of deferred development costs	12,194	-		12,194	20,948	-		20,948
Impairment charges on property, plant and equipment	16,308	573		16,881	18,404	1,032		19,436

The segment assets and liabilities as at 31st March 2006 and 2005 are as follows:

	As at 31st March							
	2006				Restated 2005			
	Consumer electronic products	Plastic products	Elimination	Group	Consumer electronic products	Plastic products	Elimination	Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	2,504,701	86,289	-	<u>2,590,990</u>	2,118,983	91,091	-	<u>2,210,074</u>
Segment liabilities	915,317	21,477	-	936,794	739,271	21,078	-	760,349
Unallocated liabilities				<u>228,159</u>				<u>165,011</u>
Total liabilities				<u>1,164,953</u>				<u>925,360</u>

(b) *Geographical segment*

	Turnover	
	Year ended 31st March	
	2006	2005
	HK\$'000	HK\$'000
North America	3,764,034	3,376,923
Europe	610,575	1,409,699
Asia	364,300	468,842
Australia and New Zealand	106,336	75,098
South America	17,014	39,811
Africa	14,529	18,751
	<u>4,876,788</u>	<u>5,389,124</u>

The analysis of turnover by geographical segment is based on the destination to which the shipments are made. No analysis of the contribution by geographical segment has been presented as the ratios of profit to turnover achieved for the above geographical segments are not substantially out of line with the Group's overall ratio of profit to turnover. Most of its assets and capital expenditure for the years ended 31st March 2006 and 2005 were located or utilised in the PRC and Hong Kong.

4. **Other gains**

	Year ended 31st March	
	2006	Restated 2005
	HK\$'000	HK\$'000
Interest income	35,299	19,496
Rental income from investment properties	3,232	2,788
Fair value gains on investment properties	1,800	4,000
Sale of moulds	3,053	2,300
Others	2,842	1,126
	<u>46,226</u>	<u>29,710</u>

5. Expenses by nature

Expenses included in cost of goods sold, selling expenses, administrative expenses and other operating expenses are analysed as follows:

	Year ended 31st March	
	2006	Restated 2005
	HK\$'000	HK\$'000
Amortisation of deferred development costs	7,147	12,183
Depreciation of property, plant and equipment	65,396	74,395
Amortisation of leasehold land and land use rights	338	338
Employee benefit expenses	303,600	286,696
	<u>303,600</u>	<u>286,696</u>

6. Income tax expense

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	Year ended 31st March	
	2006	Restated 2005
	HK\$'000	HK\$'000
Current income tax		
– Hong Kong profits tax	36,767	24,687
– Under-provisions in prior years	3,187	188
Deferred income tax	(6,414)	3,907
	<u>33,540</u>	<u>28,782</u>

7. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31st March	
	2006	Restated 2005
Profit attributable to equity holders of the Company (HK\$'000)	<u>283,475</u>	<u>239,716</u>
Weighted average number of ordinary shares in issue (thousands)	<u>559,967</u>	<u>547,470</u>
Basic earnings per share (HK cents)	<u>50.6</u>	<u>43.8</u>

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has only one category of dilutive potential ordinary shares: bonus warrants. For the bonus warrants a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding bonus warrants. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the bonus warrants.

	Year ended 31st March	
	2006	Restated 2005
Profit attributable to equity holders of the Company (HK\$'000)	283,475	239,716
Weighted average number of ordinary shares in issue (thousands)	559,967	547,470
Adjustments for bonus warrants (thousands) (Note)	–	8,892
Weighted average number of ordinary shares for diluted earnings per share (thousands)	559,967	556,362
Diluted earnings per share (HK cents)	50.6	43.1

Note: There are no outstanding bonus warrants as at 31st March 2006.

8. Dividends

	Year ended 31st March	
	2006	2005
	HK\$'000	HK\$'000
Interim dividend, paid, of HK6 cents (2005: HK5 cents) per ordinary share	33,675	27,832
Interim special dividend, paid, of HK4 cents (2005: nil) per ordinary share	22,450	–
Final dividend, proposed, of HK16 cents (2005: HK12 cents) per ordinary share	89,800	66,880
Final special dividend, proposed, of HK6 cents (2005: HK4 cents) per ordinary share	33,675	22,293
	179,600	117,005

9. Trade receivables, prepayments and deposits

	As at 31st March	
	2006	2005
	HK\$'000	HK\$'000
Trade receivables	395,911	348,819
Prepayments and deposits	17,599	18,797
	<u>413,510</u>	<u>367,616</u>

The credit terms given vary and are generally based on the financial strengths of individual customers. In order to effectively manage the credit risks associated with trade receivables, credit evaluations of customers are performed periodically.

At 31st March 2006 and 2005, the ageing analysis of the trade receivables based on invoiced date is as follows:

	As at 31st March	
	2006	2005
	HK\$'000	HK\$'000
0 – 30 days	211,571	225,711
31 – 60 days	144,560	105,146
61 – 90 days	38,427	13,338
Over 90 days	1,353	4,624
	<u>395,911</u>	<u>348,819</u>

10. Trade payables, other payables and accruals

	As at 31st March	
	2006	2005
	HK\$'000	HK\$'000
Trade payables	513,900	447,937
Other payables and accruals	282,916	223,156
	<u>796,816</u>	<u>671,093</u>

At 31st March 2006 and 2005, the ageing analysis of the trade payables based on invoiced date is as follows:

	As at 31st March	
	2006	2005
	HK\$'000	HK\$'000
0 – 30 days	366,391	295,486
31 – 60 days	122,511	91,262
61 – 90 days	22,109	56,836
Over 90 days	2,889	4,353
	<u>513,900</u>	<u>447,937</u>

DIVIDENDS

The Board of Directors have recommended the payment of a final dividend of HK16 cents (2005: HK12 cents) per ordinary share and a special final dividend of HK6 cents (2005: HK4 cents) per ordinary share for the year ended 31st March 2006 to the shareholders whose names appear on the register of members of the Company on 23rd August 2006.

Subject to shareholders approval at the forthcoming Annual General Meeting, the final and special dividends are expected to be paid on 7th September 2006.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 21st August 2006 to Wednesday, 23rd August 2006, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the final dividend and special final dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrars in Hong Kong, Abacus Share Registrars Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Friday, 18th August 2006.

MANAGEMENT DISCUSSION AND ANALYSIS

Group results

The Group's turnover for the year ended 31st March 2006 was HK\$4,877 million, dropped 9.5%, the decline was mainly due to the phasing out of low-end audio products by the Group.

Despite the decrease in turnover, we had EBITDA of HK\$434 million, an improvement to 8.9% against last year's 7.3%.

Net profit attributable to shareholders grew from last year's HK\$240 million to HK\$283 million this year, a jump of 18%, with basic earnings per share at HK50.6 cents against HK43.8 cents last year.

During the year, the Group paid an interim dividend of HK6 cents per share and a special interim dividend of HK4 cents per share to shareholders. The Directors recommended paying a final dividend of HK16 cents per share and a special final dividend of HK6 cents per share, totaling HK\$123 million. That made the aggregate dividend for the year HK32 cents per share, HK11 cents per share more than the previous year and at an increased dividend payout ratio of 63% versus last year's 49%.

Our sustained business performance earned us a place among Forbes Asia's 200 "Best Under a Billion within Asia Pacific Region in 2005" selected from over 25,000 listed companies in Asia.

BUSINESS REVIEW

In the past year, we continued to shift our focus to high-end digital home video entertainment products while at the same time continued to trim down on production of traditional low-end products. These endeavors were complemented by prudent cost control measures and enhanced production efficiency.

For the year ended 31st March 2006, AV products, in particular products incorporating TFT-LCD screen, continued to be the Group's major revenue contributor. LCD monitors and LCD TVs especially received very favorable response from customers in many markets.

With demand for analog and CD products shrinking, the Group reduced production of these traditional low-end products. However, some existing higher end audio products such as 5CD and 20CD home audio systems and micro audio systems still generated stable income for the Group during the year. The Group also drastically scaled down production of certain product categories, such as home-use cordless phones. These products are not core products of the Group and have been under severe price pressure in many markets.

Although the Group still felt the pressure of high plastic resin and metal component prices, thanks to our focus on high-end products and effort to phase out low-end ones, which have resulted in higher per-unit selling price, the overall impact of hefty raw material prices has been mitigated. Besides, as part of our measures to maintain competitiveness, we are constantly exploring new ideas in engineering and production that can help us lower overall cost.

Production Facilities

To further reduce the impact of labor shortage and rising labor cost in the Pearl River Delta region, we continued to further automate our production processes, including using robotic arms in the plastic moulding operation and expanding further our automatic spraying facilities. Enhanced automation in the assembly processes has also enabled us to continue to increase productivity and reduce reliance on direct labor.

During the year, we expanded our plastic moulding capacity to satisfy 80% of our manufacturing needs against 60% in the previous year.

In line with our strategy to expand LCD-TV business, we also further expanded our "clean zone" to facilitate assembly of backlights into TFT-LCD panels, including those for LCD TVs. Our investment in new equipment and facilities enhanced the Group's overall ability to manufacture sophisticated high-end components and products, including DVD recorders, large size TFT-LCD displays, and products with hard-disk drives ("HDD").

The Group's 50 power generators continued to provide uninterrupted power supply, especially during periods of power shortages. Apart from closely monitoring power supply situation, the Group also has in place precautionary measures to reduce electricity consumption in non-mission-critical areas.

To cater for production volume increase during peak seasons, the Group's production facilities will run two shifts daily to ensure maximum utilization and that products will be delivered on schedule. We are now reaping the fruits of our previous continuous investments in modernizing our production facilities and we have no immediate need to add new physical manufacturing capacity for coping with sudden increases in orders.

PROSPECTS

Looking ahead, the Group will continue its strategy of focusing on the development of high-end and high-value digital AV products, especially in the home video entertainment category. We are highly optimistic of the market for High Definition ("HD") LCD TVs and portable video devices as they become more and more affordable and consumers will become more and more willing to upgrade to larger size and higher value versions. During the year under review, the Group launched large size HD LCD TVs with screen up to 32" and customers' feedback has been favourable.

According to recent research estimate, LCD TVs will make up over 50% of the global TV market in 2010, against about 20% now. Furthermore, the average compound annual growth rate of LCD TVs shipment between 2006 and 2010 is estimated at 30%, with global shipment expected to increase from 40 million units in 2006 to over 100 million units in 2010. Furthermore, with the prices of LCD panels on steady decline making LCD TVs more affordable, demand in the end markets is expected to increase continuously.

In addition to our close relationship with customers in North America, we expect our business in Europe to pick up in 2006 and beyond facilitated by the increasing penetration and popularity of LCD TVs in many European countries.

The Group will strive to stay abreast of changes in the dynamic consumer electronics market and step up effort in product development. Our three R&D centers in Hong Kong, Shenzhen and Dongguan will continue to support development of new and more advanced digital AV products in a timely manner to satisfy consumer demands in various markets around the world.

LIQUIDITY AND FINANCIAL RESOURCES

Total equity and total equity per share for the year were HK\$1,426 million and HK\$2.54 respectively.

The Group's cash position remained very strong. As at 31st March 2006, our cash on hand and deposits totaled at HK\$1,029 million. After deducting the interest bearing debts of HK\$321 million, net cash amounted to HK\$708 million. The increase in net cash was attributable to profit generated from operations and low capital expenditure.

We finance our operations using retained profits and banking facilities combined. As at 31st March 2006, we had been granted banking facilities of HK\$2,001 million, of which HK\$321 million were utilised. Among the utilised facilities, HK\$244 million are repayable within one year and the remaining are repayable within two years.

Capital expenditure on fixed assets during the year was HK\$69 million (2005: HK\$90 million), which was spent mainly on enhancing various advanced production facilities. As at 31st March 2006, we had capital commitments contracted but not provided for in respect of moulds, plant and machinery amounting to HK\$8 million (2005: HK\$7 million).

Our foreign exchange exposure is well managed, and, as nearly all of our sales, purchases and borrowings are denominated in US dollar and HK dollar, we have natural hedges against currency risks and our policy is not to engage in speculative activities.

EMPLOYEES

As at 31st March 2006, the Group had approximately 14,000 employees in Hong Kong and the PRC. Remuneration packages are generally structured by reference to market terms and individual qualifications. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors. We also provide other benefits including medical insurance, provident fund and education subsidies to all eligible staff.

PURCHASE, SALE OR REDEMPTION OF SHARES

On 25th October 2005, 100,000 shares of HK\$0.10 each of the Company were repurchased at a price of HK\$2.70 per share by the Company on The Stock Exchange of Hong Kong Limited and cancelled. Aggregate amount paid by the Company was HK\$270,000.

Save as disclosed above, neither the Company nor its subsidiary companies has purchased or sold any of the Company's shares during the year ended 31st March 2006 and the Company has not redeemed any of its shares during the year ended 31st March 2006.

CORPORATE GOVERNANCE

The Company has complied with all the applicable code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except for deviation from the Code provision A.4.1.

Under the Code provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. The non-executive directors of the Company are not appointed for a specific term. However, according to the By-laws of the Company, independent non-executive directors of the Company will retire by rotation every year and their appointments will be reviewed when they are due for re-election. In the opinion of the Company, this meets the same objective as the Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding securities transactions by the directors of the Company. Having made specific enquiry of the directors, all the directors confirmed that they had complied with the required standards as set out in the Model Code and its code of conduct regarding directors' securities transactions with the Company for the 12 months ended 31st March 2006.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the financial statements of the Group for the year ended 31st March 2006.

The Audit Committee comprises three independent non-executive directors of the Company, namely Mr WONG Po Yan, G.B.M., J.P., the Hon LI Wah Ming, Fred, J.P. and Mr LAU Wang Yip, Derrick.

PUBLICATION OF FINAL RESULTS ON THE STOCK EXCHANGE'S WEBSITE

The annual report of the Company containing all the information required by the Listing Rules will be published on the Stock Exchange's website in due course.

LIST OF DIRECTORS

As at the date of this announcement, the Board of Directors comprises three executive directors, namely Mr LEUNG Kai Ching, Kimen, Mr LEUNG Wai Sing, Wilson and Mr KUOK Kun Man, Andrew and three independent non-executive directors, namely Mr WONG Po Yan, The Hon LI Wah Ming, Fred and Mr LAU Wang Yip, Derrick.

On behalf of the Board
LEUNG Kai Ching, Kimen
Chairman

Hong Kong, 18th July 2006

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