

# TAI SHING

**Tai Shing International (Holdings) Limited**

**泰盛國際(控股)有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8103)**

## **FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2005**

### **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on the GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

*The Stock Exchange takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

*This announcement, for which the directors (the “Directors”) of Tai Shing International (Holdings) Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange for the purpose of given information with regard to the Company. The Directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:- (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

\* for identification purpose only

**HIGHLIGHTS**

- Turnover for the year ended 31 March 2005 amounted to approximately HK\$30.5 million representing an increase of approximately 68% over the previous year.
- Loss attributable to the shareholders for the year ended 31 March 2005 amounted to approximately HK\$2 million representing an improvement of approximately 71% over the corresponding periods in 2004.
- Loss per share for the year ended 31 March 2005 is HK 3.5 cents.
- The Directors do not recommend the payment of any final dividend for the year ended 31 March 2005.

The board of directors (the “Board”) of Tai Shing International (Holdings) Limited (the “Company”) is pleased to present the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 March 2005, together with the audited comparative figures for the corresponding year in 2004.

#### AUDITED CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	<b>2005</b> <i>HK\$'000</i>	<b>2004</b> <i>HK\$'000</i>
Turnover	2	30,538	18,150
Cost of services and merchandise sold		<u>(22,246)</u>	<u>(14,807)</u>
Gross Profit		8,292	3,343
Other income		1,566	72
Share of profit of associates		1,286	—
Research and development costs		(1,855)	(623)
Selling expenses		(2,709)	(588)
General and administrative expenses		(4,702)	(8,119)
Impairment loss on goodwill		(1,229)	—
Provision for impairment on investment securities		<u>—</u>	<u>(379)</u>
Profit/(Loss) from operations		649	(6,294)
Finance costs		(496)	(17)
Profit/(Loss) on disposal of subsidiaries		<u>—</u>	<u>(294)</u>
Profit/(Loss) from ordinary activities before taxation		153	(6,605)
Taxation		<u>(614)</u>	<u>(327)</u>
Loss from ordinary activities after taxation	4	(461)	(6,932)
Minority interests	5	<u>(1,538)</u>	<u>—</u>
Loss attributable to the shareholders	6	<u>(1,999)</u>	<u>(6,932)</u>
Dividends	7	<u>—</u>	<u>—</u>
Loss per share	8	<u>(3.5) cents</u>	<u>(16.62) cents</u>
— Basic (HK cents)			
— Diluted (HK cents)		<u>N/A</u>	<u>N/A</u>

## NOTES TO THE ACCOUNTS

### 1. SIGNIFICANT ACCOUNTING POLICIES

#### (a) STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with all applicable Statements of Standard Accounting Practice (“SSAP”) and Interpretations issued by Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements have been prepared under the historical cost convention as modified by provision for impairment loss on the investment securities.

These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). A summary of the significant accounting policies adopted by the Group is set out below.

#### (b) IMPACT OF RECENTLY ISSUED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

The HKICPA has issued a number of new Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards, hereby collectively referred to as the new HKFRSs, which are generally effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 March 2005. The Group has already commenced an assessment of the impact of these new HKFRSs but is not in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

### 2. TURNOVER

The principal activities of the Group are the provision of systems development, sales of software and hardware products, training and technical support services. Turnover represents income arising from the provision of systems development and consultancy services, provision of IT engineering and technical support services, provision of training courses and the sales of software and hardware products.

The amount of each significant category of revenue recognised in turnover during the year is as follows:

	<b>2005</b>	<b>2004</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Systems development	20,567	10,452
Sales of software and hardware products	1,754	1,142
Professional service fees	8,026	5,704
Training fees	<u>191</u>	<u>852</u>
	<u><b>30,538</b></u>	<u><b>18,150</b></u>

### 3. SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

#### Business segments

The Group comprises the following main business segments:

Systems development:	Provision of systems development, maintenance and installation as well as consulting services.
Software and hardware products:	Sales of computer software and hardware products.
Professional services:	Provision of IT engineering and technical support services.
Training:	Provision of training courses.

	Systems development		Software and hardware products		Professional services		Training		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	<u>20,196</u>	<u>10,452</u>	<u>11</u>	<u>1,142</u>	<u>8,026</u>	<u>5,704</u>	<u>2,305</u>	<u>852</u>	<u>30,538</u>	<u>18,150</u>
Contribution from operations	879	1,421	3	517	5,183	934	2,227	471	8,292	3,343
Impairment loss on goodwill	(1,229)	—	—	—	—	—	—	—	(1,229)	—
Share of profit of associates	<u>1,286</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,286</u>	<u>—</u>
	936	1,421	3	517	5,183	934	2,227	471	8,349	3,343
Unallocated operating income and expenses									<u>(7,700)</u>	<u>(9,673)</u>
Profit/(Loss) from operations									649	(6,294)
Finance costs									(496)	(17)
Profit/(Loss) from disposal of subsidiaries									—	(294)
Taxation									(614)	(327)
Minority interests									<u>(1,538)</u>	<u>—</u>
Loss attributable to shareholders									(1,999)	(6,932)
Depreciation and amortisation for the year	<u>1,422</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,422</u>	<u>775</u>
Unallocated significant non-cash expenses (other than depreciation and amortisation)										<u>5</u>
										<u>5</u>

## Geographical segments

The Group's four business segments are conducted mainly in Hong Kong and elsewhere in the PRC.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers.

	Hong Kong		The PRC		Other countries	
	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	5,892	16,898	24,646	639	—	613

## 4. PROFIT/(LOSS) FROM ORDINARY ACTIVITIES BEFORE TAXATION

Loss from ordinary activities before taxation is arrived at after charging:

	2005 HK\$'000	2004 HK\$'000
(a) Finance costs:		
Interest on bank overdrafts and other borrowings repayable within five years	<u>496</u>	<u>17</u>
(b) Staff costs: #		
Salaries, wages and other benefits	7,667	15,350
Retirement costs	<u>218</u>	<u>—</u>
	<u>7,885</u>	<u>15,350</u>
(c) Other items		
Costs of services and merchandise sold #	22,246	14,807
Research and development costs #	1,855	623
Operating lease rentals - properties	178	1,737
Auditors' remuneration	247	325
Depreciation	193	775
Loss on disposal of subsidiaries	—	294
Provision for diminution in value against investment securities	<u>—</u>	<u>379</u>

# Cost of services and merchandise sold, research and development costs, and amortisation of deferred assets include HK\$6,658,000 (2004: HK\$12,833,000) staff costs.

## 5. TAXATION

- a) Taxation in the consolidated income statement represents:

	<b>2005</b> <i>HK\$'000</i>	<b>2004</b> <i>HK\$'000</i>
The PRC		
Hong Kong	—	327
Mainland China	<u>614</u>	<u>—</u>
Total tax charge for the year	<u><u>614</u></u>	<u><u>327</u></u>

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits for the year.

Subsidiaries operating in the PRC are subject to PRC income tax at the standard rate of 33%. These subsidiaries sustained losses since establishment and the two-year tax exemption period has not commenced.

- b) The charge for the year can be reconciled to the loss as per the income statement as follows:

	<b>2005</b> <i>HK\$'000</i>	<b>2004</b> <i>HK\$'000</i>
Profit/(Loss) before taxation	<u>153</u>	<u>(6,605)</u>
Effect of tax at Hong Kong profits tax rate of 17.5% (2004: 17.5%)	27	(1,156)
Income that are not taxable	(499)	(274)
Expenses that are not deductible	510	1,411
Tax loss not recognised/(Utilisation of tax losses)	299	(291)
Tax effect on accelerated depreciation allowance	(13)	(17)
Effect of different taxation rates in other countries	<u>290</u>	<u>—</u>
Tax charge at the Group's effective rate	<u><u>614</u></u>	<u><u>(327)</u></u>

## **6. LOSS ATTRIBUTABLE TO THE SHAREHOLDERS**

The loss attributable to the shareholders includes a loss of HK\$2,100,000 (2004: HK\$10,063,000) which has been dealt with in the financial statements of the Company.

## **7. DIVIDENDS**

The directors do not recommend the payment of any final dividends for the year ended 31 March 2005 (2004: Nil).

## **8. LOSS PER SHARE**

### **(a) Basic loss per share**

The calculation of basic loss per share is based on the loss attributable to the shareholders of HK\$1,999,000 (2004: loss of HK\$6,932,000) divided by the weighted average number of 57,565,874 (2004: 41,717,800) shares in issue during the year.

### **(b) Diluted earnings per share**

There were no potential dilutive ordinary shares in issue as at 31 March 2005 and 2004.



## 9. RESERVES

Movements in reserves for the years ended 31 March 2005 and 2004 are as follows:

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2004	2,373	2,580	1,200	(770)	(4,373)	1,010
Loss for the year	—	—	—	—	(1,999)	(1,999)
Acquisition of subsidiaries	—	—	14,920	—	—	14,920
Issue of new shares	1,382	9,690	—	—	—	11,072
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	—	—	—	7	—	7
At 31 March 2005	<u>3,755</u>	<u>12,270</u>	<u>16,120</u>	<u>(763)</u>	<u>(6,372)</u>	<u>25,010</u>
At 1 April 2003	103,638	33,144	1,200	(395)	(132,150)	5,437
Loss for the year	—	—	—	—	(6,932)	(6,932)
Capital reduction	(101,565)	(33,144)	—	—	134,709	—
Issue of new shares	300	2,580	—	—	—	2,880
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	—	—	—	(375)	—	(375)
At 31 March 2004	<u>2,373</u>	<u>2,580</u>	<u>1,200</u>	<u>(770)</u>	<u>(4,373)</u>	<u>1,010</u>

## CHAIRMAN'S STATEMENT

### Business Review

During the year under review, the Group recorded a consolidated turnover of approximately HK\$30 million which represented an increase of approximately 68% as compared with the comparative figures of the corresponding year in 2004. The increase is attributable to the consolidation of the results of Beijing Tongfang Electronic Science & Technology Company Limited (北京同方電子科技有限公司) (“Beijing Tongfang”) for the period from 1 December 2004 to 31 March 2005, after the Group acquired an indirect 40% interest in it. Details of the acquisition and the subsequent share restructuring are disclosed in the section headed “Significant investments, material acquisitions and disposal of Subsidiaries” below.

Beijing Tongfang is principally engaged in research, development and provision of integrated management information system for power plants and for banks. During the period under review, its turnover as consolidated in the accounts of the Group amounted to HK\$18,318,000. Contracts completed included management information system provided to Shanxi Datong State Power Corporation, Heilongjiang State Grid Corporation, Shangdong Lineng Group, Zhuzhou Commercial Bank and Yunnan Power.

As reported in the 2004 third quarterly report, the Group was in negotiation to provide management support to a company for management fee. Unfortunately, we were unable to consummate the deal.

Our operation in Hong Kong sustained a 65% drop in turnover during the period under review. We will continue to review the existing operations and cost structure of the Group, with a view of expanding in growth area and further tightening our Hong Kong operation.

### **Business Outlook**

The recent power plant construction boom in the PRC has led to an increase in demand for management information system for power plants. As one of the major domestic providers of such system we have experienced a strong demand for our products in the past six months. Given the time lag between power plant site construction and the ordering of management information system, we believe this trend will continue for at least another year.

In response to demand in Southern China we established an office in Zhuhai in May 2005. With better representation and quicker response time, we should be well placed to source deals in this region.

The provision of management information system to banks in the PRC is a potentially huge market, but competition is fierce. Our banking support department with its focus on local commercial banks is slowly building up client base. However, we continue to approach this market with cautious.

Our Hong Kong operation continues to suffer a shrinking market share and margin. Despite a pick-up in the local economy, we do not anticipate any significant improvement in this area.

Although we failed to close the management consultant contract for a company engaged in the provision of piped natural gas as mentioned above your Board has not given up on this market, and will continue to look for profitable opportunities.

### **Prospects**

Looking ahead, our focus will be on the PRC energy market. The rapidly expanding and changing market will provide the Group with both opportunities and challenge. To take advantage of this market, your Board will look for growth opportunities both internally and through acquisition. We will review the Group's existing business portfolio and reduce its exposure in areas not profitable to the Group.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial Performance**

During the year ended 31 March 2005, the Group recorded a turnover of HK\$30.5 million (2004: HK\$18.2 million) representing an increase of approximately 68% as compared with the comparative figures of the corresponding year. General and administrative expenses were reduced to approximately HK\$4.7 million as compared to HK\$8.1 million of the previous corresponding year, representing a decrease of approximately 42%. The loss attributable to the shareholders amounted to HK\$2 million (2004: HK\$6.9 million) representing an improvement of approximately 71% over the same period in 2004.

## **Liquidity and Financial Resources**

As at 31 March 2005, shareholders' funds of the Group amounted to approximately HK\$30 million (2004: HK\$1 million). Current assets amounted to approximately HK\$94 million (2004: HK\$3.9 million), of which approximately HK\$3.9 million (2004: HK\$0.9 million) were cash and cash equivalents. Current liabilities were approximately HK\$79.5 million (2004: HK\$2.7 million) mainly comprised of other payables and accruals as well as receipts in advance.

The Group currently has not engaged in any borrowing activities. The Group further confirms that it does not have any impending capital expenditure commitments.

## **Gearing Ratio**

The gearing ratio calculated on the basis of total liabilities over the total shareholders' fund as at 31 March 2005 was 271% (2004: 265.5%).

## **Capital Structure**

During the year under review and subsequent to the review period, there were several corporate actions occurred that had resulted in material changes on the capital structure of the Company.

On 18 September 2004, 18,160,000 new shares were allotted and issued as the consideration for the acquisition of the entire issued share capital of Treasure Wise. As a result of the issuance and allotment of the new shares, the issued share capital of the Company was increased from HK\$2,372,750 divided into 47,455,000 shares of HK\$0.05 each to HK\$3,280,750 divided into 65,615,000 shares of HK\$0.05 each.

On 16 March 2005, the Company further completed a placing of 9,490,000 new shares at a price of HK\$0.21 per share from which approximately of HK\$1.8 million of net proceeds were raised for the Group's future expansion, business development and general working capital.

As at 31 March 2005, the authorized share capital of the Company was HK\$200,000,000 divided into 4,000,000,000 shares of HK\$0.05 each and the issued share capital of the Company was HK\$3,755,250 divided into 75,105,000 shares of HK\$0.05 each (31 March 2004: HK\$2,372,750 divided into 47,455,000 shares of HK\$0.05 each).

## **Foreign Currency Exposure**

During the year ended 31 March 2005, the Group experienced only immaterial exchange rate fluctuations, as the functional currencies of the Group's operations were mainly Hong Kong dollars and Renminbi. As the risk on exchange rate difference considered being minimal, the Group did not employ any financial instruments for hedging purposes.

## **New Products and Services**

The information technology market is characterized by rapidly changing technologies, evolving industry standards as well as frequent new platform and application launch. The introduction of new products and services embodying new technologies is tended to be costly to the Group's financial position. Therefore, the Group's future direction is to reduce the investments in research and development of new products. Instead, the management will

identify several critical technologies and seek for the right business partners either through merger and acquisition or forming strategic alliances. This led to the acquisition of Beijing Tongfang that directly support this strategy and offer a product portfolio deeper and broader than the Group can provide.

### **Significant Investments, Material Acquisitions and Disposal of Subsidiaries**

On 21 September 2004, the Company has successfully completed the acquisition of the entire issued share capital of Treasure Wise in a consideration HK\$9.08 million by way of issuance of 18,160,000 new shares at an issue price of HK\$0.50 per share (the “Acquisition”). Treasure Wise was the direct beneficial owner of 40% interests in Tongfang Electronic Company Limited (“Tongfang BVI”) which was an indirect beneficial owner of the entire interests in Beijing Tongfang held directly by Tongfang Electronic (Hong Kong) Limited (“Tongfang HK”). The details of the acquisition were set out in the Company’s circular dated 20 April 2004.

Subsequent to the completion of the Acquisition, Tongfang BVI had completed a share restructuring exercise on 1 December 2004. As a result of the restructuring exercise, the immediate shareholding of Treasure Wise in Tongfang BVI had been enlarged from 40% to approximately 61.5% but the approximate attributable shareholding interests of the Company in both Tongfang HK and Beijing Tongfang remained 40%. The details of the shareholding structure were set out in the Company’s announcement dated 18 November 2004.

Save as disclosed above, as at 31 March 2005 and up to the date of this announcement, the Group did not have any other significant investments, material acquisitions or disposal of subsidiaries.

### **Future Plans for Material Investments or Capital Assets**

As at 31 March 2005, the Group had no known plans for material investments or capital assets. The Group will continue to consolidate its business operations and explore potential business opportunities and new investments which are in the best interests of the Group and the shareholders.

### **Segment Information**

The Group is principally engaged in four business segments mainly in Hong Kong and the other regions of the PRC. The Group presents its segmental information based on the nature of the products and services provided.

In accordance with the Group’s internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format. The Group reports its businesses in four business segments namely:

- systems development;
- sales of software and hardware products;
- provision of professional services; and
- provision of training services.

Activities under each of the business segment decreased. This may drive the management to reorganize the business model of these business segments in order to improve the financial performance of the Group as a whole.

With respect to geographical segments, there was a decrease during the period under review. Turnover generated from PRC represented approximately 81% of the total turnover of the Group during the year ended 31 March 2005 as compared to approximately 3.6% in the previous year under review. However, it is expected that the level of the Group's activities in PRC will increase significantly following the acquisitions of Beijing Tongfang.

### **Employees and Remuneration Policies**

As at 31 March 2005, the Group had hired 21 and 178 (2004: a total of 38) employees in Hong Kong and PRC respectively including the executive directors of the Company. Total staff costs including directors' remuneration for the year under review amounting to approximately HK\$8 million (2004: HK\$16 million). The increase was mainly resulted from the inclusion of the employees of Beijing Tongfang. The Group's remuneration policies are in line with the prevailing market practices and are determined on the basis of performance and experience of individual employees.

The Group had not made any changes to its remuneration policy and no bonuses were granted to any of its executive directors or employees for the year ended 31 March 2005.

The Company has conditionally adopted a new share option scheme on 22 October 2003 to replace the old share option scheme adopted on 26 August 2000. Pursuant to both schemes, the directors and employees of the Company and its subsidiaries may be granted options to subscribe for shares of the Company. During the year ended 31 March 2005, no option was granted under both the old and new share option schemes.

### **Charges on Group's assets and contingent liabilities**

As of the year ended 31 March 2005, the Company and its subsidiaries did not have any mortgages, charges, debentures, loan capital, bank loans and overdrafts, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities outstanding.

### **AUDIT COMMITTEE**

The Company has established an audit committee on 18 May 2000 with written terms of reference based upon the guidelines recommended by the Hong Kong Institute of Certified Public Accountants. The primary duties of audit committee are to review and supervise the financial reporting process and internal control system of the Group and to provide advice and comments to the Board.

The audit committee comprises four independent non-executive directors, namely, Mr. Chung Shui Ming, Timpson, Professor Ip Ho Shing, Horace, Mr. Yan Yonghong and Mr. Peng Lijun. Mr. Chung Shui Ming, Timpson is the chairman of the audit committee. Mr. Yan Yonghong and Mr. Peng Lijun were appointed as the independent non-executive directors and members of the audit committee of the Company with effect from 30 September 2004 and 15 December 2004 respectively.

During the year under review and up to the date of this announcement, five audit committee meetings were held for reviewing the annual reports, half-yearly report and quarterly reports of the Group and providing advices and comments thereon to the Directors prior to recommending them to the Board for approval and subsequent publication. The audit committee has reviewed the draft of this final results and has provided advices and comments thereon.

## **PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

As at 31 March 2005, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

## **PRE-EMPTIVE RIGHTS**

There is no provision for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands.

## **BOARD PRACTICES AND PROCEDURES**

The Company had complied with the Rules 5.34 to 5.45 of the GEM Listing Rules, which applied before the amendment of the GEM Listing Rules relating to the Code on Corporate Governance Practices and Rules on Corporate Governance Report on 1 January 2005. The Company will prepare a Corporate Governance Report in accordance with Rule 18.44 of the GEM Listing Rules for the financial year ending 31 March 2006.

The Company has received written confirmations in respect of independence from each of the independent non-executive Directors of the Company in compliance with Rule 5.09 of the GEM Listing Rules, and all the independent non-executive Directors are considered to be independent.

## **CODE OF CONDUCT REGARDING SECURITIES TRANSACTION BY DIRECTORS**

Having made specific enquiry of all Directors of the Company, during the year under review, the Directors have complied with the required standard of dealings regarding securities transaction by the Directors as set out in Rules 5.48 to 5.67 of the GEM Listing Rules ("Required Standard of Dealings"). The Company adopted the Required Standard of Dealings as the code of conduct regarding the securities transaction by the Directors of the Company.

## AUDITORS

The auditors of the Company for the financial years ended 31 March 2004 and 2005 was Messrs. CCIF CPA Limited (formerly known as Charles Chan, Ip & Fung CPA Limited) (“CCIF”). CCIF has been appointed as the auditors of the Company on 25 July 2003 to fill the vacancy caused by the resignation of Messrs. KPMG on 9 July 2003.

The financial statements for the year ended 31 March 2005 were audited by CCIF. CCIF would retire at the conclusion of the forthcoming annual general meeting, and being eligible, offered themselves for re-appointment.

On behalf of the Board  
**Luk Yat Hung**  
*Chairman*

Hong Kong, 24 June 2005

*As at the date of this announcement, the Board comprises two executive directors namely, Mr. Luk Yat Hung (Chairman) and Ms. Li Wenli; and four independent non-executive directors namely, Mr. Chung Shui Ming, Timpson, Professor Ip Ho Shing, Horace, Mr. Yan Yonghong and Mr. Peng Lijun.*

*This announcement will remain on the GEM website at [www.hkgem.com](http://www.hkgem.com) on the “Latest Company Announcements” page for at least 7 days from the date of posting.*