

台和商事控股有限公司

**DAIWA ASSOCIATE HOLDINGS LIMITED**

(Incorporated in Bermuda with limited liability)

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OFFICE OF INTERNATIONAL CORPORATE FINANCE



**By Registered air-mail**

Exemption No. 82-4402

15 July 2005

The U.S. Securities and Exchange Commission  
 450 Fifth Street, N.W.  
 Room 3099  
 Office of International Corporate Finance  
 Mail Stop 3-7  
 Washington D.C. 20549  
 USA

SUPPL

Dear Sirs

**Daiwa Associate Holdings Ltd - Announcement of Financial Results 2004/2005**  
**Exemption No. 82-4402**

On behalf of Daiwa Associate Holdings Limited, a company incorporated in Bermuda and listed in Hong Kong, we are furnishing herewith the document described below pursuant to Rule 12g3-2(b) under the Securities Exchange Act 1934.

The Company's Announcement regarding its consolidated annual results for the year ended 31 March 2005 published in the *China Daily* (in the English version), and the *Hong Kong Economic Times* (in the Chinese version).

The Chinese version of the announcement substantially restates the information appearing elsewhere in English.

We would appreciate your acknowledging receipt of the foregoing by stamping and returning the enclosed copy of this letter.

Yours truly  
 On behalf of the Board  
 Daiwa Associate Holdings Limited

PROCESSED

JUL 25 2005

THOMSON FINANCIAL

Mary LEUNG  
 Company Secretary  
 Enc

c.c. Ms Kammy Yuen – BNY Hong Kong Office by fax : (852) 2877 0863

**DAIWA**  
**DAIWA ASSOCIATE HOLDINGS LIMITED**

(Incorporated in Bermuda with limited liability)  
(Stock code: 1037)

**RESULTS FOR THE YEAR ENDED 31 MARCH 2005**

On behalf of Daiwa Associate Holdings Limited, I would like to present to shareholders the Group's audited report for the year ended 31 March 2005.

I am taking this opportunity to express our gratitude to the Group's staff for their contributions enabling the Group to work through a tough business environment and securing an encouraging performance for the preceding year.

**RESULTS AND DIVIDEND**

Turnover of the Group for the year ended 31 March 2005 is HK\$1,225.8 million (2004: HK\$841.6 million), which represents an increase of 45.7% from that of the previous fiscal year.

The Group has recorded an operation profit of HK\$24.6 million for the year ended 31 March 2005 (2004: HK\$16.4 million), an increase of 50% from the year of 2004. The consolidated net profit after taxation and minority interests is HK\$20.4 million (2004: HK\$14.5 million) represents a growth of 40.7% from last reported years. The basic earnings per share is HK 9.60 cents (2004: HK 9.13 cents). The Board of Directors has recommended a final dividend of HK 2-cents per ordinary share payable to shareholders whose names appear on the Register of Members of the Company on 12 August 2005. Subject to the shareholders' approval at the forthcoming annual general meeting, the dividend will be payable on 12 September 2005. During this year, the Group announced an interim dividend of HK 1 cent per ordinary share with Warrant Alternative of 1 warrant for every 3 ordinary shares. As a result, cash interim dividend amounted to HK\$1.2 million and 28,843,209 warrants were distributed.

**LIQUIDITY AND FINANCIAL RESOURCES**

At 31 March 2005, the Group's net current assets amounted to HK\$186.1 million and the shareholders' funds were HK\$347.2 million (2004: HK\$280.1 million). The total bank loan and finance lease was 71.8 million and the gearing ratio which is defined as total borrowings, excluding minority interests and deferred taxation to shareholders' funds, was 0.21. The year-end cash and bank balances were HK\$65 million.

At 31 March 2005, total available banking facilities of the Group were approximately HK\$181 million, of which HK\$94 million was available for use. Finance lease obligations outstanding on the same date amounted to HK\$38.9 million.

The Group's assets are mostly financed by shareholders' funds, trade payables, finance lease and bank borrowings. While a medium term bank borrowing is repayable by instalments within two years, trade payables and bank borrowings are repayable within one year. The borrowings, cash and cash equivalents mainly denominated in Hong Kong dollars, US dollars or Renminbi. Facing the fluctuation of exchange rates during the year, the Group has engaged in foreign currency forward contracts with banks to hedge certain foreign currency trade payables to control the risk in foreign-currency transactions. The Group also monitors the mix of the borrowings, trade payable and cash, and cash equivalents relating to these currencies to minimize the effect of the finance cost and exchange risk. The Group's borrowings are bearing interest at floating rates.

At the end of September 2004, the Group completed a right issue of 105,873,066 Right Shares at a price of HK\$0.45 each. After deduction of related expenses, HK\$47,000,000 was raised from the right issue to finance the acquisition of Elite Century Holdings Limited, a company mainly engaged in the distribution of computer products and accessories in Canada. Goodwill arisen from this acquisition was about HK\$26 million. This acquisition enables the Group to develop the digital product market in North America and benefits the Group from the enlarged product and market mix. The shareholders' equity and total net assets have been strengthened that enhances the Group's ability to raise further funds by external debts.

The Group declared a cash dividend with Alternative Warrants of 1 Warrant for every 5 ordinary shares in the interim result announcement. The initial subscription price for one ordinary share is HK\$0.50 and the warrants are valid from 25 February 2005 to 24 February 2008. At the end of February 2005, the Group in result issued 28,843,209 warrants as an alternative of cash interim dividend. If the warrants are fully exercised, there will be additional funds of HK\$14.4 million which will facilitate the Group's future investment.

Both distribution and manufacturing businesses continue their expansions. Turnover in the reported year was increased and inventory

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
*For the year ended 31 March 2005*

	2005 HK\$'000	2004 HK\$'000
Turnover	1,225,840	841,660
Cost of sales	(1,082,517)	(727,653)
Gross profit	143,323	113,979
Other revenue	756	1,883
Selling and distribution expenses	(25,955)	(25,525)
General and administrative expenses	(93,494)	(73,866)
Operating profit	24,630	16,472
Finance costs	(1,194)	(1,077)
Share of losses of jointly controlled entities.	(19)	(16)
Profit before taxation	23,417	15,118
Taxation	(3,028)	(1,922)
Profit after taxation	20,389	13,266
Minority interests	49	1,250
Profit attributable to shareholders	20,438	14,505
Dividends	8,098	3,977
Earnings per share	HK9.60 cents	HK9.13 cen
— Basic	HK9.60 cents	HK9.13 cen
— Diluted	HK9.57 cents	HK9.13 cen

**Notes:**

- Basis of preparation**  
The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They have been prepared under the historical cost convention.
- Turnover, Revenues and Segment Information**  
Analysis of the Group's turnover and results by business segments and geographical segments is as follows:  
(a) **Primary reporting format — business segments:**

	Manufacturing and distribution of electronic components			Manufacturing services for electronic products and manufacturing			Personal computer and digital products distribution			Group		
	2005	2004	2004	2005	2004	2005	2004	2005	2004	2005	2004	
Turnover:	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
External sales	614,838	530,126	439,527	311,480	174,375	—	—	—	—	1,225,840	841,660	
Inter-segment sales	67,021	2,796	90	266	—	—	—	—	—	24,630	16,472	
	681,859	532,922	439,617	311,746	174,375	—	—	—	—	1,250,470	858,132	
Segment results:	9,872	5,873	11,773	10,587	2,985	—	—	—	—	(6,792)	(3,062)	
Finance costs										(6,792)	(1,062)	
Share of losses of jointly controlled entities										(1,194)	(3,028)	

convention. The Group is exempted from taxation in Bermuda. Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits arising in or derived from Hong Kong. Mainland China enterprise income tax and Canada income tax are calculated at the rates applicable to the respective subsidiaries.

2. Turnover, Revenues and Segment Information  
 Analysis of the Group's turnover and results by business segments and geographical segments is as follows:  
 (a) Primary reporting format — business segments:

	Turnover		Manufacturing and distribution of electronic components		Manufacturing services for electronic products		Personal computer and digital products distribution and manufacturing		Eliminations		Group
	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	HK\$'000
External sales	611,538	530,126	439,527	311,480	174,375	—	—	—	—	—	—
Inter-segment sales	6,702	2,796	90	266	—	—	—	—	(3,062)	—	841,606
Segment results	618,240	532,922	439,617	311,746	174,375	—	—	—	(6,792)	(3,062)	1,225,840
Finance costs	9,072	5,873	11,773	10,547	2,985	—	—	—	—	—	24,630
Share of losses of jointly controlled entities	—	—	—	—	—	—	—	—	—	—	(1,074)
Taxation	—	—	—	—	—	—	—	—	—	—	(160)
Minority interests	—	—	—	—	—	—	—	—	—	—	(9,244)
Profit attributable to shareholders	—	—	—	—	—	—	—	—	—	—	1,240
Assets	263,353	255,105	226,902	180,079	77,350	—	—	—	—	—	20,438
Segment assets	—	—	—	—	—	—	—	—	—	—	567,065
Unallocated assets	—	—	—	—	—	—	—	—	—	—	38,309
Total assets	—	—	—	—	—	—	—	—	—	—	606,135
Liabilities	107,030	116,217	116,763	71,044	24,827	—	—	—	—	—	248,620
Segment liabilities	—	—	—	—	—	—	—	—	—	—	9,662
Unallocated liabilities	—	—	—	—	—	—	—	—	—	—	258,958
Total liabilities	—	—	—	—	—	—	—	—	—	—	192,707
Other information	13,161	8,081	18,321	11,977	2,047	—	—	—	—	—	33,529
Capital expenditure	—	—	—	—	—	—	—	—	—	—	15,124
Depreciation, amortisation and impairments	7,440	7,884	6,121	8,045	1,563	—	—	—	—	—	15,929

(b) Secondary reporting format — geographical segments:

	Turnover		Capital expenditure		Total assets
	2005	2004	2005	2004	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong and Mainland China	580,396	536,690	31,482	20,058	473,493
North America	372,544	107,610	2,047	—	—
Europe	105,705	78,200	—	—	—
Japan	132,931	118,576	—	—	—
Other Asian countries	14,264	9,930	—	—	—
	1,225,840	841,606	33,529	20,058	606,135

Operating profit is stated after crediting and charging the following:

	2005	2004
	HK\$'000	HK\$'000
Crediting —	—	—
Gain on disposal of fixed assets	50	—
Write-back of provision for inventory loss	254	—
Charging —	—	—
Staff costs (including of directors' emoluments)	95,659	69,585
Operating lease rental in respect of office premises	3,750	1,628
Depreciation	—	—
— owned fixed assets	11,531	12,641
— fixed assets held under finance leases	2,251	641
Loss on disposal of fixed assets	—	—
Amortisation and impairment loss of goodwill (included in general and administrative expenses)	1,342	2,365
Provision for bad and doubtful debts	3,189	621
Provision for inventory losses	—	—
Auditors' remuneration	1,110	3,572
	110	750

4. Taxation  
 The Company is exempted from taxation in Bermuda. Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits arising in or derived from Hong Kong. Mainland China enterprise income tax and Canada income tax are calculated at the rates applicable to the respective subsidiaries.

Current taxation:  
 Hong Kong profits tax  
 — Current year  
 — Over provision in previous years  
 Mainland China enterprise income tax  
 Canada income tax  
 Deferred taxation relating to the origination and reversal of temporary differences  
 Deferred taxation resulting from an increase in tax rate

5. Dividends

	2005	2004
	HK\$'000	HK\$'000
—	1,600	2,310
—	(259)	(217)
—	666	590
—	1,136	—
—	(115)	(1,171)
—	3,028	1,924
	2,005	2,004

The borrowings, cash and cash equivalents mainly denominated in Hong Kong dollars, US dollars or Renminbi. Facing the fluctuation of exchange rates during the year, the Group has engaged in foreign currency forward contracts with banks to hedge certain foreign currency trade payables to control the risk in foreign currency transactions. The Group also monitors the mix of the borrowings, trade payable and cash and cash equivalents relating to these currencies to minimize the effect of the finance cost and exchange risk. The Group's borrowings are bearing interest at floating rates.

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Both distribution and manufacturing businesses continue their expansions. Turnover in the reported year was increased and inventory level was relatively increased to HK\$188.1 million (2004: HK\$131.2 million). The management is pleased to keep the average stock turnover controlled to below 60 stock turnover days.

**BUSINESS REVIEW AND PROSPECT**  
 The Group is engaged in three major businesses, namely:  
 — EMS (Contract Electronic Manufacturing Services), OEM and ODM business  
 — Electronic Components — Distribution and Manufacturing

— Personal Computer and Digital Products — Distribution and Manufacturing  
 EMS (Contract Electronic Manufacturing Service); OEM and ODM.  
 Business of EMS, OEM and ODM in the reported year is encouraging and challenging. Turnover for this sector recorded a substantial increase by 41.1% to HK\$439.5 million for the reported year (2004: HK\$311.5 million) when compared with last year.

**EMS**  
 The EMS manufacturing business has performed another successful year. The turnover of this sector was \$217.4 million, which represents a growth of 21.6% (2004: HK\$178.8 million) when compared with last reported year.  
 As Electronic Manufacturing Services is one of the Group's major businesses, the Group has focused on the continuous improvement on the management and quality system to cope with the time and quality demanded products. By the installation of up-to-day machines, the Group is capable to handle more high precision products. In the reported year, the EMS workshops were awarded the ISO 14001 and ANSIBSD S2020 quality certifications. Together with the previous certified ISO9001 and QS9000 qualifications, the quality system of the EMS workshops can cater for most customers with critical quality requirements.  
**OEM and ODM**  
 In the reported year, the OEM and ODM manufacturing business of consumer electronic products has a leap of growth. With the contribution from new customers of the massive merchants, turnover of this sector grew to \$222.1 million, which represents a remarkable increase of 67.3% when compared with the last reported year (2004: HK\$132.7 million).  
 The Group has long maintained steady business in middle price consumer electronic products with fair gross profit margin. With over two decades of experience in OEM and ODM business, the Group successfully gained new customers in supplying to Mega-stores of USA and Europe. To change the management system from medium batches of high quality custom design production to low profit margin massive quantity and standard production, the Group paid considerable cost in management adjustments which adversely affected the operating profit of this sector in the second half of this fiscal year. After efficient re-engineering of management system, the Group is happy to see that the cost of production is being controlled to the break-even level. To further lower down the cost of production, the sector will move to its new factory site in He Huen, PRC. The management believes that the business would have an aggressive contribution to the Group in the near future.  
**Electronic Components — Distribution and Manufacturing**  
 The results of distribution and manufacturing of electronic components for the year is satisfactory. The turnover was HK\$611.9 million, representing a growth of 15.4% when compared with last reported year (2004: HK\$530.1 million). The operating profit greatly increased to HK\$9.9 million (2004: HK\$5.9 million).  
**Electronic Components Distribution**  
 The turnover of this sector was HK\$474.9 million which represented an increase of 10.9% (2004: HK\$428.1 million) from last reported year.  
 In this reported year, demand for electronic components grew steadily. The Group had successfully signed authorized distributorship with three electronic components manufacturer namely Chino-Bixel Technology Corp. (CET), Elin Microelectronics Corp. (ELAN) and MCS Logic Ltd. (MCS Logic). Being one of the leading authorized distributor for Toshiba, Panasonic, On-semiconductor, Lite-on, Arnold Magnetic in Hong Kong and China, the Group distributes series of electronic components and semi-conductors with wide range of application such as audio and video products, CD products, electronic toys, power supplies, household appliances, air-conditioners and most of the consumer electronics.  
 The sales offices in Shenzhen, Shanghai and Beijing performed well. After years of experience and market development, these PRC sales offices are well established. Other than acting as auxiliary offices to and provision of logistic support for Hong Kong head office, these PRC offices have extended their business scope to develop and explore markets in local regions. As a result, they have gained significant new opportunities as well as good profit contribution to the Group. Shenzhen office now is also an important liaison station between Hong Kong sales teams and its customers who have moved their operation base into Guangdong region.  
**Electronic Components Manufacturing**  
 Manufacturing of electronic components is under keen competition in the reported years. By the joint devotion of sales teams and manufacturing teams, turnover of Electronic Component Manufacturing was HK\$137 million (2004: HK\$102 million), which represents an increase of 34.3% when compared with the same period of last reported year.

	2005	2004
Current taxation:		
Hong Kong profits tax	1,600	2,310
— Current year	(259)	(217)
— Over provision in previous years	666	590
Mainland China enterprise income tax	1,136	(1,171)
Canada income tax	(115)	412
Deferred taxation relating to the origination and reversal of temporary differences		
Deferred taxation resulting from an increase in tax rate	3,028	1,924
<b>Dividends</b>	<b>2,005</b>	<b>2,004</b>
Interim of HK\$0.01 (2004: HK\$0.015) per share	HK\$'000	HK\$'000
Final of HK\$0.02 (2004: HK\$0.01) per share	2,647	2,382
	5,451	1,588
	<b>8,098</b>	<b>3,970</b>

5.

The sales offices in Shenzhen, Shanghai and Beijing performed well. After years of experience and market development, these PRC sales offices are well established. Other than acting as auxiliary offices to and provision of logistic support for Hong Kong head office, these PRC offices have extended their business scope to develop and explore markets in local regions. As a result, they have gained significant new opportunities as well as good profit contribution to the Group. Shenzhen office now is also an important liaison station between Hong Kong sales teams and its customers who have moved their operation base into Guangdong region.

**Electronic Components Manufacturing**

Manufacturing of electronic components is under keen competition in the reported years. By the joint devotion of sales teams and manufacturing teams, turnover of Electronic Component Manufacturing was HK\$137 million (2004: HK\$102 million), which represents an increase of 34.3% when compared with the same period of last reported year.

**Diodes and Transistors**

The Group manufactures and markets Diodes and Transistors under the Group's trademark "COS". Products manufactured includes epoxy encapsulated TO92, SOT23 and DO41 Transistors and Diodes, glass sealed DO35, DO34 and mini-MELF diodes. The Group achieved satisfactory growth with a slightly drop in gross profit percentage. Manufacturing of glass sealed DO35, DO34 and mini-MELF diodes was increased to monthly capacity of 120 million pieces. In addition, the Group has been qualified by STM (SGS-Thomson Microelectronics) to produce DO35 and Mini-MELF packages for the company which brings further knowledge in quality and technologies.

The Group has also installed new DO41 diode production facilities in the reported year in Yun-fu factory and has enlarged the total capacity of this package by 50% to 70 million pieces per month.

Demand for TO92 and SOT23 in the reported year recovered quickly. Turnover for the reported year increased significantly by 130% from last reported year. The gross profit contribution also increased by more than 200%.

6.

	2005	2004
Balance as at beginning of year	280,110	270,345
Profit attributable to shareholders	20,438	14,502
Translation adjustments	1,787	27
Dividends	(4,235)	(4,764)
Issue of warrants	1,442	—
Net proceeds from issue of shares	47,684	—
Balance as at end of year	<b>347,226</b>	<b>280,110</b>

7.

**Wire and harnesses**

Turnover of this sector grew by 22.7% from last reported year. This sector has been under great pressure of increasing material cost including copper wire and plastic resin. Management of this sector has executed careful cost control and pricing policy during the year but yet, profit contribution of this sector was negative.

**Personal Computer and Digital Products — Distribution and Manufacturing**

The Group has recently acquired a company, Elite Century Holdings Limited and its subsidiaries that mainly distribute computer products and accessories under the trade name "Daiwa" in Canada ("Daiwa Canada"). As the acquisition was completed at the end of September 2004, operating result of second half year was incorporated in the reported financial year. The business of this sector was steady during the period. As Daiwa Canada had been involved in computer business for 14 years, it has established close relation with suppliers and has maintained good sales network as well as good market penetrations throughout Canada. Daiwa Canada is the authorized distributor of renowned brand names of PC products such as MSI (Microstar), ECS, KDS, SMC, Thermaltake, Mercury and GVC. Daiwa Canada is also an associate distributor of Microsoft and business partner of Intel, AMD, Epson, Netgear and HP. After joining the Group, this sector began to develop supplier chain in PRC and also started to market the Group's digital consumer products in Canada. The acquisition enables a good synergy to merge the Group's manufacturing capability and Daiwa Canada's sales network.

**Employees**

At 31 March 2005, the Group employed a total of approximately 6,000 employees of which 120 were Hong Kong based and 80 were employee in Canada. Most of the others were PRC employees in different production sites. Sales personnel are remunerated by salaries and incentives in accordance with the achievement of their sales target. General staff are offered year-end discretionary bonuses, which are based on the divisional profit and individual appraisals. The Group also provides a Mandatory Provident Fund and medical benefits to all Hong Kong employees. During the reported period, no share options were granted to employees.

8.

	2005	2004
Balance as at beginning of year	280,110	270,345
Profit attributable to shareholders	20,438	14,502
Translation adjustments	1,787	27
Dividends	(4,235)	(4,764)
Issue of warrants	1,442	—
Net proceeds from issue of shares	47,684	—
Balance as at end of year	<b>347,226</b>	<b>280,110</b>

9.

**FUTURE PROSPECT**

The EMS business of the Group is still developing. The Group gains good recognition from customers in Japan and Europe. Business in this sector will have a considerable growth in the coming year. The Group has also gained new SMD production facilities from customer on consignment basis and further enables the Group's production capability with minimum capital investment.

The Group has acquired a land in Heyuan, PRC of usable area 200,000 sq. meters which provides a sizable site for future development of factory area. In order to minimize the impact of electricity and labor shortage in Dongguan area, two blocks of new factory buildings have been built in this site. Production in these two new blocks will commence in August of this year. The site will be assigned as the production base of massive merchant consumer products. Other than standard electronic production facilities, a new plastic injection factory will also be set up to provide most of the outsourcing plastic parts to the Group. The Group is confident that labor cost, power cost and material costs will be reduced and such cost reductions will enable the Group to be in a distinct position among competitors.

The new Digital Team which the Group set up last year has already performed successfully in designing MP3 products and USB memory drives. The strong product design, software and hardware team has already created good attractions from sizable customers.

In the Distribution of electronic components sector, the Group continues to expand and strengthen existing sales teams to explore more new market opportunity in PRC. The signing of distributorship of new brands of electronic components will further enhance the Group's total solution services to customers. The Group also starts to enter into the distribution of Flash Memories and Digital Components since last fiscal year and expects that the Group can share the benefit of fast market in this sector.

The management believes that the coming year will be another bright year of the Group.

10.

	2005	2004
Balance as at beginning of year	280,110	270,345
Profit attributable to shareholders	20,438	14,502
Translation adjustments	1,787	27
Dividends	(4,235)	(4,764)
Issue of warrants	1,442	—
Net proceeds from issue of shares	47,684	—
Balance as at end of year	<b>347,226</b>	<b>280,110</b>

11.

**CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from Friday, 12 August 2005 to Thursday, 18 August 2005, both days inclusive, during which period no transfer of shares can be registered. In order to qualify for the final dividend, all properly completed transfer forms accompanied by relevant share certificates must be lodged with Abscus Share Registrars Limited, G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, for registration not later than 4:00 p.m. on Thursday, 11 August 2005.

**COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES**

The Directors of the Company confirmed that they are not aware of any information which would reasonably indicate that the Company is, nor, or was not in compliance with the Code of Best Practice, as set out in Appendix 14 of the Listing Rules (in force prior to 1 January 2005) at any time during the year ended 31 March 2005 except for not specifying the terms of appointment of independent non-executive directors.

According to the bye-laws of the Company, independent non-executive directors are subject to retirement by rotation and re-election at the annual general meeting.

**COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors, the directors have confirmed compliance with the required standard set out in the Model Code as provided in Appendix 10 of the Listing Rules for the year ended 31 March 2005.

12.

	2005	2004
Balance as at beginning of year	280,110	270,345
Profit attributable to shareholders	20,438	14,502
Translation adjustments	1,787	27
Dividends	(4,235)	(4,764)
Issue of warrants	1,442	—
Net proceeds from issue of shares	47,684	—
Balance as at end of year	<b>347,226</b>	<b>280,110</b>

13.

**AUDIT COMMITTEE**

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for the Formation of An Audit Committee" published by the Hong Kong Institute of Certified Public Accountants. Audit Committee provides an important link between the Board and the company's auditors in matters coming within the scope of the group audit. It also reviews the effectiveness of both the internal audit and of internal controls and risk evaluation. The Committee comprises three independent non-executive directors, namely Mr. Barry John BUTTIFANT, Mr. CHOI Yuk Fan and Mr. LIU Ngai Wing. Two meetings were held during the current financial year.

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

Neither the Company nor any of its subsidiaries purchased, sold and redeemed any of the Company's listed securities during the six months ended 31 March 2005.

**PUBLICATION OF FURTHER INFORMATION ON THE STOCK EXCHANGE'S WEBSITE**

A detailed results announcement containing the information required by paragraph 45(1) to 45(3) of Appendix 16 to the Listing Rules will be published on the website of the Stock Exchange in due course.

14.

	2005	2004
Balance as at beginning of year	280,110	270,345
Profit attributable to shareholders	20,438	14,502
Translation adjustments	1,787	27
Dividends	(4,235)	(4,764)
Issue of warrants	1,442	—
Net proceeds from issue of shares	47,684	—
Balance as at end of year	<b>347,226</b>	<b>280,110</b>

15.

By order of the Board  
**LAU TAK WAN**  
 President

Hong Kong, 14 July 2005

As at the date of this announcement, the board of directors of the Company comprises Mr. Lau Tak Wan, Mr. Wan Chor Fai, Mr. Mak Hon Kai, Stanley, and Ms. Chan Yuen Mei, Pinky as executive Directors and Mr. Barry John Buttifant, Mr. Liu Ngai Wing and Mr. Choi Yuk Fan as independent non-executive Directors.

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