



## **DIGITEL GROUP LIMITED**

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

(Stock Code: 8030)

### **ANNUAL RESULTS ANNOUNCEMENT**

**For the year ended 31 December 2004**

#### **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.**

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*This announcement, for which the directors of DigiTel Group Limited (the “Company”) (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM (the “GEM Listing Rules”) of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, 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.*

## HIGHLIGHTS FOR THE YEAR

- Turnover of the Group was approximately HK\$3.6 million.
- Profit attributable to shareholders was approximately HK\$43.7 million.
- The Directors do not recommend the payment of a final dividend.

## FINAL RESULTS

The Directors announced the audited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2004 together with the comparative audited results for the year ended 31 December 2003 as follows:

### Consolidated Profit and Loss Accounts

	<i>Note</i>	<b>Year ended 31 December</b>	
		<b>2004</b>	<b>2003</b>
		<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Turnover	2	<b>3,631</b>	3,382
Cost of sales		<b>(1,565)</b>	(1,974)
Gross profit		<b>2,066</b>	1,408
Gain on waiver of debts due to creditors		<b>45,715</b>	1,182
Other revenues	2	<b>576</b>	387
Selling expenses		–	(5)
Administrative expenses		<b>(3,651)</b>	(6,085)
Other operating expenses		<b>(92)</b>	(1,867)
Operating profit/(loss)	3	<b>44,614</b>	(4,980)
Finance costs	4	<b>(1,154)</b>	(2,734)
Gain on disposal of subsidiaries		<b>150</b>	–
Recovery of impairment of investment securities		<b>126</b>	853
Profit/(loss) before taxation		<b>43,736</b>	(6,861)
Taxation	5	–	–
Profit/(loss) attributable to shareholders		<b>43,736</b>	(6,861)
Basic earnings/(loss) per share	6	<b>3.83 cents</b>	<b>(0.60) cents</b>

## Consolidated Balance Sheet

	<i>Note</i>	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Non-current assets			
Fixed assets		<b>64</b>	123
Investment securities		–	–
Financial asset		–	–
Deferred costs		<b>931</b>	–
Long-term trade receivables	9	<b>9</b>	–
		<u><b>1,004</b></u>	<u>123</u>
Current assets			
Inventories		<b>783</b>	783
Current trade and other receivables	9	<b>133</b>	899
Cash and bank balances		<b>771</b>	700
		<u><b>1,687</b></u>	<u>2,382</u>
Current liabilities			
Trade and other payables	10	<b>10,269</b>	13,583
Interest-bearing borrowings			
– repayable within one year		<b>1,143</b>	19,763
Convertible debentures		–	10,140
Tax payable		<b>901</b>	1,082
Trust receipt loans, secured		–	7,173
Bank overdrafts, secured		–	10,923
		<u><b>12,313</b></u>	<u>62,664</u>
Net current liabilities		<u><b>(10,626)</b></u>	<u>(60,282)</u>
Total assets less current liabilities		<u><b>(9,622)</b></u>	<u>(60,159)</u>
Capital and reserves			
Share capital		<b>114,073</b>	114,073
Reserves		<b>(130,445)</b>	(174,248)
Capital deficiency		<b>(16,372)</b>	(60,175)
Non-current liabilities			
Interest-bearing borrowings			
– repayable after one year		<b>6,750</b>	16
		<u><b>(9,622)</b></u>	<u>(60,159)</u>

## **1 General information and basis of preparation**

The Company was incorporated in the Cayman Islands on 9 March 2000 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The Company's shares were listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 12 July 2000 and the trading of its shares has been suspended since 2 July 2002.

The accounts have been prepared on a going concern basis which assumes, among other things, the realisation of assets and satisfaction of liabilities in the normal course of business. This assumption is dependent upon the continuing financial support of the Group's creditors and other external funding being available.

As at 31 December 2004, the Group's net current liabilities exceeded its current assets by HK\$10,626,000 and the net liabilities of the Group amounted to HK\$16,372,000. Furthermore, included in the profit attributable to shareholders of HK\$43,736,000 is a gain on waiver of debts due to creditors of HK\$45,715,000. Should this waiver have not been made by creditors, the Group would have been suffered.

The directors have considered the future operations of the Group and estimated its working capital requirements in the foreseeable future. They are of the opinion that the funds generated from the business operations will be able to meet its working capital and financing requirements for the foreseeable future. On this basis, the directors consider that it is appropriate to prepare the accounts on a going concern basis.

Had the going concern basis not been used, adjustments would have to be made to reclassify non-current assets as current assets and non-current liabilities as current liabilities, reduce the value of assets to their recoverable amounts and provided for any future liabilities which might arise.

## 2 Turnover and revenues

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are the provision of system integration services, energy saving services, desulphurisation services, maintenance services, sale of goods and property leasing. Revenues recognised during the year are as follows:

	<b>2004</b>	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover		
System integration contracts revenue	<b>940</b>	917
Energy saving contracts revenue	<b>1,151</b>	–
Desulphurisation contracts revenue	<b>1,400</b>	–
Sales of goods at invoiced value, net of returns and discounts	–	1,707
Rental income	<b>140</b>	758
	<hr/> <b>3,631</b> <hr/>	<hr/> 3,382 <hr/>
Other revenues		
Other income	<b>576</b>	58
Forfeiture of rental deposit	–	329
	<hr/> <b>576</b> <hr/>	<hr/> 387 <hr/>
Total revenues	<hr/> <b>4,207</b> <hr/>	<hr/> <b>3,769</b> <hr/>

## 3 Operating profit/(loss)

Operating profit/(loss) is stated after charging/(crediting) the following:

	<b>2004</b>	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Auditors' remuneration	<b>200</b>	238
Bad debts recovery	–	(393)
Depreciation		
– leased fixed assets	–	11
– owned fixed assets	<b>62</b>	84
Inventories recovery	–	(72)
Loss on disposal of fixed assets	–	2,403
Net exchange loss/(gain)	<b>2</b>	(71)
Operating leases rental in respect of land and buildings	<b>158</b>	136
Staff costs (excluding directors' remuneration)	<hr/> <b>1,595</b> <hr/>	<hr/> 1,995 <hr/>

#### 4 Finance costs

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Interest on bank loan and overdrafts	578	2,101
Finance leases charges	17	453
Other loans interest	559	180
	<u>1,154</u>	<u>2,734</u>

#### 5 Taxation

- (a) No provision for Hong Kong profits tax has been made in the accounts as the Group has no assessable profit for the year (2003: Nil).
- (b) No provision for overseas taxation has been made for the year as the subsidiaries operating in the PRC has no assessable income for PRC taxation purpose.
- (c) The charge for the year can be reconciled to profit/(loss) before taxation per consolidated profit and loss account as follows:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Profit/(loss) before taxation	<u>43,736</u>	<u>(6,861)</u>
Tax at the domestic income tax rate of 17.5%	7,654	(1,201)
Tax effect of non-taxable income	(4,686)	(209)
Utilisation of tax losses previously not recognised	(3,117)	–
Deferred tax assets not recognised	149	1,410
Taxation charge for the year	<u>–</u>	<u>–</u>

As at 31 December 2004, the Company had unrecognised deferred tax asset of approximately HK\$19,808,000 (2003: HK\$22,934,000) which represents the tax effect of unused tax losses. Such deferred tax asset was not recognised in the accounts due to the unpredictability of future profit streams. The unrecognised tax losses may be carried forward indefinitely.

#### 6 Earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to shareholders of approximately HK\$43,736,000 (2003: loss of HK\$6,861,000) and the weighted average of 1,140,730,792 (2003: 1,140,730,792) ordinary shares in issue.

As there is no dilution arising from the outstanding share options granted by the Company, no diluted earnings per share for the year had been presented. For the year ended 31 December 2003, as there was no dilution arising from the outstanding share options granted by the Company, the convertible notes and convertible debentures issued by the Group, no diluted loss per share for that year had been presented.

## 7 Reserves

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Capital reserve on consolidation <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2003	114,073	36,247	(262,935)	59,368	(67)	(53,314)
Loss for the year	—	—	(6,861)	—	—	(6,861)
At 31 December 2003	<u>114,073</u>	<u>36,247</u>	<u>(269,796)</u>	<u>59,368</u>	<u>(67)</u>	<u>(60,175)</u>
At 1 January 2004	114,073	36,247	(269,796)	59,368	(67)	(60,175)
Profit for the year	—	—	43,736	—	—	43,736
Reserve realised on disposal of subsidiaries	—	—	—	—	67	67
At 31 December 2004	<u>114,073</u>	<u>36,247</u>	<u>(226,060)</u>	<u>59,368</u>	<u>—</u>	<u>(16,372)</u>

## 8 Segmental information

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.

### (a) By business segments

- For management purposes, the Group is currently organised into four divisions – system integration contracts, energy saving contracts, desulphurisation contracts and sale of goods. Others include provision of maintenance service and property leasing.

Segmental information about these businesses is presented below.

**For the year ended 31 December 2004**

	Energy saving contracts revenue <i>HK\$'000</i>	Desulp- hurisation contracts revenue <i>HK\$'000</i>	Sale of goods <i>HK\$'000</i>	System integration contract revenue <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Turnover						
External revenue	<u>1,151</u>	<u>1,400</u>	<u>–</u>	<u>940</u>	<u>140</u>	<u>3,631</u>
Result						
Segment result	<u>(471)</u>	<u>(36)</u>	<u>(286)</u>	<u>403</u>	<u>(152)</u>	(542)
Gain on waiver of debts due to creditors						45,715
Other revenues						576
Unallocated corporate expenses						<u>(1,135)</u>
Profit from operations						44,614
Finance costs						(1,154)
Recovery of impairment of investment securities						126
Gain on disposal of subsidiaries						150
Profit before taxation						<u>43,736</u>
Taxation						<u>–</u>
Profit for the year						<u>43,736</u>
Assets						
Segment assets	1,709	–	783	141	52	2,685
Unallocated corporate assets						<u>6</u>
Consolidated total assets						<u>2,691</u>
Liabilities						
Segment liabilities	1,757	450	–	2,132	6,384	10,723
Unallocated corporate liabilities						<u>8,340</u>
Consolidated total liabilities						<u>19,063</u>
Other information						
Capital additions	–	–	–	3	–	
Depreciation	–	2	1	2	57	



**For the year ended 31 December 2003**

	Energy saving contracts revenue <i>HK\$'000</i>	Desulp- hurisation contracts revenue <i>HK\$'000</i>	Sale of goods <i>HK\$'000</i>	System integration contract revenue <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Turnover						
External revenue	<u>–</u>	<u>–</u>	<u>1,707</u>	<u>917</u>	<u>758</u>	<u>3,382</u>
Result						
Segment result	<u>–</u>	<u>–</u>	<u>(261)</u>	<u>(1,615)</u>	<u>(1,753)</u>	(3,629)
Gain on waiver of debts due to creditors						1,182
Other revenue						387
Unallocated corporate expenses						<u>(2,920)</u>
Loss from operations						(4,980)
Finance costs						(2,734)
Recovery of impairment of investment securities						<u>853</u>
Loss before taxation						(6,861)
Taxation						<u>–</u>
Loss after taxation						<u>(6,861)</u>
Assets						
Segment assets	–	–	821	819	854	2,494
Unallocated corporate assets						<u>11</u>
Consolidated total assets						<u>2,505</u>
Liabilities						
Segment liabilities	–	–	8,731	19,487	19,622	47,840
Unallocated corporate liabilities						<u>14,839</u>
Consolidated total liabilities						<u>62,679</u>
Other information						
Capital additions	–	–	–	22	–	
Depreciation	–	–	–	95	–	
Inventories recovery	–	–	(72)	–	–	
Bad debt recovery	–	–	–	(393)	–	

**(b) Geographical segments**

The Group's operations are located in Hong Kong and the PRC. The Group's system integration contracts service and desulphurisation contract service are mainly carried out in the PRC whereas energy saving contract service and sale of goods are mainly carried out in Hong Kong.

The following is the analysis of the Group's revenue by geographical market, irrespective of the origin of the goods/services:

	Revenue by geographical market	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Hong Kong	926	1,063
The PRC	2,705	2,319
	<u>3,631</u>	<u>3,382</u>

The following is an analysis of the carrying amount of segment assets and additions to fixed assets by the geographical area where the assets are located:

	Carrying amount of segment assets		Addition to fixed assets	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Hong Kong	2,691	2,467	3	22
The PRC	–	38	–	–
	<u>2,691</u>	<u>2,505</u>	<u>3</u>	<u>22</u>

## 9 Trade and other receivables

The Group has a policy of allowing its trade customers with credit period normally ranged from 30 to 90 days or terms in accordance with sales contract. The aging analysis of trade receivables is as follows:

	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
0-30 days	<b>91</b>	–
31-60 days	<b>1</b>	–
61-90 days	–	95
91-120 days	–	–
Over 120 days	–	755
	<b>92</b>	850
Long-term trade receivables	<b>9</b>	–
Total trade receivables	<b>101</b>	850
Prepayments and deposits	<b>41</b>	49
	<b>142</b>	899

## 10 Trade and other payables

The aging analysis of trade payables is as follows:

	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
0-30 days	<b>201</b>	–
31-60 days	–	–
61-90 days	–	–
91-120 days	–	–
Over 120 days	<b>2,206</b>	1,946
Total trade payables	<b>2,407</b>	1,946
Other payables and accruals	<b>7,862</b>	11,637
	<b>10,269</b>	13,583

## FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2004 (2003: Nil).

## **MODIFIED AND UNQUALIFIED AUDITORS' REPORT**

The auditors' report on the annual accounts of the Group for the year ended 31 December 2004 has been modified and unqualified. Details of which are reproduced as follows:

### **“BASIS OF OPINION**

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

### **FUNDAMENTAL UNCERTAINTY**

In forming our opinion, we have considered the adequacy of the disclosures made in the accounts concerning the basis adopted in the preparation of the Group's accounts. As further explained in note 1 to the accounts, the Group's net current liabilities, as at 31 December 2004, exceeded its current assets by HK\$10,626,000 and the net liabilities of the Group amounted to HK\$16,372,000. Furthermore, included in the profit attributable to shareholders of HK\$43,716,000 is a gain on waiver of debts due to creditors of HK\$45,715,000. Should the waiver have not been made by creditors, the Group would have been suffered. The accounts have been prepared on a going concern basis, the validity of which depends upon the continuing financial supports from its creditors and other external funding being available. We consider that the fundamental uncertainty has been adequately accounted for and disclosed in the accounts and our opinion is not qualified in this respect.

### **OPINION**

In our opinion, the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2004 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.”

### **MANAGEMENT DISCUSSION AND ANALYSIS**

#### **BUSINESS REVIEW AND OUTLOOK**

During the year under review, the Group is principally engaged in energy saving, system integration and desulphurisation services in Hong Kong and the PRC.

The Group has focused on the energy saving service for power saving system for commercial and residential buildings in Hong Kong. The Group has developed a series of solutions for the enhancement of the overall efficiency in electricity utilisation, which would reduce the electricity consumption in the public area of the buildings thereby reducing the electricity costs. The Group has secured various contracts for the implementation of such system in commercial buildings in Hong Kong and in a city-level water supply plant in the PRC.

The Group expects to conclude more projects for other commercial buildings in Hong Kong in the coming years and the Group will continue to market this service to other potential customers in Hong Kong. For a medium-term plan, the Group will apply this system to other customers such as power plants, water supply plants and other manufacturing plants in Hong Kong and the PRC.

In addition, the Group has pursuing business for the provision of desulphurisation system to the PRC power plants as the PRC government nowadays becomes more environmentally conscious and has taken steps to reduce the overall pollution rate. The Group envisages that it can act as the system integrator for the implementation of desulphurisation system or to act as a consultant for the provision of advisory services. In January 2004, the Group has entered into a consultancy agreement for the provision of business and technical advisory services for the development of an automatic system for a desulphurisation project located in the PRC.

The Group considers the marketing activities for the year 2005 ahead will be more intensive than previous years as the market prospects for telecommunication, power supply and energy saving services are promising. The Group will actively look for new business opportunities in the PRC and Hong Kong through its established business network and business partners.

The Directors are optimistic to the future prospects of the Group. The Directors believe that the strategy of the Group will ultimately create value to its shareholders.

## **FINANCIAL REVIEW**

For the year 2004, the Group's turnover was approximately HK\$3.6 million, representing a 5.9% increase from approximately HK\$3.4 million for the year 2003. The Group recorded a profit attributable to shareholders approximately HK\$43.7 million for the year 2004, a significant improvement, as compared to the loss attributable to shareholders of approximately HK\$6.9 million for the year 2003.

Turnover for the year 2004 mainly comprised of desulphurisation services of approximately HK\$1.4 million, energy saving service of approximately HK\$1.2 million, system integration service of approximately HK\$0.9 million and rental income of approximately HK\$0.1 million.

The selling and administrative expenses of the Group has been reduced to approximately HK\$3.7 million as compared to approximately HK\$6.1 million in the year 2003. The operating results for the year 2004 was a profit of approximately HK\$44.6 million, as compared to a loss of approximately HK\$5 million for the year 2003. The administrative expenses mainly comprises of employee remuneration, legal and professional fee and marketing expenses. The operating profit for the year 2004 included a gain on waiver of debts due to creditors of approximately HK\$45.7 million.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 December 2004, the Group had total assets of approximately HK\$2.7 million (as at 31 December 2003: HK\$2.5 million), including cash and bank balances of approximately HK\$0.8 million (as at 31 December 2003: HK\$0.7 million).

There were no bank overdrafts and trust receipt loans as at 31 December 2004 (as at 31 December 2003: approximately HK\$10.9 million and HK\$7.2 million respectively).

The Group's borrowings were mainly in Hong Kong dollars. The Group did not have banking facilities as at 31 December 2004.

The gearing ratio (total long-term borrowings/total shareholders' funds) of the Group was not applicable as the Group suffered capital deficiency in both 31 December 2004 and 31 December 2003.

Almost all of the Group's cash is in Hong Kong dollars, the exposure to exchange fluctuation is minimal. Since most of the transactions of the Group were denominated in Hong Kong dollars, no hedging or other alternatives have been implemented.

## **CAPITAL STRUCTURE**

The Group financed its operations by means of equity funding, external loans and funds generated from operations.

Apart from intra-group liabilities and trade and other payables, as at 31 December 2004, the amount of short-term borrowings of the Group which will be repayable within one year was approximately HK\$1.1 million (as at 31 December 2003: HK\$48 million) and the amount of long-term liabilities which will be repayable after one year was approximately HK\$6.8 million (as at 31 December 2003: HK\$16,000).

The Directors consider that the Group's future operations, capital expenditure and the capital requirement will be funded from business operations and, if necessary, additional equity or loan financing.

## **INVESTMENTS, ACQUISITIONS AND DISPOSALS**

During the year, the Group did not acquire or dispose of any material investments or subsidiaries.

## **SEGMENTAL INFORMATION**

During the year, the energy saving, system integration and desulphurisation services constitute the major source of income of the Group. Geographical markets are mainly in Hong Kong and the PRC.

## **CONTINGENT LIABILITIES**

As at 31 December 2004, there was no contingent liability.

## **CHARGE OF ASSETS**

As at 31 December 2004, there was no charge of assets.

## **EMPLOYEES**

The total employees' remuneration, including that of the Directors, for the year amounted to approximately HK\$1.7 million (year ended 31 December 2003: HK\$3.0 million). The number of full-time employees as at 31 December 2004 was 8 (as at 31 December 2003: 9). The Group remunerates its employees based on their performance, experience and the prevailing industrial practice and has operated a defined contribution mandatory provident fund since 1 December 2000 and to which the Group makes contributions based on the relevant regulations.

## **SHARE OPTION SCHEME**

Under the share option scheme (the “Share Option Scheme”) of the Company adopted on 30 June 2000, with the purpose of providing incentives, the Directors and employees of the Group may be granted share options to subscribe for shares of the Company at an exercise price determined by the Directors and shall be no less than the higher of (i) the closing price of the shares on the date of grant; and (ii) the average closing price of the shares for the five business days immediately preceding the date of grant. The total number of shares, which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and other option scheme of the Company, must not, in aggregate, exceed 30% of the issued share capital of the Company from time to time. A non-refundable nominal consideration of HK\$1.00 is payable by the grantee upon acceptance of an option. The options are exercisable within a period not less than 3 years and not more than 10 years from the date of grant. No share options were granted under the Share Option Scheme since its adoption.

## **DIRECTORS’ INTEREST IN COMPETING BUSINESS**

The Directors are not aware of, as at 31 December 2004, any business or interest of each director, management shareholder and the respective associates of each that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

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

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

## **AUDIT COMMITTEE**

In compliance with rule 5.28 to 5.33 of the GEM Listing Rules, the Company has established an audit committee with written terms of reference which deal clearly with its authority and duties.

The principal duties of the audit committee are to review and supervise the financial reporting process and internal control procedures of the Group. The audit committee comprises three independent non-executive directors, namely Mr. Ha Kee Choy, Eugene, Mr. Ho Chiu Kee and Mr. Leung Ka Kui, Johnny. The audit committee met four times during the financial year.

## **CORPORATE GOVERNANCE**

During the year, the Company was in compliance with the Board Practices and Procedures as set out in rule 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 financial year ending 31 December 2005.

The Company had adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the Stock Exchange’s required standard of dealings. The Company had made specific enquiry of all Directors and the Company was not aware of any non-compliance with the Stock Exchange’s required standard of dealings and its code of conduct regarding securities transactions by the Directors.

The Company has received the annual confirmation of independence from each of the independent non-executive director of the Company and the Company considers that all of the independent non-executive directors are independent.

On behalf of the Board

**Lee Chuen Bit**

*Chairman*

Hong Kong, 23 March 2005

*As at the date hereof, Mr. Lee Chuen Bit is the chairman and executive director; Mr. Hon Chak Sang is the executive director; Mr. Ha Kee Choy, Eugene; Mr. Ho Chiu Kee and Mr. Leung Ka Kui, Johnny are the independent non-executive directors of the Company.*

*This announcement will remain on the “Latest Company Announcements” page of the GEM website for at least 7 days from the date of its posting.*