



DICKSON CONCEPTS (INTERNATIONAL) LIMITED  
迪生創建(國際)有限公司\*  
(incorporated in Bermuda with limited liability)

(Stock Code: 0113)

**INTERIM RESULTS 2005-2006**

- \* Turnover for the six months ended 30<sup>th</sup> September, 2005 was HK\$1.357 billion, an increase of 11.0 per cent. compared with last year.
- \* Profit attributable to shareholders of HK\$85.7 million represents an increase of 10.5 per cent. compared with last year's interim profit.
- \* Interim dividend of 13.8 cents per share declared by the Board of Directors. Taking into account the bonus issue of one share for every ten shares held in August 2005, the total interim dividend payout represents an increase of 16.9 per cent. compared with last year.
- \* Group's net cash position is over HK\$550 million.
- \* Group's retail network to expand to well over 400 shops throughout Asia by the end of the current financial year.



# CONSOLIDATED BALANCE SHEET

At 30th September, 2005

	NOTE	30/9/2005 (unaudited) HK\$'000	31/3/2005 (audited) HK\$'000
Non-current assets			
Fixed assets	7	264,534	192,273
Goodwill		13,900	13,900
Associated companies		93,776	112,636
Deferred tax assets		<u>14,218</u>	<u>14,327</u>
		<b>386,428</b>	333,136
Current assets			
Stocks		632,378	522,006
Debtors, deposits and prepayments	8	241,355	246,458
Bills receivable		1,556	1,976
Tax recoverable		191	192
Cash and cash equivalents		<u>622,361</u>	<u>898,774</u>
		<b>1,497,841</b>	1,669,406
Current liabilities			
Bank loans and overdrafts		53,124	56,575
Bills payable		52,587	25,369
Creditors and accruals	9	510,951	507,681
Taxation		<u>12,110</u>	<u>16,443</u>
		<b>628,772</b>	606,068
Net current assets		<u><b>869,069</b></u>	<u>1,063,338</u>
Total assets less current liabilities		<b>1,255,497</b>	1,396,474
Non-current liabilities			
Deferred tax liabilities		<u>1,696</u>	<u>1,651</u>
Net assets		<u><b>1,253,801</b></u>	<u>1,394,823</u>
Capital and reserves			
Share capital	10	93,093	84,630
Reserves		<u>1,145,342</u>	<u>1,295,186</u>
Total equity attributable to shareholders of the Company		<b>1,238,435</b>	1,379,816
Minority interests		<u>15,366</u>	<u>15,007</u>
Total equity		<u><b>1,253,801</b></u>	<u>1,394,823</u>

# NOTES ON THE INTERIM ACCOUNTS

## 1. PRINCIPAL ACCOUNTING POLICIES

### (a) Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities (“the Listing Rules”) on The Stock Exchange of Hong Kong Limited (“the Stock Exchange”), including compliance with Hong Kong Accounting Standard (“HKAS”) 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2005 annual accounts, except for the accounting policy changes that are expected to be reflected in the 2006 annual accounts. Details of these changes in accounting policies are set out in note 1(b).

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated accounts and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2005 annual accounts. The condensed consolidated interim accounts and notes thereon do not include all of the information required for a full set of accounts prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”, which term collectively includes HKASs and Interpretations).

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Statement of Auditing Standards 700, Engagements to review interim financial reports, issued by the HKICPA. KPMG’s independent review report to the Board of Directors is included in the interim report to be sent to shareholders.

The financial information relating to the financial year ended 31st March, 2005 that is included in the interim financial report as being previously reported information does not constitute the Company’s statutory accounts for that financial year but is derived from those accounts. Statutory accounts for the year ended 31st March, 2005 are available from the Stock Exchange’s website. The auditors have expressed an unqualified opinion on those accounts in their report dated 22nd June, 2005.

### (b) Recently issued accounting standards

The HKICPA has issued a number of new and revised HKFRSs that are effective or available for early adoption for accounting periods beginning on or after 1st January, 2005. The Board of Directors has determined the accounting policies to be adopted in the preparation of the Group’s annual accounts for the year ending 31st March, 2006, on the basis of HKFRSs currently in issue.

The HKFRSs that will be effective or are available for voluntary early adoption in the annual accounts for the year ending 31st March, 2006 may be affected by the issue of additional interpretations or other changes announced by the HKICPA subsequent to the date of issuance of this interim financial report. Therefore the policies that will be applied in the Group's accounts for that period cannot be determined with certainty at the date of issuance of this interim financial report.

The following sets out further information on the changes in accounting policies for the annual accounting period beginning on 1st April, 2005 which have been reflected in this interim financial report.

(i) Minority interests (HKAS 1, Presentation of Financial Statements and HKAS 27, Consolidated and Separate Financial Statements)

In prior years, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and as a deduction from net assets. Minority interests in the results of the Group for the year were also separately presented in the consolidated profit and loss account as a deduction before arriving at the profit attributable to shareholders.

With effect from 1st April, 2005, in order to comply with HKAS 1 and HKAS 27, minority interests at the balance sheet date are presented in the consolidated balance sheet within equity, separately from the equity attributable to the shareholders of the Company, and minority interests in the results of the Group for the period are presented on the face of the consolidated profit and loss account as an allocation of the total profit or loss for the period between the minority interests and the shareholders of the Company.

The presentation of minority interests in the consolidated balance sheet, consolidated profit and loss account and consolidated statement of changes in equity for the comparative period has been restated accordingly.

(ii) Amortisation of positive and negative goodwill (HKFRS 3, Business Combinations and HKAS 36, Impairment of Assets)

In prior periods :

- positive goodwill was amortised on a straight line basis over its useful life and was subject to impairment testing when there were indications of impairment; and
- negative goodwill was recognised over the weighted average useful life of the depreciable/amortisable non-monetary assets acquired, except to the extent it related to identified expected future losses as at the date of acquisition. In such cases, it was recognised in the profit and loss account as those expected losses were incurred.

With effect from 1st April, 2005, in accordance with HKFRS 3 and HKAS 36, the Group no longer amortises positive goodwill. Such goodwill is tested annually for impairment, including in the year of its initial recognition, as well as when there are indications of impairment. Impairment losses are recognised when the carrying amount of the cash generating unit to which the goodwill has been allocated exceeds its recoverable amount. Negative goodwill arising on an acquisition is recognised directly in the profit and loss account.

The new policy in respect of positive goodwill has been applied prospectively in accordance with the transitional arrangements under HKFRS 3. As a result, comparative amounts have not been restated, the cumulative amount of amortisation as at 1st April, 2005 has been offset against the cost of the goodwill and no amortisation charge for goodwill has been recognised in the profit and loss account for the six months ended 30th September, 2005. This has increased the Group's profit after tax for the six months ended 30th September, 2005 by HK\$374,000.

## 2. TURNOVER / SEGMENTAL INFORMATION

Turnover represents sales of own bought and concession goods (less returns). The sales of own bought goods of HK\$1,123,717,000 (2004 : HK\$1,012,543,000) is the only significant category of revenue of the Group during the period.

### Business segment

The Group has a single business segment which is the sales of luxury goods. Accordingly, the segment information for this sole business segment is equivalent to the consolidated figures.

### Geographical segments

In presenting information on the basis of geographical segments, segment turnover is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

	For the six months ended		At 30/9/2005
	30th September, 2005		
	Turnover	Capital	Total
	HK\$'000	expenditure	assets
		HK\$'000	HK\$'000
Hong Kong	792,916	99,320	1,146,135
Taiwan	301,555	5,883	360,388
Other territories (Mainly Asia)	<u>262,452</u>	<u>6,753</u>	<u>283,970</u>
	<u>1,356,923</u>	<u>111,956</u>	1,790,493
Associated companies			<u>93,776</u>
Total assets			<u>1,884,269</u>

	For the six months ended 30th September, 2004		At 31/3/2005
	Turnover HK\$'000	Capital expenditure HK\$'000	Total assets HK\$'000
Hong Kong	723,545	7,490	1,173,256
Taiwan	257,588	8,913	379,566
Other territories (Mainly Asia)	<u>241,430</u>	<u>1,962</u>	<u>337,084</u>
	<u>1,222,563</u>	<u>18,365</u>	1,889,906
Associated companies			<u>112,636</u>
Total assets			<u>2,002,542</u>

There is no major disparity in the ratios between turnover and profit in relation to the above geographical locations, hence no analysis is given of the profit contributions from the above geographical locations.

### 3. PROFIT BEFORE TAXATION

	Six months ended 30th September,	
	2005	2004
	HK\$'000	HK\$'000
Profit before taxation is arrived at after charging :-		
Depreciation	34,138	24,827
Interest on bank overdrafts and loans repayable within five years	<u>595</u>	<u>829</u>

#### 4. TAXATION

	Six months ended 30th September,	
	2005	2004
	HK\$'000	HK\$'000
Current Tax		
Hong Kong	—	259
Overseas	<u>13,264</u>	<u>10,204</u>
	<b>13,264</b>	10,463
	-----	-----
Deferred Tax		
Origination and reversal of temporary differences	<u>(550)</u>	<u>1,864</u>
	<b>(550)</b>	1,864
	-----	-----
Share of associated companies' tax	<u>696</u>	<u>693</u>
	-----	-----
Total income tax expense	<u><b>13,410</b></u>	<u>13,020</u>

Taxation in the consolidated profit and loss account includes provision for Hong Kong Profits Tax at 17.5 per cent. (2004 : 17.5 per cent.) on the estimated assessable profits for the period. Provision for overseas taxation is calculated based on the relevant legislation and on the estimated assessable profits of the individual company concerned.

#### 5. EARNINGS PER SHARE

The calculation of basic earnings per share in the current period is based on the profit attributable to shareholders of the Company of HK\$85,721,000 (2004 : HK\$77,561,000) and the weighted average number of 310,311,338 shares (2004 : 310,311,338 shares after adjusting for the one for ten bonus issue in 2005) in issue during the period.

## 6. DIVIDENDS

	<b>Six months ended 30th September,</b>	
	<b>2005</b>	<b>2004</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
(a) Interim dividend declared after the interim period end : 13.8 cents (2004 : 11.8 cents) per share	<u><b>42,823</b></u>	<u><b>36,673</b></u>
(b) Final dividend in respect of the previous financial year, approved and paid during the interim period, of 27.3 cents (for the year ended 31st March, 2004 : 18.2 cents) per share	<u><b>84,630</b></u>	<u><b>56,420</b></u>
(c) Special dividend in respect of the previous financial year, approved and paid during the interim period, of 41.8 cents per share (for the year ended 31st March, 2004 : Nil)	<u><b>129,767</b></u>	<u><b>—</b></u>

The comparative figures for interim, final and special dividend per share have been adjusted to take into account the one for ten bonus issue in 2005.

## 7. FIXED ASSETS

During the period, the Group spent HK\$111,956,000 mainly on fitting out of new stores and refurbishment of certain existing stores.

## 8. DEBTORS, DEPOSITS AND PREPAYMENTS

Included in debtors, deposits and prepayments are trade debtors of HK\$80,306,000 (at 31st March, 2005 : HK\$84,757,000) and their age analysis is as follows :-

	<b>30/9/2005</b>	<b>31/3/2005</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Current	<b>77,193</b>	<b>80,212</b>
1 to 30 days overdue	<b>1,144</b>	<b>1,353</b>
31 to 60 days overdue	<b>668</b>	<b>847</b>
Over 60 days overdue	<u><b>1,301</b></u>	<u><b>2,345</b></u>
	<u><b>80,306</b></u>	<u><b>84,757</b></u>

The Group has a credit policy with terms ranged from 30 days to 60 days.

## 9. CREDITORS AND ACCRUALS

Included in creditors and accruals are trade creditors of HK\$114,952,000 (at 31st March, 2005 : HK\$109,428,000) and their age analysis is as follows :-

	30/9/2005 HK\$'000	31/3/2005 HK\$'000
Current	100,385	98,364
1 to 30 days overdue	10,675	6,463
31 to 60 days overdue	1,068	3,082
Over 60 days overdue	<u>2,824</u>	<u>1,519</u>
	<u><b>114,952</b></u>	<u><b>109,428</b></u>

## 10. SHARE CAPITAL

	30/9/2005		31/3/2005	
	Number of shares Thousands	Nominal value HK\$'000	Number of shares Thousands	Nominal value HK\$'000
Authorised :-				
Ordinary shares of HK\$0.30 each	<u>400,000</u>	<u>120,000</u>	<u>363,333</u>	<u>109,000</u>
Issued and fully paid :-				
Ordinary shares of HK\$0.30 each				
Balance brought forward	282,101	84,630	256,456	76,937
Bonus issue	<u>28,210</u>	<u>8,463</u>	<u>25,645</u>	<u>7,693</u>
Balance carried forward	<u><b>310,311</b></u>	<u><b>93,093</b></u>	<u><b>282,101</b></u>	<u><b>84,630</b></u>

*Note :-*

By an ordinary resolution passed at the annual general meeting held on 25th August, 2005, the Company's authorised share capital was increased to HK\$120,000,000 by the creation of an additional 36,666,667 ordinary shares of HK\$0.30 each, ranking pari passu with the then existing shares of the Company. On 25th August, 2005, 28,210,121 ordinary shares of HK\$0.30 each were issued by way of a one for ten bonus issue in respect of which an amount of HK\$8,463,000 was applied from retained profits. On 25th August, 2004, 25,645,565 ordinary shares of HK\$0.30 each were issued by way of a one for ten bonus issue in respect of which an amount of HK\$7,693,000 was applied from retained profits.

## 11. CAPITAL COMMITMENTS

Capital commitments outstanding at 30th September, 2005 and not provided for in the accounts were as follows :-

	<b>30/9/2005</b>	31/3/2005
	<b>HK\$'000</b>	HK\$'000
Contracted for	<b>28,776</b>	52,885
Authorised but not contracted for	<u>67</u>	<u>—</u>
	<u><b>28,843</b></u>	<u>52,885</u>

## 12. CONTINGENT LIABILITIES

At 30th September, 2005, the Company had the following contingent liabilities in respect of :-

- (a) Guarantees of HK\$834,939,000 (at 31st March, 2005 : HK\$847,851,000) given to banks to secure facilities granted to certain subsidiary companies. The facilities were utilised to the extent of HK\$227,972,000 (at 31st March, 2005 : HK\$190,822,000) at the balance sheet date.
- (b) Guarantees given to licensors to guarantee the performance by certain subsidiary companies of obligations under certain agreements. The amount due under the agreements was HK\$6,386,000 (at 31st March, 2005 : HK\$13,490,000) at the balance sheet date.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL RESULTS

Turnover for the six months ended 30th September, 2005 was HK\$1.357 billion, an increase of 11.0 per cent. compared with the same period last year.

This increase, together with the improvement in margins and the continued exercising of tight controls on all expenses, enabled the Group to achieve profit attributable to shareholders of HK\$85.7 million, an increase of 10.5 per cent. compared with the same period last year.

In view of these results, the Board has resolved to declare an interim dividend of 13.8 cents per share. Taking into account the bonus issue of one share for every ten shares held in August 2005, the total interim dividend payout represents an actual increase of 16.9 per cent. compared with last year.

As the Group continues its rapid expansion programme and economic conditions throughout Asia and China continue to improve, the Group is confident that, barring unforeseen circumstances, the Group can achieve its stated objective of balanced top line and margins growth for the full year.

## **BUSINESS REVIEW**

With a total of 57 shops opened this year, the Group's retail network currently totals 397 shops. This comprises 52 in Hong Kong, 159 in China, 144 in Taiwan and 42 in Singapore, Malaysia and the Philippines.

In Hong Kong, the Group opened the first Harvey Nichols store in Asia at The Landmark. Occupying 60,000 s.f. of prime retailing space, the store has set new standards in innovation and style and has simultaneously defined the next generation of luxury retailing. Initial response to the store from both the industry and customers alike has been extremely positive, and the Group is confident that once it has been properly established, the store will make an important contribution to the Group's business.

Hong Kong Seibu is an important contributor to the Group's turnover and profits. Langham Place Seibu succeeded in making a positive contribution to the Group's profits during its first year of operations. Given this proven expertise and success, the Group is aggressively looking for additional locations to expand Seibu in Hong Kong.

The Group also continued the introduction of the Michael Kors brand with the opening of the Michael Kors Collection corner at Harvey Nichols and a Michael Kors boutique at Ocean Centre.

In China, the Group expanded its retail network to 159 shops with the opening of 38 shops under the brands of S.T. Dupont, Polo Ralph Lauren, Brooks Brothers and Tod's. This comprehensive network throughout China will enhance the success and popularity of the Group's brands in China and ensure that the Group will benefit from the increasing number of Chinese tourists visiting Hong Kong and South East Asia.

The third Seibu store in China is scheduled to open in the heart of Chengdu's business and commercial centre during the current financial year, and is destined to become the undisputed leading upmarket retail store in Chengdu. With an area of over 100,000 s.f., the store is expected to breakeven in its first year of operation and to contribute profits from the second year.

The Group has also reached agreement in principle to open the fourth Seibu store in China. This will be located in Shenyang, the provincial city of Liaoning Province, in North East China. With a population of 7.4 million and rapidly increasing consumer spending, this is one of China's major centres for the petrochemical, metallurgy, electronics and machinery industries. The store will occupy in excess of 145,000 s.f. on three floors. Many leading international brands have already shown keen interest in this project and the Group is confident that after it opens in end-2006, this store will further reinforce Seibu's leading position in China, breaking even in year one and contributing to profits in its second year of operations.

In the rest of Asia, the Group's operations in Taiwan have further established their position as the Group's second largest market with a comprehensive network of 144 shops and shop-in-shops. In Singapore, Malaysia and the Philippines, the Group's retail network of 42 shops and shop-in-shops is well placed to take advantage of any improvement in trading conditions in these countries.

## **FULL YEAR PROSPECTS**

The Group is pleased that even after absorbing the pre-opening expenditure of the Harvey Nichols store, the Group has still managed to achieve a 4.5 per cent. increase in gross margins and a 10.5 per cent. increase in profit attributable to shareholders compared with the same period last year.

With 57 shops already opened and a further 24 shops planned to be opened by the end of the current financial year, the Group's retail network will expand to well over 400 shops. This network will form the foundation for the Group's immediate and medium term growth.

In the longer term, the opening of new stores throughout the region, the Seibu store in Shenyang, China, and the expansion of additional large format Seibu stores in China, together with the introduction of new brands will ensure strong and sustained development for the Group.

Together with the Group's net cash position of over HK\$550 million and its strong balance sheet, the Group is perfectly positioned to take advantage of continued economic growth in Asia and China and to exploit any investment opportunities of exceptional value.

## **EMPLOYMENT AND REMUNERATION POLICIES**

As at 30th September, 2005, the Group had 2,349 employees. Total staff costs (including Directors' emoluments) amounted to HK\$159.8 million (2004 : HK\$139.3 million). Remuneration policies are reviewed regularly by the Board of Directors of the Company. Remuneration packages are structured to take into account the level and composition of pay and the general market conditions in the respective countries and businesses in which the Group operates. Details of the share option scheme were disclosed in the Company's annual report for the year ended 31st March, 2005. No share options were granted or exercised during the period under review.

## **LIQUIDITY AND FINANCIAL RESOURCES**

During the period under review, all principal businesses of the Group recorded growth in sales turnover compared to the corresponding period last year generating net cash of HK\$41.9 million before capital expenditure and dividend distribution. Capital expenditure payments made during the period, mainly in respect of new store openings including the Harvey Nichols Hong Kong store, totalled HK\$112.0 million. Payments totalling HK\$214.4 million in respect of the final cash and special dividend for the previous financial year were also made.

After accounting for these payments, the Group's net liquid financial resources stood at HK\$569.3 million represented by cash of HK\$622.4 million less short-term bank borrowings of HK\$53.1 million.

The Group also has access to substantial uncommitted short-term loan facilities provided by its relationship banks for day-to-day requirements and funding flexibility. However, in view of the Group's surplus cash position and positive cash flow, any material utilisation of these facilities is not anticipated in the near future.

## **FOREIGN CURRENCY EXPOSURE**

The Group's outstanding bank borrowings as at 30th September, 2005 comprised mainly short-term bank loans drawn in New Taiwan Dollars, Singapore Dollars and Japanese Yen by the respective operating subsidiary companies.

This follows the Group's policy of minimising exposure to fluctuations in the exchange rate of regional currencies in respect of its overseas operations by utilising local currency borrowings, where necessary, to fund working capital and capital investment requirements with repayment in cash generated from local sales.

The Group's purchases are mainly denominated in United States Dollars, Swiss Francs, Euros and Pound Sterling and where considered appropriate, forward exchange contracts are utilised to purchase the relevant currency to settle amounts due. It is the Group's policy that foreign exchange contracts or foreign currency purchases are strictly limited to approved purchase budget amounts or purchase commitments made.

## **FINANCIAL MANAGEMENT**

The Group's financial risk management is the responsibility of its treasury function based in Hong Kong and controlled by policies and guidelines established from time to time by the Board of Directors.

A conservative and prudent approach has always been adopted with the maintenance of a net surplus cash position throughout the period under review. Surplus cash is held mainly in United States and Hong Kong Dollars with the majority placed on short-term time deposits with international financial institutions. The average duration of the Group's surplus funds placed on time deposits is 0.5 month providing the Group with the flexibility to access its surplus funds at short notice in the event any appropriate investment opportunity arises.

As at 30th September, 2005, the Group's current ratio, being current assets divided by current liabilities, was 2.38 times compared to 2.75 times as at 31st March, 2005. The Group has maintained a net surplus cash position throughout the period under review. Thus, its gearing ratio, being total bank borrowings net of cash balances as a percentage of consolidated capital and reserves is Nil (as at 31st March, 2005 : Nil).

## **INTERIM DIVIDEND**

In view of the above results, the Board of Directors has resolved to declare an interim dividend of 13.8 cents per share (2004 : 11.8 cents per share as adjusted) amounting to a total of approximately HK\$42,823,000. The interim dividend will be paid on Wednesday, 18th January, 2006 to shareholders whose names appear in the Register of Members of the Company on Friday, 6th January, 2006.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from Thursday, 5th January, 2006 to Friday, 6th January, 2006, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Registrar, Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong (if on or before 2nd January, 2006) or at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong (if after 2nd January, 2006) not later than 4:30 p.m. on Wednesday, 4th January, 2006.

## **SHARE PURCHASE, SALE AND REDEMPTION**

During the six month period ended 30th September, 2005, there was no purchase, sale or redemption by the Company, or any of its subsidiary companies, of the Company's shares.

## CORPORATE GOVERNANCE

During the six month period ended 30th September, 2005, save as disclosed below, the Company has complied with the code provisions of the Code on Corporate Governance Practices (“the Code”) as set out in Appendix 14 of the Listing Rules. At the Board Meeting held on 22nd June, 2005 for consideration of the final results of the Company for the year ended 31st March, 2005, the following code provisions were discussed and complied with as detailed below :-

- (i) Under A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. On 22nd June, 2005, Mr. Raymond Lee, the Deputy Chairman, was appointed as the Chief Executive Officer (“CEO”) of the Company and a list setting out the respective responsibilities of the Chairman and the CEO was adopted by the Company.
- (ii) Under A.4.1 of the Code, non-executive directors should be appointed for a specific term, subject to re-election. On 22nd June, 2005, the terms of office of the Independent Non-executive Directors, subject to earlier determination or re-election under retirement by rotation in accordance with the Company’s new Bye-laws and/or applicable laws and regulations, were fixed for one year renewable on an annual basis.
- (iii) Under A.4.2 of the Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. On 22nd June, 2005, recommendation was made to the shareholders of the Company to amend the Company’s new Bye-laws to, inter alia, delete the exception clause so that every director shall be subject to retirement by rotation at least once every three years. This was adopted at the Annual General Meeting of the Company held on 25th August, 2005.
- (iv) Under A.5.4 of the Code, the board should establish written guidelines for relevant employees in respect of their dealings in the securities of the issuer on no less exacting terms than the Model Code for Securities Transactions by Directors of Listed Issuers (“the Directors’ Model Code”) as set out in Appendix 10 of the Listing Rules. On 21st September, 2005, the Company adopted the Model Code for Relevant Employees on Securities Transactions which is on no less exacting terms than the Directors’ Model Code or the code previously adopted by the Company.
- (v) B.1 of the Code relates to the establishment of a remuneration committee and its composition, authority and duties. On 22nd June, 2005, the Company established a remuneration committee with relevant terms of reference.
- (vi) Under C.3.3 of the Code, the terms of reference of the audit committee should include at least those duties as set out in C.3.3 of the Code. On 22nd June, 2005, the Company adopted a new set of terms of reference for the Audit Committee including those duties as set out in C.3.3 of the Code in place of the terms of reference of the Audit Committee adopted on 1st June, 2004.
- (vii) Under D.1.2 of the Code, an issuer should formalise the functions reserved for the board and those delegated to management. On 22nd June, 2005, the Company formalised and adopted a list setting out the functions reserved for the Board and those delegated to management.

## AUDIT COMMITTEE

The Audit Committee has reviewed the unaudited interim financial results of the Group for the six month period ended 30th September, 2005 with the Board of Directors.

As at the date of this announcement, the Board of Directors of the Company comprises:-

***Executive Directors:***

Dickson Poon (*Group Executive Chairman*)

Raymond Lee (*Deputy Chairman*)

Chan Tsang Wing, Nelson

Ching Sau Hong, Kevin

Edwin Ing

Ng Chan Lam

Walter Josef Wuest

***Independent Non-Executive Directors:***

Bhanusak Asvaintra

Nicholas Peter Etches

Christopher Patrick Langley, OBE

By Order of the Board  
**Or Suk Ying, Stella**  
*Company Secretary*

Hong Kong, 12th December, 2005

*\* For identification purpose only*