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## GLOBAL TECH (HOLDINGS) LIMITED

耀科國際（控股）有限公司\*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 143)

### INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 MARCH 2011

The board of directors (the “Board”) of Global Tech (Holdings) Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 31 March 2011 (the “Period”) together with the comparative figures for the previous corresponding period as follows:

#### CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Unaudited	
		For the six months ended	
		2011	2010
		HK\$'000	HK\$'000
Turnover	2	16,553	15,778
Cost of sales		<u>(11,316)</u>	<u>(10,096)</u>
Gross profit		5,237	5,682
Other revenue	3	254	163
Other income		3,499	2,822
Selling and distribution expenses		(989)	(727)
Administrative expenses		(19,991)	(16,854)
Other operating expenses		<u>(190)</u>	<u>(2,163)</u>
Loss from operations	4	(12,180)	(11,077)
Gain arising on changes in fair value of an investment property		-	4,800
Cumulative gain reclassified from equity to profit or loss upon disposal of available-for-sale financial assets		<u>-</u>	<u>3,038</u>
Loss before taxation		(12,180)	(3,239)
Income tax expense	5	<u>-</u>	<u>(792)</u>
Loss for the period		(12,180)	(4,031)
Dividends	6	-	-
Loss for the period attributable to owners of the Company		(12,180)	(4,031)
Loss per share attributable to owners of the Company			
Basic and diluted	7	HK\$(0.002)	HK\$(0.001)

\* For identification purpose only

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		<b>Unaudited</b>	
		<b>For the six months ended</b>	
		<b>31 March</b>	
		<b>2011</b>	<b>2010</b>
	<b>Notes</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Loss for the period</b>		<b>(12,180)</b>	<b>(4,031)</b>
<b>Other comprehensive loss</b>			
Release of investment revaluation reserve upon disposal of available-for-sale financial assets		-	(3,038)
Change in fair value of available-for-sale financial assets		<b>(367)</b>	<b>(882)</b>
Exchange difference on translating foreign operations		<b>(2,503)</b>	<b>222</b>
		<b>(2,870)</b>	<b>(3,698)</b>
<b>Total comprehensive loss for the period</b>		<b>(15,050)</b>	<b>(7,729)</b>
<b>Total comprehensive loss for the period attributable to owners of the Company</b>		<b>(15,050)</b>	<b>(7,729)</b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 31 March 2011 HK\$'000 (unaudited)	At 30 September 2010 HK\$'000 (audited)
<hr/>			
<b>Non-current assets</b>			
Property, plant and equipment		5,149	2,299
Available-for-sale financial assets		7,684	8,051
		<hr/>	
		12,833	10,350
<hr/>			
<b>Current assets</b>			
Inventories		3,516	3,400
Trade receivables	8	28,283	28,378
Prepayments, deposits and other receivables		10,088	11,354
Pledged time deposits		-	4,665
Cash and bank balances		73,380	86,618
		<hr/>	
		115,267	134,415
<hr/>			
<b>Current liabilities</b>			
Trade payables	9	1,494	967
Accrued charges and other payables		6,360	8,502
Tax payables		53,245	53,245
		<hr/>	
		61,099	62,714
<hr/>			
<b>Net current assets</b>		54,168	71,701
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<b>Total assets less current liabilities</b>		67,001	82,051
<hr/>			
<b>Net assets</b>		67,001	82,051
<hr/>			
<b>Equity</b>			
<b>Capital and reserves attributable to owners of the Company</b>			
Share capital		51,659	51,659
Reserves		15,342	30,392
		<hr/>	
<b>Total equity</b>		67,001	82,051
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## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 March 2011

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### 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim report contains unaudited condensed consolidated financial statements 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 2010 annual financial statements. The unaudited condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations (“Ints”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and accounting principles generally accepted in Hong Kong.

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the HKICPA and the applicable disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The measurement basis used in the preparation of these unaudited condensed consolidated financial statements is historical cost convention, as modified for certain available-for-sale financial assets which are stated at fair value.

These unaudited condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 30 September 2010. The accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 30 September 2010 with addition for the following amendments and interpretations (the “new HKFRSs”) issued by the HKICPA, which have become effective.

HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 1 (Amendments)	Amendment to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters
HKFRS 2 (Amendments)	Amendments to HKFRS 2 Share-based Payments – Group Cash-settled Share-based Payment Transactions
HKAS 32 (Amendments)	Classification of Rights Issues
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments
HK Interpretation 4 Amendment	Amendment to HK Interpretation 4 Leases – Determination of the Length of the Lease Term in respect of Hong Kong Land Leases
HK Interpretation 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The adoption of the new and revised HKFRSs had no material impact on the unaudited condensed consolidated financial statements of the Group for the current and prior accounting period.

The Group has not early adopted the following new and revised standards, amendments and interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements of HKFRSs issued in 2010 <sup>1</sup>
HKFRS 7 (Amendments)	Disclosures – Transfer of Financial Assets <sup>2</sup>
HKFRS 9	Financial Instruments <sup>3</sup>
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets <sup>4</sup>
HKAS 24 (Revised)	Related Party Disclosures <sup>5</sup>
HK(IFRIC) – Int 14 (Amendment)	Prepayment of a Minimum Funding Requirement <sup>5</sup>

<sup>1</sup> Amendments that are effective for annual periods beginning on or after 1 January 2011.

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2011.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2013.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2012.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2011.

The Group is in the process of assessing the potential impact of these new HKFRSs but is not yet in a position to determine whether these new HKFRSs will have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in change in the future as to how the results and financial position are prepared and presented.

## 2. SEGMENT INFORMATION

For management purpose, the Group is principally engaged in (i) trading of telecommunications products; (ii) provision of repair services of telecommunications products; and (iii) investments in financial assets.

The Group's operating businesses are almost exclusively with customers based in Hong Kong. Accordingly, no segment analysis by geographical area of operations is provided.

An analysis of the Group's revenue and results for the six months ended 31 March 2011 and 2010 is as follows:

	Trading of tele- communications products HK\$'000	Provision of repair services of tele- communications products HK\$'000	Investments in financial assets HK\$'000	Consolidated HK\$'000
<b>Unaudited for the six months ended 31 March 2011</b>				
<b>TURNOVER</b>	<b>6,314</b>	<b>10,239</b>	<b>-</b>	<b>16,553</b>
<b>SEGMENT RESULTS</b>	<b>(597)</b>	<b>(3,857)</b>	<b>29</b>	<b>(4,425)</b>
<b>Interest income</b>				<b>61</b>
<b>Unallocated corporate income</b>				<b>1,032</b>
<b>Unallocated corporate expenses</b>				<b>(8,848)</b>
<b>Loss before taxation</b>				<b>(12,180)</b>
<b>Income tax expense</b>				<b>-</b>
<b>Loss for the period attributable to owners of the Company</b>				<b>(12,180)</b>

	Trading of tele- communications products HK\$'000	Provision of repair services of tele- communications products HK\$'000	Investments in financial assets HK\$'000	Consolidated HK\$'000
Unaudited for the six months ended 31 March 2010				
TURNOVER	2,908	12,718	152	15,778
SEGMENT RESULTS	(4,228)	562	152	(3,514)
Interest income				32
Unallocated corporate income				5,675
Unallocated corporate expenses				(10,232)
Gain arising on changes in fair value of an investment property				4,800
Loss before taxation				(3,239)
Income tax expense				(792)
Loss for the period attributable to owners of the Company				(4,031)

Turnover reported above represents turnover generated from external customers. There were no inter-segment sales for the six months ended 31 March 2011 (2010: Nil).

### 3. OTHER REVENUE

	<b>Unaudited</b>	
	<b>For the six months ended</b>	
	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
Dividend income	<b>29</b>	-
Interest income	<b>61</b>	32
Others	<b>164</b>	131
	<b>254</b>	163

#### 4. LOSS FROM OPERATIONS

	Unaudited For the six months ended 31 March	
	2011	2010
	HK\$'000	HK\$'000
Loss from operations has been arrived at after charging:		
Cost of trading inventories sold	4,369	2,105
Employee benefit expenses (including directors' emoluments)	9,782	7,337
Retirement benefit costs (including directors' retirement benefit costs)	452	236
Depreciation	695	386
Loss on disposal of property, plant and equipment	157	-

#### 5. INCOME TAX EXPENSE

	Unaudited For the six months ended 31 March	
	2011	2010
	HK\$'000	HK\$'000
Current tax:		
Hong Kong Profits Tax (Note)	-	-
Deferred tax:		
Current period	-	(792)
	-	(792)

Note:

No provision for Hong Kong Profits Tax has been made for the companies in the Group as they either have no assessable profits or have available tax losses brought forward from prior years to offset against current period's estimated assessable profits.

#### 6. DIVIDENDS

The Board does not recommend the payment of interim dividends for the six months ended 31 March 2011 (2010: Nil).

#### 7. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic loss per share is based on the loss attributable to owners of the Company of approximately HK\$12,180,000 (2010: HK\$4,031,000) and on 5,165,973,933 (2010: 5,165,973,933) shares in issue during the Period.

The diluted loss per share for the Period was the same as the basic loss per share as there were no dilutive potential shares in existence during the Period.

## 8. TRADE RECEIVABLES

At the reporting dates, the aging analysis of the trade receivables is as follows:

	At 31 March 2011 HK\$'000 (unaudited)	At 30 September 2010 HK\$'000 (audited)
Current	1,704	2,038
One to three months overdue	635	381
More than three months but less than twelve months overdue	5	17
Over twelve months overdue	<u>145,868</u>	<u>145,837</u>
	148,212	148,273
Less: Impairment loss recognised	<u>(119,929)</u>	<u>(119,895)</u>
	<u>28,283</u>	<u>28,378</u>

Note:

The credit terms granted to the Group's customers vary and are generally the results of negotiations between the Group and individual customers.

## 9. TRADE PAYABLES

At the reporting dates, the aging analysis of the trade payables is as follows:

	At 31 March 2011 HK\$'000 (unaudited)	At 30 September 2010 HK\$'000 (audited)
Current and within one month	1,431	893
One to three months overdue	63	-
Over three months overdue	<u>-</u>	<u>74</u>
	<u>1,494</u>	<u>967</u>



## 10. OPERATING LEASE COMMITMENTS

At the reporting dates, the Group had commitments for total future minimum lease payments under non-cancellable operating leases falling due as follows:

	At 31 March 2011 HK\$'000 (unaudited)	At 30 September 2010 HK\$'000 (audited)
Within one year	4,408	4,447
In the second to fifth years, inclusive	1,432	6,712
	<u>5,840</u>	<u>11,159</u>

## BUSINESS REVIEW AND OUTLOOK

### Business Review

While the world remained on track towards recovery, the pace and momentum of the rebound during the quarters under review were affected by lingering economic and political uncertainties. During the six months ended 31 March 2011 (the "Period"), the Group recorded a 8.8% decrease in gross profit to approximately HK\$5.2 million (31 March 2010: HK\$5.7 million) on the back of turnover of approximately HK\$16.6 million (31 March 2010: HK\$15.8 million), up by approximately 5.1% year on year. The loss for the Period broadened to approximately HK\$12.2 million (31 March 2010: Loss of HK\$4.0 million), mainly owing to no gain arising on changes in fair value of an investment property and no cumulative gain reclassified from equity to profit or loss upon disposal of available-for-sale financial assets, and an increase in staff costs.

A variety of risks, including political and social turmoil in various parts of the world, combined with natural disasters, have weighed on the expectations for global recovery. In addition, the magnitude 9.0 earthquake that hit Japan on 11 March 2011 has already inflicted a significant effect on the global electronics industry. The Group will stay alert to the potential threat to its businesses due to this industry and supply-chain disruption.

As the Group extended its sales base in other telecommunications products in addition to handsets, the telecommunications products trading segment reported an increase in turnover to HK\$6.3 million (31 March 2010: HK\$2.9 million) for the Period.

The Group continued with the provision of value-added repair services for telecommunications products, a segment which complements the Group's customer-oriented marketing solutions and helps build a steady stream of recurrent income into the Group's revenue base. As a result of continued tight control on expenditures for after-sales services imposed by vendors, the repair services segment recorded a decrease in turnover to approximately HK\$10.2 million (31 March 2010: HK\$12.7 million).

In the face of the resulting challenging operating environment, margins for most vendors are steadily deteriorating, and thus the subsidies from vendors in relation to sales and marketing, in particular repair services, are expected to continue to shrink. Going forward, the Group will therefore continue to exercise prudence in this situation.

## Market Overview

The Period was marked by the devastating “Great East Japan Earthquake”, which wreaked massive destruction along the north-eastern coastline of Japan, causing both severe loss of life and a major economic impact. Technology manufacturers are particularly exposed to this disaster because of Japan’s importance as a supplier of semiconductors and other critical components in products such as mobile phones and computers. Japan’s crisis will undoubtedly have a considerable effect on electronics supply chains.

The impact is expected to be felt in both the short and long terms, affecting not only the upstream supply chains but almost every other consumer electronics industry. Some industry experts have estimated that the Japan disaster will reduce global shipments of mobile phones by some 14 million units this year.

Many analysts forecast that Apple’s production of iPhones and iPads will be meaningfully impaired in the coming months in the aftermath of the earthquake and tsunami. Nokia also issued a warning of the disruption to its supply chain, as the mobile phone maker sources about 12% of its components in Japan. The company remarked that the disaster was likely to result in shortages of some Nokia handset models. Sony Ericsson, in a company statement, said it also anticipated disruption to its supply-chain operations and that the current situation in Japan would have a material impact on the company’s business.

In 2010, worldwide mobile device sales to end users totalled 1.6 billion units, a 31.8% increase from 2009, according to Gartner, Inc. For the first quarter of 2011, IE Market Research Corporation expected the global handset market to grow by 20.8%, year on year, to 382.9 million units.

Meanwhile, the continued rise of the smartphone has been at the expense of the more traditional players, which have felt increasingly threatened by competition from iPhone and Google Android. Smartphone sales to end users were up 72.1% from 2009 and accounted for 19% of total mobile communications device sales in 2010.

White-box sales exceeded 60 million units in 2010 overall. Although white-box sales helped boost mobile device sales, Gartner considered it misleading to interpret this as market “growth” in the strictest sense. Rather, the research house attributed this increase in addressable market for mobile device manufacturers to a shift in consumer behaviour to buying new phones from legitimate channels as opposed to acquiring second-hand and black-market devices.

In the smartphone operating system (OS) market, the Google Android OS grew 888.8% in 2010 and moved to the number-two position. Android sales continued to be driven by broad availability of many high-end products from different vendors, with its OS now overtaking the Apple iOS at a global level. The wider availability of the iPhone 4 helped Apple to lead the iOS platform to achieve fourth global position in 2010. With every iPhone, iPad and iPod Touch sold, Apple is expected to strengthen its developer ecosystem.

At the same time, Symbian’s market share dropped further, but since the Symbian OS is also used by Fujitsu and Sharp, as well as in legacy products from Sony Ericsson and Samsung, aggregate sales volume kept it slightly ahead of Android in 2010.

After years of waiting, the business case for third-generation (3G) telecommunications has begun to build around the world, largely due to the wide popularity of the iPhone, 3G-embedded tablets and the social media.

“Planet 3G” grew to about 697 million subscribers at the end of the third quarter of 2010, up 40%, year on year, and accounting for 14% of the world’s total 5.12 billion mobile subscribers, according to TeleGeography. Much of the recent 3G growth came from China and other parts of the Asia-Pacific region. With India and the rest of the emerging telecommunications markets looking to switch to 3G networks this year, TeleGeography expects to see a big jump in the number of 3G subscribers in 2011.

However, the growth in subscribers did not translate directly into increased revenue for network operators. The 3 Group, for example, announced in its 2010 results that its average revenue per user (ARPU) fell 5%, year on year, despite a 41% surge in non-voice revenue per year. China Mobile and China Telecom also reported a 5% and 9% drop respectively in ARPU against subscriber growth.

In the medium term, fourth-generation (4G) technology, which holds the promise to provide a connection speed more than 50 times faster than 3G, is regarded as the next growth engine for the world telecommunications market. However, Gartner predicts that it will be some time before the 4G market reaches maturity. The research firm expects only 3% of mobile devices globally to operate on Long Term Evolution (LTE) by 2014.

In China, the Ministry of Industry and Information Technology also stated that it will still take three to five years before the country can begin large-scale commercial implementation of the 4G service as its home-grown Time Division-Long Term Evolution (TD-LTE) technology is still not fully mature.

Revenue from repair services was constrained by the cost control measures implemented by vendors. Repair service income from vendors has been shrinking. The operating environment was also rendered more difficult by the increases in both staff expenses and compensation costs to customers.

### **Financial Review**

At 31 March 2011, the overall inventory level remained at a relatively low level of approximately HK\$3.5 million (30 September 2010: HK\$3.4 million). No fixed deposit was pledged to grant banking facility during the Period (30 September 2010: Fixed deposit of HK\$4.7 million was pledged as collateral). The current ratio was approximately 1.89 (30 September 2010: 2.14) while the liquid ratio was approximately 1.83 (30 September 2010: 2.09).

At 31 March 2011 and 30 September 2010, there were no borrowings within the Group. The gearing ratio, which is expressed as a percentage of total borrowings over total assets, was nil (30 September 2010: Nil).

As in previous years, the Group will continue to adopt a conservative cash-management policy. The Group conducts its core business transactions mainly in Hong Kong and United States dollars. The greater part of these cash and bank balances are in either Hong Kong or United States dollars, hence the Hong Kong dollar peg to the United States dollar provides a natural hedge against short-term currency fluctuations under normal trading circumstances.

### **Prospects**

In the first quarter of 2011, strong demand for smartphones gave a further boost to overall handset sales volumes, making Apple's iPhone the overall market winner. For the January-March 2011 period, research firm IDC saw handset market growth of 20%, helped also by strong gains by smaller vendors. However, the three largest phone makers – Nokia, Samsung Electronics and LG Electronics – all lost market share. In an unusual warning after its quarterly results reporting, Research in Motion made a steep downward revision of its current quarter forecast.

Strategy Analytics noted that the first quarter of 2011 was marked by supply-chain disruptions related to the Japan earthquake and by ongoing component constraints in areas such as touch screens, memory and cameras. The firm expected component shortages to continue for at least the next six to nine months, causing restricted volumes or rising input prices.

As regards the market for personal computers and netbooks, Microsoft has continued to surrender territory to Apple and other tablet makers. Analysts remarked that tablet competition has accounted for at least some of the sluggishness in Microsoft's consumer sales, which was marked by an 8% year-on-year drop in personal computer shipments and a 40% decline in netbook sales during the first quarter of 2011.

Consumer demand for mobile data will increase further, as carriers continue to deploy 3G and 4G networks around the world, enabling better user experiences and opening new markets to reliable mobile Internet access. 3G subscribers are forecast to double over the next five years to account for 47% of total mobile subscribers in 2015, with an additional 5% of mobile subscribers opting for 4G service. The ability to turn this growing data usage into revenue will be the key challenge for carriers going forward.

At the same time, Parks Associates forecasts that more than 68 million of the 126 million tablets to be sold worldwide in 2015 will have 3G-or-better technology. In a report, the research firm estimated that 29% of the 16.5 million tablets sold in 2010 featured embedded 3G technology, while tablets with 3G/4G technology will account for over one-half of all tablets sold in 2015.

As carriers continue to optimise network performance, be selective about subsidising mobile platforms, and monetise Wi-Fi assets in order to stay profitable, the Group will maintain its conservative outlook for the business landscape ahead. Operational challenges will remain for most vendors, carriers, sales agents and after-sales service operators.

The Group expects that the tight controls over expenditure on after-sales service will continue to be imposed by vendors, which are now being impacted by deteriorating margins. With the exception of the research-and-development budget, vendor spending on subsidies in respect of sales and marketing, in particular repair services, is most likely to shrink substantially. Constantly increasing staff expenses and compensation costs to customers continue to squeeze the repair service income. For the foreseeable future, the Group will be particularly cautious in this challenging operating environment and will review from time to time the feasibility and continuance of this operation.

The Group will continue to exercise caution in financial management and maintain its prudent strategy of minimising inventory while seeking business developments that promise steady sources of income. It will also continue to explore opportunities in engaging in new businesses with new vendors of telecommunications products and other electronic consumables, as well as in new business opportunities in other sectors.

### **Employee Information**

At 31 March 2011, the Group employed a workforce of 78 (31 March 2010: 55). Staff costs, including salaries and bonuses, for the Period were approximately HK\$10.2 million (31 March 2010: HK\$7.6 million).

The Group maintains a competitive remuneration policy to motivate, retain and attract talent. The remuneration packages mainly include salary payments, group medical insurance plans and discretionary bonuses awarded on a performance basis. The Group provides pension schemes for employees as part of their staff benefits.

### **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 Period.

## COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the period of the six months ended 31 March 2011, the Company has complied with the code provisions (“Code Provisions”) set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules, except for the following deviations:-

### 1. Code Provision A.2.1

Code Provision A.2.1 provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The positions of Chairman of the Board and Chief Executive Officer (“CEO”) of the Company are both currently carried on by the same person. The Board considers that this structure does not undermine the balance of power and authority between the Board and the management. The Board members have considerable experience and qualities which they bring to the Company and the Board believes that it is able to ensure that the balance of power between the Board and the management is not impaired. The Board believes that having the same person performing the roles of both Chairman and CEO does provide the Group with strong and consistent leadership and that, operating in this manner allows for more effective and efficient overall strategic planning of the Group.

### 2. Code Provision A.4.2

Code Provision A.4.2 provides that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

According to Article 116 of the articles of association of the Company, all directors of the Company (except the CEO) shall retire by rotation at the annual general meeting of the Company at least once every three years. In the opinion of the Board, stability and continuation are key factors to the successful implementation of business plans. The Board believes that it is beneficial to the Group that there is continuity in the role of the CEO and, therefore, the Board is of the view that the CEO should be exempt from this arrangement at the present time.

## AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group, and discussed internal controls and financial reporting matters including a review of the unaudited consolidated interim results of the Group for the Period.

On behalf of the Board  
**SY Ethan, Timothy**  
*Chairman*

Hong Kong, 24 May 2011

*As at the date of this announcement, the Board comprises 6 directors, of which 2 are executive directors, namely Mr. SY Ethan, Timothy and Mr. SUNG Yee Keung, Ricky, 1 is a non-executive director, namely Mr. KO Wai Lun, Warren and 3 are independent non-executive directors, namely Mr. Andrew David ROSS, Mr. Geoffrey William FAWCETT and Mr. Charles Robert LAWSON.*