



# ENM Holdings Limited

安寧控股有限公司

(incorporated in Hong Kong with limited liability)

(Stock code: 128)

## Results Announcement for the Year Ended 31 December 2005

The Board of Directors (the “Board”) of ENM Holdings Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2005.

### CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2005

(Expressed in Hong Kong dollars)

	Notes	2005 \$'000	2004 \$'000 (Restated)
REVENUE	3	242,536	221,273
Cost of sales		<u>(110,221)</u>	<u>(93,510)</u>
Gross profit		132,315	127,763
Other income and gains	4	5,859	17,409
Selling and distribution costs		(68,359)	(55,808)
Administrative expenses		(74,041)	(80,548)
Other operating income/(expenses), net		16,631	(16,781)
Write-back of deficits on revaluation of properties		6,397	25,611
Finance costs	5	(969)	(377)
Share of profits and losses of associates		<u>(2,883)</u>	<u>(5,112)</u>
PROFIT BEFORE TAX	6	14,950	12,157
Tax	7	<u>43</u>	<u>159</u>
PROFIT FOR THE YEAR		<u>14,993</u>	<u>12,316</u>
Attributable to:			
Equity holders of the Company		10,923	7,039
Minority interests		<u>4,070</u>	<u>5,277</u>
		<u>14,993</u>	<u>12,316</u>

	<i>Notes</i>	<b>2005</b> <b>\$'000</b>	2004 \$'000 <i>(Restated)</i>
<b>DIVIDENDS</b>		<u>Nil</u>	<u>Nil</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>			
	8		
- Basic		<u><b>0.66 cents</b></u>	<u>0.43 cents</u>
- Diluted		<u>N/A</u>	<u>N/A</u>

### CONSOLIDATED BALANCE SHEET

As at 31 December 2005

*(Expressed in Hong Kong dollars)*

	<i>Notes</i>	<b>2005</b> <b>\$'000</b>	2004 \$'000 <i>(Restated)</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>80,326</b>	74,198
Investment properties		<b>109,700</b>	96,200
Prepaid land premiums		<b>3,140</b>	3,217
Goodwill		<b>6,610</b>	6,610
Interests in jointly-controlled entities		—	—
Interests in associates		<b>17,348</b>	9,633
Available-for-sale equity investments/long term investments		<u><b>35,503</b></u>	<u>35,489</u>
<b>Total non-current assets</b>		<u><b>252,627</b></u>	<u>225,347</u>
<b>CURRENT ASSETS</b>			
Inventories		<b>34,920</b>	33,910
Trade receivables	9	<b>7,105</b>	11,710
Prepayments, deposits and other receivables		<b>37,407</b>	28,651
Prepaid land premiums		<b>77</b>	77
Equity investments at fair value through profit and loss/short term investments		<b>148,736</b>	149,296
Due from an associate		—	641
Pledged deposits		<b>342</b>	342
Time deposits		<b>515,379</b>	531,741
Cash and bank balances		<u><b>29,246</b></u>	<u>49,266</u>
<b>Total current assets</b>		<u><b>773,212</b></u>	<u>805,634</u>

	<i>Notes</i>	<b>2005</b> <b>\$'000</b>	2004 \$'000 <i>(Restated)</i>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	<b>55,270</b>	81,819
Interest-bearing bank and other borrowings		<b>3,978</b>	6,597
Current portion of debentures		<b>1,684</b>	954
Other loans		<b>5,230</b>	5,207
Tax payable		<b>5,497</b>	5,436
<b>Total current liabilities</b>		<b><u>71,659</u></b>	<u>100,013</u>
<b>NET CURRENT ASSETS</b>		<b><u>701,553</u></b>	<u>705,621</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b><u>954,180</u></b>	<u>930,968</u>
<b>NON-CURRENT LIABILITIES</b>			
Debentures		<b>6,673</b>	8,550
Interest-bearing bank and other borrowings		<b>297</b>	—
Deferred revenue		<b>27,868</b>	20,870
<b>Total non-current liabilities</b>		<b><u>34,838</u></b>	<u>29,420</u>
<b>Net assets</b>		<b><u>919,342</u></b>	<u>901,548</u>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Issued capital		<b>16,507</b>	16,507
Reserves		<b>871,428</b>	858,859
<b>Minority interests</b>		<b>887,935</b> <b>31,407</b>	875,366 26,182
<b>Total equity</b>		<b><u>919,342</u></b>	<u>901,548</u>

*Notes:*

**1 Basis of preparation and significant accounting policies**

The financial information set out in this final results announcement does not constitute the Group's statutory financial statements for the year ended 31 December 2005 but is derived from those financial statements.

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations ("HK-Ints") issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, certain leasehold buildings and equity investments, which have been measured at fair value.

The accounting policies and basis of preparation adopted in the preparation of the annual financial statements are the same as those used in the annual financial statements for the year ended 31 December 2004, except for the changes in accounting policies following the adoption of certain new and revised HKFRSs (which also include HKASs and HK-Ints) that affect the Group and are adopted for the first time for the current year's financial statements:

(a) HKAS 32 and HKAS 39 - Financial Instruments

Upon the adoption of HKASs 32 and 39, after initial recognition, (1) each available-for-sale investment is measured at fair value with gains or losses recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement. When the fair value of unlisted equity securities cannot be reliably measured, such securities are stated at cost less impairment losses; and (2) financial assets at fair value through profit or loss are stated at fair values with gains or losses being recognised in the income statement.

The change in accounting policy has resulted in the reclassification of the Group's investments in equity securities, classified as long term investments or short term investments previously, as available-for-sale equity investments and equity investments at fair value through profit and loss, respectively. The adoption of HKAS 39 has not resulted in any change in the measurement of the Group's investments in equity securities.

(b) HKAS 40 - Investment Property and HK-INT 2 - The Appropriate Accounting Policies for Hotel Properties

Changes in accounting policies relating to investment properties are as follows:

(i) Changes in fair values of investment properties

Upon the adoption of HKAS 40, gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

The adoption of HKAS 40 has had no effect on the Group's consolidated income statement and opening balances of accumulated losses as at 1 January 2005 and 2004 since the Group recorded net revaluation deficits in prior years and had no investment revaluation reserve at these dates.

(ii) Reclassification of resort and recreational club properties

Upon the adoption of HKAS 40 and HK-Int 2, only owner-managed properties are regarded as owner-occupied properties and stated at valuation less accumulated depreciation and any impairment losses. On the other hand, if a property owner's position is, in substance, be that of a passive investor and is not significantly exposed to the cash flows generated by the property, the property is distinguished from owner-occupied properties and is classified as an investment property.

The adoption of HKAS 40 and HK-Int 2 has resulted in the reclassification of the Group's resort and recreational club properties located in Shanghai, Mainland China, as investment properties. The effects of this change in accounting policy are summarised in note 2 below. In accordance with HKAS 40 and HK-Int 2, comparative amounts have been restated.

(c) HKFRS 2 - Share-based Payment

Upon the adoption of HKFRS 2, when employees (including directors) render services as consideration for equity instruments ("equity-settled transactions"), the cost of the equity-settled transactions with employees is measured by reference to the fair value at the date at which the instruments are granted.

The Group has adopted the transitional provisions of HKFRS 2 under which the new recognition and measurement policies have not been applied to options granted to employees on or before 7 November 2002. The adoption of HKFRS 2 has had no effect on the Group's consolidated income statement and accumulated losses since all outstanding options of the Group were granted to employees before 7 November 2002.

(d) HKFRS 3 - Business Combinations and HKAS 36 - Impairment of Assets

The adoption of HKFRS 3 and HKAS 36 has resulted in the Group ceasing annual goodwill amortisation and commencing testing for impairment at the cash-generating unit level annually (or more frequently if events or changes in circumstances indicate that the carrying value may be impaired). Any impairment loss recognised for goodwill is not reversed in a subsequent period.

The transitional provisions of HKFRS 3 have required the Group to eliminate at 1 January 2005 the carrying amounts of accumulated amortisation with a corresponding adjustment to reduce the cost of goodwill. Goodwill previously eliminated against the consolidated capital reserves remains eliminated against the consolidated capital reserves and is not recognised in the income statement when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

The effects of the above changes are summarised in note 2 below. In accordance with the transitional provisions of HKFRS 3, comparative amounts have not been restated.

(e) HKAS 17 — Leases

Upon the adoption of HKAS 17, the Group's leasehold interest in the recreational club located in Hong Kong is separated into its leasehold land and buildings. The leasehold land is classified as an operating lease since the ownership title to the land interest is not expected to pass to the Group by the end of the lease term, and is reclassified from property, plant and equipment to prepaid land premiums, while the buildings continue to be included within the "resort and recreational club properties" category of property, plant and equipment and is stated at valuation, as determined using depreciated replacement costs basis, less depreciation and any impairment losses. Prepaid land premiums for land lease payments under operating leases are initially stated at cost and subsequently amortised on the straight-line basis over the lease term. In respect of the lease payments for interests in leasehold land and buildings which cannot be allocated reliably between the land and building elements at inception, the entire lease payments are included as finance leases and have continued to be stated at valuation less accumulated depreciation and any impairment losses.

The effects of the above changes are summarised in note 2 below. In accordance with HKAS 17, comparative amounts have been restated.

(f) HKAS 1 — Presentation of Financial Statements

HKAS 1 has affected the presentation of minority interests on the face of the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity and other disclosures.

(g) HKAS 24 — Related Party Disclosures

HKAS 24 has expanded the definition of related parties and affected the Group's related party disclosures.

2. Summary of impact of changes in accounting policies

(a) Effect on the consolidated balance sheet

(Increase/(decrease))	HKAS 40 and HK-Int 2- Reclassification of resort and recreational club properties \$'000 (note 1(b))	HKAS 17- Separation of the land and buildings components of owner-occupied properties \$'000 (note 1(e))	HKFRS 3- Discontinuation of goodwill \$'000 (note 1(d))	Total \$'000
<b>At 1 January 2005</b>				
Property, plant and equipment	(92,000)	(54,000)	—	(146,000)
Investment properties	92,000	—	—	92,000
Goodwill	—	—	—	—
Prepaid land premiums	—	3,294	—	3,294
Accumulated losses	—	50,706	—	<u>50,706</u>
<b>At 31 December 2005</b>				
Property, plant and equipment	(105,000)	(56,800)	—	(161,800)
Investment properties	105,000	—	—	105,000
Goodwill	—	—	352	352
Prepaid land premiums	—	3,217	—	3,217
Accumulated losses	—	53,583	—	<u>53,583</u>

(b) Effect on the opening balances of accumulated losses

	Note	Increase in accumulated losses \$'000
<b>At 1 January 2004</b>		
HKAS 17 - Separation of the land and buildings components of owner-occupied properties	1(e)	<u>44,129</u>
<b>At 1 January 2005</b>		
HKAS 17 - Separation of the land and buildings components of owner-occupied properties	1(e)	<u>50,706</u>

(c) *Effect on the consolidated income statement*

Increase/(decrease) in profit	HKAS 40 and HK-Int 2- Decrease in depreciation of resort and recreational club properties \$'000 <i>(note 1(b))</i>	HKAS 40 and HK-Int 2- Decrease in write-back of deficits on revaluation of properties \$'000 <i>(note 1(b))</i>	HKFRS 3- Discontinuation of amortisation of goodwill \$'000 <i>(note 1(d))</i>	HKAS 17- Decrease in depreciation of owner-occupied properties \$'000 <i>(note 1(e))</i>	HKAS 17- Decrease in write-back of deficits on revaluation of properties \$'000 <i>(note 1(e))</i>	HKAS 17- Amortisation of prepaid land premiums for land lease payments \$'000 <i>(note 1(e))</i>	Total \$'000
<b>Year ended 31 December 2005</b>							
Other operating income/(expenses), net	5,111	—	352	1,271	—	(77)	6,657
Write-back of deficits on revaluation of properties	—	(5,111)	—	—	(4,071)	—	<u>(9,182)</u>
Net decrease in profit							<u>(2,525)</u>
Decrease in basic earnings per share							<u>(0.15) cents</u>
Decrease in diluted earnings per share							<u>N/A</u>
<b>Year ended 31 December 2004</b>							
Other operating income/(expenses), net	2,631	—	—	1,038	—	(77)	3,592
Write-back of deficits on revaluation of properties	—	(2,631)	—	—	(7,538)	—	<u>(10,169)</u>
Net decrease in profit							<u>(6,577)</u>
Decrease in basic earnings per share							<u>(0.40) cents</u>
Decrease in diluted earnings per share							<u>N/A</u>

### 3 Revenue and segmental information

An analysis of the Group's revenue and results by the Group's business segments and an analysis of the Group's revenue by the Group's geographical segments are as follows:

#### (a) Business segments

	Group revenue		Contribution to profit/(loss) before tax	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000 <i>(Restated)</i>
Wholesale and retail of fashion wear and accessories	195,467	164,250	10,662	13,546
Telecommunications services*	4,630	24,104	5,360	3,820
Resort and recreational club operations	19,127	19,528	(113)	(1,025)
Investments and treasury	<u>23,312</u>	<u>13,391</u>	<u>(906)</u>	<u>(22,146)</u>
	<u>242,536</u>	<u>221,273</u>	15,003	(5,805)
Unallocated expenses			(2,598)	(2,160)
Write-back of deficit on revaluation of:				
Investment properties			3,785	21,789
Leasehold land and buildings			2,612	3,822
Finance costs			(969)	(377)
Share of profits and losses of associates			(2,883)	(5,112)
Profit before tax			14,950	12,157
Tax			<u>43</u>	<u>159</u>
Profit for the year			<u>14,993</u>	<u>12,316</u>

#### (b) Geographical segments

	Group revenue	
	2005 \$'000	2004 \$'000
Hong Kong	237,809	195,662
Mainland China	3,675	3,214
North America	—	11,102
European Union	54	6,138
Japan	366	2,573
Other Asia Pacific regions	629	2,578
Others	<u>3</u>	<u>6</u>
	<u>242,536</u>	<u>221,273</u>

\* Turnover from the provision of telecommunications services for the year ended 31 December 2004 included a sum of \$10,224,000 received from a final transit carrier in respect of traffic revenue generated in prior years which was not recognised previously in view of the uncertainty of its collectibility.

#### 4 Other income and gains

An analysis of other income and gains is as follows:

	<b>2005</b>	2004
	<b>\$'000</b>	\$'000
		<i>(Restated)</i>
Sub-leasing rental income	<b>529</b>	5,839
Management fees	<b>3,463</b>	3,599
Consulting service fees	—	257
Gain on disposal of a franchise business	—	4,519
Commission income	—	1,131
Others	<b><u>1,867</u></b>	<u>2,064</u>
	<b><u>5,859</u></b>	<u>17,409</u>

#### 5 Finance costs

	<b>2005</b>	2004
	<b>\$'000</b>	\$'000
Interest on bank loans and overdrafts wholly repayable within five years	<b>597</b>	377
Interest on a finance lease	<b>10</b>	—
Accretion of interest on debentures	<b><u>362</u></b>	<u>—</u>
	<b><u>969</u></b>	<u>377</u>

#### 6 Profit before tax

The Group's profit before tax is arrived at after charging/(crediting):

	<b>2005</b>	2004
	<b>\$'000</b>	\$'000
		<i>(Restated)</i>
Cost of inventories sold	<b>108,109</b>	84,017
Goodwill arising from acquisition of subsidiaries:		
Amortisation for the year	—	622
Impairment arising during the year	—	1,435
Amortisation of deferred revenue	<b>(400)</b>	—
Recognition of prepaid land premiums	<b>77</b>	77
Depreciation	<b>7,795</b>	5,548
Dividend income from listed investments	<b>(4,182)</b>	(5,624)
Interest income	<b>(19,130)</b>	(7,767)
Exchange gains, net	<b>(8,637)</b>	(3,503)
Gain on disposal of items of property, plant and equipment	<b>(29)</b>	(333)
Net realised and unrealised gains on short term investments	—	(14,170)
Impairment of long term investments	—	22,988
Fair value losses, net:		
Available-for-sale investments (transfer from equity)	<b>783</b>	—
Equity investments at fair value through profit or loss	<b>4,169</b>	—
Impairment of items of property, plant and equipment	<b><u>242</u></b>	<u>—</u>

## 7 Tax

No provision for Hong Kong profits tax and overseas income tax has been made for the year ended 31 December 2005 (2004: Nil) as the Company and its subsidiaries either did not generate any assessable profits for the year or have available tax losses brought forward from prior years to offset against any assessable profit generated during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2005 \$'000	2004 \$'000
Current — Hong Kong		
Underprovision in prior years	7	—
Current — Overseas		
Overprovision in prior years	(50)	(42)
Deferred tax	<u>—</u>	<u>(117)</u>
Total tax credit for the year	<u>(43)</u>	<u>(159)</u>

## 8 Earnings per share attributable to ordinary equity holders of the Company

The calculation of basic earnings per share amounts is based on the net profit for the year attributable to ordinary equity holders of the Company for the year of \$10,923,000 (2004: \$7,039,000 (as restated)), and the weighted average number of ordinary shares in issue during the year of 1,650,658,676 (2004: 1,650,658,676).

Diluted earnings per share amounts for the years ended 31 December 2005 and 2004 have not been disclosed as no diluting events existed during these years.

## 9 Trade Receivables

The Group maintains a defined credit policy for its trade customers and the credit terms given vary according to business activities. The financial strengths of and the length of business relationship with the customers, on an individual basis, are considered in arriving at the respective credit terms. Overdue balances are reviewed regularly by management.

An aged analysis of the trade receivables as at the balance sheet date, based on the invoice date and net of provisions, is as follows:

	Group	
	2005 \$'000	2004 \$'000
Within 1 month	4,347	7,305
2 to 3 months	232	993
Over 3 months	<u>2,526</u>	<u>3,412</u>
	<u>7,105</u>	<u>11,710</u>

## 10 Trades and other payables

All trade and other payables of the Group are repayable within one month or on demand.

## **DIVIDENDS**

The directors do not recommend the payment of any dividend for the year ended 31 December 2005 (2004: HK\$Nil).

## **CHIEF EXECUTIVE'S STATEMENT**

### **FINANCIAL REVIEW**

The Group reported a turnover of HK\$242,536,000 (2004: HK\$221,273,000) and consolidated profit attributable to equity holders of the Company amounting to HK\$10,923,000 (2004: HK\$7,039,000 (as restated)) for the year ended 31 December 2005. Earnings per share was HK\$0.66 cents (2004: HK\$0.43 cents (as restated)).

### **LIQUIDITY AND FINANCIAL POSITION**

On 31 December 2005, the Group was in a solid financial position with a cash and deposit holdings of HK\$544,625,000 (2004: HK\$581,007,000). On 31 December 2005, total borrowings stood at HK\$17,862,000 (2004: HK\$21,308,000) with HK\$10,892,000 (2004: HK\$12,758,000) repayment falling due within one year. The Group's gearing ratio (a comparison of total borrowings with equity attributable to equity holders of the Company) was 2% at the year end date (2004: 2.4%). The current ratio on 31 December 2005 was 10.8 times (2004: 8.1 times).

On 31 December 2005, the Group's borrowings and bank balances were primarily denominated in Hong Kong dollars, United States dollars and Euros. Exchange differences were reflected in the audited financial statements. All borrowings of the Group are either on a floating rate basis or interest free.

The Group's imported purchases are mainly denominated in Euros and United States dollars. The Group will from time to time review its foreign exchange position and market conditions to determine if any hedging is required.

### **BUSINESS REVIEW**

Performance of the Group continues to improve during the year, benefiting from the overall economic environment. Rising interest rates and the upbeat market sentiment contributed to the substantial improvement in our investments and treasury activities.

The performance of the Group's lines of business continues to improve. The recreational club, VivaSha, the biggest of its kind in Shanghai, has completed its expansion and renovation, just in time for Shanghai's increase in commercial activities. Hilltop in Hong Kong continues to maintain its turnover but the premises require capital expenditure to cater to the changes of economic environment in Tsuen Wan. Telecommunications and technologies sector is improving, noticeably Smartdot and SENMTT. Swank continues to upgrade and expand its shops, but the operating margin is affected by rising rentals. In Bio-medical sector, Genovate's profit continues to improve for the 2nd year but Cardima has to overcome key challenges.

## **RESORT AND RECREATIONAL CLUB OPERATIONS**

### ***VivaSha***

VivaSha, comprised of a 4-star Hotel Building with 320 rooms, a Clubhouse Building and an International Convention Centre, had its soft opening at the end of March 2006. The Clubhouse Building is equipped with indoor/outdoor swimming pools, spa and various sports facilities such as a gymnasium, a 200 meters golf driving range, tennis courts, a multi-function sport centre with badminton courts, table-tennis room, chess room, activity centre, etc. The International Convention Centre has seven multi-purpose conference halls/rooms and can serve more than 600 guests at one time.

Based on the high occupancy rate in hotels in Shanghai last year, Management believes this trend will continue for the next few years and benefit our new hotel. In addition, Management believes that the current strong demand of quality residential properties in Shanghai is a solid indication that Shanghai residents are more concerned about living quality than ever, which is a positive factor to our resort hotel business.

### ***Hong Kong Hilltop Country Club (“Hilltop”)***

Turnover for 2005 remains steady. Accommodation facility, Chinese Restaurant and Banquet performed according to expectation. European Restaurant and Banquet registered a slight increase in revenue as a result of promotion programmes on meetings and training activities. More and more big corporations choose Hilltop as their meeting and training venues.

The gradual transformation of Tsuen Wan District benefits Hilltop in the long run with the opening of more tourist attractions. However, competition is expected to be keen as new hotels, conference and recreational facilities are completed. Maintenance and repair were implemented to make Hilltop more competitive.

## **TELECOMMUNICATIONS & TECHNOLOGIES**

### ***SinoPay.com Holdings Limited (“SinoPay”)***

SinoPay’s main business is providing B2C electronic payment and Intra-bank fund transfer solution services in PRC through its Joint Venture, China e-Payment Service Ltd (“the JV”) in Shanghai, with China UnionPay. In January 2005, both SinoPay and the JV completed a capital increase exercise. The Group’s interest in SinoPay was increased from 7% to 9.2% and the Group’s indirect interest in the JV was increased from 2.8% to 3.6% accordingly.

The proposed merger between China e-Payment Service Ltd and Easylink, a counterpart of the JV in Guangdong controlled by China UnionPay at present for higher operating efficiency and market share, is under processing. Management believes that the merger between the two companies is highly synergistic and should result in significant improvement in the performance of the JV. The proposed merger is targeted to be completed in 2006.

### ***Beijing Smartdot Technologies Co. Ltd. (“Smartdot”)***

Smartdot is engaged in the development of software and solution projects in China. Its core businesses are e-government projects and office automation. In 2005, Smartdot became a distributor for WBCR, an IBM software product for business flow and control management. Together with its in-house developed software product “iOA (Integration Oriented Office Automation)”, Smartdot has successfully introduced itself into the private sector market with its office automation product and services. In addition to the government, major customers include energy enterprises and financial institutions. Turnover has increased by 31% to RMB77.2 million. Profit after tax amounts to RMB6 million, a two-fold increase from last year. Smartdot aims to be a leading software and services provider for office automation services in China.

### ***Wireless Network Card Business***

Shanghai ENM Telecom & Technology Limited (“SENMTT”)’s major business is providing wireless-enabled, turnkey solutions for corporate and individual customers who desire internet access in China or other countries. SENMTT collaborates with China Mobile Shanghai and China Unicom Shanghai to distribute GPRS and CDMA1X network cards in the Shanghai district. Management believes that the launch of 3G service in China in 2006 will provide business opportunities to SENMTT in Shanghai and nearby regions.

## **RETAIL FASHION**

### ***The Swank Shop Limited (“Swank”)***

Swank has registered a sales growth of 20% as compared to the previous year, despite a subdued consumer climate over the period caused by warmer weather, rising interest rates and higher fuel prices. Gross profit rose by 9% year-on-year resulting in a positive bottom line. A total of four points-of-sale were opened in prime locations while an equal number of poor performing outlets were closed after lease expiry.

Swank will continue to drive sales upward and improve margins in 2006. It will increase its focus on in-trend luxury products, and improve merchandise display and customer service. Three additional shops will be opened, two of which are relocations. New shop design will provide customers with a better shopping environment.

## **BIO-MEDICAL**

### ***Genovate Biotechnology Company Limited (“Genovate”)***

Genovate (founded in Taiwan in 1993 by Genelabs Technologies, Inc. of the USA) is a fully integrated pharmaceutical company, encompassing in its operation: new drug development and new formulation capability, clinical trials for local and international pharmaceutical companies, drug manufacturing, drug marketing and distribution in Taiwan.

In 2005, Genovate launched a range of new drug products in the Taiwan market. “Genetaxyl” is an improved version of Paclitaxel (BMS’ Taxol) developed by Genovate for treatment of breast cancer. Its market share in Taiwan has increased favourably due to good efficacy and better safety profile, as compared to Taxol. Two newly marketed drugs, Urotrol and Glusafe, have received positive market acceptance in Taiwan. More and more doctors are prescribing Urotrol, due to less incidence of the dry mouth side effect. On the other hand, sales for Glusafe are maturing due to intense market competition. In early 2005, for the first time Taiwan granted approval for two “once a day” new drugs, Loxol SR and Diabetrol SR. As several medical centres have started to prescribe Loxol SR, sales are expected to grow significantly in 2006. Diabetrol SR was launched for market in March 2006.

With regard to new drug discovery, Genovate has initiated two programs in collaboration with the government research institute ITRI. One is antigout NCE and the other is an antiemetic patch. Genovate’s product pipeline will be further strengthened after these two products reach clinical development.

### ***Cardima, Inc. (“Cardima”)***

Cardima, based in the USA, is engaged in the development of medical devices for minimally invasive treatment of atrial fibrillation by utilising its Surgical Ablation System (“SAS”) during heart surgery. The SAS, a combination of devices including the Revelation Tx microcatheter system, has already received marketing clearance through CE Mark approval in Europe. As for the U.S. market, Cardima has not been successful in securing Pre-Market Approval from the U.S. Food and Drug Administration according to plan. In 2005, the trading of Cardima shares was moved to the OTB Bulletin Board primarily due to non-compliance with the minimum trading price requirement of the Nasdaq Market.

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

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

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

In the opinion of the Directors, the Company has complied with the Code Provisions of the Code on Corporate Governance Practices (the “CG Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, except for Code Provision C.2 of the CG Code on internal controls, which are to be implemented for the accounting periods commencing on or after 1 July 2005 and the deviations in respect of the service term and the rotation of Directors under Code Provisions A.4.1 and A.4.2 of the CG Code.

Under Code Provision A.4.1 of the CG Code, Non-executive Directors should be appointed for a specific term and subject to re-election. Under Code Provision A.4.2 of the CG Code, all Directors appointed to fill casual vacancy should be subject to election by shareholders at the first general meeting after their appointment, and every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

None of the existing Non-executive and Independent Non-executive Directors of the Company is appointed for a specific term. However, all of the Non-executive and Independent Non-executive Directors are subject to retirement by rotation in accordance with the Company's Articles of Association.

According to the Articles of Association of the Company, any Director appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. At each annual general meeting, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest one-third, shall retire from office. The Directors to retire in every year shall be those who have been longest in office since their last election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot. The retiring Directors shall be eligible for re-election. As there are eight Directors and one-third of them shall retire subject to rotation, each Director is effectively appointed under a term of more than 3 years. To align the Articles of Association of the Company with the CG Code, the Company will propose to amend its Articles of Association in the forthcoming annual general meeting.

#### **REVIEW BY AUDIT COMMITTEE**

The Company's consolidated results for the year ended 31 December 2005 have been reviewed by the Audit Committee of the Company. The Audit Committee comprises one Non-Executive Director, Mr. Raymond Wai Pun LAU and three Independent Non-executive Directors, namely Dr. Cecil Sze Tsung CHAO, Dr. Jen CHEN and Mr. Ian Grant ROBINSON.

#### **BOARD OF DIRECTORS**

As at the date of this announcement, the Executive Directors of the Company are Mr. Joseph Wing Kong LEUNG (Chairman), Mr. James C. NG (Chief Executive Officer), Mr. Derek Wai Choi LEUNG and Mr. Wing Tung YEUNG; the Non-executive Director of the Company is Mr. Raymond Wai Pun LAU; and the Independent Non-executive Directors of the Company are Dr. Cecil Sze Tsung CHAO, Dr. Jen CHEN and Mr. Ian Grant ROBINSON.

By order of the Board  
**James C. Ng**  
*Chief Executive*

Hong Kong, 7 April 2006

Please also refer to the published version of this announcement in The Standard.