

# AUTOMATED

## AUTOMATED SYSTEMS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 771)

### ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST MARCH, 2007

#### RESULTS

The Board of Directors (the "Directors") of Automated Systems Holdings Limited (the "Company") are pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31st March, 2007 together with comparative figures for the previous year as follows:

#### CONSOLIDATED INCOME STATEMENT

		Unaudited		Audited	
		Three months ended		Year ended	
		31st March,		31st March,	
	Notes	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
TURNOVER	(2)	387,450	346,999	1,274,979	1,104,239
Cost of goods sold		(239,468)	(214,782)	(766,438)	(671,522)
Cost of services rendered		(104,999)	(90,872)	(376,438)	(315,839)
Other income	(3)	5,874	6,381	16,594	13,929
Selling expenses		(14,201)	(13,562)	(52,974)	(48,061)
Administrative expenses		(8,231)	(7,333)	(34,042)	(32,139)
Reversal of revaluation decrease on leasehold land and buildings previously recognized as an expense		-	4,218	-	4,218
Finance costs	(4)	-	(2)	(7)	(230)
Share of results of associates		30	(18)	163	57
<b>PROFIT BEFORE TAXATION</b>	(5)	<b>26,455</b>	31,029	<b>61,837</b>	54,652
Taxation	(6)	(2,776)	(6,058)	(8,277)	(10,173)
Profit for the period attributable to equity holders of the Company		<b>23,679</b>	24,971	<b>53,560</b>	44,479
<b>DIVIDENDS</b>	(7)			<b>41,170</b>	35,142
Paid				<b>41,170</b>	35,142
Proposed				<b>35,300</b>	32,326
<b>EARNINGS PER SHARE</b>	(8)			<b>HK\$18.21 cents</b>	HK\$15.18 cents
Basic		<b>HK\$8.06 cents</b>	HK\$8.50 cents	<b>HK\$18.21 cents</b>	HK\$15.18 cents
Diluted		<b>HK\$8.01 cents</b>	HK\$8.45 cents	<b>HK\$18.10 cents</b>	HK\$15.09 cents

Note: Increase in fair value of available-for-sale investments of HK\$2,961,000 for the year ended 31st March, 2006 was credited to investment revaluation reserve resulting from early adoption of HKAS 39 (Amendment) The Fair Value Option.

#### CONSOLIDATED BALANCE SHEET

		Audited	
		2007 HK\$'000	2006 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	(9)	199,916	152,031
Intangible assets		5,283	11,937
Interests in associates		242	79
Available-for-sale investments	(10)	33,641	22,094
		<b>239,082</b>	186,141
<b>CURRENT ASSETS</b>			
Inventories		108,973	77,911
Trade receivables	(11)	135,919	103,946
Tax recoverable		4,497	-
Other receivables, deposits and prepayments		60,871	50,031
Short term bank deposits	(12)	7,914	100
Bank balances and cash	(12)	335,197	368,220
		<b>653,371</b>	600,208
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	(13)	185,352	127,513
Other payables and accruals		65,810	59,523
Receipts in advance		97,934	98,340
Tax liabilities		-	3,167
		<b>349,096</b>	288,543
<b>NET CURRENT ASSETS</b>		<b>304,275</b>	311,665
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>543,357</b>	497,806
<b>NON-CURRENT LIABILITY</b>			
Deferred taxation		19,402	10,992
		<b>523,955</b>	486,814
<b>CAPITAL AND RESERVES</b>			
Share capital		29,417	29,379
Reserves		494,538	457,435
Equity attributable to equity holders of the Company		<b>523,955</b>	486,814

## NOTES:

### 1. Application of New and Revised Hong Kong Financial Reporting Standards

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are either effective for accounting periods beginning on or after 1st December, 2005, 1st January, 2006 or 1st March, 2006. The adoption of the new HKFRSs had no material effect on how the results and financial position of the Group for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

*Standards, amendments or interpretations issued but not yet effective*

The Group has not early applied the following new standards, amendment or interpretations that have been issued but are not yet effective. The Directors of the Company anticipate that the application of these new standards, amendment or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital Disclosures <sup>1</sup>
HKFRS 7	Financial Instruments: Disclosures <sup>1</sup>
HKFRS 8	Operating Segments <sup>2</sup>
HK(IFRIC)-Int 8	Scope of HKFRS 2 <sup>3</sup>
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives <sup>4</sup>
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment <sup>5</sup>
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions <sup>6</sup>
HK(IFRIC)-Int 12	Service Concession Arrangements <sup>7</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2007

<sup>2</sup> Effective for annual periods beginning on or after 1st January, 2009

<sup>3</sup> Effective for annual periods beginning on or after 1st May, 2006

<sup>4</sup> Effective for annual periods beginning on or after 1st June, 2006

<sup>5</sup> Effective for annual periods beginning on or after 1st November, 2006

<sup>6</sup> Effective for annual periods beginning on or after 1st March, 2007

<sup>7</sup> Effective for annual periods beginning on or after 1st January, 2008

### 2. Turnover

Turnover represents the net amount received and receivable for goods sold by the Group to outside customers, less returns and allowances, and revenue from service contracts, and is analyzed as follows:

	Unaudited Three months ended 31st March,		Audited Year ended 31st March,	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Sales of goods	265,628	226,730	846,628	728,965
Revenue from service contracts	121,822	120,269	428,351	375,274
	<u>387,450</u>	<u>346,999</u>	<u>1,274,979</u>	<u>1,104,239</u>

Over 90% of the Group's revenue is derived from the Hong Kong market. Although the Group sells computer products and provides a wide range of services, in the opinion of the Directors, all the sales of goods and provision of services are information technology ("IT") related and, in most of the time, are negotiated under a single contract with a single customer. Accordingly, the Directors consider that the Group is engaged in one single business segment, namely IT services.

### 3. Other Income

	Unaudited Three months ended 31st March,		Audited Year ended 31st March,	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Interest on bank deposits	2,028	2,600	9,908	8,047
Dividend income from available-for-sale investments	–	–	2,683	1,655
Exchange gain, net	193	–	193	–
Rental income	3,419	1,140	3,419	1,140
Miscellaneous	234	2,641	391	3,087
	<u>5,874</u>	<u>6,381</u>	<u>16,594</u>	<u>13,929</u>

### 4. Finance Costs

The amount represents interest on bank borrowings wholly repaid during the period.

### 5. Profit before Taxation

	Unaudited Three months ended 31st March,		Audited Year ended 31st March,	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Profit before taxation has been arrived at after charging:				
Depreciation and amortization:				
Property, plant and equipment	10,872	7,439	41,780	33,944
Intangible assets (included in cost of services rendered)	1,070	881	3,238	1,882
Loss on disposal of property, plant and equipment	58	291	187	312
Share-based payment expense	1	(774)	1,248	619
	<u>1</u>	<u>(774)</u>	<u>1,248</u>	<u>619</u>

### 6. Taxation

	Unaudited Three months ended 31st March,		Audited Year ended 31st March,	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
The charge comprises:				
Current taxation:				
Hong Kong Profits Tax	(546)	3,359	2,255	6,771
Overseas taxation	(382)	834	458	1,537
(Over)underprovision in prior years:				
Hong Kong Profits Tax	(300)	271	(300)	1,179
Overseas taxation	(225)	–	(300)	(127)
	<u>(1,453)</u>	<u>4,464</u>	<u>2,113</u>	<u>9,360</u>
Deferred taxation	4,229	1,594	6,164	813
Taxation attributable to the Company and its subsidiaries	<u>2,776</u>	<u>6,058</u>	<u>8,277</u>	<u>10,173</u>

Hong Kong Profits Tax is calculated at 17.5% (FY06: 17.5%) of the estimated assessable profits derived from Hong Kong for the period.

Overseas taxation is calculated at the rates prevailing in the respective jurisdictions.

7. **Dividends**

	Audited Year ended 31st March,	
	2007 HK\$'000	2006 HK\$'000
Dividends recognized as distribution during the year:		
Interim of HK3.0 cents (FY06: HK2.0 cents) per share	8,825	5,876
Final in respect of FY06 of HK5.0 cents (FY05: HK4.0 cents) per share	14,702	11,706
Special in respect of FY06 of HK6.0 cents (FY05: HK6.0 cents) per share	17,643	17,560
	<u>41,170</u>	<u>35,142</u>
Dividends proposed:		
Final of HK6.0 cents (FY06: HK5.0 cents) per share	17,650	14,694
Special in respect of HK6.0 cents (FY06: HK6.0 cents) per share	17,650	17,632
	<u>35,300</u>	<u>32,326</u>

8. **Earnings Per Share**

The calculation of the basic and diluted earnings per share is based on the following data:

	Unaudited Three months ended 31st March,		Audited Year ended 31st March,	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Earnings for the purpose of basic earnings per share and diluted earnings per share	<u>23,679</u>	<u>24,971</u>	<u>53,560</u>	<u>44,479</u>
	<b>Number of shares</b>	<b>Number of shares</b>	<b>Number of shares</b>	<b>Number of shares</b>
	'000	'000	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	293,792	293,789	294,069	292,977
Effect of dilutive potential ordinary shares – Share options	1,802	1,773	1,810	1,799
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>295,594</u>	<u>295,562</u>	<u>295,879</u>	<u>294,776</u>

9. **Property, Plant and Equipment**

During the year, the Group spent approximately HK\$76,928,000 (FY06: HK\$30,707,000) on equipment.

The leasehold land and buildings were revalued by DTZ Debenham Tie Leung Limited, an independent professional valuer, at 31st March, 2007 at market value basis which is determined by reference to market evidence of recent transactions for similar properties. The valuation conforms to International Valuation Standards. The revaluation gave rise to a net revaluation increase of HK\$12,836,000 (FY06: HK\$8,681,000), which has been credited to the property revaluation reserve. For the year ended 31st March, 2006, the net revaluation increase was HK\$8,681,000, of which HK\$4,463,000 was credited to the property revaluation reserve, and the remaining amount of HK\$4,218,000 credited to the income statement.

If the leasehold land and buildings had not been revalued, they would have been included in these consolidated financial statements at historical cost, less accumulated depreciation and amortization, of approximately HK\$74,094,000 (FY06: HK\$76,550,000).

10. **Available-for-sale Investments**

	Audited 31st March,	
	2007 HK\$'000	2006 HK\$'000
Listed shares overseas, at market value	<u>33,641</u>	<u>22,094</u>

11. **Trade Receivables**

The Group has granted credit to substantially all of its customers for 30 days and has credit control procedures to minimize credit risk. Overdue balances are reviewed regularly by senior management.

An aged analysis of the trade receivables at the balance sheet date, based on payment due date and net of allowance of HK\$4,068,000 (FY06: HK\$2,351,000), is as follows:

	Audited 31st March,	
	2007 HK\$'000	2006 HK\$'000
0 – 1 month	92,851	78,744
1 – 2 months	16,549	9,992
2 – 3 months	10,966	4,093
Over 3 months	15,553	11,117
	<u>135,919</u>	<u>103,946</u>

12. **Short Term Bank Deposits/Bank Balances and Cash**

As at 31st March, 2007, short term bank deposits comprise deposits held by the Group with an original maturity not less than three months and include bank deposits of approximately HK\$100,000 (31st March, 2006: HK\$100,000) that have been pledged to secure certain short term banking facilities of the Group. Other bank balances comprise deposits held by the Group with an original maturity of three months or less.

Bank balances and short term bank deposits carry interest at market rates with average interest rate of 2.6% and 4.2% per annum, respectively.

13. **Trade and Bills Payables**

An aged analysis of the trade and bills payables as at the balance sheet date, based on payment due date, is as follows:

	Audited 31st March,	
	2007 HK\$'000	2006 HK\$'000
0 – 1 month	157,344	107,895
1 – 2 months	5,942	5,009
2 – 3 months	2,771	2,878
Over 3 months	19,295	11,731
	<u>185,352</u>	<u>127,513</u>

## **DIVIDEND**

The Directors have resolved to recommend the payment of final dividend of HK6.0 cents per share for the year ended 31st March, 2007. After considering the Group's cash position and the needs for business development, the Directors also resolved to recommend the payment of special dividend of HK6.0 cents per share. Subject to the approval of shareholders at the forthcoming Annual General Meeting, the proposed dividends will be paid on or before 11th September, 2007 to shareholders whose name appear on the Register of Members of the Company on 23rd August, 2007.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial Results**

Turnover for the full year was HK\$1,275.0 million, representing an increase of 15.5% as compared to the previous year. Turnover for the fourth and final quarter of FY07 was HK\$387.5 million, or a 11.7% year-on-year increase to FY06. Product sales and service revenue increased by 16.1% and 14.1% respectively against last year to HK\$846.6 million and HK\$428.4 million, and they made up 66.4% and 33.6% of the total turnover for FY07.

Commercial and public sector sales contributed 53.2% and 46.8% to annual turnover respectively, as compared to 47.2% and 52.8% in the previous year. Improvement was seen in both commercial and public sectors that their turnover increased by HK\$157.1 million, or 30.2% and HK\$13.7 million or 2.3% respectively in comparison to the prior year.

Profit for the year was HK\$53.6 million, higher by HK\$9.1 million from last year and representing a growth of 20.4%. Profit for the fourth quarter was HK\$23.7 million, lower than the corresponding quarter in FY06 by HK\$1.3 million; the difference was the result of the reversal of revaluation decrease on leasehold land and buildings previously recognized as an expense in the amount of HK\$4.2 million in FY06. The improvement in profits for FY07 was attributed to the growth in infrastructure system sales resulting from additional significant infrastructure system upgrades and enhancements, particularly in the finance, transportation and government sectors. Also contributed to this year's performance was the growth in solution and services projects and the sustained growth in the managed service business.

The Group had net cash of HK\$343.1 million, a decrease of HK\$25.2 million from 31st March, 2006, with no bank borrowings, and a working capital ratio of 1.87:1. The decrease in cash was mainly due to the purchase of equipment to fulfill additional outsourcing services requirements. Capital expenditure on equipment was HK\$76.9 million for the full year which was HK\$46.2 million more as compared to FY06.

### **Business Review**

#### *IT infrastructure business*

This year, we saw satisfactory growth in IT infrastructure projects. Many IT infrastructure system upgrade and enhancement projects were rolled out in both public and private sectors. Of note was an e-government infrastructure enhancement project in which we provide and build a centralized and secured infrastructure for government bureaus and departments' e-services to ride on. This multi-platform integration project allows hosting of dynamic internet content and integration of different application systems. On commercial side, the positive economic condition is conducive to expansion in terms of business and geographical reach, bringing corresponding demand for back-end IT support and infrastructure. During the year, we secured several multi-million dollars orders from various banks and financial institutions to provide enterprise storage systems, servers and other IT infrastructure and related services to support their business in Hong Kong and mainland China.

#### *Solution and services business*

This year also saw an increasing trend of customers demanding one-stop-shop solutions, which was in line with our stated strategy of deepening our penetration in major accounts. Being vendor neutral and providing a wide range of products and service offerings with our established vendor network and technical expertise, we are able to deliver multiple elements in a single project including hardware, software, applications development, implementation and installation services, maintenance and support, training, update and enhancement services, etc. providing end-to-end solution to the customers. During FY07, the Group secured a number of multi-millions dollars projects to provide tailor-made solutions to various government and quasi-government organizations. Of which, two contracts of over 10 millions in value will be for 5-6 years supporting thousands of end users, underlining our capability to deliver long term and large scale solution projects.

Other major projects include contracts awarded under Standing Offer Agreement for Quality Professional Services with the HKSAR where we provided system analysis and design, system implementation and integration, and/or maintenance and support services for an electronic document management system, internet portals and web content management platforms, a financial management system and a human resources management system. This work portfolio was further enriched in the fourth quarter to include electronic leave application and processing system, electronic services system and a survey system.

As SWIFT's only accredited partner in Hong Kong, the Group received service orders from various banks in Hong Kong in the fourth quarter to implement the SWIFTNet Phase 2 migration before the deadline at the end of May 2007. The successful and timely completion of the migration was a testimony to our capability to provide quality services against tight timeframe. We also provided similar services to the banks in Macau.

Moreover, with more IT security incident detected and reported in recent years, there has been an increase in security awareness and requirement among private and public organizations, which has also brought ample business opportunities to the Group. In March 2007, we secured a contract to provide an identity management solution for an organization in the public sector to simplify user administration process while meeting the security audit purposes. In the same month, we provided a security management framework and security assessment service for an educational institution to address similar concerns.

#### *Managed Services*

Another objective of the Group was to strengthen its recurring income base, thus reinforcing our ability to deliver sustainable results. With the award of two three-year outsourcing contracts from Cathay Pacific Airways in late FY06, FY07 was the year of service delivery, of transitioning and of our cultivating relationship and learning from this industry leader in order to provide better services. In these largest outsourcing contracts, we had a professional team of full time staff working on-site, providing round-the-clock infrastructure and application server management, as well as deskside services for over 16,000 users. Other major customers in the area of managed services included Airport Authority, Leisure and Cultural Services Department, Securities and Futures Commission and a disciplinary government department for whom the Group have continued to service during FY07.

#### *Overseas business*

Outside Hong Kong, the turnover from overseas business for FY07 was HK\$95.6 million, an increase of 37.7% as compared with FY06, and represents 7.5% of the Group's annual turnover.

The Group continued to benefit from the buoyant gaming industry in Macau. During the review period, we have achieved good progress in the sales performance of gaming industry with us now serving two out of the six major players in the sector. We have provided different tailor made gaming related applications and enterprise business solutions to enhance their operations and business performance. Major business solutions included a time and attendance system for a casino player with about 8000 staff and the implementation of a data back up solution.

In mainland China, our subsidiary in Guangzhou has started to capture business opportunities derived from our Hong Kong customers, including IT infrastructure project from a leading international bank, support services for the computing facilities of a worldwide insurance company and business intelligence and middleware solutions to a well-known beverage manufacturer. Across the strait in Taiwan, we gained further access to local market and delivered library solution and related services to customer from the public sector.

## **Outlook and Prospects**

In FY08 and onwards, the Group will continue to focus on its major accounts and existing customer base through offering wider scope of services and expanding geographical support from Hong Kong to Greater China. Based on our success in winning the Cathay Pacific contracts, we will further explore new outsourcing opportunities in Hong Kong and capture repeated large-sized service contracts.

In terms of growth outside Hong Kong, we have established overseas subsidiaries in Guangzhou, China and Taiwan respectively. To strengthen our presence, the Group is looking to expand further in mainland China through acquisitions of high-potential local players. In realizing our goal for expansion, we will leverage our local capabilities by extending our strong vendor relationship and solid customer base to Greater China. We will also continue to grow and refine the services and solutions business to make Hong Kong a centre of excellence whose experience and expertise be repeatable in our overseas business.

The Group will also seek to improve the skill set of its employees, not only expanding its skilled workforce, but also developing specialists through training and certification in different expert areas, enabling it to move up the value chain.

With the above initiatives being implemented, the outlook for the Group remains positive.

## **Financial Resources and Liquidity**

As at 31st March, 2007, the Group's total assets of HK\$892.5 million were financed by current liabilities of HK\$349.1 million, deferred taxation of HK\$19.4 million and shareholders' equity of HK\$524.0 million. The Group had a working capital ratio of approximately 1.87:1.

As at 31st March, 2007, the Group had an aggregate composite banking facilities from banks of approximately HK\$96.9 million of which HK\$20.4 million was utilized (31st March, 2006: HK\$16.6 million). The Group's gearing ratio was zero (31st March, 2006: zero) as at 31st March, 2007.

## **Treasury Policies**

The Group generally financed its operations with internally generated resources and credit facilities provided by banks. Bank facilities available for the Group include trust receipt loans, overdrafts and term loans. The interest rates of most of these will be fixed by reference to the respective countries' Interbank Offer Rate. The bank deposits will be mainly in Hong Kong dollars and United States dollars ("US dollars").

## **Foreign Exchange Exposure**

The Group mainly earns revenue and incurs costs in US dollars and Hong Kong dollars. Foreign exchange exposure of the Group will continue to be minimal as long as the policy of the Government of the Hong Kong Special Administrative Region to link the Hong Kong dollars to the US dollars remains in effect. There was no material exposure to fluctuations in exchange rates, and therefore no related hedging financial instrument was applied during the year ended 31st March, 2007.

## **Contingent Liabilities**

The amount utilized against banking facilities and goods supplied as at 31st March, 2007 which was secured by the corporate guarantee amounted to approximately HK\$96.9 million. The performance bond issued by the Group to customers as security of contract was approximately HK\$20.4 million as at 31st March, 2007.

## **Major Customers and Suppliers**

During the year, the five largest customers and single largest customer of the Group accounted for approximately 17.9% and 6.1%, respectively, of the Group's revenue. The five largest suppliers and single largest supplier of the Group accounted for approximately 53.1% and 15.0%, respectively, of the Group's purchases.

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) have an interest in any of the Group's five largest customers or suppliers.

## **Employee and Remuneration Policies**

As at 31st March, 2007, the Group, excluding its associates, employed 1,266 permanent and contract staff in Hong Kong, Macau, Taiwan, mainland China and Thailand. The Group remunerates its employees based on their performance, working experience and the prevailing market conditions. Bonuses are granted on a discretionary basis. Other employee benefits include mandatory provident fund, insurance, medical coverage and share options scheme.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from 24th August, 2007 to 28th August, 2007, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the final and special dividends and the entitlement to attend and vote at the forthcoming annual general meeting, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's registrars, Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on 23rd August, 2007. The dividend warrants will be despatched on or before 11th September, 2007.

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

During the year ended 31st March, 2007, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## **AUDIT COMMITTEE**

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the audited annual results.

## **SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU**

The figures in respect of the Group's consolidated balance sheet, consolidated income statement and the related notes thereto for the year ended 31st March, 2007 as set out in this Preliminary Announcement have been agreed by the Group's auditors, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code during the year ended 31st March, 2007, and they all confirmed that they have fully complied with the required standard set out in the Model Code.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the accounting period for the year ended 31st March, 2007 except with respect to Code A.4.1, all non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election in accordance with the Company's Bye-laws.

By Order of the Board  
**Lai Yam Ting**  
Managing Director

Hong Kong, 21st June, 2007

*As at the date of this announcement, the board of directors comprises Mr. Lai Yam Ting and Mr. Lau Ming Chi, Edward being executive directors, Mr. Allen Joseph Pathmarajah, Mr. Kuo Chi Yung, Peter, Mr. Moo Kwee Chong, Johnny, Mr. George Finlay Bell, Mr. Darren John Collins, Mr. Wang Yung Chang, Kenneth and Mr. Andrew John Anker being non-executive directors and Mr. Cheung Man, Stephen, Mr. Hon Sheung Tin, Peter and Mr. Li King Hang, Richard being independent non-executive directors.*

"Please also refer to the published version of this announcement in China Daily."