

# AUTOMATED

## AUTOMATED SYSTEMS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)  
(Stock Code: 771)

### ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST MARCH, 2006

#### 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, 2006 together with comparative figures for the previous year as follows:

#### CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Unaudited		Audited	
		Three months ended 31st March, 2006	2005	Year ended 31st March, 2006	2005
		HK\$'000	HK\$'000 (Restated)	HK\$'000	HK\$'000 (Restated)
TURNOVER	3	346,999	266,701	1,104,239	955,980
Cost of goods sold		(214,782)	(156,941)	(671,522)	(562,589)
Cost of services rendered		(90,092)	(74,787)	(315,839)	(286,662)
Sales expenses		(13,130)	(11,244)	(48,061)	(41,202)
Administrative expenses		(8,546)	(6,515)	(32,139)	(29,024)
Restructuring costs		-	-	-	(1,979)
Other income	4	6,381	1,355	13,929	5,366
Reversal of revaluation decrease on leasehold land and buildings previously recognized as an expense		4,218	-	4,218	-
Finance costs		(2)	(42)	(230)	(248)
Share of results of associates		(18)	(67)	57	(172)
<b>PROFIT BEFORE TAXATION</b>	5	<b>31,029</b>	<b>18,460</b>	<b>54,652</b>	<b>39,470</b>
Taxation	6	(6,058)	(3,785)	(10,173)	(5,891)
<b>PROFIT FOR THE PERIOD</b>		<b>24,971</b>	<b>14,675</b>	<b>44,479</b>	<b>33,579</b>
Attributable to:					
Equity holders of the Company		24,971	14,675	44,479	33,206
Minority interest		-	-	-	373
		<b>24,971</b>	<b>14,675</b>	<b>44,479</b>	<b>33,579</b>
<b>DIVIDENDS</b>	7				
Paid				35,142	10,791
Proposed				32,326	29,174
<b>EARNINGS PER SHARE</b>	8				
Basic		<b>8.50 HK\$cents</b>	5.03 HK\$cents	<b>15.18 HK\$cents</b>	11.39 HK\$cents
Diluted		<b>8.45 HK\$cents</b>	5.02 HK\$cents	<b>15.09 HK\$cents</b>	11.37 HK\$cents

Note: Certain comparative figures have been restated such that direct cost, other costs of services and distribution costs shown in the financial statements of the fourth quarter and year ended of FY05 have been reclassified to cost of goods sold and cost of services rendered so as to conform with the current period's presentation.

#### CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	2006	2005
		HK\$'000	HK\$'000 (Restated)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	152,031	149,479
Intangible assets		11,937	6,744
Interests in associates		79	22
		<b>164,047</b>	<b>156,245</b>
<b>CURRENT ASSETS</b>			
Inventories		77,911	92,478
Trade receivables		103,946	121,070
Other receivables, deposits and prepayments	10	50,031	38,081
Available-for-sales investments	11	22,094	-
Investments in securities	11	-	18,461
Short term bank deposits	12	322,374	254,215
Bank balances and cash		45,946	104,190
		<b>622,302</b>	<b>628,495</b>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	13	127,513	132,351
Other payables and accruals		59,523	48,065
Receipts in advance		98,340	110,523
Taxation		3,167	3,973
Trust receipt loans		-	12,985
		<b>288,543</b>	<b>307,897</b>
<b>NET CURRENT ASSETS</b>		<b>333,759</b>	<b>320,598</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>497,806</b>	<b>476,843</b>
<b>NON-CURRENT LIABILITY</b>			
Deferred taxation		10,992	9,398
		<b>486,814</b>	<b>467,445</b>
<b>CAPITAL AND RESERVES</b>			
Share capital		29,379	29,173
Reserves		457,435	438,272
		<b>486,814</b>	<b>467,445</b>

Note: Certain comparative figures have been restated such that bank borrowings shown in the financial statements of the fourth quarter and year ended of FY05 has been reclassified to trust receipt loans so as to conform with the current period's presentation.

#### NOTES TO THE CONDENSED FINANCIAL STATEMENTS

##### 1. Application of Hong Kong Financial Reporting Standards

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective for accounting periods beginning on or after 1st January, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. In particular, the presentation of minority interests has been changed. The change in presentation has been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current and/or prior accounting years are prepared and presented:

## Share-based Payments

In the current year, the Group has applied HKFRS 2 *Share-based Payment* which requires an expense to be recognized where the Group buys goods or obtains services in exchange for shares or rights over shares. The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of share options granted to directors and employees of the Group, determined at the date of grant of the share options, over the vesting period. Prior to the application of HKFRS 2, the Group did not recognize the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1st April, 2005. In relation to share options granted before 1st April, 2005, the Group chooses not to apply HKFRS 2 with respect to share options granted on or before 7th November, 2002 and vested before 1st April, 2005. However, the Group is still required to apply HKFRS 2 retrospectively to share options that were granted after 7th November, 2002 and had not yet vested on 1st April, 2005. Comparative figures have been restated. (see Note 2 for the financial impact).

## Financial Instruments

### Classification and measurement of financial assets and financial liabilities

Upon the application of HKAS 39 *Financial Instruments: Recognition and Measurement* and the Fair Value Option Amendment, the Group classified its "non-trading securities" as "available-for-sale investments" and measured in accordance with the transitional provisions of HKAS 39. The Group has designated the listed securities as listed securities at fair value through profit or loss. In the first 9 months of FY06, gain on fair value changes of HK\$3,953,000 has been recognized in the Profit and Loss. However, in view of the latest development of the accounting standard, our listed securities will not fall under the category of listed securities at fair value through profit or loss. To avoid prior year adjustment in the next fiscal year, the Group has chosen to reclassify the listed securities as available-for-sale investment. The full year gain on fair value changes of HK\$2,961,000 has been transferred from the Profit and Loss to Investment revaluation reserve in the balance sheet.

The cumulative unrealized gains or losses previously reported in equity at 1st April, 2005 continue to be held in equity. On subsequent derecognition or impairment of the investment, the unrealized gain or loss remaining in equity will be transferred to Profit or Loss.

### Owner-occupied Leasehold Interest in Land

In previous years, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the revaluation model. Under HKAS 17 *Leases* the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortized over the lease term on a straight-line basis. As the allocation between the land and buildings elements held by the Group cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment.

### Club membership

Upon the applications of HKAS 38, the Group's club memberships are classified as intangible assets with an indefinite useful life and are carried at cost less accumulated impairment losses (if any). Intangible assets with indefinite lives are not subject to amortisation but are tested for impairment annually or more frequently when there are indications of impairment. In previous years, the Group's club memberships were separately presented in the consolidated balance sheet and were carried at cost less any identified impairment loss. The application of HKAS 38 has resulted in a change in presentation in the consolidated balance sheet, but has had no material effect on how the results of the current or prior accounting years are prepared and presented. Comparative figures have been restated in the consolidated balance sheet.

## 2. Summary of the Effects of Application of Hong Kong Financial Reporting Standards

(a) Effects on the results for the current and prior years:

	Audited Year ended 2006 HK\$'000	2005 HK\$'000 (Restated)
Recognition of share-based payments as expenses	<u>(857)</u>	<u>(660)</u>

(b) Effects on the Group's balance sheet at 31st March, 2005 and 1st April, 2005:

	As at 31st March, 2005 (Originally stated) HK\$'000	Impact of HKFRS 2 HK\$'000	Impact of HKFRS 38 HK\$'000	As at 31st March, 2005 (Restated) HK\$'000	Impact of HKAS 39 HK\$'000	As at 1st April, 2005 (Restated) HK\$'000
Intangible Assets	5,844	-	900	6,744	-	6,744
Club memberships	900	-	(900)	-	-	-
Investments in securities	18,461	-	-	18,461	(18,461)	-
Available-for-sale investments	-	-	-	-	18,461	18,461
Total effects on assets and liabilities	<u>25,205</u>	<u>-</u>	<u>-</u>	<u>25,205</u>	<u>-</u>	<u>25,205</u>
Accumulated profits	331,751	(2,165)	-	329,586	-	329,586
Share options reserve	-	2,165	-	2,165	-	2,165
Total effects on equity	<u>331,751</u>	<u>-</u>	<u>-</u>	<u>331,751</u>	<u>-</u>	<u>331,751</u>

(c) Effects to the Group's equity at 1st April, 2004:

	Originally stated HK\$'000	Audited Adjustments HK\$'000	Restated HK\$'000
Accumulated profits	308,676	(1,505)	307,171
Share options reserve	-	1,505	1,505
Minority interests	-	6,913	6,913
Total effects on equity	<u>308,676</u>	<u>6,913</u>	<u>315,589</u>

## 3. Turnover and Segmental Information

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 analysed as follows:

	Unaudited Three months ended 31st March, 2006 HK\$'000		Audited Year ended 31st March, 2006 HK\$'000	
Sales of goods	226,730	180,503	728,965	624,925
Revenue from service contracts	120,269	86,198	375,274	331,055
	<u>346,999</u>	<u>266,701</u>	<u>1,104,239</u>	<u>955,980</u>

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, and over 90% of the Group's revenue is derived from the Hong Kong market.

## 4. Other Income

	Unaudited Three months ended 31st March, 2006 HK\$'000		Audited Year ended 31st March, 2006 HK\$'000	
Interest on bank deposits	2,600	753	8,047	1,997
Dividend income from available-for-sale investment/investments in securities	-	-	1,655	1,844
Exchange gain, net	-	-	-	368
Negative goodwill arising on acquisition of additional interest in a subsidiary released	-	-	-	410
Others	3,781	602	4,227	747
	<u>6,381</u>	<u>1,355</u>	<u>13,929</u>	<u>5,366</u>

Note: During the nine-months ended 31st December, 2005, the Group designated its "non-trading securities" as "investments at fair value through profit or loss" in accordance with HKAS 39. In the preparation of the Group's consolidated financial statements for the year ended 31st March, 2006, the Group has applied the Fair Value Option Amendment and has re-designated the "investments at fair value through profit or loss" and reclassified them as "available-for-sale investments" with changes in fair value recognized in equity. Accordingly, the accumulated increase in fair value of these investments of HK\$3,953,000 previously recognized in the consolidated income statement for the nine-months ended 31st December, 2005 has been reversed upon the application of the Fair Value Option Amendment.

## 5. Profit before taxation

	Unaudited Three months ended 31st March, 2006 HK\$'000		Audited Year ended 31st March, 2006 HK\$'000	
Profit before taxation has been arrived at after charging:				
Depreciation and amortisation:				
Intangible assets (included in cost of services and rendered)	881	241	1,882	1,370
Property, plant and equipment	7,439	9,542	33,944	36,570
(Gain)/Loss on disposal of property, plant and equipment	291	(89)	312	2,040

## 6. Taxation

	Unaudited Three months ended 31st March, 2006 HK\$'000		Audited Year ended 31st March, 2006 HK\$'000	
The charge comprises:				
Current Tax:				
Hong Kong Profits Tax	3,359	2,521	6,771	3,647
Overseas taxation	834	1,163	1,537	2,144
Under (Over) provision in prior years:				
Hong Kong Profits Tax	271	-	1,179	(1)
Overseas taxation	-	-	(127)	-
Deferred taxation	4,464	3,684	9,360	5,790
	<u>1,594</u>	<u>101</u>	<u>813</u>	<u>101</u>
Taxation attributable to the Company and its subsidiaries	<u>6,058</u>	<u>3,785</u>	<u>10,173</u>	<u>5,891</u>

Hong Kong profits tax is calculated at 17.5% (FY05: 17.5%) of the estimated assessable profits derived from Hong Kong for the three months and the year ended 31st March, 2006. Overseas taxation is calculated at the rates prevailing in the respective jurisdictions.

## 7. Dividends

	Audited	
	Year ended 31st March, 2006 HK\$'000	2005 HK\$'000 (Restated)
Dividends paid:		
Interim of HK2.0 cents (FY05: HK1.5 cents) per share	5,876	4,375
Final in respect of FY05 of HK4.0 cents (FY04: HK2.2 cents) per share	11,706	6,416
Special in respect of FY05 of HK6.0 cents (FY05: Nil) per share	17,560	-
	<u>35,142</u>	<u>10,791</u>
Dividends proposed:		
Final of HK5.0 cents (FY05: HK4.0 cents) per share	14,694	11,670
Special of HK6.0 cents (FY05: HK6.0 cents) per share	17,632	17,504
	<u>32,326</u>	<u>29,174</u>

## 8. Earnings Per Share

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

	Unaudited		Audited	
	Three months ended 31st March, 2006 HK\$'000	2005 HK\$'000 (Restated)	Year ended 31st March, 2006 HK\$'000	2005 HK\$'000 (Restated)
Earnings for the purpose of basic earnings per share and diluted earnings per share	<u>24,971</u>	<u>14,675</u>	<u>44,479</u>	<u>33,206</u>
	Number of shares '000	'000	Number of shares '000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	293,789	291,710	292,977	291,641
Effect of dilutive potential ordinary shares – share options	1,773	826	1,799	310
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>295,562</u>	<u>291,536</u>	<u>294,776</u>	<u>291,951</u>

## 9. Movements in Property, Plant and Equipment

During the year ended 31st March, 2006, the Group spent HK\$30,707,000 on property, plant and equipment. The Group disposed of property, plant and equipment with an aggregate carrying amount of HK\$2,880,000 for proceeds of HK\$2,568,000, resulting in a loss on disposal of HK\$312,000.

The leasehold land and buildings were revalued by DTZ Debenham Tie Leung Limited, an independent professional valuer, at 31st March, 2006 by reference to market evidence of recent transactions for similar properties. The revaluation gave rise to a net revaluation increase of HK\$8,681,000, of which HK\$4,463,000 has been credited to the property revaluation reserve and HK\$4,218,000 has been credited to the income statement.

## 10. Trade Receivables

The Group has granted credit to substantially all of its customers for 30 days and has credit control procedures to minimise 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 provisions, is as follows:

	Audited	
	2006 HK\$'000	2005 HK\$'000 (Restated)
Current	56,734	64,308
Within 1 month	22,010	21,174
1 – 2 months	9,992	14,733
2 – 3 months	4,093	8,926
Over 3 months	11,117	11,929
	<u>103,946</u>	<u>121,070</u>

## 11. Available-for-sale Investments/Investments in Securities

	Audited	
	2006 HK\$'000	2005 HK\$'000 (Restated)
Listed shares overseas, at market value	<u>22,094</u>	<u>18,461</u>

## 12. Short Term Bank Deposits

The short term bank deposits included the bank deposits amounting to HK\$322.4 million (31st March, 2005: HK\$254.2 million), of which HK\$0.1 million have been pledged to the bank at 31st March, 2006.

## 13. Trade and Bills Payables

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

	Audited	
	2006 HK\$'000	2005 HK\$'000 (Restated)
Current	93,739	81,342
Within 1 month	14,156	26,472
1 – 2 months	5,009	7,511
2 – 3 months	2,878	6,297
Over 3 months	11,731	10,729
	<u>127,513</u>	<u>132,351</u>

## DIVIDEND

The Directors have resolved to recommend the payment of final dividend of HK5.0 cents per share for the year ended 31st March, 2006. 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 22nd August, 2006 to shareholders whose name appear on the Register of Members of the Company on 3rd August, 2006.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Results

The turnover for the fourth and final quarter of FY06 was HK\$346.9 million, or a 30.1% year-on-year increase to FY05. Turnover for the full year was HK\$1,104.2 million, representing an increase of 15.5% as compared to the previous year. Product sales and service revenue increased by 16.6% and 13.4% respectively against last year, and they made up 66% and 34% of the total turnover for FY06.

Commercial and public sector sales contributed 47.2% and 52.8% to annual turnover respectively, as compared to 48.6% and 51.4% in the previous year. It can be seen that the public sector sales increased by HK\$92.3 million, or 18.8% as compared to FY05, from which product sales and service revenue increased by 16.6% and 13.4% respectively in comparison to the prior year.

Profit before taxation for the fourth quarter was HK\$27.1 million, higher than the corresponding quarter in FY05 by HK\$18.5 million, representing an increase of 64.2%. Consequently, profit before taxation for the full year was HK\$54.7 million, higher than FY05 by HK\$15.2 million, an increase of 38.5%. The improvement in profits, though partially offset by higher operating costs, was attributed to the sustained growth in the managed service business, the contribution of which to turnover increased by HK\$8.6 million together with the growth in infrastructure system sales resulting from additional significant infrastructure system upgrades and enhancements, particularly in the finance, transportation and government sectors. Additionally, there are certain non-operating gains, including an increase in interest income of over HK\$6 million, and an unrealized gain on the revaluation at fair market value of real estate amounting to HK\$4.2 million resulting from the adoption of the new and revised Hong Kong Financial Reporting Standards, the Hong Kong Accounting Standards and Interpretations.

The Group is pleased to report that FY06 ended with a healthy balance sheet, no bank borrowings, and a working capital ratio of 2.16:1. The Group also recorded a net cash balance of approximately HK\$368.3 million.

### Business Review

In keeping with its stated objective of strengthening its recurring income base, the Group has continued its success in the third quarter, securing additional notable orders in the fourth quarter of FY06, such as a five-year contract from Hospital Authority for the provision of Application Platform Suite.

During the year, the Group was awarded from Cathay Pacific Airways Limited, the airline of Hong Kong (Cathay Pacific) two three-year outsourcing contracts to provide 7 x 24 desktop infrastructure and desk-side support for over 16,000 users, in addition to 7 x 24 application server support. These service contracts were the Group's largest ones so far in terms of total value, and involved the provision of comprehensive infrastructure managed services, including the operation of the local server farm, taking charge of the system management and technical support for Cathay Pacific's infrastructure and application servers, operating the disaster recovery centre of local servers, implementing the security changes to desktops and servers, delivering a range of Oracle professional services, and providing management and technical support for more than 4,000 desktops.

Other major service contracts carried out during this year include one to provide technical support services for numerous primary and secondary schools in Hong Kong, as well as ongoing services for 30 Hong Kong Public Libraries, and Securities and Futures Commission and the provision of hardware maintenance support service for a leading Hong Kong financial institution CLSA Limited. In addition, the Group has embarked upon a number of application development projects, which include a large-scale document management system for human resources management of a new casino in Macau, and the renewal of a contract with Airport Authority Hong Kong to provide analyst programmer and programmer for software development projects from April, 2006 to March, 2007.

The turnover for business outside Hong Kong for FY06 was HK\$69.4 million, an increase of 13.3% as compared with FY05, and represents 6.3% of the Group's annual turnover. Business activity in Macau continues to be buoyant, with several significant projects secured during the reporting period, including the provision of infrastructure and back office solutions to new customers from the hospitality and entertainment sectors. Business activity in Taiwan and Thailand continues to show progress, both in terms of contract size and customer portfolio. The Group was awarded a multi-million contract to supply a storage solution in Taiwan, and delivered computer systems and services to Bank for Agriculture and Agricultural Cooperatives in Thailand.

Recognition by the industry, by our peers and our suppliers continues, with the Group being awarded "Best Performance Enterprise Partner" by Sun Microsystems, "Outstanding Performance Partner" by Oracle, "Top Software Partner", "Top ESG Partner" and "Top Solution Provider" from EMC.

#### **Outlook and Prospects**

As of 31st March, 2006, the Group recorded an order book balance of HK\$400 million. Of this, HK\$260 million, or 65%, consists of service contracts.

The order book showed improvement by way of growth; the quality of the book was underlined with a number of new multinational clients, particularly from the banking and finance sectors, including Orix Asia Limited and Search Investment Group. Recognizing that multinational clients are keen to capitalize on the utility and effectiveness of information technology to enhance their business performance, the Group has sought to increase its focus on serving this segment, by expanding its solutions portfolio to include more sophisticated enterprise solutions such as business performance management solution from Hyperion, records compliance management solutions from AXS-One, and enterprise application management solution from Computer Associates' Wily, thereby directly catering to the needs of large business organizations in improving business efficiency.

Allied to this stated objective, the Group will continue to focus on its major accounts and customers, particularly those with an established relationship, business presence in Mainland China, and continued service opportunities.

The Group will also seek to improve the skill set of its workforce, 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. The Group has successfully renewed its certification for ISO 9001:2000 Certificate and in compliance with ISO 90003:2004 for software development, and has also obtained Capability Maturity Model Integration (CMMI) Maturity Level 3 accreditation. The Group has also formed a Quality Council with the aim of improving service quality and enhancing customer satisfaction in a planned, systematic and ongoing manner. The Quality Council will be responsible for implementing a comprehensive Quality Management System tailor-made for the Group, by monitoring the performance of various IT services, including project-based, product related or infrastructure managed services.

The Group will continue to explore further opportunities to serve markets outside Hong Kong by providing proven solutions such as content management systems and chain restaurant management systems.

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

#### **Financial Resources and Liquidity**

As at 31st March, 2006, the Group's total assets of HK\$786.3 million were financed by current liabilities of HK\$288.5 million, deferred tax of HK\$11.0 million and shareholders' equity of HK\$486.8 million. The Group had a working capital ratio of approximately 2.16:1.

As at 31st March, 2006, the Group had an aggregate composite banking facilities from banks of approximately HK\$209.9 million of which HK\$16.6 million was utilized (31st March, 2005: HK\$28.8 million). The Group's gearing ratio was zero (31st March, 2005: 2.8%) as at 31st March, 2006.

There was no charge on the Group's assets as at 31st March, 2006.

#### **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, 2006.

#### **Contingent Liabilities**

The amount utilized against banking facilities and goods supplied as at 31st March, 2006 which was secured by the corporate guarantee amounted to approximately HK\$7.0 million. The performance bond issued by the Group to customers as security of contract was approximately HK\$16.5 million as at 31st March, 2006.

#### **Major Customers and Suppliers**

During the year, the five largest customers and single largest customer of the Group accounted for approximately 9.4% and 2.4%, respectively, of the Group's revenue. The five largest suppliers and single largest supplier of the Group accounted for approximately 49.4% and 16.2%, 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, 2006, the Group, excluding its associates, employed 1,099 permanent and contract staff in Hong Kong, Macau, Taiwan 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 4th August, 2006 to 8th August, 2006, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the final and special dividends, 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 3rd August, 2006. The dividend warrants will be despatched on or before 22nd August, 2006.

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

During the year ended 31st March, 2006, 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 preliminary announcement of the Group's results for the year ended 31st March, 2006 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.

#### **CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the accounting period under review except that with respect to Code A.4.2, one-third of directors for the time being, or, if their number is not three or a multiple of three, then the number nearest one-third, shall be subject to retirement by rotation at each annual general meeting, and all directors appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the next following annual general meeting. In order to comply with the Code A.4.2, the Board proposed to amend the relevant provisions in the Bye-laws of the Company at the forthcoming Annual General Meeting of the Company.

#### **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 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, 2006, and they all confirmed that they have fully complied with the required standard set out in the Model Code.

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

Hong Kong, 7th June, 2006

*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, Ms. Tan Suan Kheng, Esther, Mr. George Finlay Bell, Mr. Darren John Collins, and Mr. Wang Yung Chang, Kenneth 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.