千里眼控股有限公司

*Tele*Eye Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8051)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2007

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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AUDITED CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2007

	NOTES	**2007** **HK$'000**	2006 HK$'000
Revenue	3	**46,635**	37,356
Cost of sales		**(24,961)**	(19,565)
Gross profit		**21,674**	17,791
Other income	4	**573**	874
Distribution costs		**(9,353)**	(8,562)
Administrative expenses		**(6,644)**	(6,492)
Research and development expenditure		**(4,104)**	(3,820)
Profit/(loss) for the year	5	**2,146**	(209)
Attributable to:			
Equity holders of the Company		**2,087**	(273)
Minority interests		**59**	64
		2,146	(209)
Earnings/(loss) per share			
– Basic and diluted	7	**1.16 cents**	(0.15) cents

AUDITED CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2007

	NOTES	**2007** *HK$'000*	2006 *HK$'000*
Non-current assets			
Property, plant and equipment		**650**	700
Capitalised development costs		**1,447**	1,599
Interest in an associate		**–**	–
Available-for-sale investments		**4,305**	3,780
		6,402	6,079
Current assets			
Inventories		**10,964**	8,775
Trade and other receivables	9	**6,565**	5,847
Amount due from an associate		**14**	63
Bank balances and cash		**11,726**	13,354
		29,269	28,039
Current liabilities			
Trade and other payables	10	**3,898**	4,768
Amounts due to minority shareholders		**502**	474
Amounts due to directors		**–**	92
		4,400	5,334
Net current assets		**24,869**	22,705
Net assets		**31,271**	28,784
Capital and reserves			
Share capital		**1,802**	1,800
Reserves		**29,681**	27,232
Equity attributable to equity holders of the Company		**31,483**	29,032
Minority interests		**(212)**	(248)
Total equity		**31,271**	28,784

AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2007

	Attributable to equity holders of the Company								
	Share capital *HK$'000*	Share premium *HK$'000*	Translation reserve *HK$'000*	Investment revaluation reserve *HK$'000*	Special reserve *HK$'000* *(Note)*	Retained profits (deficit) *HK$'000*	Total *HK$'000*	Minority interests *HK$'000*	Total *HK$'000*
At 1 July 2005	1,800	21,605	(18)	425	14,990	(9,463)	29,339	(296)	29,043
Exchange differences on translation of overseas operations	–	–	(67)	–	–	–	(67)	(16)	(83)
Gain on fair value changes of available-for-sale investments	–	–	–	318	–	–	318	–	318
Net (expense)/income recognised directly in equity	–	–	(67)	318	–	–	251	(16)	235
Realisation of revaluation reserve on disposal of available-for-sale investments	–	–	–	(285)	–	–	(285)	–	(285)
Loss for the year	–	–	–	–	–	(273)	(273)	64	(209)
Total recognised income/(expense) for the year	–	–	(67)	33	–	(273)	(307)	48	(259)
At 30 June 2006	1,800	21,605	(85)	458	14,990	(9,736)	29,032	(248)	28,784
Exchange differences on translation of overseas operations	–	–	(196)	–	–	–	(196)	(23)	(219)
Gain on fair value changes of available-for-sale investments	–	–	–	525	–	–	525	–	525
Net (expense)/income recognised directly in equity	–	–	(196)	525	–	–	329	(23)	306
Profit for the year	–	–	–	–	–	2,087	2,087	59	2,146
Total recognised income/(expense) for the year	–	–	(196)	525	–	2,087	2,416	36	2,452
Issue of ordinary shares upon exercise of share options	2	33	–	–	–	–	35	–	35
At 30 June 2007	1,802	21,638	(281)	983	14,990	(7,649)	31,483	(212)	31,271
Attributed to an associate: At 30 June 2007 and 2006	–	–	(99)	–	–	(961)	(1,060)	–	(1,060)

Note:

The special reserve of the Group represents the difference between the aggregate of the nominal value of share capital of the subsidiaries acquired pursuant to a group reorganisation in April 2001 and the nominal value of the share capital issued by the Company as consideration for the acquisition.

NOTES:

1. GENERAL

The Company was incorporated in the Cayman Islands with limited liability and its shares are listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate holding company is Etin Tech Limited, a company incorporated in the British Virgin Islands.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

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

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

HKAS 1 (Amendment)	Capital Disclosures[1]
HKAS 23 (Revised)	Borrowing Costs[2]
HKFRS 7	Financial Instruments: Disclosures[1]
HKFRS 8	Operating Segments[2]
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment[3]
HK(IFRIC)-Int 11	HKFRS 2-Group and Treasury Share Transactions[4]
HK(IFRIC)-Int 12	Service Concession Arrangements[5]

[1] Effective for annual periods beginning on or after 1 January 2007
[2] Effective for annual periods beginning on or after 1 January 2009
[3] Effective for annual periods beginning on or after 1 November 2006
[4] Effective for annual periods beginning on or after 1 March 2007
[5] Effective for annual periods beginning on or after 1 January 2008

3. SEGMENT INFORMATION

Revenue represents the amounts received and receivable for goods sold, less returns and allowances, to outside customers during the year.

In accordance with the Group's internal financial reporting, the Group has determined that geographical segment by location of customers is its primary reporting format.

Geographical segment

The Group reports its primary segment information by geographical location of its customers who are principally located in Hong Kong, Singapore, other Asian countries, Middle East, Europe and Africa. Others include locations like the Americas and Australia. Segment information about these geographical markets is presented below:

2007

	Hong Kong	Singapore	Other Asian countries	Middle East	Europe	Africa	Others	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE									
External sales	6,077	5,108	5,616	4,976	16,662	5,318	2,878	–	46,635
Inter-segment sales	–	2,557	415	–	8,098	–	–	(11,070)	–
Total	6,077	7,665	6,031	4,976	24,760	5,318	2,878	(11,070)	46,635
SEGMENT RESULT	793	702	573	1,600	3,671	1,670	1,012	158	10,179
Unallocated corporate income									
Unallocated corporate expenses									573
– Administrative and other expenses									(4,502)
– Research and development expenditure									(4,104)
Profit for the year									2,146

Inter-segment sales are charged at cost plus a percentage mark-up.

The following is an analysis of the carrying amount of segment assets and segment liabilities, analysed by the geographical location of its customers:

	Hong Kong	Singapore	Other Asian countries	Middle East	Europe	Africa	Others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS								
Segment assets	331	911	683	73	4,623	90	(5)	6,706
Unallocated corporate assets								28,965
Consolidated total assets								35,671
LIABILITIES								
Segment liabilities	833	395	240	291	945	250	117	3,071
Unallocated corporate liabilities								1,329
Consolidated total liabilities								4,400

	Hong Kong	Singapore	Other Asian countries	Middle East	Europe	Africa	Others	Corporate	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
OTHER INFORMATION									
Capital additions	–	7	–	–	235	–	–	115	357
Depreciation	–	7	28	–	49	–	–	329	413
Development costs capitalised	–	–	–	–	–	–	–	626	626
Allowance for inventories	–	–	210	–	–	–	–	1,066	1,276
Allowance for loan to an associate	–	–	25	–	–	–	–	–	25
Amortisation of capitalised development costs	–	–	–	–	–	–	–	778	778

2006

	Hong Kong	Singapore	Other Asian countries	Middle East	Europe	Africa	Others	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE									
External sales	5,935	4,338	4,911	4,755	10,905	1,935	4,577	–	37,356
Inter-segment sales	–	2,455	160	–	7,886	–	–	(10,501)	–
Total	5,935	6,793	5,071	4,755	18,791	1,935	4,577	(10,501)	37,356
SEGMENT RESULT	2,246	136	960	1,727	953	650	908	(127)	7,453
Unallocated corporate income									874
Unallocated corporate expenses									
– Administrative and other expenses									(4,716)
– Research and development expenditure									(3,820)
Loss for the year									(209)

Inter-segment sales are charged at cost plus a percentage mark-up.

The following is an analysis of the carrying amount of segment assets and segment liabilities, analysed by the geographical location of its customers:

	Hong Kong	Singapore	Other Asian countries	Middle East	Europe	Africa	Others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS								
Segment assets	238	1,332	1,031	22	3,604	1	–	6,228
Unallocated corporate assets								27,890
Consolidated total assets								34,118
LIABILITIES								
Segment liabilities	1,528	764	168	372	696	16	161	3,705
Unallocated corporate liabilities								1,629
Consolidated total liabilities								5,334

	Hong Kong	Singapore	Other Asian countries	Middle East	Europe	Africa	Others	Corporate	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
OTHER INFORMATION									
Capital additions	–	12	9	–	20	–	–	142	183
Depreciation	–	2	66	–	27	–	–	473	568
Development costs capitalised	–	–	–	–	–	–	–	741	741
Allowance for inventories	–	–	–	–	–	–	–	201	201
Allowance for loan to an associate	–	–	67	–	–	–	–	–	67
Amortisation of capitalised development costs	–	–	–	–	–	–	–	803	803

Business segments

The Group is solely engaged in research and development and sales and marketing of audio and video monitoring systems. No further business segment information is presented as all of the Group's revenue, operating results and assets were attributable to this business segment.

4. OTHER INCOME

	2007	2006
	HK$'000	*HK$'000*
Other income is analysed as follows:		
Interest income from		
– bank deposits	**351**	354
– loan to an associate	**3**	4
Gain on disposal of available-for-sale investments	**–**	277
Dividend income from listed equity securities	**127**	164
Others	**92**	75
	573	874

5. PROFIT/(LOSS) FOR THE YEAR

	2007	2006
	HK$'000	*HK$'000*
Profit/(loss) for the year has been arrived at after charging/(crediting):		
Employee benefit expense (including directors' remuneration)		
Salaries, wages and other benefits	**12,595**	12,000
Retirement benefits scheme contributions	**599**	601
	13,194	12,601
Less: Amount capitalised as development costs	**(626)**	(741)
	12,568	11,860
Allowance/(recovery of allowance) for bad and doubtful debts	**37**	(124)
Allowance for loan to an associate	**25**	67
Write down of inventories	**1,276**	201
Amortisation of capitalised development costs included in research and development expenditure	**778**	803
Auditors' remuneration	**302**	385
Net foreign exchange gains	**(728)**	(583)
Depreciation of property, plant and equipment	**413**	568

6. TAXATION

Hong Kong profits tax is calculated at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. No tax is payable on profit for the years ended 30 June 2007 and 2006 arising in Hong Kong since the assessable profit is wholly absorbed by tax losses brought forward.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The taxation for the year can be reconciled to the profit/(loss) for the year in the consolidated income statement as follows:

	2007	2006
	HK$'000	*HK$'000*
Profit/(loss) for the year	**2,146**	(209)
Tax at the domestic income tax rate of 17.5%	**375**	(37)
Tax effect of expenses that are not deductible for tax purposes	**288**	216
Tax effect of income that is not taxable for tax purposes	**(381)**	(88)
Utilisation of tax loss not previously recognised	**(446)**	(272)
Tax effect of deferred tax assets not recognised	**164**	181
Taxation for the year	**–**	–

7. EARNINGS/(LOSS) PER SHARE

The calculation of the basic and diluted earnings/(loss) per share attributable to the ordinary equity holders of the Company is based on the following data:

	2007	2006
	HK$'000	*HK$'000*
Earnings/(loss)		
Profit/(loss) for the year attributable to equity holders of the Company	**2,087**	(273)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	**180,007**	180,000

Diluted earnings/(loss) per share for the years ended 30 June 2007 and 2006 have not been disclosed, as the share options outstanding during these years had an anti-dilutive effect on the basic earnings/(loss) per share for these years.

8. DIVIDEND

The Board does not recommend the payment of dividend for the year ended 30 June 2007 (2006: Nil).

9. TRADE AND OTHER RECEIVABLES

	The Group	
	2007	2006
	HK$'000	*HK$'000*
Trade receivables	**4,482**	4,120
Less: accumulated allowances	**(103)**	(66)
	4,379	4,054
Other receivables	**2,186**	1,793
Total trade and other receivables	**6,565**	5,847

The Group allows credit period of 30 days to some of its trade customers. The following is an aged analysis of trade receivables at the balance sheet date prepared on the basis of payment due date of sales invoice:

	The Group	
	2007	2006
	HK$'000	*HK$'000*
Current (including less than 1 month overdue)	**3,318**	2,495
1 to 3 months overdue	**897**	1,108
More than 3 months	**164**	451
	4,379	4,054

The fair value of the Group's trade and other receivables at 30 June 2007 approximates the carrying amount.

10. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK$723,000 (2006: HK$1,440,000). The following is an aged analysis of trade payables at the balance sheet date prepared on the basis of payment due date of supplier's invoice:

	The Group	
	2007	2006
	HK$'000	*HK$'000*
Current (including less than 1 month overdue)	**619**	643
1 to 3 months overdue	**104**	298
More than 3 months but less than 12 months overdue	**–**	499
	723	1,440

The fair value of the Group's trade and other payables at 30 June 2007 approximates the carrying amount.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the year ended 30 June 2007, the Group recorded a turnover of approximately HK$46,635,000, representing an increase of about 25% as compared with a turnover of approximately HK$37,356,000 of the preceding year. The growth in turnover was attributable to the Group's efforts in global market expansion and advanced product development strategies. Profit attributable to shareholders for the year ended 30 June 2007 amounted to approximately HK$2,087,000, as compared to the loss attributable to shareholders of approximately HK$273,000 for last year. Earnings per share for the year ended 30 June 2007 was HK1.16 cents, compared to loss per share of HK0.15 cents for the year ended 30 June 2006.

The Group's balance sheet remains strong, with substantial liquidity and a prudently low level of gearing. During the year ended 30 June 2007, the Group had capitalized operating costs of approximately HK$626,000 (2006: HK$741,000) in respect of development of advanced CCTV products. To cope with the Group's business expansion, overall operating costs had increased by approximately 6.5% to HK$20,101,000 as compared to HK$18,874,000 for the year ended 30 June 2006.

SEGMENT INFORMATION

Europe

Europe was still the largest market of the Group, whose turnover for the year ended 30 June 2007 amounted to approximately HK$16,662,000 (2006: HK$10,905,000) or 35.7% (2006: 29.2%) of the Group's turnover. TeleEye Europe Limited (a subsidiary in the UK) operates as a direct selling office commencing from April 2004. It contributed significant effort in the provision of technical and marketing support in the region. Segment profits increased to approximately HK$3,671,000 (2006: HK$953,000). It was due to the increase in turnover and implementation of stringent cost control measures.

Hong Kong

Hong Kong was the second largest market of the Group. Turnover for the year ended 30 June 2007 amounted to approximately HK$6,077,000 (2006: HK$5,935,000) or 13% (2006: 16%) of the Group's turnover. Segment profit was approximately HK$793,000 (2006: HK$2,246,000).

Other Asia Countries

Turnover for other Asia countries, excluding Hong Kong & Singapore, for the year ended 30 June 2007 amounted to approximately HK$5,616,000 (2006: 4,911,000) or 12% (2006: 13.1%) of the Group's turnover. Segment profits was approximately HK$573,000 (2006: HK$960,000).

Africa

Turnover from Africa for the year ended 30 June 2007 increased by 175% to approximately HK$5,318,000 (2006: HK$1,935,000). It accounted for 11.4% (2006: 5.2%) of the Group's turnover. Segment profit increased to approximately HK$1,670,000 (2006: HK$650,000). The increase in turnover was due to the increasing marketing efforts applied in the region. During the year, the Group had appointed a new distributor in South Africa to further strengthen the Group's presence there.

Singapore

Due to increase in market demand, turnover for Singapore for the year ended 30 June 2007 was approximately HK$5,108,000 (2006: HK$4,338,000) or 11% (2006: 11.6%) of the Group's turnover. The segment reported a profit of approximately HK$702,000 (2006: HK$136,000).

Middle East

Turnover for Middle East for the year ended 30 June 2007 was approximately HK$4,976,000 (2006: HK$4,755,000) or 10.7% (2006: 12.7%) of the Group's turnover. The segment reported a profit of approximately HK$1,600,000 (2006: HK$1,727,000).

Others

Other geographical segments included the Americas and Australia. Turnover for the year ended 30 June 2007 was approximately HK$2,878,000 (2006: HK$4,577,000) or 6.2% (2006: 12.2%) of the Group's total turnover. The segment reported a profit of approximately HK$1,012,000 (2006: HK$908,000).

BUSINESS REVIEW

The Group is principally engaged in research and development and sales and marketing of audio and video surveillance systems. For the financial year ended 30 June 2007, the Group succeeded in achieving growth and profitability in the highly competitive CCTV market. This reflected management's effort of providing a wide range of high-tech products and customer services to the market, and the optimisation of the Group's operational efficiency in a competitive environment. During the year, the Group continued to conduct seminars and exhibitions in various countries with a view to enhance TeleEye brand image worldwide. In July 2006, the Group had appointed, under a licensing and distributor agreement, TeleEye (Mauritius) Limited as its distributor in Mauritius to further expand the sales network there.

As part of the growth strategy, the Group is delighted to have its UK office relocated from Reading to a larger premises in Maidenhead. The relocation improved the Group's operational efficiency and allowed more resources, facilities and space to cope with the growth in the UK.

Product Development

During the year, the Group launched ***Tele*Eye RX330 Series Video Recording Transmitters ("*Tele*Eye RX330") consisting of four (RX334), eight (RX338) and sixteen (RX3316) channel models.** ***Tele*Eye RX330** are high performance video transmitters, which support up to two internal hard drives for standalone and remote operations. Being inherited from the success of their counterpart ***Tele*Eye RX360**, these new models combine fast video transmission, high-resolution recording and flexible connections in one single box. Featuring with the Group's revolutionary Multi-rate Video Coding Technology (SMAC-M), ***Tele*Eye RX330** deliver truly "no compromise" on both efficient video transmission and excellent DVD quality recording performance.

In March 2007, the Group added a series of new features on the TeleEye RX series product (***Tele*Eye RX360** series and **RX330** series), including advanced security functions, remote keyboard control, flexible SMS event notification and video extraction through DVD writer or USB flash drive.

In May 2007, the Group has expanded the RX series product line by introducing ***Tele*Eye RX504**, a professional mobile video recording server using the SMAC-M. ***Tele*Eye RX504** digitally compresses videos and generates independent data streams to cater for efficient transmission and high-resolution recording. It is one of the world's first mobile digital video servers which support HSDPA. ***Tele*Eye RX504** designs for tough automotive environment allowing it to withstand repetitive shocks and heavy vibrations generated by traveling vehicles. It can be detached easily and is protected from shock and vibration by a specially designed shock absorption mounting bracket.

During the year ended 30 June 2007, the Group's RX series product contributed approximately 49% of the Group's total turnover.

The Award

In October 2006, ***Tele*Eye RX360 Series Digital Video Recording Transmitters ("*Tele*Eye RX360")** has won the Grand Award and the Gold Award (Security Category) in the 2006 Hong Kong Electronic Industries Association (HKEIA) Award for Outstanding Innovation and Technology Products during the Hong Kong Electronic Fair 2006, the largest electronic exhibitions in Asia and the second largest in the world. This is the fourth consecutive year that the HKEIA Award goes to *Tele*Eye technology products. Moreover, this is the first time that the Group has received the Grand Award, the top honour in the HKEIA Award.

In February 2007, the Group received the Technological Achievement Certificate of Merit of the 2006 Hong Kong Awards for Industries organized by Hong Kong Science and Technology Parks Corporation. The award is presented to a company that has innovative achievement, which impacts on both business and on daily life. The award reflects a standard of recognition to technological excellence in Hong Kong.

BUSINESS OUTLOOK

Looking ahead, the Group will continue its policy of focusing on its core strength of developing and sourcing innovative and quality products, and will continue to explore into new markets in countries with good market potential in order to broaden the source of revenue. The Group expected that the revenue from the TeleEye RX series product will continue to represent a significant portion of the Group's total turnover. The management will remain constantly vigilant of controlling the costs whilst maintaining optimal efficiency of the Group. The directors remain cautiously optimistic about the future growth of the Group and believe that the Group can continue to be a leading advanced technological supplier in the global market of video management applications.

DIVIDENDS

The Board does not recommend the payment of dividend for the year ended 30 June 2007 (2006: Nil).

EMPLOYEES

As at 30 June 2007, the Group employed 36 (2006: 34) full time employees in Hong Kong and 16 (2006: 17) full time employees in the PRC and overseas offices. The Group's staff costs, including directors' emoluments, employees' salaries and retirement benefits scheme contribution amounted to approximately HK$13,194,000 (2006: HK$12,601,000).

Employees are remunerated in accordance with individual's responsibility and performance and remains competitive with the prevailing market rates. Other fringe benefits such as medical insurance, retirement benefit scheme and discretionary bonus are offered to all employees. Share options are granted at the directors' discretion and under the terms and conditions of share option schemes.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

As at 30 June 2007, non-interest bearing loans were outstanding to minority shareholders. The loans were to finance the operation of some of the Group's subsidiaries and were repayable on demand. There were no drawing and repayment to these loans during the year.

Other than the above, the Group mainly used its internal resources to finance its operations during the year. The Group has available banking facilities of HK$5 million from Hang Seng Bank and none of them had been utilized as at 30 June 2007 (30 June 2006: Nil). Consequently, the Group's gearing ratio, as a percentage of bank and other borrowings and long-term debt over total assets, as at 30 June 2007 was approximately 1% (30 June 2006: 1%).

The Group had bank balances, deposits and cash of approximately HK$11,726,000 as at 30 June 2007 (30 June 2006: HK$13,354,000)

SIGNIFICANT INVESTMENT

The Group did not make any significant new investment during the year.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group did not make any material acquisitions and disposal of subsidiaries and affiliated companies.

CHARGE ON ASSETS

As at 30 June 2007, the Group did not have any charge on its assets (30 June 2006: Nil).

FUTURE PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Other than those disclosed in the Company's prospectus dated 24 April 2001, the Group does not have any other plan for material investments or capital assets for the coming year.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

During the year under review, the Group's transactions were substantially denominated in either Hong Kong, US dollars and British Pounds. Since the Hong Kong dollars are pegged to the US dollars, the Board considers that the potential foreign exchange exposure of the Group is limited. During the year under review, the Group did not use any financial instruments for hedging purposes (30 June 2006: Nil). The Group closely monitors its foreign currency exposure from time to time and will engage appropriate hedging activities should needs arise.

CONTINGENT LIABILITIES

As at 30 June 2007, the Group did not have any contingent liabilities (30 June 2006: Nil).

COMPETING INTERESTS

The directors believe that none of the directors nor the management shareholders of the Company (as defined in the GEM Listing Rules) had an interest in a business, which competes or may compete with the business of the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules for the year ended 30 June 2007. except for the following deviations:

1. Code Provision A.2.1. stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

   At present, Dr. Chan Chok Ki is both the chairman and chief executive officer of the Company who is responsible for managing the Board and the Group's business. Dr. Chan has been both the chairman and chief executive officer of the Company since its incorporation. The Board considers that Dr. Chan has in-depth knowledge in the Group's business and can make appropriate decisions promptly and efficiently. The combination of the roles of chairman and chief executive officer can effectively formulate and implement the Group's strategies. The Board also consider that this structure will not impair the balance of power and authority between the Board and the management of the Company as the board of directors, which comprises experienced and high caliber individuals, meets regularly to discuss issues affecting the operations of the Group. The Group considered that, at its present size, there is no imminent need to segregate the role of chairman and chief executive officer.

2. Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. Code Provision A.4.2 stipulates that all directors appointed to fill a causal 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.

   At present, the independent non-executive directors are not appointed for a specific term, but are subject to retirement by rotation and re-election in accordance with the Company's Articles of Association. In addition, not every director is subject to retirement by rotation at least once every three years. Directors are subject to rotation in accordance with the Articles of Association of the Company (that at each annual general meeting, one-third of the directors for the time being or, if their number is not a multiple of three, the number nearest to but not greater than one-third, shall retire from office) provided that notwithstanding anything therein, the chairman of the Board and/or the managing director of the Company shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of directors to retire in each year. As such, with the exception of the chairman, all directors are subject to retirement by rotation in accordance with the Company's Articles of Association. The Board considers that the continuity of office of the Chairman provides the Group a strong and consistent leadership and is of great importance to the smooth operations of the Group. Therefore, for stability reasons, there is no imminent need to amend the Articles of Association of the Company.

A Corporate Governance Report will be dispatched with the annual report of the Company.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

For the year ended 30 June 2007, the Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company.

AUDIT COMMITTEE

The audit committee has three members comprising the three independent non-executive directors, namely Professor Ching Pak Chung, Professor Siu Wan Chi and Mr. Yu Hon To, David.

The primary duties of the audit committee are to review the Company's annual report and financial statements, quarterly reports and half-yearly report and to provide advice and comment thereon to the board of directors. The audit committee will also be responsible for reviewing and supervising the financial reporting process and internal control procedures of the Group.

The audit committee has reviewed the draft of this report and has provided advice and comments thereon.

The audit committee held four meetings during the year ended 30 June 2007.

By order of the Board
DR. CHAN CHOK KI
Chairman and Chief Executive Officer

Hong Kong, 12 September 2007

As at the date hereof, the executive Directors are Dr. Chan Chok Ki (Chairman of the Company), Dr. Ma Chi Kit and Mr. Ho Ka Ho; the non-executive Director is Dr. Chan Cheung Fat; and the independent non-executive Directors are Prof. Siu Wan Chi, Mr. Yu Hon To, David, and Professor Ching Pak Chung.

This announcement will remain on the "Latest Company Announcements" page of the GEM website for at least seven days from the date of its posting.