TAKSON HOLDINGS LIMITED
第一德勝控股有限公司*

(Incorporated in Bermuda with limited liability)
website: http://www.takson.com
(Stock Code: 918)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31ST MARCH, 2007

RESULTS

The Board of Directors of Takson Holdings Limited ("the Company") announces the audited consolidated results of the Company and its subsidiaries (together the "Group") for the year ended 31st March, 2007 (the "Financial Year"), together with the comparative figures for the year ended 31st March, 2006 as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31st March, 2007

	Note	**2007** *HK$'000*	2006 *HK$'000*
Turnover	*2*	**138,105**	135,278
Cost of sales		**(106,996)**	(92,149)
Gross profit		**31,109**	43,129
Other income	*2*	**8,077**	7,401
Selling, distribution and marketing expenses		**(25,966)**	(18,054)
Administrative expenses		**(43,665)**	(52,152)
Operating loss	*3*	**(30,445)**	(19,676)
Finance costs	*4*	**(5,064)**	(4,487)
Loss before taxation		**(35,509)**	(24,163)
Taxation (charge)/credit	*5*	**(318)**	1,734
Loss for the year		**(35,827)**	(22,429)
Attributable to:			
Equity holders of the Company		**(35,827)**	(20,454)
Minority interests		**—**	(1,975)
		(35,827)	(22,429)
Loss per share for loss attributable to the equity holders of the Company			
— basic *(HK cents)*	*6*	**(6.92)**	(4.46)

* *for identification purpose only*

CONSOLIDATED BALANCE SHEET

As at 31st March, 2007

	Note	2007 HK$'000	2006 HK$'000
ASSETS			
Non-current assets			
Intangible assets		**17,341**	21,951
Property, plant and equipment		**22,482**	26,749
Leasehold land and land use rights		**13,652**	25,394
Investment properties		**22,253**	5,743
Deferred tax assets		**—**	74
		75,728	79,911
Current assets			
Inventories		**14,693**	32,645
Trade receivables	*7*	**18,864**	13,800
Deposits, prepayments and other receivables		**5,322**	13,345
Pledged bank deposit		**10,521**	10,665
Cash at bank and in hand		**8,741**	7,457
		58,141	77,912
Total assets		**133,869**	157,823
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**51,740**	51,740
Reserves		**(29,949)**	2,828
Total equity		**21,791**	54,568
LIABILITIES			
Non-current liabilities			
Bank borrowings		**10,785**	8,281
Long-term liabilities		**11,517**	15,972
Deferred tax liabilities		**898**	1,243
Loans from a director	*8*	**13,600**	2,150
		36,800	27,646
Current liabilities			
Trade payables	*9*	**14,581**	13,484
Other payables and accrued charges		**14,286**	10,520
Taxation payable		**1,000**	15
Bank borrowings		**40,957**	46,886
Current portion of long-term liabilities		**4,454**	4,704
		75,278	75,609
Total liabilities		**112,078**	103,255
Total equity and liabilities		**133,869**	157,823
Net current (liabilities)/assets		**(17,137)**	2,303
Total assets less current liabilities		**58,591**	82,214

Notes:

1. **Basis of Preparation**

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and buildings.

The Group incurred a loss of approximately HK$35,827,000 for the year ended 31st March, 2007 (2006: HK$22,429,000) and had net current liabilities of approximately HK$17,137,000 as at 31st March, 2007 (2006: net current assets of HK$2,303,000). The directors are taking steps to improve the Group's liquidity and financial performance. These steps include active cost-saving and other measures to improve the Group's operating cash flows and financial position and obtaining the financial support from a director who is a shareholder of the Company as detailed in Note 8. The director has confirmed that he will not demand for repayment of the loans as detailed in Note 8 before 30th September, 2008.

The directors have given careful consideration to the Group's financial performance and liquidity position. On the basis that the Group's operating results and cash flows will be improved through the implementation of the measures described above and having considered the Group's current operation and business plan as well as the currently available banking facilities and support from a director mentioned above, the directors are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

New standards, amendments to existing standards and interpretations:

During the year, the Group adopted the following amendments and interpretations of HKFRS, which are effective for the year ended 31st March, 2007 and are relevant to the Group's operations:

- HKAS 39 and HKFRS 4 (Amendments) require issued financial guarantees, other than those previously asserted by the entity to be insurance contracts, to be initially recognized at their fair value, and subsequently measured at the higher of (i) the unamortized balance of the related fees received and deferred, and (ii) the expenditure required to settle the commitment at the balance sheet date. The adoption of the amendments does not have any significant impact on the Group's consolidated financial statements.

- HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease". The Group has reviewed its contracts. The adoption of this interpretation does not have any significant impact on classification of the leases of the Group and on the expenses recognized in respect of them.

2. **Revenue and segment information**

The Group is principally engaged in the sourcing, subcontracting, marketing and selling of outerwear garments and sportswear products. Revenues recognized during the year is as follows:

	2007	2006
	HK$'000	*HK$'000*
Turnover		
Sales of goods	**138,105**	135,278
Other income		
Income from sample sales	**166**	—
Interest income	**535**	760
Rental income	**135**	699
Profit on disposal of investment properties	**660**	4,214
Gain on revaluation of investment properties	**2,118**	294
Reversal of impairment loss on leasehold land and buildings	**—**	58
Gain on disposal of other investment	**—**	400
Gain on disposal of a subsidiary	**—**	242
Write-back of trade payables	**358**	652
Proceeds from disposal of intangible assets	**3,880**	—
Sundry income	**225**	82
	8,077	7,401

Primary reporting format — business segments

		2007	
	Export business	**Licensee business**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Turnover	**57,460**	**80,645**	**138,105**
Segment operating profit/(loss)	**2,081**	**(19,061)**	**(16,980)**
Interest income			**535**
Unallocated income			**6,876**
Unallocated corporate expenses			**(20,876)**
Operating loss			**(30,445)**
Finance costs			**(5,064)**
Loss before taxation			**(35,509)**
Taxation charge			**(318)**
Loss after taxation			**(35,827)**
Segment assets	**30,413**	**71,917**	**102,330**
Unallocated assets			**31,539**
Total assets			**133,869**
Segment liabilities	**31,109**	**65,358**	**96,467**
Unallocated liabilities			**15,611**
Total liabilities			**112,078**
Capital expenditure	**872**	**3,992**	**4,864**
Depreciation of property, plant and equipment	**1,332**	**1,644**	**2,976**
Amortization of leasehold land and land use rights	**295**	**160**	**455**
Gain on revaluation of investment properties	**2,118**	**—**	**2,118**
Amortization of intangible assets	**—**	**4,610**	**4,610**

Primary reporting format — business segments

	2006 Export business HK$'000	2006 Licensee business HK$'000	Total HK$'000
Turnover	73,578	61,700	135,278
Segment operating profit/(loss)	7,233	(1,978)	5,255
Interest income			760
Unallocated income			699
Unallocated corporate expenses			(26,390)
Operating loss			(19,676)
Finance costs			(4,487)
Loss before taxation			(24,163)
Taxation credit			1,734
Loss after taxation			(22,429)
Segment assets	63,247	87,924	151,171
Unallocated assets			6,652
Total assets			157,823
Segment liabilities	24,309	70,300	94,609
Unallocated liabilities			8,646
Total liabilities			103,255
Capital expenditure	443	4,362	4,805
Depreciation of property, plant and equipment	911	1,593	2,504
Amortization of leasehold land and land use rights	625	—	625
Impairment loss on an investment property	470	—	470
Impairment loss on goodwill	628	—	628
Amortization of intangible assets	—	2,940	2,940

Secondary reporting format — geographical segments

	2007		
	Turnover	**Total assets**	**Capital expenditure**
	HK$'000	***HK$'000***	***HK$'000***
Hong Kong	**7,878**	**57,482**	**872**
People's Republic of China (the "PRC")	**72,767**	**76,387**	**3,992**
United States of America	**41,479**	**—**	**—**
Europe	**10,831**	**—**	**—**
Canada	**3,879**	**—**	**—**
Australia	**1,040**	**—**	**—**
Others	**231**	**—**	**—**
	138,105	**133,869**	**4,864**

	2006		
	Turnover	Total assets	Capital expenditure
	HK$'000	*HK$'000*	*HK$'000*
Hong Kong	7,303	83,644	486
PRC	55,778	74,179	4,319
United States of America	53,962	—	—
Europe	12,571	—	—
Canada	4,000	—	—
Others	1,664	—	—
	135,278	157,823	4,805

3. Operating loss

Operating loss is stated after crediting and charging the following:

	2007	2006
	HK$'000	*HK$'000*
Crediting		
Net exchange gain	—	310
Charging		
Amortization of intangible assets	**4,610**	2,940
Amortization of leasehold land and land use rights	**455**	625
Auditor's remuneration	**1,060**	879
Bad debts written off	**921**	—
Depreciation		
Owned property, plant and equipment	**2,871**	2,335
Leased property, plant and equipment	**105**	169
Impairment loss on goodwill	**—**	628
Impairment loss on an investment property	**—**	470
Net exchange loss	**801**	—
Net loss on disposal of property, plant and equipment	**875**	50
Operating lease rentals in respect of land and buildings	**1,142**	1,288
Staff costs, including directors' emoluments	**28,544**	31,672

4. Finance costs

	2007	2006
	HK$'000	*HK$'000*
Interest on bank loans	**3,465**	2,993
Interest element of finance lease obligations	**33**	40
Other interest expense — unwinding of discount	**1,566**	1,454
	5,064	4,487

5. Taxation

The amount of taxation charged/(credited) to the consolidated income statement represents:

	2007	2006
	HK$'000	*HK$'000*
Hong Kong profits tax		
Current tax	**—**	120
Under/(over)-provision in previous years	**161**	(53)
Overseas taxation		
Current tax	**1,000**	—
Over-provision in previous years	**—**	(23)
Deferred taxation relating to the origination and reversal of temporary differences	**(843)**	(1,778)
Taxation charge/(credit)	**318**	(1,734)

(a) No provision for Hong Kong profits tax has been made as the Group has no assessable profit arising in Hong Kong during the year. For the year ended 31st March, 2006, Hong Kong profits tax had been provided at the rate of 17.5% on the estimated assessable profits for that year.

(b) Overseas taxation represents income taxes provided by certain subsidiaries, calculated at the tax rates prevailing in the countries in which the subsidiaries operate.

6. Loss per share

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2007	2006
Loss attributable to the equity holders of the Company *(HK$'000)*	**35,827**	20,454
Weighted average number of ordinary shares in issue *(thousands)*	**517,400**	459,086
Basic loss per share *(HK cents per share)*	**6.92**	4.46

No diluted loss per share is presented as the outstanding share options were anti-dilutive.

7. Trade receivables

The ageing analysis of trade receivables is as follows:

	2007	2006
	HK$'000	*HK$'000*
Current	**13,286**	8,007
1 to 3 months	**5,311**	4,919
Over 3 months	**691**	876
	19,288	13,802
Less: provision for bad and doubtful debts	**(424)**	(2)
	18,864	13,800

Trade receivables are denominated in the following currencies:

	2007	2006
	HK$'000	*HK$'000*
US dollars	**4,614**	1,387
Renminbi	**13,534**	11,365
Hong Kong dollars	**716**	1,048
	18,864	13,800

(a) Majority of the Group's export sales are on open account of 45 days and letter of credit at sight. The Group's licensee sales are with the credit terms of between 30 to 90 days.

(b) As at 31st March, 2007, trade receivables were factored to banks in the amount of HK$3,497,000 (2006: Nil).

8. Loans from a director

Loans from a director on the Group's consolidated balance sheet represent unsecured and interest-free loans advanced by Mr. Wong Tek Sun, Takson, a director and a shareholder of the Company. Mr. Wong Tek Sun, Takson has confirmed that he will not demand for repayment of the loans before 30th September, 2008. Commencing from 6th July, 2007, the loans from a director have become interest bearing at Hong Kong Prime lending rate less 0.5%.

Subsequent to the balance sheet date, Mr. Wong Tek Sun, Takson further advanced to the Group unsecured loans of HK$19.8 million and confirmed that he will not demand for repayment of the loans before 30th September, 2008. The loans bear interest at Hong Kong Prime lending rate less 0.5%.

9. Trade payables

The ageing analysis of trade payables is as follows:

	2007	2006
	HK$'000	*HK$'000*
Current	**4,948**	5,254
1 to 3 months	**7,616**	5,110
4 to 6 months	**1,164**	1,777
Over 6 months	**853**	1,343
	14,581	13,484

Trade payables are denominated in the following currencies:

	2007	2006
	HK$'000	*HK$'000*
US dollars	**6,597**	7,732
Renminbi	**7,271**	5,473
Hong Kong dollars and others	**713**	279
	14,581	13,484

Payment terms with suppliers are on letters of credit and open account. Certain suppliers grant credit terms between 30 to 60 days.

10. Final dividend

The Directors do not recommend the payment of a final dividend for the year ended 31st March, 2007 (2006: Nil).

11. Subsequent events

Save as disclosed in the Note 8, there are no other significant subsequent events.

EXTRACT FROM THE INDEPENDENT AUDITOR'S REPORT

The auditor's report on the consolidated financial statements for the year ended 31st March, 2007 contained a modified opinion. The following are extracted from the auditor's report:

"Without qualifying our opinion, we draw attention to Note 2 to the consolidated financial statements which indicates that the Group incurred a net loss of approximately HK$35,827,000 during the year ended 31st March, 2007 and, as at that date, the Group's current liabilities exceeded its current assets by approximately HK$17,137,000. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. As described in Note 2 to the consolidated financial statements, the directors are taking steps to improve the Group's liquidity and financial performance. These steps include various measures to improve operating cash flows and financial position of the Group and obtaining the financial support from a director who is a shareholder of the Company."

BUSINESS OVERVIEW

Export Business

The Group has been focusing on its business strategy to develop and expand the Export Business starting from the Financial Year. Turnover for the Financial Year decreased by 22% to HK$57.5 million (2006: HK$73.6 million) and the gross profit margin achieved was approximately 21% (2006: 26%). Although the gross profit margin decreased from that of the financial year ended 31st March, 2006, it was mainly due to the diversification of product varieties that had lower gross profit margins.

Moving forward, the Group will continue to expand this business segment of the Group and try to achieve higher gross profit margin in the coming years. Export sales still represented a major source of the revenue of the Group. For the Financial Year, the revenue derived from export sales amounted to 42% of the total turnover of Group (2006: 54%). It is the Group's vision to maintain a more balanced source of income between the Export Business and the Licensee Business.

Licensee Business

For the Licensee Business, the Group has continued its strategy to invest in the marketing and brand building of the products with brandname "Diadora".

For Diadora, the Group has established more than 320 Diadora's brand-owned shops in the PRC and Hong Kong operated by the Group or the Group's business partners. In line with our established business strategy, the Group focused on product development and brand building while our business partners continued to expand the network of retail shop outlets. Various sales meetings were held in Shanghai during the Financial Year and the Group received positive feedbacks from its business partners. For the Financial Year, the turnover increased from HK$32.3 million for the year ended 31st March, 2006 to HK$54.5 million, representing an increase of 69%. However, gross profit margin decreased to 24% due to promotional activities and stock clearance exercise during the Financial Year.

For HEAD®, the exclusive license for the manufacturing, marketing and distribution of HEAD® apparels in the PRC, Hong Kong and Macau expired on 31st December, 2006 and the Group decided not to renew this exclusive license. The Group and HEAD International GmbH have mutually agreed to terminate amicably the distribution agreement effective on 31st March, 2007. The turnover decreased from HK$29.4 million for the year ended 31st March, 2006 to HK$26.1 million for the Financial Year, representing a decrease of 11%.

FINANCIAL REVIEW

During the Financial Year, the Group has recorded a turnover of approximately HK$138.1 million as compared to HK$135.3 million last year, representing an increase of approximately 2%. The turnover for the Export Business was approximately HK$57.5 million (2006: HK$73.6 million) while the turnover for the Licensee Business was approximately HK$80.6 million (2006: HK$61.7 million). The decrease in turnover of the Export Business is mainly due to delays of orders from a number of large customers. On the other hand, the significant increase in the turnover of the Licensee Business was mainly driven by the expansion of wholesales and retail operations of the Diadora products in the PRC.

The gross profit margin of the Export Business was approximately 21% (2006: 26%) while the gross profit margin of the Licensee Business was approximately 24% (2006: 39%). The decrease in the gross profit margin of the Export Business was mainly due to the diversification of product varieties that lowered the gross profit margin. The decrease in the gross profit margin of the Licensee Business was mainly due to the Group's decision to offer very competitive product promotion campaigns to our dealers for market penetration in the PRC.

Due to the better control on the cost, the administrative expenses decreased by 16% to HK$43.7 million (2006: HK$52.2 million) while the selling, distribution and marketing costs increased by 44% to HK$26 million (2006: HK$18.1 million) is caused by continued expansion of Licensee Business of Diadora and Export Business.

Prospects

Export Business

In line with our existing business strategy for the Export Business, the Group will continue to expand its customer base and diversify the product varieties beyond outerwear so that a more balanced product mix will be achieved in the forthcoming years. After the Financial Year, the Group has successfully solicited some new large customers which have already placed orders to us. The Group expects that it can achieve a higher overall turnover in the Export Business in the forthcoming years with the expanded network and our effort to continue the expansion of the customer base. The Group is well prepared to build on our solid foundation for the years to come and believes that the additional customer base will help the Group to achieve economies of scale by fully utilizing the existing resources.

It is the Group's long-term vision to streamline its business and transfer most of its operations to the PRC for better cost control and for enhancing efficiency and effectiveness.

Licensee Business

The Group will reposition its business strategy of the Licensee Business for the Diadora products in the Greater China Market for the coming year. It is the Group's intention to re-structure the dealer network by attracting nationwide dealers to better cover the market by opening more branded-owned retail outlets in those second and third tier cities in the PRC (e.g. Hubei, Shandong, etc) for the Diadora products.

To improve productivity and efficiency, the Group will review the cost structure of the Licensee Business by streamlining certain business functions and reduce the capital investments on retail outlets. The management expects that there will be an increase in the overall turnover derived from the sales of the Diadora products by those dealers and retail shops for the coming financial years. However, the business is facing challenges such as keen competitions, heavy marketing and cash investments, increasing requirements for international brand owner support.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations by its own working capital, trade facilities and revolving bank loans provided by its principal bankers in Hong Kong. Total net cash outflow from operations amounted to approximately HK$7.5 million for the Financial Year (2006: HK$55.6 million).

As at 31st March, 2007, the Group's net borrowings comprised bank loans, obligations under finance leases and loans from a director who is a shareholder of the Company, the aggregate amount of which was approximately HK$65.3 million (2006: HK$57.3 million). Among the total outstanding amounts of bank loans, obligations under finance leases and loans from a director as at 31st March, 2007, 63% (2006: 82%) is repayable within the next year, 22% (2006: 1%) is repayable within the second year and the remaining balance repayable in the third to fifth year. The Group's bank loans are subject to floating interest rates while obligations under finance leases are subject to fixed interest rates.

The ratio of current assets to current liabilities of the Group was 0.77 as at 31st March, 2007 compared to 1.03 as at 31st March, 2006. The Group's gearing ratio as at 31st March, 2007 was 0.8 (2006: 0.6) which is calculated based on the Group's total liabilities of HK$112.1 million (2006: HK$ 103.3 million) and the Group's total assets of HK$133.9 million (2006: HK$157.8 million). As at 31st March, 2007, the Group's total cash and bank balances including the pledged bank deposit amounted to HK$19.3 million compared to HK$18.1 million as at 31st March, 2006. The cash and bank balances together with the available banking facilities and the financial support from a director who is a shareholder of the Company, which has advanced totally HK$19.8 million to the Group after the Financial Year, can provide adequate liquidity and capital resources for the ongoing operating requirements of the Group.

The monetary assets and liabilities and business transaction of the Group are mainly carried out and conducted in Hong Kong dollars, Renminbi and United States dollars. The Group maintains a prudent strategy in its foreign exchange risk management, with the foreign exchange risks being minimized through balancing the monetary assets versus monetary liabilities, and foreign currency revenue versus foreign currency expenditure. The Group maintained a balanced match of Renminbi financing in its PRC projects where cash flows were denominated in that currency to mitigate currency risk. The Group did not use any financial instrument to hedge against foreign currency risk.

CHARGE OF ASSETS

As at 31st March, 2007, the investment properties and leasehold land and buildings in Hong Kong and the PRC held by the Group with an aggregate carrying value of approximately HK$46.7 million (2006: HK$47.9 million) were pledged as first legal charge for the Group's banking facilities.

CONTINGENT LIABILITIES AND LITIGATION

The Company has executed guarantees with respect to banking facilities made available to its subsidiaries. As at 31st March, 2007, facilities utilized amounted to HK$40.5 million (2006: HK$56.3 million).

In February 2007, the Company initiated a legal action to claim the landlord of the Directors' quarters for damages and return of deposit as a result of wrongful repudiation of the tenancy agreement, which is quantified at HK$604,000 plus general damages and additional rent, rates and management fee to be assessed. The landlord commenced a separate legal action to counter-claim the Company for the amount of HK$2,035,000, being the outstanding and unpaid rent for the remainder of the term of the tenancy agreement, plus losses, damages, repair costs and re-instatement expenses to be assessed.

As the legal proceedings are still ongoing and the outcome is uncertain, the Directors are of the opinion that the amount of obligations (if any) cannot be ascertained at this stage and, accordingly, no provision for such liability has been made as at 31st March, 2007.

Except for the foregoing, as at 31st March, 2007, the Group had no other significant contingent liabilities or pending litigation.

EMPLOYEES

As at 31st March, 2007, the Group had a total of 144 employees (2006: 219 employees). The decrease in the number of employees was due to the control of staff costs in Hong Kong and the PRC. During the Financial Year, total staff costs (including directors' remuneration) amounted to approximately HK$ 28.6 million (2006: HK$31.7 million). For the Financial Year, the Group has performed a restructuring of the manpower leading to the redundancy cost of approximately HK$0.9 million.

The Group remunerates its employees (including Directors) primarily with reference to industry practices, including contributory provident funds, insurance and medical benefits. The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics. The Group has also adopted a discretionary bonus scheme for the management and the staff with awards which are determined annually based upon the performance of the Group and individual employees. As at 31st March, 2007, the Group has granted an aggregate of 23,270,000 share options to its Directors and employees for the purpose of providing incentives or rewards to the eligible employees for their contribution to the Group.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the Financial Year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the Financial Year.

REVIEW OF FINAL RESULTS

The Audit Committee has reviewed the annual results of the Group for the year ended 31st March, 2007.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the Financial Year, except for the deviations from Code Provisions A.2.1 and A.4.1. Details of the such compliance are set out in the Corporate Governance Report in the Annual Report for the Financial Year.

Chairman and Chief Executive Officer

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

The Company has deviated from the Code provision A.2.1 and the roles of the chairman and the chief executive officer of the Company are now performed by the same person. Mr. Wong Tek Sun, Takson now assumes the roles of both the chairman and chief executive officer of the Company. The Board intends to maintain this structure for the time being as it believes that this structure can provide the Group with strong and consistent leadership and allows more effective planning and execution of long-term business strategies.

One of the important roles of the Chairman is to provide leadership to the Board to ensure that the Board always acts in the best interests of the Group. The Chairman shall ensure that the Board works effectively and fully discharges its responsibilities, and that all key issues are discussed by the Board in a timely manner. All Directors have been consulted about any matters proposed for inclusion in the agenda of the meetings of the Board.

The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the composition of the Board which comprises experienced independent non-executive Directors and experienced management team. The Board will also evaluate the existing structure from time to time.

Term of the non-executive Directors

Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term and are subject to re-election.

The Company has deviated from the Code provision A.4.1. The non-executive Directors (including independent non-executive Directors) are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting pursuant to Bye-law 87 of the Company's Bye-laws.

The Board believes that, despite the absence of specified term of non-executive Directors, the Directors are committed to representing the long-term interests of the shareholders of the Company.

Audit Committee

The written terms of reference which describe the authority and duties of Audit Committee were prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Institute of Certified Public Accountants.

The Audit Committee provides an important link between the Directors and the Company's auditor in matters coming within the scope of the audit of the Group. It also reviews the effectiveness of the external audit and the internal controls and risk evaluation. Currently, the Audit Committee comprises two independent non-executive Directors, namely, Mr. Lee Kwok Cheung and Mr. Chau Tsun Ming, Jimmy, and a non-executive Director, Mr. Wong Tak Yuen. Two meetings were held during the Financial Year.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 21st August, 2007 (Tuesday) to 24th August, 2007 (Friday) (both dates inclusive), during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the annual general meeting of the Company to be held on 24th August, 2007 (Friday), all transfers of shares of the Company accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar of the Company, Abacus Share Registrars Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong for registration no later than 4:00 p.m. on 20th August, 2007 (Monday).

By Order of the Board
Wong Tek Sun, Takson
Chairman

Hong Kong, 25th July, 2007

The board at the date of announcement comprises Mr. Wong Tek Sun, Takson and Ms. Pang Shu Yuk, Adeline Rita, who are executive directors; and Mr. Lee Kwok Cheung, Mr. Cunningham, James Patrick and Mr. Chau Tsun Ming, Jimmy, who are independent non-executive directors; and Mr. Wong Tak Yuen, who is non-executive director.