



BALtrans Holdings Limited

(incorporated in Bermuda with limited liability)
(Stock Code: 562)

Website: <http://www.baltrans.com>

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 JULY 2007

HIGHLIGHTS

- Achieved record results
 - Revenue increased by 14% to HK\$4.63 billion
 - Gross profit surged 32% to HK\$873.7 million
- Gross margin improved from 16.3% to 18.9%
- Net profit attributable to equity holders of the Company dropped 45% to HK\$62.5 million due to lower overall non-recurrent gains, management and the PRC business restructuring, higher amortization of intangible assets, financing costs and effective tax rates
- Global network expansion continues with EMEA region becoming a new growth segment

MANAGEMENT DISCUSSION & ANALYSIS

Summary Financial Highlights (HK\$ million)

	2007	2006	% change
Revenue	4,630.0	4,046.4	+14%
Gross profit	873.7	660.3	+32%
EBITA	137.1	140.9	-3%
Net profit attributable to equity holders of the Company	62.5	113.3	-45%

Business Review

During the period under review, the Group achieved a record annual revenue of over HK\$4.63 billion, approximately 14% higher than the previous year, due to the 173% increase in the revenue contribution from the new Europe and Middle East Asia (“EMEA”) region driven by green-field set-ups, acquisitions and organic growth.

Our gross profit increased 32% to a record of HK\$874.0 million, with gross margin improving from 16.3% last year to 18.9% this year, due to the increase in new business in EMEA region, our enhanced buying power with our increased business volume, as well as more focus on intra-network co-operation.

However, our EBITA and net profit were lower than last year mainly due to the weaker performance of our Asian and North American operations resulting from the soft eastbound transpacific airfreight market, and the increase in intangible assets amortization and financing costs that was more than the contribution from our Swedish acquisition.

Apart from the above reasons, specific items impacting on the EBITA included reduction in other net gains (see summary table below) totaling HK\$15.6 million, increased costs of strengthened group and regional management of HK\$21.9 million, start-up losses of our new Atlanta and France offices of HK\$3.4 million, global branding consulting fee expenses of HK\$2.8 million, the non-recurring expenses relating to our ex-Chief Executive and the buy-out/restructuring of our PRC entities amounting to a total of HK\$14.8 million.

Other Net Gains (Summary Table)

(HK\$ million)

	2007	2006
One-off disposal gains	0.3	21.2
Exchange gain	21.8	2.1
Option gain	4.9	–
Negative goodwill	–	8.3
One-off claim compensation	–	10.4
Miscellaneous	1.5	2.1
	<hr/>	<hr/>
Total	28.5	44.1

The strengthened group and regional management had helped us to accelerate our geographical business expansion and achieve the critical integration of our PRC platform. The minority buy-out and integration of our PRC platform provides us with an efficient and fully controlled platform to expand our PRC business with the rest of the Group network.

Our net profit decreased by 45% as it was further impacted by a HK\$13.0 million increase in intangible assets amortization arising from acquisition of new businesses with strong customer bases, HK\$10.0 million increase in net finance costs to finance recent acquisitions and a higher effective tax rate as we expand further overseas.

Markets

(HK\$ million)

	Asia Pacific	North America	EMEA	Intra-group Sales Elimination	Total
<u>Revenue</u>					
2007	3,052	675	1,798	(895)	4,630
2006	3,277	719	658	(608)	4,046
% change	-7%	-6%	+173%		+14%
 <u>EBITA</u>					
2007	75	12	50		137
2006	105	20	16		141
% change	-29%	-40%	+213%		-3%

After eliminating intra-group sales, the revenue of Asia Pacific region, North America and EMEA region accounted for 52%, 12% and 36% of the Group revenue respectively. The following analysis is based on the revenue table shown above (before intra-group sales elimination).

Asia Pacific

The revenue in Asia Pacific region decreased by approximately 7% mainly due to streamlining of business revenue base in the PRC and Taiwan.

In the PRC, both BALtrans and Supreme (our 94% owned subsidiary) conducted business streamlining to reduce the low margin local pre-paid and co-loading business in conjunction with downsizing of the PRC platform. The staff force was reduced by more than 40% during this restructuring. We are also managing the downsizing of our Taiwan business. Both the PRC and Taiwan saw double-digit revenue decline as a result. Although this led to a short-term drop in our revenue, we are beginning to see benefits in the form of higher gross margin, more consistent financial performance, higher productivity and much reduced receivables risk towards the end of the financial year. The revenue decline was partly offset by the new higher quality direct accounts business contributed by the newly expanded EMEA region offices.

The EBITA for Asia Pacific region was reduced from HK\$105.0 million to HK\$75.0 million due to the decrease in other net gains, transitional impact from the business streamlining, the soft eastbound transpacific airfreight market, the increased costs due to the expansion of head office and regional management team as well as the departure of our ex-Chief Executive.

North America

The revenue in North America decreased by 6% due to the loss of a major customer and a short-term phenomenon of substituting certain airfreight cargo movement by seafreight transportation which occurred during the financial year. The EBITA of HK\$12.0 million is 40% lower than last year, mainly due to the reasons above, the start-up losses for our new Atlanta office (HK\$2.1 million) and the increased staff incentive costs in Canada.

EMEA

The revenue in EMEA region increased by 173% due to the full year inclusion of new subsidiaries in Germany, South Africa, Sweden as well as revenue growth in the Netherlands and the United Kingdom. The EMEA region made an EBITA of HK\$50.0 million, substantially higher than HK\$16.0 million last year, despite the start-up EBITA loss of HK\$1.3 million in France.

Overall, the Group is undergoing a significant transition to become a global player with stronger network focus. Our continuing expansion into the new EMEA region will enable us to cope with the transition of moving from a partnership/agency model to a network model so that we can provide end-to-end BALtrans platform, both at origin and destination, to our customers with improved service and enhance our longer term competitiveness.

Services

Airfreight

Revenue in HK\$ million

	Asia Pacific	North America	EMEA	Total
2007	1,380	337	701	2,418
2006	1,760	405	227	2,392
% change	-22%	-17%	+209%	+1%

Seafreight

Revenue in HK\$ million

	Asia Pacific	North America	EMEA	Total
2007	718	200	874	1,792
2006	810	195	339	1,344
% change	-11%	+3%	+158%	+33%

Airfreight revenue increased by 1% to approximately HK\$2.4 billion, making up approximately 52% of the Group revenue, whilst seafreight revenue increased by 33% to close to HK\$1.8 billion, making up approximately 39% of the Group revenue. Both air and seafreight revenue increased, driven mainly by the business expansion in the EMEA region. Revenue decreased in Asia Pacific region mainly due to the effect of streamlining of revenue base in the PRC/Taiwan and the increase in intra-group sales elimination. North America revenue declined mainly due to the loss of a key customer and soft airfreight market from Asia into North America.

Airfreight EBITA decreased from HK\$63.1 million of last year to HK\$56.2 million of this year whilst seafreight EBITA increased from HK\$31.9 million to HK\$46.9 million respectively.

Exhibition Forwarding and Household Removal

The revenue from exhibition forwarding and household removal increased 42% to HK\$184.0 million mainly due to the timing of key exhibition events of our client base and the handling of more events. As a result, the EBITA increased from HK\$14.9 million last year to HK\$16.7 million this year, an increase of 12%. The lower percentage increase in EBITA is due to the inclusion of around HK\$5.0 million cost of sales write-back in the previous financial year.

Third Party Logistics

The revenue from third-party logistics (“3PL”) increased by 31% to HK\$236.0 million due to the increase in 3PL business in the Netherlands and South Africa. EBITA increased 22% from HK\$9.9 million of last year to HK\$12.1 million of this year.

Outlook

The restructuring of the PRC platform had been completed by the end of July in this year and we are now seeing consistent improvement in its profitability. The increasing number of new subsidiaries outside Asia should help cushion the Group from the impact of gradual transition from agency businesses to more businesses contributed from our own network offices.

With the investments made during the year, we now have in place the necessary corporate and management resources to support our future growth. Going forward, we will focus more on consolidating and close monitoring of our productivity and cost base to ensure that we will grow our profitability alongside top line growth.

We continue our growth momentum in the EMEA region with the opening of new offices in France, Qatar and Egypt during the year. With strong local teams in place and the recent turnaround of our France offices, we believe the EMEA region will continue to drive our growth in the foreseeable future. We will continue to look out for expansion opportunities in key new markets in Europe.

In North America, the Atlanta office is expected to turnaround to make a positive contribution in the coming year. We have strengthened our sales capability in the USA during the year which had helped us to win several key accounts that would make meaningful contribution to our network as well as new origin locations such as Pakistan, Bangladesh and Cambodia. We are currently studying the feasibility of setting up new joint venture offices to handle such new businesses in these emerging countries.

Despite the recent departure of our ex-Chief Executive, the management structure of the Group had remained largely unchanged and there has been no material impact on our ongoing expansion plans and business strategy. We will seek to expand our network coverage, enhance cooperation within the BALtrans network and invest further to improve processes and systems in order to ensure improvement in our productivity and profit margin.

Liquidity, Financial Resources and Funding

As at 31 July 2007, the Group possessed cash equivalents of HK\$275.4 million (2006: HK\$280.0 million). The majority of the Group's cash was in either HKD or USD. The gross gearing ratio (total borrowings/total equity) at the end of the year was 38.4% (2006: 32.7%). However, the Group was in a net cash position of HK\$173.8 million (2006: HK\$112.8 million).

For the year ended 31 July 2007, total spending on property, plant and equipment was lower than the last year. HK\$17.2 million (2006: HK\$23.1 million) was paid for the purchase of property, plant and equipment. HK\$5.7 million (2006: HK\$7.3 million) was received for the disposal of property, plant and equipment and leasehold land and land use rights.

The Group's funding requirements have been fulfilled mainly by internal resources with some loan/overdraft facilities granted by banks.

The Group's borrowings were mainly in HKD, ZAR, CAD, RMB and TWD. Overdraft and short-term loan facilities were granted to the Group at normal market interest rates.

As a matter of principle, the Group requires adequate working capital to be retained in overseas subsidiaries and then transfer excess funds back to the head office. Some of our overseas subsidiaries may use overdraft facilities in foreign currencies. The Group will keep monitoring potential currency exposures and implement hedging arrangements when necessary.

During the year under review, there was no significant deviation from the policies above.

Charges on Group Assets

Trade receivables of HK\$32.5 million (2006: HK\$76.9 million) and fixed deposit of HK\$17.4 million (2006: HK\$16.0 million) are pledged as security for banking facilities extended to the Group.

Material Acquisitions and Disposal of Subsidiaries or Associates

During the year, the Group has completed the following material acquisitions:

- (a) the acquisition of 100% interest in BALtrans Logistics Sweden AB (formerly known as Gothenburg Shipping Logistics AB) in Sweden in August 2006;
- (b) the acquisition of 48% interest in BALtrans Logistics (Germany) GmbH (formerly known as BNG Logistics GmbH) in Germany in August 2006 to increase the Group's shareholding from 48% to 96% and further acquisition of the remaining 4% interest in May 2007;
- (c) the acquisition of the remaining 26% interest in BALtrans Logistics (India) Private Limited in December 2006; and
- (d) the acquisition of 31% interest in Higgins Global Logistics (Proprietary) Limited in South Africa in June 2007.

Subsequent to the year end, the Group has disposed of 60% interest in Helu-trans (S) Private Limited in August 2007, and increased its effective shareholding in Muragawa Logistics Limited from 75.2% to 94% in October 2007.

Except as disclosed above, there was no material acquisition or disposal of subsidiaries, jointly controlled entities or associates during the year.

Contingent Liabilities

Details of the contingent liabilities of the Group are set out in note 13.

Staff and Employment

As at 31 July 2007, the Group employed a workforce of 1,980 (2006: 2,070). Total staff remuneration for the year ended 31 July 2007 was HK\$483.0 million including retirement benefit costs of HK\$23.8 million (2006: HK\$336.3 million including retirement benefit costs of HK\$17.4 million).

RESULTS

The Board of Directors of BALtrans Holdings Limited (the “Company”) announces the consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 July 2007 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 July 2007

	<i>Note</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Revenue	3	4,630,059	4,046,380
Cost of services rendered	5	(3,756,388)	(3,386,059)
Gross profit		873,671	660,321
Other gains, net	4	28,519	44,097
Administrative and other operating expenses	5	(780,984)	(566,520)
Operating profit		121,206	137,898
Finance income	6	6,211	4,442
Finance costs	6	(16,925)	(4,780)
Finance costs, net		(10,714)	(338)
Share of profits less losses of Jointly controlled entities		1,593	1,176
Associates		141	4,132
Profit before income tax		112,226	142,868
Income tax expenses	7	(34,756)	(18,965)
Profit for the year		77,470	123,903
Attributable to:			
Equity holders of the Company		62,541	113,259
Minority interests		14,929	10,644
		77,470	123,903
Dividends	8	31,228	48,000
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share			
Basic	9	20.1	37.1
Diluted	9	19.8	36.4

CONSOLIDATED BALANCE SHEET

As at 31 July 2007

	Note	2007 HK\$'000	2006 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		99,916	111,602
Leasehold land and land use rights		52,562	53,740
Intangible assets	10	352,358	196,362
Jointly controlled entities		7,144	6,581
Associates		4,420	3,758
Derivative financial instruments		16,424	5,694
Available-for-sale financial assets		615	615
Deferred income tax assets		15,872	11,141
		<u>549,311</u>	<u>389,493</u>
Current assets			
Trade and other receivables	11	896,970	794,695
Financial assets at fair value through profit or loss		–	4,397
Derivative financial instruments		–	340
Current income tax assets		2,589	2,708
Bank balances and cash		309,748	333,689
		<u>1,209,307</u>	<u>1,135,829</u>
Total assets		<u>1,758,618</u>	<u>1,525,322</u>
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		31,242	30,977
Reserves			
Retained profits		356,804	325,980
Other reserves		210,315	199,605
Proposed dividends		19,683	36,553
		<u>618,044</u>	<u>593,115</u>
Minority interests		<u>56,734</u>	<u>50,672</u>
Total equity		<u>674,778</u>	<u>643,787</u>

	<i>Note</i>	2007 HK\$'000	2006 HK\$'000
LIABILITIES			
Non-current liabilities			
Borrowings		139,747	5,269
Retirement liabilities		1,040	1,447
Deferred income tax liabilities		4,020	816
Other non-current liabilities		81,976	76,192
		<u>226,783</u>	<u>83,724</u>
Current liabilities			
Trade and other payables	12	685,671	562,915
Borrowings		123,092	208,088
Current income tax liabilities		48,294	26,808
		<u>857,057</u>	<u>797,811</u>
Total liabilities		<u>1,083,840</u>	<u>881,535</u>
Total equity and liabilities		<u>1,758,618</u>	<u>1,525,322</u>
Net current assets		<u>352,250</u>	<u>338,018</u>
Total assets less current liabilities		<u>901,561</u>	<u>727,511</u>

NOTES TO THE FINANCIAL STATEMENTS

1 Basis of preparation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The financial statements have been prepared under the historical cost convention, except that available-for-sale financial assets, derivative financial instruments and financial assets at fair value through profit or loss are carried at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of the Group. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimate are significant to the financial statements.

2 Summary of changes in accounting policies

The following new amendments to standards and interpretations are mandatory for the year ended 31 July 2007 and are relevant to the Group's operations:

HKAS 19 Amendment	Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39 Amendment	The Fair Value Option
HK(IFRIC) – Int 8	Scope of HKFRS 2

The adoption of above amendments and interpretations did not result in substantial changes to the Group's accounting policies.

Certain new standards, interpretations and amendments to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 August 2007 or later periods and may be relevant to the Group's operations as follows:

		Effective for accounting periods beginning on or after
HKAS 1 Amendment	Presentation of Financial Statements – Capital Disclosures	1 January 2007
HKAS 23 (Revised)	Borrowing costs	1 January 2009
HKFRS 7	Financial Instruments: Disclosures	1 January 2007
HKFRS 8	Operating segments	1 January 2009
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions	1 March 2007

The Group has not early adopted the above standards, interpretations and amendments but will apply them from 1 August 2007. It is not expected to have a significant impact on the Group's financial statements.

3 Segment information

The Group is principally engaged in the provision of air and sea freight forwarding services, exhibition forwarding and household removal services and third party logistics (representing trucking and warehousing services).

(a) Primary reporting format – geographical segments

	For the year ended 31 July 2007				
	Asia Pacific HK\$'000	North America HK\$'000	EMEA HK\$'000	Elimination HK\$'000	Group HK\$'000
Turnover					
External	2,424,703	547,638	1,657,718	-	4,630,059
Inter-segment	627,039	127,101	140,482	(894,622)	-
Total	3,051,742	674,739	1,798,200	(894,622)	4,630,059
Segment results	73,639	11,592	35,975	-	121,206
Finance income	2,969	1,810	1,432	-	6,211
Finance costs	(7,959)	(845)	(8,121)	-	(16,925)
Finance costs, net	(4,990)	965	(6,689)	-	(10,714)
Share of profits less losses of					
Jointly controlled entities	1,593	-	-	-	1,593
Associates	184	32	(75)	-	141
Profit before income tax					112,226
Income tax expenses					(34,756)
Profit for the year					77,470
Segment assets	877,633	127,320	723,640	-	1,728,593
Jointly controlled entities	7,144	-	-	-	7,144
Associates	1,182	555	2,683	-	4,420
Unallocated assets					18,461
Total assets					1,758,618
Segment liabilities	621,764	47,415	362,347	-	1,031,526
Unallocated liabilities					52,314
Total liabilities					1,083,840
Capital expenditure for					
Property, plant and equipment	10,555	307	7,397	-	18,259
Intangible assets	2,482	-	155,806	-	158,288
Depreciation charge	15,874	719	5,010	-	21,603
Amortisation charge					
Leasehold land and land use rights	1,212	-	-	-	1,212
Intangible assets	718	-	13,998	-	14,716

For the year ended 31 July 2006

	Asia Pacific <i>HK\$'000</i>	North America <i>HK\$'000</i>	EMEA <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Group <i>HK\$'000</i>
Turnover					
External	2,845,295	611,140	589,945	–	4,046,380
Inter-segment	432,015	107,882	68,577	(608,474)	–
Total	<u>3,277,310</u>	<u>719,022</u>	<u>658,522</u>	<u>(608,474)</u>	<u>4,046,380</u>
Segment results	<u>103,033</u>	<u>20,213</u>	<u>14,652</u>	<u>–</u>	137,898
Finance income	2,792	1,226	424	–	4,442
Finance costs	(2,211)	(824)	(1,745)	–	(4,780)
Finance costs, net	581	402	(1,321)	–	(338)
Share of profits less losses of					
Jointly controlled entities	1,176	–	–	–	1,176
Associates	1,179	173	2,780	–	4,132
Profit before income tax					142,868
Income tax expenses					(18,965)
Profit for the year					<u>123,903</u>
Segment assets	993,364	130,309	377,461	–	1,501,134
Jointly controlled entities	6,581	–	–	–	6,581
Associates	2,839	522	397	–	3,758
Unallocated assets					13,849
Total assets					<u>1,525,322</u>
Segment liabilities	481,685	43,668	328,558	–	853,911
Unallocated liabilities					27,624
Total liabilities					<u>881,535</u>
Capital expenditure for					
Property, plant and equipment	19,087	397	3,569	–	23,053
Intangible assets	29,280	–	46,056	–	75,336
Depreciation charge	18,944	833	2,049	–	21,826
Amortisation charge					
Leasehold land and land use rights	1,372	–	–	–	1,372
Intangible assets	495	–	1,135	–	1,630

(b) *Secondary reporting format – business segments*

As at and for the year ended 31 July 2007				
	Turnover <i>HK\$'000</i>	Segment results <i>HK\$'000</i>	Total assets <i>HK\$'000</i>	Capital expenditure <i>HK\$'000</i>
Air freight	2,418,006	51,535	631,524	38,880
Sea freight	1,791,568	37,703	504,662	124,410
Exhibition forwarding and household removal services	184,490	16,627	76,340	1,937
Third party logistics	235,995	10,119	59,046	11,320
	4,630,059	115,984	1,271,572	176,547
Jointly controlled entities	–	–	7,144	–
Associates	–	–	4,420	–
Unallocated ¹	–	5,222	475,482	–
Total	4,630,059	121,206	1,758,618	176,547

As at and for the year ended 31 July 2006				
	Turnover <i>HK\$'000</i>	Segment results <i>HK\$'000</i>	Total assets <i>HK\$'000</i>	Capital expenditure <i>HK\$'000</i>
Air freight	2,392,198	61,829	653,664	50,972
Sea freight	1,344,053	30,749	428,646	40,008
Exhibition forwarding and household removal services	129,961	14,865	61,813	1,993
Third party logistics	180,168	9,272	43,241	5,416
	4,046,380	116,715	1,187,364	98,389
Jointly controlled entities	–	–	6,581	–
Associates	–	–	3,758	–
Unallocated ¹	–	21,183	327,619	–
Total	4,046,380	137,898	1,525,322	98,389

¹ Unallocated segment results for the year ended 31 July 2007 mainly comprise fair value gain on derivative financial instruments, net increase in put option liabilities, gain on disposal of associates, gain on disposal of jointly controlled entities and gain/(loss) on disposal of financial assets at fair value through profit or loss.

Unallocated segment results for the year ended 31 July 2006 mainly comprised gain on disposal of associates and gain on disposal of financial assets at fair value through profit or loss.

Unallocated assets comprise intangible assets, buildings, leasehold land and land use rights, current income tax assets and deferred income tax assets.

4 Other gains, net

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Fair value gain on derivative financial instruments	10,730	–
Net increase in put option liabilities	(5,784)	–
Net exchange gain	21,777	2,137
Compensation on claims	–	10,443
Excess of fair value of net assets acquired over cost of acquisition of a subsidiary	–	8,331
Gain on disposal of subsidiaries	–	23
Gain on disposal of associates, net	454	11,283
Gain on disposal of jointly controlled entities	114	–
(Loss)/gain on disposal of financial assets at fair value through profit or loss	(292)	9,900
Property letting income	336	310
Management fee received from		
A third party	393	238
Joint controlled entities	788	728
Associates	3	216
Fair value gain on financial assets at fair value through profit or loss	–	488
	<u>28,519</u>	<u>44,097</u>

5 Costs and expenses by nature

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Freight, handling, delivery and other costs of services	3,756,388	3,386,059
Staff costs, including Directors' remuneration	482,985	336,296
Operating lease rental in respect of land and buildings	58,905	47,138
Travel and entertainment expenses	37,214	32,188
Office expenses	31,798	31,352
Sales delegation expenses	26,914	22,408
Water, electricity and management fee	23,189	18,333
Depreciation charge		
Owned property, plant and equipment	18,996	21,737
Leased property, plant and equipment	2,607	89
Motor vehicles running expense	16,651	9,801
Amortisation charge		
Leasehold land and land use rights	1,212	1,372
Other intangible assets	14,716	1,630
Legal and professional fee	12,916	11,302
Software and office equipment maintenance	9,041	6,440
Bank charges	6,311	3,570
Loss on disposal of property, plant and equipment and leasehold land and land use rights	711	270
Provision for impairment of trade receivables	348	12,143
Write back of accruals	–	(15,827)
Others	36,470	26,278
	<u>4,537,372</u>	<u>3,952,579</u>

6 Finance income and costs

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Interest income received from:		
Bank	6,211	4,336
Associates	–	106
	<u>6,211</u>	<u>4,442</u>
Interest expenses on:		
Interest on bank borrowings and overdrafts	(16,779)	(4,730)
Interest element of finance leases payable within five years	(146)	(50)
	<u>(16,925)</u>	<u>(4,780)</u>
Finance costs, net	<u>(10,714)</u>	<u>(338)</u>

7 Income tax expenses

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Current income tax		
Hong Kong profits tax	7,898	6,865
Overseas taxation	22,204	13,400
Under provision in prior years	7,325	1,476
Deferred income tax	(2,671)	(2,776)
	<u>34,756</u>	<u>18,965</u>

Hong Kong profits tax has been provided for at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

The Group's shares of income tax expenses of jointly controlled entities and associates of HK\$307,000 (2006: HK\$233,000) and HK\$243,000 (2006: HK\$408,000) are included in the income statement as share of profits less losses of jointly controlled entities and associates respectively.

8 Dividends

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Interim, paid, of HK3.7 cents (2006: HK3.7 cents) per share	11,545	11,447
Final, proposed, of HK6.3 cents (2006: HK11.8 cents) per share	19,683	36,553
	<u>31,228</u>	<u>48,000</u>

At a meeting held on 13 November 2007, the Directors proposed a final dividend of HK6.3 cents per share. This proposed final dividend is not reflected as dividends payable in the financial statements, but will be reflected as an appropriation of retained profits for the year ending 31 July 2008.

9 Earnings per share

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Profit attributable to equity holders of the Company	<u>62,541</u>	<u>113,259</u>
Weighted average number of shares in issue during the year for the purpose of basic earnings per share (thousands)	311,276	305,508
Effect of dilutive potential shares in respect of share options deemed to be issued at no consideration (thousands)	<u>5,376</u>	<u>5,296</u>
Weighted average number of shares for the purpose of diluted earnings per share (thousands)	<u>316,652</u>	<u>310,804</u>
	<i>HK cents</i>	<i>HK cents</i>
Basic	<u>20.1</u>	<u>37.1</u>
Diluted	<u>19.8</u>	<u>36.4</u>

10 Intangible assets

Intangible assets represented goodwill, agency network, customer base and relationship, and licence.

11 Trade and other receivables

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Trade receivables		
Third parties	809,007	721,592
Jointly controlled entities	293	943
Associates	6,098	32,728
Related companies	2,520	1,417
Minority shareholders	1	13
	<u>817,919</u>	<u>756,693</u>
Less: Provision for impairment	<u>(21,254)</u>	<u>(57,731)</u>
	<u>796,665</u>	<u>698,962</u>
Deposits, prepayments and other receivables		
Third parties	94,345	95,733
A related company	5,960	–
	<u>100,305</u>	<u>95,733</u>
	<u>896,970</u>	<u>794,695</u>

Notes:

- (a) The credit terms given to trade customers are determined on an individual basis with the credit period ranging from one month to three months.
- (b) Trade receivables, deposits, prepayments and other receivables from jointly controlled entities, associates, related companies and minority shareholders are unsecured and interest free. Trade receivables from related parties have credit terms similar to those of third party customers whereas the other balances have no fixed terms of repayment.
- (c) The ageing analysis of trade receivables (net of provision) was as follows:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
30 days or below	510,899	413,944
31 – 60 days	199,569	214,051
61 – 90 days	52,512	46,841
Over 90 days	33,685	24,126
	<u>796,665</u>	<u>698,962</u>

12 Trade and other payables

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Trade payables		
Third parties	359,383	273,504
Jointly controlled entities	1,541	260
Associates	47	1,332
Related companies	230	243
	<u>361,201</u>	<u>275,339</u>
Accrued charges and other payables to third parties	324,470	287,576
	<u>685,671</u>	<u>562,915</u>

Notes:

- (a) Trade payables to jointly controlled entities, associates and related companies are unsecured and interest free. Trade payables with related parties have similar terms of payment as third party creditors.
- (b) The ageing analysis of trade payables was as follows:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
30 days or below	293,881	211,572
31 – 60 days	34,284	30,384
61 – 90 days	7,952	12,292
Over 90 days	25,084	21,091
	<u>361,201</u>	<u>275,339</u>

13 Contingent liabilities

Pending lawsuits

As at 31 July 2007, the Group was subject to claims arising in the normal course of business. The Directors are of the opinion that any final claims will be unlikely to be crystallised, will be insignificant or will be covered by insurance compensation. Accordingly no provision has been made for these claims in the financial statements.

14 Major subsequent events

On 24 September 2007, the Group entered into a provisional agreement with a third party, Wellfield Trading Ltd, to sell the property at 8/F, Tower A, New Mandarin Plaza, Tsim Sha Tsui East, Kowloon, Hong Kong for a consideration of HK\$107,200,000, resulting in an estimated gain of approximately HK\$69,000,000 upon completion.

15 Scope of work of PricewaterhouseCoopers

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 July 2007 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers 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 HKICPA and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PROPOSED DIVIDENDS

At a meeting held on 13 November 2007, the Directors proposed a final dividend of HK6.3 cents per share.

The final dividend, subject to shareholders' approval at the forthcoming Annual General Meeting, is expected to be paid on or before 9 January 2008 to those shareholders whose names appear on the register of members of the Company on 18 December 2007.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 13 December 2007 to 18 December 2007, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the final dividend to be approved at the Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrars in Hong Kong, Tricor Abacus Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on 12 December 2007.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

AUDIT COMMITTEE

The Company has established an audit committee whose written terms of reference was prepared and adopted with reference to Appendix 14 to the Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). As at the date of this announcement, the Audit Committee comprises two Independent Non-executive Directors and a Non-executive Director. The annual financial statements for the year ended 31 July 2007 have been reviewed by the Company's Audit Committee.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions of the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 to the Listing Rules throughout the year ended 31 July 2007 except for code provisions A.2.1 and A.4.1.

Code provision A.2.1

Following the departure of our ex-Chief Executive in March 2007, the Executive Chairman assumes the role of Acting Chief Executive and this constituted a deviation from code provision A.2.1 of the Code. The Board is continuously looking for a suitable person to assume the position as Chief Executive. Although the roles and responsibilities for Chairman and Chief Executive are vested in one person for the time being, all major decisions are made in consultation with the Board and appropriate Board committees. In addition, the Independent Non-executive Directors in the Board bring along strong independence element to the Board’s deliberation. Accordingly, the Board operates in a functional manner with clearly defined objectives, strategies and responsibilities.

Code provision A.4.1

For the year under review, Non-executive Directors were not appointed for a specific term, and this constituted a deviation from code provision A.4.1 of the Code. The Board regards that although no specific term were set out in writing for each of the Non-executive Directors, they are all subject to retirement by rotation and re-election at the Company’s annual general meetings pursuant to the Company’s Bye-laws. On average, Directors are subject to re-election by shareholders once every three years, and that such provision in Bye-laws ensures that shareholders may exercise their right in terminating the terms of any Non-executive Director.

As there are currently seven Directors (except the Executive Chairman) subject to the requirement to retire by rotation, and one-third of them shall retire and subject to re-election by the shareholders at each annual general meeting of the Company, each of the Non-executive Directors is effectively appointed for a term of approximately three years.

By Order of the Board
Lau Siu Wing Anthony
Executive Chairman and Acting Chief Executive

Hong Kong, 13 November 2007

As at the date of this announcement, the Board of the Company comprises Executive Directors: Mr. Lau Siu Wing Anthony, Mr. Ng Hooi Chong and Mr. Tetsu Toyofuku; Non-executive Directors: Mr. Wai Chung Hung David and Mr. William Hugh Purton Bird; Independent Non-executive Directors: Mr. Yu Hon To David, Ms. Lau Kin Yee Miriam and Mr. Ng Cheung Shing.