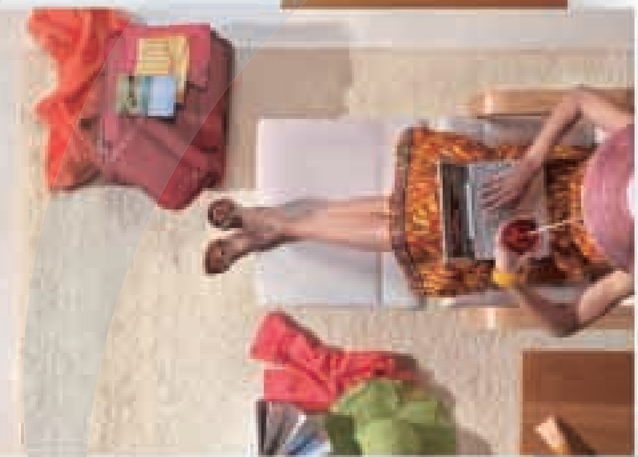

Annual Report 2008

VST HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

STOCK CODE: 856

Contents

Corporate Information

EXECUTIVE DIRECTORS

Mr. Li Jialin
(Chairman and Chief Executive Officer)
Mr. Tay Eng Hoe *(Vice Chairman)*
(appointed on 17 January 2008)
Mr. William Choo

NON-EXECUTIVE DIRECTOR

Mr. Cheng Kam Chung M.H., OStJ, JP
(Resigned on 10 August 2007)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ni Zhenwei
Dr. Chan Po Fun Peter
Madam Hui Hiu Fai
Mr. Li Wei *(appointed on 11 August 2007)*

COMPANY SECRETARY

Mr. Lung Cheuk Wah

QUALIFIED ACCOUNTANT

Mr. Chow Yiu Tat

AUDIT COMMITTEE

Dr. Chan Po Fun Peter *(Chairman)*
Mr. Ni Zhenwei
Madam Hui Hiu Fai
Mr. Li Wei

REMUNERATION COMMITTEE

Madam Hui Hiu Fai *(Chairman)*
Mr. Ni Zhenwei
Dr. Chan Po Fun Peter
Mr. Li Wei

AUDITORS

PricewaterhouseCoopers
Certified Public Accountants
22nd Floor, Prince's Building
Central
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Ltd.
Standard Chartered Bank

WEBSITE ADDRESS

http://www.vst.com.hk

STOCK CODE

856

INVESTOR AND MEDIA RELATIONS CONSULTANT

Strategic Financial Relations (China) Limited

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Unit 1901, 19 Floor
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REGISTERED OFFICE

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Hutchins Drive
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CAYMAN ISLANDS

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street
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Grand Cayman KY1-1107
CAYMAN ISLANDS

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Abacus Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Hong Kong

I am pleased to present to our shareholders on behalf of the Board of Directors the annual report of VST Holdings Limited (the "Company") and its subsidiaries (together, the "Group") for the year ended 31 March 2008.

2007/2008 marked an important milestone for VST's history. In December 2007, VST announced the acquisition of 96.4% interests in ECS Holdings Limited (listed in Singapore, stock code: ECS)("ECS"), an IT product distributor in Singapore. This powerful union made us to become one of the top three IT product distributors in Asia Pacific. ECS's results achieved encouraging growth in the financial year of 2007 (year ended 31 December 2007), with revenue rose significantly by 19.2% to SGD2.8 billion (or approximately HK$15.6 billion) and profit attributable to shareholders increased 16.5% from 2006 to SGD23.40 million (or approximately HK$130 million).

Our extensive and solid sales network, successful distribution experience and leading position in the industry attracted more internationally renowned IT product suppliers to become our strategic partners, which further optimized the Group's product portfolio during the year under review. In July 2007, we entered into strategic partnerships with Dell Inc. ("Dell"), one of the world's largest computer manufacturer. After the launch of sales channel

plan by Dell, a direct sales master, VST became the first chosen distributor in Asia Pacific to distribute Dell's full range products of notebooks, desktop computers and servers in China. In August 2007, we entered into cooperation agreement with Lenovo, the largest computer manufacturer in China, for distribution of ThinkPad notebook series in the PRC. In January 2008, we secured the distributorship of hard disk products in China for Hitachi Global Storage Technologies ("Hitachi") under Hitachi Group, a leading electronic product company in the world, which further perfected our product structure. VST has been chosen by various global IT product conglomerate as their distributors. Our existing partners include Western Digital, Patriot, APOGEE®, AMD, Seagate, Maxtor, Lexar, Supermicro, Corsair and AsRock.

During the year under review, the Group's sales recorded satisfactory growth. Turnover increased substantially by 192% from HK$4,236,829,000 to HK$12,350,522,000 of which HK$6,728,761,000 was contributed by ECS. Systematic operational management lowered cost effectively, resulting in an approximately 51.7% rise in net profit

attributable to equity holders to approximately HK$244,743,000 compared with the same period last year (2007: approximately HK$161,333,000), among which HK$67,731,000 was contributed by ECS's profit. Basic earnings per share was approximately HK23.99 cents (2007: approximately HK18.07 cents) and diluted earnings per share was approximately HK23.99 cents (2007: approximately HK17.55 cents).

The Directors do not recommend the payment of a final dividend (2007: HK4.6 cents) for the year under review.

PROSPECTS

2008/2009 will be a crucial year for the fine-tuning between VST and ECS. Synergies will be maximized by the deep understanding of each other after the acquisition. The diversified product mix and strong distribution network in Asia of ECS will facilitate the further optimization of product structure and expansion of regional distribution channels of VST. On the other hand, VST will help ECS expand its share in the PRC market and control cost and raise profit margin efficiently by its successful operational management. I believe that ECS will attain more outstanding revenue growth in the future.

Meanwhile, we will continue to capture the opportunities from the rapid growing IT industry in China to negotiate and cooperate with world-class global IT product suppliers and enrich our product mix. Riding on VST's strong distribution network and flexible market strategy, IT products of various brands can penetrate quickly into the PRC market and gain market share continuously. We have currently a total of 9 offices in China, which cover major sales markets. As the pivot of IT product supply chain, VST establishes a bridge for suppliers and consumers, which greatly reduces the selling cost for suppliers and provides prompt services and products for end-users, and thus created an "all-win" situation.

APPRECIATION

Our diligent and dedicated staff is the Group's most valuable asset. I would like to take this opportunity to express my deepest gratitude to all of our staff for their contribution to the development of the Group last year. I would also like to thank for the support and trust of our shareholders and Board members. We will continue to strive our best to maximize returns for our shareholders.

Li Jialin
Chairman and Chief Executive Officer

Hong Kong, 11 July 2008

BUSINESS REVIEW

Information technology ("IT") industry is one of the fastest growing industries with the largest economic size in the world. To achieve further development, the Group acquired ECS Holdings Limited (listed in Singapore, stock code: ECS), a leading distributor of IT products in Singapore last year. Soon after the above acquisition, the Group expanded its product lines and widened its market presence and had distribution networks in Asia and offices in 32 cities among 6 countries, including China, Singapore, Indonesia, Malaysia, the Philippines and Thailand. The distribution channel of the Group was then strengthened and broadened with the most diversified product lines in Asia Pacific, which turned the Group into one of the strongest enterprises with great potential in the Asia Pacific region.

The Group's strong and sustainable growth is also initiated by our well-rounded operational model and industry-leading management expertise. By effectively managing our distribution network, we have maximized synergies between our distribution channels, achieving "win-win" in terms of raising the Group's profit margin as well as protecting the interest of distributors. Riding on the solid cooperative relationships with our suppliers and distributors, our Group has mastered market dominance position that effectively enhanced gross margin of our products and at the same time maintained lower than industry average inventory and accounts receivable turnover days, thus became the most outstanding comprehensive IT product supplier.

During the period under review, not only economies of scale and sharing of resources were realised after the acquisition, the management of ECS was also improved leveraging on the Group's expertise in the field, resulting in better synergies. The overall operation and logistics of ECS continued to make enhancement. According to the first quarter financial report of 2008 of ECS announced in early May, its net profit jumped 34.8%, a record high for first quarter results.

In the past few years, there has been intense competition in the global IT industry. Nevertheless, the Group managed to grow continuously ahead of the market. In order to gain market share and stay in the market forefront, the Group not only expanded its sales and distribution network and enriched its product portfolio, but also enhanced its distribution efficiency with improved after-sales services and other value-added services, so as to boost its market competitiveness. Therefore, the Group's market presence in China has significantly increased.

During the period under review, the Group's distribution strength and brand promotion were recognized by the world's leading Personal Computer ("PC") manufacturers. In August last year, the Group secured the authorized distributorship for IBM Thinkpad notebook series in the PRC from Lenovo Group Ltd., the largest PC manufacturer in the PRC. In addition, the Group has successfully obtained the authorized distributorship in the PRC from A-DATA Technology Co., which is Taiwan's largest and the world's second largest DRAM memory module provider. As a result of the Group's dedicated efforts, the Group has achieved another record high in turnover and net profit as stated in the consolidated profit and loss account session of this annual report.

PROSPECTS

The IT sector has been one of the fastest growing industries with IT distribution plays the main role in the whole sector. The four largest IT distributors in the US are also among the top 500 enterprises in the world and have ranked between numbers 100 to 250 for years in the Fortune 500. Last year, China surpassed

Japan to become the second largest global IT consumer market and it will remain as one of the vital supply bases for the semiconductor and IT industry in the world. As the leading domestic comprehensive IT product supplier, the Group has enormous development potential.

Leveraging on its internationally reputable IT and digital media products manufacturers including HP, Apple, Microsoft, Seagate, Maxtor, Western Digital and AMD in the global IT and digital media market, the Group has positioned itself as the distributor of high-quality and reliable IT and digital media products and has earned considerable trust from its customers. Besides, the Group will continue to gauge the market demand and look for reputable IT and digital products to enrich its distribution portfolio. In order to ensure value-for-money, our Group will continually improve the before-sale, after-sale and technical support services to our customers.

The Group benefits from the growing IT industry. According to the forecast by IDC, sales volume of hard disks in the coming 5 years will exceed the total sales volume in the past 50 years. Hard disk is the crucial data storage component for the growing numbers of consumer digital products, therefore sales of hard disk is expected to grow rapidly. It is also expected that "demand for hard disk will increase by 600 million every year by 2010, and in the next 10 years, rise in data storage will continue to drive demand for hard disk". Furthermore, a recent report published by IDC stated that total export of computers to Asia Pacific (excluding Japan) in the first three months of 2008 reached 17 million, which shows that the hot demand of IT industry will support the substantial growth of the Group.

In view of the Group's highly responsive and efficient management team together with its extensive distribution network, our suppliers will continue to rank the Group as one of the chosen authorized distributors for internationally reputable IT and digital media products. The Group will continue to identify opportunities to further expand its supplies and network in the region so as to reinforce its competitive edge in the marketplace and bring even more sales revenue and profits to the Group. Without losing focus, the Group will continue to make use of these competitive advantages and expand our core business of distributing computer, digital and multimedia products.

The Group's experienced management has persistently improved and streamlined the managing method to reach industry-leading standard. The management believes that China's IT and multimedia industry will remain as one of the fastest growing industries in the world and has great potential and opportunities. The Group will seize the opportunities of robust economy growth in the PRC and strengthen the operations in PRC market. In addition to the rapidly expansion of geographical coverage through acquisition, the Group will endeavor to enhance its value by various measures including effective cost control, risk management, acute responsiveness to market changes, strong capabilities in sales and marketing in order to stay ahead of the competition and achieve even more promising returns for its shareholders in the coming years.

FINANCIAL REVIEW

The Group's turnover for the year ended 31 March 2008 amounted to approximately HK$12,350,522,000 (2007: approximately HK$4,236,829,000), representing an increase of approximately 192% as compared with that of last year. Profit attributable to shareholders amounted to approximately HK$244,743,000 (2007: approximately HK$161,333,000), representing an increase of approximately 51.7% as compared with that of last year. The main reason for the increase in net profit was mainly due to the contribution from ECS and the marked increase in the sale of Western Digital and AMD products. The basic earnings per share for the year amounted to HK23.99 cents (2007: HK18.07 cents), while diluted earnings for share was approximately HK23.99 cents (2007: approximately HK17.55 cents).

The Group endeavored to control its operating expenses and finance costs whilst increasing its interest income substantially through frequently placing surplus funds in short term deposits during the year under review.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2008, the Group's cash and bank deposits were approximately HK$313 million (2007: approximately HK$124 million).

As at 31 March 2008, the Group's borrowings from banks amounted to HK$2,018,430,000 (2007: nil). The gearing ratio, calculated as the total borrowings less cash and cash equivalents and divided by total capital, was 0.59 (2007: nil).

As at 31 March 2008, the Group recorded total current assets of approximately HK$4,647.1 million (2007: approximately HK$761.6 million) and total current liabilities of approximately HK$3,546.0 million (2007: approximately HK$354.6 million). The current ratio of the Group, calculated by dividing the total current assets by the total current liabilities, was approximately 1.31 times as at 31 March 2008 (2007: approximately 2.15 times).

The Group recorded an increase in shareholders' funds from approximately HK$419.1 million as at 31 March 2007 to approximately HK$1,106 million as at 31 March 2008. The increase was mainly derived from the net increase in net profit after tax and acquisition of ECS.

TREASURY POLICIES

The Group generally finances its operations with internally generated resources and banking facilities provided by banks in Hong Kong, Singapore, Malaysia and the PRC. The bank borrowings of the Group were predominantly subject to floating interest rates.

Cash and bank deposits of the Group were mainly denominated in United States dollars, Renminbi and Singapore dollars.

Transactions of the Group are mainly denominated either in Hong Kong dollars, Renminbi, Singapore dollars, Thailand baht, Malaysian ringgit or United States dollars. For the purpose of optimization of cash resources, the Group regularly placed surplus funds into short term deposits and interest received from banks during the year ended 31 March 2008 was approximately HK$5.6 million (2007: approximately HK$4.9 million).

MATERIAL ACQUISITION/DISPOSAL AND SIGNIFICANT INVESTMENTS

During the year under review, the Group acquired 98.68% interests in ECS Holdings Limited (listed in Singapore, stock code: ECS), an IT product distributor in Singapore. Though the principal activities of VST and ECS are IT product distribution, provider of enterprise systems and IT services, each owns different product lines and brands. The solid foundation of ECS's distribution network in Asia will expand the distribution channels of the Group. The said acquisition will efficiently diversify product and services portfolio, hence enlarge the market share of the Group in various Asia cities.

CHARGE ON ASSETS

As at 31 March 2008, the Group had property, plant and equipment held under finance leases as set out in note 5 on page 59.

CONTINGENT LIABILITIES

As at 31 March 2008, the Group had contingent liabilities as set out in note 30 on page 91.

EMPLOYEES

As at 31 March 2008, the Group had 2,107 (2007: 162) full time employees.

The Group remunerated its employees mainly based on the industry practice, individual's performance and experience. Apart from the basic remuneration, discretionary bonus and share option may be granted to eligible employees by reference to the Group's performance as well as individual's performance. Other benefits include medical, annual leave and retirement schemes. The net total remuneration paid for the year ended 31 March 2008 amounted to approximately HK$182,749,000 (2007: HK$21,626,000). The Group also provides training courses or seminars to its staff.

Save as disclosed herewith, no information in relation to the Group's performance has changed materially from the information disclosed in the annual report of the Company for the year ended 31 March 2007.

The Company recognizes the importance of good corporate governance to the Company's healthy growth and has devoted considerable efforts to identifying and formulating corporate governance practices appropriate to the needs of its business.

CORPORATE GOVERNANCE PRACTICES

Throughout the year ended 31 March 2008, the Company has complied with the code provisions on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules which came into effect on 1 January 2005, with deviations from one code provision as explained below.

Under the code provision A.2.1, the roles of Chairman and Chief Executive Officer ("CEO") should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and CEO should be clearly established and set out in writing. The roles of the Chairman and the CEO of the Company are not separated and are performed by the same individual, Mr. Li Jialin. The Directors will meet regularly to consider major matters affecting the operations of the Company. The Directors consider that this structure will not impair the balance of power and authority between the Directors and the management of Company and believe that this structure will enable the Group to make and implement decisions promptly and effectively.

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in Appendix 10 of the Listing Rules (the "Model Code"). Having made specific enquiry of all Directors, all Directors confirmed they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by Directors adopted by the Company.

The Company wishes to highlight the importance of its board (the "Board") of Directors in ensuring effective leadership and control of the Company and transparency and accountability of all operations.

The key corporate governance principles and practices of the Company are summarised as follows:

THE BOARD

Responsibilities

The overall management of the Company's business is vested in the Board, which assumes the responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. All Directors should take decisions objectively in the interests of the Company.

The Board reserves for its decisions on all major matters of the Company, including: the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters.

All Directors have full and timely access to all relevant information as well as the advice and services of the company secretary of the Company, with a view to ensuring that Board procedures and all applicable rules and regulations are followed.

Each Directors is normally able to seek independent professional advice in appropriate circumstances at the Company's expenses, upon making request to the Board.

The day-to-day management, administration and operation of the Company are delegated to the Chief Executive Officer of the Company (the "Chief Executive Officer") and the senior management. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the abovementioned officers.

The Board has the full support of the Chief Executive Officer and the senior management to discharge its responsibilities.

Composition

The composition of the Board ensures a balance of skills and experience necessary for its independent judgement and fulfilling its business needs.

The Board currently comprises seven members, consisting of three executive Directors and four Independent Non-executive Directors.

The Board of the Company comprises the following Directors:

Executive Directors:	
Mr. Li Jialin	*Chairman and Chief Executive Officer*
Mr. Tay Eng Hoe	*(Vice Chairman)* (appointed on 17 January 2008)
Mr. William Choo	
Non-executive Director:	
Mr. Cheng Kam Chung M.H., OStJ, JP	(Resigned on 10 August 2007)
Independent non-executive Directors:	
Mr. Ni Zhenwei	*Member of Audit Committee and Remuneration Committee*
Dr. Chan Po Fun Peter	*Chairman of Audit Committee and member of Remuneration Committee*
Madam Hui Hiu Fai	*Chairman of Remuneration Committee and member of Audit Committee*
Mr. Li Wei	*Member of Audit Committee and Remuneration Committee* (appointed on 11 August 2007)

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

During the period under review, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors with at least one Independent Non-executive Directors possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received written annual confirmation from each Independent Non-executive Directors of his independence pursuant to the requirements of the Listing Rules. The Company considers all Independent Non-executive Directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

The independent non-executive Directors bring a wide range of technical, business and financial expertise, experiences and independent judgement to the Board. Through their active participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all Independent Non-executive Directors make various contributions to the effective direction of the Company.

Appointment and Succession Planning of Directors

The Company has established formal, considered and transparent procedures for the appointment and succession planning of Directors.

Mr. Li Jialin has entered into a service agreement with the Company for a term of two years commencing from 9 May 2002 and expiring on 8 May 2004, renewable automatically for successive years of one year each commencing from the day immediately after the expiry of the then current term of the service agreement, unless terminated by not less than 3 months' notice in writing served by either party on the other. Mr. Tay Eng Hoe entered into a service agreement with the Company for a term of one year commencing from 17 January 2008. Mr. William Choo has entered into service agreements with the Company as an executive Director and his appointment has been extended to 19 August 2008, the date of the forthcoming annual general meeting of the Company.

Under the service agreements, the initial annual emoluments of each executive Director is fixed and the remuneration payable to each of them will be reviewed by the Board each year.

The independent non-executive Directors are also appointed for a specific term of one year and reviewed by the Board each year. During the year under review, Mr. Li Wei was appointed as an independent non-executive Director for a term of one year commencing from 11 August 2007. The period of each of the independent non-executive Directors, namely Mr. Ni Zhenwei, Dr. Chan Po Fun Peter, Ms. Hui Hiu Fai and Mr. Li Wei has been extended to 19 August 2008, the date of the forthcoming annual general meeting of the Company.

Pursuant to the Company's articles of association, all Directors will be subject to retirement by rotation once every three years and any new Directors appointed to fill a causal vacancy or as an addition to the Board shall submit himself/herself for re-election by shareholders at the first general meeting after appointment. Pursuant to Articles 86 of the Company's articles of association, Mr. Tay Eng Hoe and Mr. Li Wei will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company. In accordance with Article 87 of the Company's articles of association, Dr. Chan Po Fun Peter and Madam Hui Hiu Fai will retire from office at the forthcoming annual general meeting. Dr. Chan Po Fun Peter will offer himself for re-election at the forthcoming annual general meeting of the Company.

The terms of their appointments are as follows:

Executive Directors:
Mr. Li Jialin *(Chairman and Chief Executive Officer)*
Mr. Tay Eng Hoe *(Vice Chairman)* (appointed on 17 January 2008)
Mr. William Choo

Non-executive Director:
Mr. Cheng Kam Chung (resigned on 10 August 2007)

Independent non-executive Directors:
Mr. Ni Zhenwei
Dr. Chan Po Fun Peter
Madam Hui Hiu Fai
Mr. Li Wei (appointed on 11 August 2007)

Training for Directors

Each of the newly appointed Directors receives comprehensive, formal and tailored induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

There are also arrangements in place for providing continuing briefing and professional development to Directors whenever necessary.

Board Meetings

Directors' Attendance and Number of Meetings

The attendance of Directors at Board meetings, audit committee, and remuneration committee held during the period from the 1 April 2007 up to 7 July 2008 is set out below:

Directors	Attendance/Number of Meetings
Executive Directors	
Mr. Li Jialin	5/5
Mr. Tay Eng Hoe (appointed on 17 January 2008)	N/A
Mr. William Choo	5/5
Non-executive Director	
Mr. Cheng Kam Chung M.H., OStJ, JP (resigned on 10 August 2007)	2/2
Independent non-executive Directors	
Mr. Ni Zhenwei	4/5
Dr. Chan Po Fun Peter	5/5
Madam Hui Hiu Fai	5/5
Mr. Li Wei (appointed on 11 August 2007)	3/3

Practices and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to Directors in advance.

Notices of regular Board meetings are served to all Directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

Agenda and Board papers together with all appropriate, complete and reliable information are sent to all Directors at least 3 days before each Board meeting or committee meeting to keep the Directors appraised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each Directors also have separate and independent access to the senior management whenever necessary.

The Chief Executive Officer, chief financial officer and company secretary of the Company attend all regular Board meetings and when necessary, other Board and committee meetings to advise on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Company.

Minutes of all Board meetings and committee meetings are kept by the company secretary. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and the final version is open for Directors' inspection.

According to the current Board practice, any material transaction, which involves a conflict of interests for a substantial shareholder or a Director, will be considered and dealt with by the Board at a duly convened Board meeting. The Company's articles of association also contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

BOARD COMMITTEES

The Board has established two committees, namely the Audit Committee and Remuneration Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are available upon request.

The majority of the members of each Board committee are Independent Non-executive Directors and the list of the Chairman and members of each Board committee is set out under "Composition" of this report on page 11.

The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

AUDIT COMMITTEE

The Audit Committee comprises four independent non-executive Directors (including one independent non-executive Director who possesses the appropriate professional qualifications or accounting or related financial management expertise). None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The main duties of the Audit Committee include the following:

(a) To review the accounts and reports and consider any significant or unusual items raised by the qualified accountant, compliance officer or external auditors before submission to the Board.

(b) To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditors.

(c) To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

The Audit Committee held two meetings during the year under review to review the financial results and reports, financial reporting and compliance procedures, and the re-appointment of the external auditors.

The attendance of individual members at Audit Committee meetings is set out below:

	Attendance/Number of Meetings
Dr. Chan Po Fun Peter *(Chairman)*	2/2
Mr. Ni Zhenwei	1/2
Madam Hui Hiu Fai	2/2
Mr. Li Wei	2/2

There is no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

There is no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of external auditors.

The Company's annual results for the year ended 31 March 2008 have been reviewed by the Audit Committee.

REMUNERATION COMMITTEE

The primary objectives of the Remuneration Committee include establishing a formal and transparent procedure for fixing the remuneration of the executive Directors and for fixing the remuneration packages of all Directors and the senior management. The Remuneration Committee is also responsible for ensuring the remuneration packages are sufficient to attract and retain the Directors for running the Company successfully; avoiding over-paying and that no Directors or any of his/her associates will participate in deciding his/her own remuneration. The remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

The Remuneration Committee normally meets by the end of each year for reviewing the policy, structure and related matters of the remuneration packages of the executive Directors and senior management. The human resources department is responsible for collection and administration of the human resources data and making recommendations to the remuneration committee for consideration. The Remuneration Committee will consult the Chairman and the Chief Executive Officer about their recommendations on remuneration policy, structure and related matters of remuneration packages.

One Remuneration Committee meeting has been held during the period up to the date of this report to review (a) rules governing recruitment of staff of the Company; (b) recruitment procedure and selection; (c) appraisal procedure and salary review; and (d) termination and resignation procedure of staff.

The attendance of individual members at Remuneration Committee meeting is set out below:

	Attendance/Number of Meetings
Madam Hui Hiu Fai *(Chairman)*	1/1
Mr. Ni Zhenwei	1/1
Dr. Chan Po Fun Peter	1/1
Mr. Li Wei	1/1

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made to all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the year from 1 April 2007 to 31 March 2008.

The Company has also established written guidelines on terms no less exacting than the Model Code (the "Employees Written Guidelines") for securities transactions by employees.

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS AND AUDITORS' REMUNERATION

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements.

The Directors acknowledge their responsibility for preparing the accounts of the Company for the year ended 31 March 2008.

The statement of the external auditors of the Company about their reporting responsibilities on the accounts is set out in the "Independent Auditor's Report".

The Company's external auditors are PricewaterhouseCoopers. The Group was charged approximately HK$1,700,000 and HK$1,730,000 by PricewaterhouseCoopers for auditing and non-auditing services respectively for the year ended 31 March 2008. In addition, the cost of audit and non-audit services for subsidiaries performed by other auditors amounted to approximately HK$2,043,000 and HK$2,123,000 respectively for the year ended 31 March 2008. The Company has also engaged Chan Chee Cheng & Co. with an engagement fee of HK$7,300 to provide taxation service to the Group during the year under review.

INTERNAL CONTROLS

The Board is responsible for maintaining an adequate internal control system to safeguard shareholder investments and the Company's assets, and reviewing the effectiveness of such on a semi-annual basis through the Audit Committee.

The Company has maintained a tailored governance structure with defined lines of responsibility and appropriate delegation of responsibility and authority to the senior management.

The management of the Company is responsible for establishing the Group's internal control framework, covering all material controls including financial, operational and compliance controls. The internal control framework also provides for identification and management of risk.

The management also conducts periodic independent reviews on the operations of individual divisions to identify any irregularities and risks, develops action plans and recommendations to address the identified risks, and reports to the Audit Committee on any key findings. The Audit Committee, in turn, reports to the Board on any material issues and makes recommendations to the Board.

The Directors consider that the existing internal control system of the Group is effective and adequate.

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS

The rights of the Company's shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings are contained in the Company's articles of association. Details of such rights to demand a poll and the poll procedures are included in all circulars despatched to the shareholders of the Company and will be explained during the proceedings of meetings.

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. The Chairman of the Board as well as chairmen of the Audit Committee and Remuneration Committee, or in their absence, other members of the respective committees, and where applicable, the independent Board committee, are available to answer questions at the shareholders' meetings.

Separate resolutions are to be proposed at shareholders' meetings on each substantial issue, including the election of individual Directors.

The Company continues to enhance communications and relationships with its investors. Designated senior management maintain regular dialogue with institutional investors and analysts to keep them abreast of the Company's developments. Enquiries from investors are dealt with in an informative and timely manner.

To promote effective communication, the Company also maintains a website at www.vst.com.hk, where extensive information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are posted.

EXECUTIVE DIRECTORS

Mr. LI Jialin, aged 46, is one of the founders and Directors of the Group and is the Company's Chairman and Chief Executive Officer and an Executive Director. He is the director of VST Group Limited (BVI) and VST Computers (H.K.) Limited respectively. Mr. Li is also the chairman and non-executive director of ECS Holdings Limited, a Singapore listed company. He is responsible for the overall management and strategic positioning of the Group. Mr. Li graduated from Tsinghua University of the People's Republic of China with a Degree of Bachelor of Engineering in 1983 and a Master Degree in Management Engineering in 1986.

Mr. TAY Eng Hoe, aged 56, is the Company's Vice Chairman and Executive Director. He joined our Company on 17 January 2008 . He is also the group Chief Executive Director of our subsidiary company, ECS Holdings Limited ("ECS"), a public listed company on the main board of the Singapore Stock Exchange. He is the founder of the ECS Group and brings with him more than 20 years of experience in the IT business. Mr. Tay sits on the boards of various companies and government statutory organizations and is also actively involved in several charitable organizations in Singapore. Mr. Tay was conferred the Public Services Medal by the President of the Republic of Singapore in recognition of his public services to the country of Singapore. He holds a Bachelor degree in Science (Honours) from the LaTrobe University and a Master degree in Business Administration from the University of Melbourne.

Mr. William CHOO, aged 50, has been appointed as an executive director of the Company since 28 April 2006. He is responsible for the operating activities of the Group. Mr. Choo has around 20 years' business management experience in information technology industry in Asia Pacific region and has broad knowledge of corporate business development, market analysis, and a successful track record of sale and marketing. He holds a Diploma in Marketing from the Institute of Marketing (United Kingdom) and a Diploma in Marketing and Sales Management from National Productivity Board (Singapore).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. NI Zhenwei, aged 71, has taught in Tsinghua University for more than 38 years. Mr. Ni graduated from Tsinghua University in 1959, majoring in mechanical engineering. Since then, he taught in Tsinghua University. In 1987, Mr. Ni obtained his qualification as an associate researcher in Tsinghua University. He retired in 1996. Mr. Ni was appointed by the Group on 1 June 2004 as an Independent Non-executive Director. He also serves as a member of audit committee and remuneration committee of the Company.

Dr. CHAN Po Fun Peter BBS, MBE, JP, FHKICPA, FCPA (Aust.), aged 86, practised accountancy in Hong Kong for 60 years. He has a doctorate in Offshore Petroleum Technology and Modern Chinese Law and is an honorary fellow of the Society for Underwater Technology. Dr. Chan is a trustee of Hong Kong Shue Yan University (also as its Research Professor) and the United College of Chinese University of Hong Kong. He was the Chairman of the Kowloon Stock Exchange, a founding Director of The Hong Kong Stock Exchange Limited and has served three terms as the Chairman of the former Hong Kong Federation of Stock Exchanges. Dr. Chan has been appointed by the Group since 16 April 2005 as an Independent Non-executive Director. He also serves as the Chairman of audit committee and a member of remuneration committee of the Company.

Madam HUI Hiu Fai, aged 34, holds a Master Degree in Business Administration from Cambridge University. She has substantial experience in the areas of corporate governance, consumer bank's deposit portfolios management, and strategy development for the financial services sectors. Madam Hui has been appointed as an Independent Non-executive Director of the Company since 9 May 2006. She also serves as the Chairman of Remuneration Committee and a member of Audit Committee of the Company.

Mr. LI Wei, aged 52, was educated in the PRC, Germany and Australia. He has had over 20 years of experience in establishing and operating businesses in Asia, particularly in Hong Kong and the PRC. Mr. Li has previously served as the Managing Director of a number of listed companies in Hong Kong. Mr. Li has been appointed as an independent non-executive Director of the Company with effect from 11 August 2007. He also serves as a member of the audit committee and a member of the remuneration committee of the Company.

Mr. LUNG Cheuk Wah, aged 57, is the company secretary and financial controller of the Company and is responsible for the company secretarial as well as financial matters of the Group. Mr. Lung is a fellow member of The Institute of Chartered Secretaries and Administrators in the United Kingdom; a fellow member of The Hong Kong Institute of Company Secretaries; and an associate member of The Taxation Institute of Hong Kong. Mr. Lung is a doctoral candidate in the Doctor of Business Administration program of the Murdoch University, Australia. He is also awarded a Master Degree in Business Administration by the University of East Asia (currently known as Macau University). Mr. Lung's working experience includes 4 years statutory audit in an international accounting firm and around 15 years in senior positions comprising internal audit, accounting and financing in the commercial sector. He joined the Group in November, 2002.

The directors (the "Directors") of VST Holdings Limited (the "Company") are pleased to present their annual report together with the audited accounts of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2008.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the distribution of information technology ("IT") products and provider of enterprise systems and IT services.

Particulars of the Company's subsidiaries are set out in note 8 to the accounts.

MAJOR CUSTOMERS AND SUPPLIERS

The largest customer for the year ended 31 March 2008 represented approximately 6% (2007: 16%) of the Group's total turnover, and the combined total of the five largest customers accounted for approximately 17% (2007: 50%) of the Group's total turnover for the year under review.

In addition, the largest supplier for the year ended 31 March 2007 represented approximately 34% (2007: 60%) of the Group's total purchases, and the combined total of the five largest suppliers accounted for approximately 80% (2007: 99%) of the Group's total purchases for the year under review.

None of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2008 are set out in the consolidated profit and loss account on page 37.

The directors do not recommend the payment of a final dividend for the year under review (2007: HK4.6 cents per share).

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in note 16 to the accounts.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 5 to the accounts.

BORROWINGS

Particulars of the Group's borrowings are set out in note 19 to the accounts.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 14 to the accounts.

DISTRIBUTABLE RESERVES

At 31 March 2008, the Company's reserves available for distribution amounted to approximately HK$217,036,000 (2007: HK$127,692,000). In addition, the Company's share premium account, in the amount of HK$623,310,000 (2007: HK$90,103,000), may be distributed in the form of fully paid bonus shares in accordance with the Companies Law (revised) of the Cayman Islands.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association and there is no restriction against such rights under the laws of the Cayman Islands.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 96.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

SHARE OPTIONS

Under the terms of the Company's share option scheme approved by the shareholders on 17 April 2002 (the "Share Option Scheme"), the Board of Directors may, at its discretion, invite employees (including both full time and part time employees, and executive Directors), non-executive Directors, suppliers, customers and other corporations or individuals that provide support to the Group (as defined in the Share Option Scheme) to take up options to subscribe for shares in the Company. The maximum number of shares in respect of which options may be granted under the Share Option Scheme may not exceed 10% of the issued share capital of the Company. The scheme became effective upon the listing of the Company's shares on 9 May 2002. No options have been granted to the Directors up to the date of this report.

Save as disclosed above, at no time during the year was the Company or any of the companies comprising the group, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debenture of, the Company or any other body corporate and none of the Directors, their spouses or their children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

The summary of the details of the Share Option Scheme of the Company is as follows:

Purpose	:	To award participants as incentive or rewards for their contribution to the Group
Participants	:	(a) Any employee or prospective employee (whether full time or part time) of the Company, any of its subsidiaries or any entity (the "Invested Entity") in which the Group holds any equity interest, including any executive Director of the Company, any of such subsidiaries or any Invested Entity; (b) any non-executive Directors (including independent non-executive Directors) of the Company, any subsidiary or any Invested Entity; (c) any supplier of goods or services to any member of the Group or any Invested Entity; (d) any customer of the Group or any Invested Entity; and (e) any consultants, advisers, managers, officers or entity that provides research, development or other technological support to the Group or any Invested Entity; and, for the purposes of the Share Option Scheme, the offer may be made to any company wholly owned by one or more persons belonging to any of the above classes of participants.
Total number of ordinary shares available for issue and the percentage of the issued share capital that it represents as at 31 March 2008	:	111,766,666 ordinary shares and 10% of the issued share capital

Maximum entitlement of each participant	:	Shall not exceed 1% of the issued share capital of the Company in any 12-month period
Period within which the securities must be taken up under an option	:	Not applicable
Minimum period an option must applicable be held before it can be exercised	:	Not
Amount payable on acceptance of the option	:	HK$1
Period within which payments/calls/loans must be made/repaid	:	Not applicable
Basis of determining the exercise price	:	To be determined by the board of Directors and will not be less than the higher of (i) the nominal value of the Company's ordinary share; (ii) the closing price of the Company's ordinary share as stated in the daily quotation sheets issued by the Stock Exchange on the date of offer; and (iii) the average closing price of the Company's ordinary share as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of offer.
The remaining life of the Share Option Scheme	:	The Share Option Scheme remains in force for a period of 10 years from the date of its adoption on 17 April 2002.

The Directors of the Company who held office during the year and up to the date of this report are:

Executive Directors:

Mr. Li Jialin *(Chairman and Chief Executive Officer)*
Mr. William Choo
Mr. Tay Eng Hoe (appointed on 17 January 2008)

Non-executive Director:

Mr. Cheng Kam Chung M.H., OStJ, JP (resigned on 10 August 2007)

Independent Non-executive Directors:

Mr. Ni Zhenwei
Dr. Chan Po Fun Peter
Madam Hui Hiu Fai
Mr. Li Wei (appointed on 11 August 2007)

According to Article 86 of the Company's Articles of Association, Mr. Tay Eng Hoe and Mr. Li Wei, appointed by the Board on 17 January 2008 and 11 August 2007 respectively, shall hold office only until the forthcoming annual general meeting of the Company and , being eligible, offer themselves for re-election.

In accordance with Article 87 of the Company's Articles of Association, Dr. Chan Po Fun Peter and Madam Hui Hiu Fai will retire by rotation at the forthcoming annual general meeting and Dr. Chan Po Fun Peter will offer himself for re-election. The Company confirms that it has received from each of its independent non-executive Directors an annual confirmation of his/her independence pursuant to the Listing Rules and the Company considers the independent non-executive Directors to be independent.

DIRECTORS' SERVICE CONTRACTS

Executive Directors

Mr. Li Jialin has entered into service agreements with the Company for a term of two years commencing from 9 May 2002 and expiring on 8 May 2004, renewable automatically for successive years of one year each commencing from the day immediately after the expiry of the then current term of the service agreement, unless terminated by not less than 3 months' notice in writing served by either party on the other. Mr. William Choo has entered into service agreements with the Company as an executive Director and his appointment has been extended to 19 August 2008, the date of the forthcoming annual general meeting of the Company. Mr. Tay Eng Hoe entered into a service agreement with the Company for a term of one year commencing from 17 January 2008.

Under the service agreements, the annual emoluments of each executive Director is fixed and the remuneration payable to each of them will be reviewed by the Board of Directors each year.

Non-executive Directors

Mr. Cheng Kam Chung, due to retirement, has tendered his resignation as a non-executive Director and Vice Chairman of the Company upon the expiry of the term of appointment on 10 August 2007.

The respective appointment of Mr. Ni Zhenwei, Dr. Chan Po Fun Peter, Madam Hui Hiu Fai and Mr. Li Wei as an independent non-executive Director of the Company has been extended to 19 August 2008, the date of the forthcoming annual general meeting of the Company.

Save as disclosed above, no Director has an unexpired service contract which is not terminable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company or any of the companies comprising the Group was a party and in which a Director had a material interest, either directly or indirectly, subsisted at the end of the year or at any time during the year under review.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of directors and senior management are set out on pages 19 to 20.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2008, the interests and short positions of the Directors and the chief executive of the Company in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) which would have to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions of which they were taken or deemed to have under such provisions of the SFO) and/or required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which would have to be notified to the Company and the Stock Exchange pursuant to the Listing Rules were as follows:

Name of Director	Company/name of associated corporation	Capacity	Number and class of securities	Approximate percentage of issued share capital of the Company/associated company
Mr. Li Jialin	the Company	Beneficial interests, family interests and shares interests in controlled corporation	459,266,000, ordinary Long position *(Note)*	41.09%

Note: 241,500,000 shares of the Company were held by L & L Limited, the entire issued share capital of which was equally held by Mr. Li Jialin (the Chairman and Chief Executive Officer of the Company) and his spouse, Madam Liu Li. In addition, each of Mr. Li Jialin and Madam Liu Li was personally interested in 52,766,000 shares and 165,000,000 shares of the Company respectively.

Save as disclosed above, as at 31 March 2008, none of the Directors nor the chief executives of the Company had any interests or short positions in any share, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Listing Rules, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND DEBENTURES

As at 31 March 2008, so far is known to the Directors, the following persons (not being a Director or a chief executive of the Company) had an interest and/or a short position in the shares and/or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO and/or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO and/or were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other members of the Group:

Name of shareholder	Capacity	Number and class of securities	Approximate percentage of shareholding
L&L Limited	Beneficial interests	241,500,000 ordinary shares Long position *(Note 1)*	21.61%
Liu Li	Beneficial interests, family interests and interests in controlled corporation	459,266,000 ordinary shares Long position *(Note 2)*	41.09%
ABN AMRO	Beneficial interests	124,277,333 Long position	11.12%
		150,000,000 Short position	13.42%
Atlantis Investment Management Limited	Beneficial interests	67,908,000	6.08%
Cannizaro Asia Master Fund Limited	Beneficial interests	62,658,000 Long position	5.61%
		25,000,000 Short position	2.24%

Notes:

1. The entire issued share capital of L&L Limited is equally held by Mr. Li Jialin (the Chairman and Chief Executive Officer of the Company) and his spouse, Madam Liu Li.

2. 241,500,000 shares of the Company were held by L&L Limited, the entire issued share capital of which was equally held by Mr. Li Jialin (the Chairman and Chief Executive Officer of the Company) and his spouse, Madam Liu Li. In addition, each of Mr. Li Jialin and Madam Liu Li was personally interested in 52,766,000 shares and 165,000,000 shares of the Company respectively.

Save as disclosed above, as at 31 March 2008, so far is known to the Directors, there was no person who had an interest and/or a short position in the shares and/or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provision of Divisions 2 and 3 of Part XV of the SFO and/or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO and/or was directly or indirectly interested in 10% of more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other members of the Group, or any options in respect of such capital.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

The Directors consider that they have no interests in any competing business.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

CONNECTED TRANSACTIONS

During the year, the Group entered into a lease agreement with Joint Honour Development Limited ("Joint Honour"), a company in which Mr. Li Jialin is a major shareholder, in respect of a director quarter. Pursuant to the lease agreement, the Group paid a monthly rental of HK$150,000 to Joint Honour for a term of 12 months from 1 April 2007 to 31 March 2008.

The above transaction constituted a connected transaction under Chapter 14A of the Listing Rules. The Directors are of the opinion that the above transaction was entered into on normal commercial terms and on an arm's length basis and is fair and reasonable so far as the shareholders of the Company, taken as a whole, are concerned. The above connected transaction constituted an exempted connected transaction under the Listing Rules as each of the applicable percentage ratios (other than the profits ratio) is less than 0.1% under chapter 14A of the Listing Rules.

DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

A summary of the Directors and senior management's emoluments is set out in note 29 to the accounts.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float throughout the year under review.

AUDIT COMMITTEE

The Company has established an audit committee on 17 April 2002 with written terms of reference in compliance with the Code of Corporate Governance Practices as set out in the Listing Rules. The primary duties of the audit committee are to review and supervise the Group's internal control and financial reporting process including the interim and annual accounts before recommending them to the Board of Directors for approval. The Company's audited results for the year ended 31 March 2008 have been reviewed by the audited committee who was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

REMUNERATION COMMITTEE

The Company has established a remuneration committee on 29 September 2005 consisting of three Independent Non-executive Directors with written terms of reference in compliance with the Code on Corporate Governance Practices of the Listing Rules. The primary duties of the remuneration committee regarding the remuneration of directors and senior management include making remuneration recommendations, determining the specific remuneration packages, reviewing and approving performance-based remuneration, termination compensation, dismissal or removal compensation arrangements, and ensuring that no director or any of his associates is involved in deciding his own remuneration.

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year under review (2007: HK4.6 cents).

EVENTS AFTER BALANCE SHEET DATE

There are no subsequent events after 31 March 2008.

PLACING OF EXISTING SHARES AND TOP-UP SUBSCRIPTION OF NEW SHARES

For the purpose of funding the acquisition of shares of ECS Holdings Limited (the "Acquisition"), the Company entered into a placing agreement dated 10 October 2007 ("Placing Agreement") with, among others, L & L Limited (a shareholder of the Company) ("L & L Limited") and two placing agents namely Macquarie Securities Limited and Merrill Lynch Far East Limited ("Placing Agents"), and a subscription agreement dated 10 October 2007 ("Subscription Agreement") with L & L Limited. Pursuant to the Placing Agreement, L & L Limited placed 186,000,000 shares in the Company through the Placing Agents to no fewer than six placees who are independent professional, institutional and/or individual investors who are independent third parties.

Pursuant to the Subscription Agreement, L & L Limited then subscribed for the same number of shares in the Company by way of top-up subscription. The aggregate nominal value of the shares subscribed is HK$18,600,000. The price for the shares placed and subscribed was HK$3.05 per share. The net price per share after deduction of commission and expenses for the placing is approximately HK$2.97. The net proceeds received by the Company is approximately HK$552 million. The Company will use the net proceeds for partial settlement of the consideration payable by the Company for completion of the Acquisition. The shares issued pursuant to the Subscription Agreement ranked pari passu among themselves and with shares in issue. Details of the placing and top-up subscription are set out in the announcement of the Company dated 11 October 2007.

AUDITORS

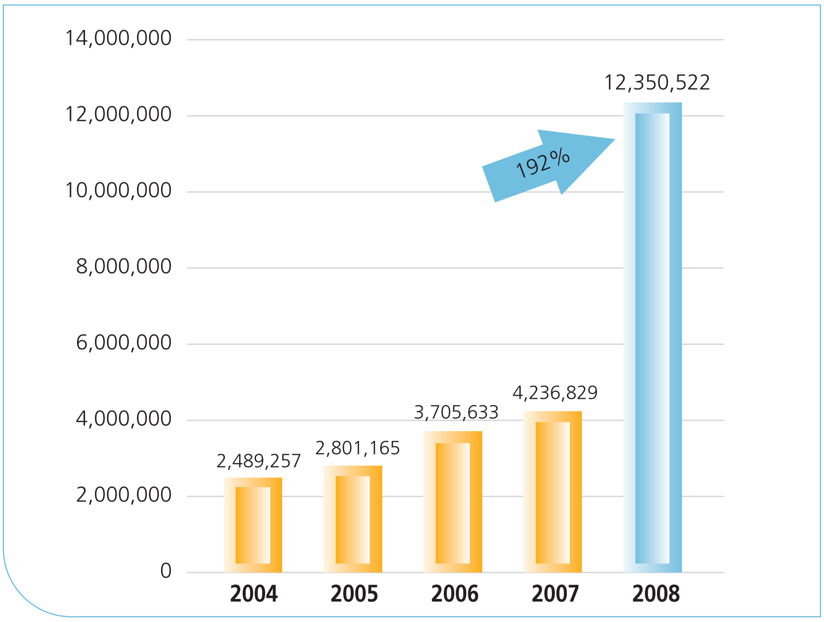
The accounts of the Group for the year ended 31 March 2008 have been audited by PricewaterhouseCoopers who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

On behalf of the Board
Li Jialin
Chairman and Chief Executive Officer

Hong Kong, 11 July 2008

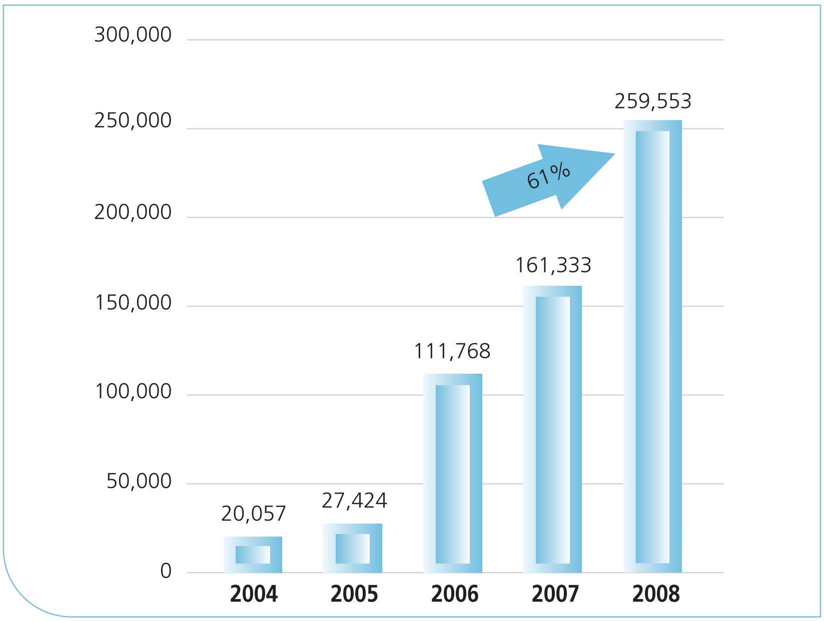
Substantial Growth in Turnover

For the year ended 31st March 2008
HK$'000



Robust Growth in Net Profit

For the year ended 31st March 2008
HK$'000



PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, Hong Kong
Telephone: (852) 2289 8888
Facsimile: (852) 2810 9888

TO THE SHAREHOLDERS OF VST HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated accounts of VST Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 34 to 95, which comprise the consolidated and company balance sheets as at 31 March 2008, and the consolidated profit and loss account, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE ACCOUNTS

The Directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated accounts in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated accounts based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the accounts are free from material misstatement.

TO THE SHAREHOLDERS OF VST HOLDINGS LIMITED (CONTINUED)
(incorporated in the Cayman Islands with limited liability)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 11 July 2008

Consolidated Balance Sheet

As at 31 March 2008

	Note	2008 HK$'000	2007 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	**58,783**	2,793
Goodwill	6	**316,291**	–
Interest in an associated company	10	**37,608**	–
Available-for-sale financial assets	7	**18,621**	9,467
Deferred tax assets	18	**17,281**	–
		448,584	12,260
Current assets			
Trade and other receivables	11	**2,927,159**	350,054
Inventories	12	**1,407,112**	287,661
Pledged bank deposits		**–**	10,000
Cash and cash equivalents	13	**312,814**	113,926
		4,647,085	761,641
Total assets		**5,095,669**	773,901
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	14	**111,767**	93,167
Reserves	16	**994,140**	283,069
Proposed dividend		**–**	42,857
		1,105,907	419,093
Minority interest in equity		**83,667**	–
Total equity		**1,189,574**	419,093

As at 31 March 2008

	Note	2008 HK$'000	2007 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred income		**4,783**	–
Borrowings	*19*	**351,519**	–
Deferred tax liabilities	*18*	**3,817**	200
		360,119	200
Current liabilities			
Trade and other payables	*17*	**1,825,240**	336,926
Borrowings	*19*	**1,666,911**	–
Taxation payable		**30,158**	17,682
Other financial liabilities at fair value through profit or loss	*20*	**23,667**	–
		3,545,976	354,608
Total liabilities		**3,906,095**	354,808
Total equity and liabilities		**5,095,669**	773,901
Net current assets		**1,101,109**	407,033
Total assets less current liabilities		**1,549,693**	419,293

On behalf of the Board

Li Jialin
Director

Tay Eng Hoe
Director

The notes on pages 40 to 95 are an integral part of these consolidated accounts.

Balance Sheet

As at 31 March 2008

	Note	2008 HK$'000	2007 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	**71**	–
Investments in subsidiaries	8	**1,410,672**	83,154
		1,410,743	83,154
Current assets			
Amounts due from subsidiaries	9	**335,688**	228,352
Prepayments	11	**375**	232
Taxation recoverable		**1,218**	–
Cash and cash equivalents	13	**363**	332
		337,644	228,916
Total assets		**1,748,387**	312,070
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	14	**111,767**	93,167
Reserves	16	**840,346**	174,938
Proposed dividend		**–**	42,857
Total equity		**952,113**	310,962
LIABILITIES			
Current liabilities			
Accruals	17	**19,874**	54
Borrowings	19	**776,400**	–
Taxation payable		**–**	1,054
		796,274	1,108
Total liabilities		**796,274**	1,108
Total equity and liabilities		**1,748,387**	312,070
Net current (liabilities)/assets		**(458,630)**	227,808
Total assets less current liabilities		**952,113**	310,962

On behalf of the Board

Li Jialin
Director

Tay Eng Hoe
Director

The notes on pages 40 to 95 are an integral part of these consolidated accounts.

For the year ended 31 March 2008

	Note	2008 HK$'000	2007 HK$'000
Turnover	21	**12,350,522**	4,236,829
Cost of sales		**(11,681,141)**	(3,980,795)
Gross profit		**669,381**	256,034
Other gains, net	22	**27,537**	2,578
Selling and distribution expenses		**(168,116)**	(20,799)
Administrative expenses		**(154,259)**	(36,963)
Operating profit	23	**374,543**	200,850
Finance costs	24	**(44,587)**	(5,256)
		329,956	195,594
Share of loss of an associated company	10	**(693)**	–
Profit before taxation		**329,263**	195,594
Taxation	25	**(69,710)**	(34,261)
Profit for the year		**259,553**	161,333
Attributable to:			
Equity holders of the Company		**244,743**	161,333
Minority interest		**14,810**	–
		259,553	161,333
Dividends	27	**–**	72,670
Earnings per share for profit attributable to equity holders of the Company (expressed in HK cents per share)	28		
– Basic		**23.99 cents**	18.07 cents
– Diluted		**23.99 cents**	17.55 cents

The notes on pages 40 to 95 are an integral part of these consolidated accounts.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2008

	Share capital HK$'000	Reserves *(Note 16)* HK$'000	Retained earnings HK$'000	Proposed dividends HK$'000	Equity attributable to the Company's equity holders HK$'000	Minority interest HK$'000	Total equity HK$'000
Balance at 1 April 2006	84,000	31,407	102,841	39,863	258,111	–	258,111
Exchange difference	–	678	–	–	678	–	678
Changes in fair value of available-for-sale financial assets	–	2,467	–	–	2,467	–	2,467
Net income recognised directly in equity	–	3,145	–	–	3,145	–	3,145
Net profit for the year	–	–	161,333	–	161,333	–	161,333
Total recognised income during the year	–	3,145	161,333	–	164,478	–	164,478
Issue of ordinary shares *(Note 14)*	9,167	57,013	–	–	66,180	–	66,180
2006 final dividend paid	–	–	–	(39,863)	(39,863)	–	(39,863)
2007 interim dividend							
– proposed	–	–	(29,813)	29,813	–	–	–
– paid	–	–	–	(29,813)	(29,813)	–	(29,813)
2007 final dividend proposed	–	–	(42,857)	42,857	–	–	–
Balance at 31 March 2007	93,167	91,565	191,504	42,857	419,093	–	419,093
Balance at 1 April 2007	93,167	91,565	191,504	42,857	419,093	–	419,093
Exchange difference	–	52,352	353	–	52,705	5,781	58,486
Disposal of available-for-sale financial assets	–	(2,467)	–	–	(2,467)	–	(2,467)
Changes in fair value of available-for-sale financial assets	–	(5,327)	–	–	(5,327)	–	(5,327)
Net income recognised directly in equity	–	44,558	353	–	44,911	5,781	50,692
Net profit for the year	–	–	244,743	–	244,743	14,810	259,553
Total recognised income for the year	–	44,558	245,096	–	289,654	20,591	310,245
Issue of ordinary shares *(Note 14)*	18,600	533,207	–	–	551,807	–	551,807
Transfer of reserves	–	4,426	(4,426)	–	–	–	–
2007 final dividend paid	–	–	–	(42,857)	(42,857)	–	(42,857)
Acquisition of subsidiaries	–	–	–	–	–	581,130	581,130
Acquisition of additional interest in a subsidiary from minority shareholders	–	(111,790)	–	–	(111,790)	(518,054)	(629,844)
Balance at 31 March 2008	111,767	561,966	432,174	–	1,105,907	83,667	1,189,574

The notes on pages 40 to 95 are an integral part of these consolidated accounts.

For the year ended 31 March 2008

	Note	2008 HK$'000	2007 HK$'000
Cash flows from operating activities			
Net cash generated from operations	31(a)	**32,816**	7,633
Hong Kong profits tax paid		**(51,773)**	(35,441)
Overseas tax paid		**(20,708)**	(92)
Net cash used in operating activities		**(39,665)**	(27,900)
Cash flows from investing activities			
Interest received		**5,573**	4,895
Purchase of property, plant and equipment		**(7,182)**	(1,580)
Decrease/(increase) in pledged bank deposits		**10,000**	(10,000)
Proceeds from disposal of property, plant and equipment		**576**	–
Purchase of available-for-sale financial assets		**(20,000)**	(7,000)
Dividend income from available-for-sale financial assets		**2,967**	–
Proceeds from disposal of available-for-sale financial assets		**12,305**	8,000
Acquisition of subsidiaries, net of cash acquired	31(c)	**(541,481)**	–
Acquisition of additional interest in a subsidiary	8	**(629,844)**	–
Net cash used in investing activities		**(1,167,086)**	(5,685)
Cash flows from financing activities	31(b)		
Dividends paid		**(42,857)**	(69,676)
Net proceeds from issue of ordinary shares		**551,807**	–
New bank borrowings		**2,169,428**	182,845
Repayment of bank borrowings		**(1,225,987)**	(182,845)
Interest paid		**(44,587)**	(2,620)
Net cash generated from/(used in) financing activities		**1,407,804**	(72,296)
Net increase/(decrease) in cash and cash equivalents		**201,053**	(105,881)
Cash and cash equivalents at the beginning of year		**113,926**	219,129
Effect of foreign exchange rate changes		**(9,937)**	678
Cash and cash equivalents at the end of year	13	**305,042**	113,926

The notes on pages 40 to 95 are an integral part of these consolidated accounts.

1 GENERAL INFORMATION

VST Holdings Limited (the "Company") and its subsidiaries (together the "Group") are principally engaged in the distribution of information technology ("IT") products and provider of enterprise systems and IT services.

The Company is a limited liability company incorporated in the Cayman Islands. Its principal place of business is at Unit 1901, 19th Floor, West Tower, Shun Tak Centre, 168 Connaught Road Central, Hong Kong.

The Company's shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

These consolidated accounts are presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated. These consolidated accounts have been approved for issue by the Board of Directors on 11 July 2008.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated accounts are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated accounts of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated accounts have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and other financial assets and liabilities at fair value through profit or loss which are carried at fair value.

The preparation of accounts in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated accounts, are disclosed in Note 4.

Effect of adopting new/revised HKFRS

During the year, the Group adopted the following new standard, amendment and interpretation to existing standards of HKFRS that are effective in current year and relevant to the Group's operations:

HKAS 1 (Amendment)	Presentation to Financial Statements: Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The adoption of these new/revised standard, amendment and interpretation to existing standards of HKFRS required new disclosures but had no material financial impact to the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

The following new interpretations to existing standards of HKFRS are effective in current year but are not relevant to the Group's operations:

HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions

The following new standards, amendments and interpretations to existing standards of HKFRS have been issued but are not effective in current year and have not been early adopted:

HKAS 1 (Revised)	Presentation of Financial Statements (effective for accounting periods commencing on or after 1 January 2009)
HKAS 23 (Amendment)	Borrowing Costs (effective for accounting periods commencing on or after 1 July 2009)
HKAS 27 (Revised)	Consolidated and Separate Financial Statements (effective for accounting periods commencing on or after 1 July 2009)
HKAS 32 and HKAS 1 (Amendment)	Puttable Financial Instrument and Obligations Arising on Liquidation (effective from 1 January 2009)
HKFRS 2 (Amendment)	Share-based Payment Vesting Conditions and Cancellations (effective for accounting periods commencing on or after 1 January 2009)
HKFRS 3 (Revised)	Business Combinations (effective for accounting periods on or after 1 July 2009)
HKFRS 8	Operating Segments (effective for accounting periods commencing on or after 1 July 2009)
HK(IFRIC)-Int 12	Service Concession Arrangements (effective for accounting periods commencing on or after 1 January 2008)
HK(IFRIC)-Int 13	Customer Loyalty Programmes (effective for accounting periods commencing on or after 1 July 2008)
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for accounting periods commencing on or after 1 January 2008)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

The directors anticipate that the adoption of these new standards, amendments to standards and interpretations in future periods will have no material financial impact to the Group.

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the profit and loss account.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an indicator of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(b) Associated companies

Associated companies are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investment in an associated company is accounted for using the equity method of accounting and are initially recognised at cost.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Consolidation *(continued)*

(b) Associated companies (continued)

The Group's share of its associated company's post-acquisition profits or losses is recognised in the profit and loss account, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

(c) Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with equity owners of the Group. For purchases from minority interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is deducted from equity. Gains or losses on disposals to minority interests are also recorded in equity. For disposals to minority interests, the difference between any proceeds received and the relevant share of minority interests is recorded in equity.

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the accounts of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated accounts are presented in Hong Kong dollars ("HK$"), which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences are recognised in equity.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the available-for-sale investments reserve in equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Foreign currency translation *(continued)*

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the consolidated profit and loss account as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.4 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the profit and loss account during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Leasehold improvements	20% or lease period whichever is shorter
Freehold building	2%
Furniture and fixtures	20%
Office equipment	20%
Motor vehicles	20%
Computers	20%

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.4 Property, plant and equipment *(continued)*

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount (Note 2.7).

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the profit and loss account.

2.5 Construction in progress

Construction in progress represents property, plant and equipment under construction and pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction of buildings, the costs of plant and machinery and interest charges arising from borrowings used to finance these assets during the period of construction or installation and testing. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and are available for the intended use. When the assets concerned are brought into use, the costs are transferred to other property, plant and equipment and depreciated in accordance with the policy as stated in Note 2.4 above.

2.6 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of an associated company is included in investment in an associated company and is tested annually for impairment as part of the overall balance. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The Company allocates goodwill to groups of cash-generating units in the same geographical location with similar principal activities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.7 Impairment of investments in subsidiaries and associated company and non-financial assets

Assets that have an indefinite useful life or have not yet been available for use are not subject to amortisation, which are tested at least annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. The management determines the classification of its investments at initial recognition.

(a) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as "trade and other receivables" and "cash and cash equivalents" in the balance sheet (Notes 2.10 and 2.11).

(c) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the balance sheet date, which are classified as current assets. During the year, the Group did not hold any investments in this category.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.8 Financial assets *(continued)*

(d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Regular purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the profit and loss account. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Gains or loss arising from changes in fair value of the financial assets at fair value through profit or loss category are presented in the profit and loss account within "other gains, net" in the period in which they arise. Dividend income from financial assets of fair value through profit or loss is recognised in the profit and loss account as part of other gains when the Group's right to receive payment is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in the profit and loss account; translation differences on non-monetary securities are recognised in equity. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the profit and loss account as "gains/losses on disposal of investments". Interest on available-for-sale securities calculated using the effective interest method is recognised in the profit and loss account. Dividends on available-for-sale equity instruments are recognised in the profit and loss account when the Group's right to receive payments is established.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.8 Financial assets *(continued)*

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the profit and loss account – is removed from equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account.

2.9 Inventories

Inventories comprise IT products for distribution and are stated at the lower of cost and net realisable value.

Cost is determined using weighted average cost formula. The cost of finished goods comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. It excludes borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.10 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the profit and loss account.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.11 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2.12 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.13 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Translation costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

All borrowing costs are charged to the profit and loss account in the period in which they are incurred.

2.15 Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the balance sheet date in the countries where the Company and its subsidiaries and associated company operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.15 Current and deferred income tax *(continued)*

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted at the balance sheet date and are expected to apply when the related deferred income tax assets are realised or the deferred income tax liabilities are settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associated company, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.16 Employee benefits

(a) Pension obligations

The Group operates defined contribution plans, the assets of which are held in separate trustee-administered funds. The retirement plans are generally funded by payments from employees and by the relevant group companies. For employees in the People's Republic of China (the "PRC"), the Group participates in defined contribution retirement schemes organised by the relevant local government in the PRC.

The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(c) Bonus plans

The Group recognises a liability and an expense for bonuses taking into account the profit attributable to the Company's shareholders. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.17 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2.18 Leases

(a) *Operating leases*

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged in the profit and loss account on a straight-line basis over the period of the lease.

(b) *Finance leases*

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is charged to the profit and loss account over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.19 Financial guarantee contracts

Financial guarantee contracts are regarded as insurance contracts under which the Group accepts significant insurance risk from a third party by agreeing to compensate that party on the occurrence of a specific event. Provisions are recognised when it is probable that the guarantee will be called upon and an outflow of resources embodying economic benefits will be required to settle the obligations.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.20 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2.21 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue is shown, net of returns and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

(i) *Sale of goods*

Sale of goods are recognised when products have been delivered to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

(ii) *Service fees*

Fees from service maintenance contracts are recognised over the period of the contract.

(iii) *Project revenue*

Revenue on projects is recognised in the profit and loss account based on the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract.

(iv) *Interest income*

Interest income is recognised on a time-proportion basis using the effective interest method.

(v) *Dividend income*

Dividend income is recognised when the right to receive payment is established.

2.22 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's consolidated accounts in the period in which the dividends are approved by the Company's shareholders.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, interest rate risk, credit risk, and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) *Foreign exchange risk*

The Group operates in various countries and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Chinese Renminbi ("RMB"), the United States Dollar ("US$"), Singapore Dollar ("S$"), Thai Baht ("THB"), and Malaysian Ringgit ("RM"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

To manage the foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, the Group uses foreign currency forward contracts to reduce foreign exchange risk. As at 31 March 2008, the Group had outstanding foreign currency forward contracts with a total notional amount of approximately HK$445,942,000 (2007: Nil).

A 5% strengthening of HK$ against financial assets and liabilities denominated in the following currencies other than the functional currencies of the Group's entities at 31 March 2008 and 2007 would have increased/(decreased) the post-tax profit in the profit and loss account by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Profit and loss account	
	2008	2007
	HK$'000	*HK$'000*
RMB	**22,804**	435
US$	**(24,841)**	–
S$	**7,495**	–
THB	**1,580**	–
RM	**490**	–

A 5% weakening of HK$ against the above currencies would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) *Interest rate risk*

The Group's income and operating cash flows are substantially independent of changes in market interest rates and the Group has no significant interest-bearing assets except for the cash and cash equivalents, details of which have been disclosed in Note 13. The Group's exposure to changes in interest rates is mainly attributable to its borrowings, details of which have been disclosed in Note 19. Borrowings carried at floating rates expose the Group to cash flow interest rate risk.

At 31 March 2008, if the interest rates on bank borrowings had been 100 basis points higher/lower with all other variables held constant, the Group's post-tax profit for the year would have been HK$20,183,000 (2007: Nil) lower/higher, and the Company's post-tax profit for the year would have been HK$7,764,000 (2007: Nil) lower/higher, mainly as a result of higher/lower interest expense on floating rate bank borrowings.

(c) *Credit risk*

The carrying amount of trade and other receivables and cash and cash equivalents included in the consolidated balance sheet represents the Group's maximum exposure to credit risk in relation to its financial assets.

Cash and cash equivalents are mainly deposited in over 10 financial institutions, which management believes are of high quality. Management does not expect any loss from non-performance by these counterparties.

The Group has put in place policies to ensure that sales of products are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers. The Group's historical experience in collection of trade receivables falls within the recorded allowances.

(d) *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Directors aim to maintain flexibility in funding by keeping credit lines available.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(d) Liquidity risk (continued)

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the following table are the contractual undiscounted cash flows from bank borrowings and will not reconcile to the amounts disclosed on the balance sheet. All other financial liabilities are due for settlement contractually within 12 months.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Group			
At 31 March 2008			
Bank borrowings	1,716,610	–	422,783
At 31 March 2007			
Bank borrowings	–	–	–
Company			
At 31 March 2008			
Bank borrowings	826,204	–	–
At 31 March 2007			
Bank borrowings	–	–	–

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity', as shown in the consolidated balance sheet, plus net debt.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.2 Capital risk management *(continued)*

The table below analyses the Group's capital structure as at 31 March 2008.

	2008
	HK$'000
Total borrowings *(Note 19)*	**2,018,430**
Less: Cash and cash equivalents *(Note 13)*	**(312,814)**
Net debt	**1,705,616**
Total equity	**1,189,574**
Total capital	**2,895,190**
Gearing ratio	**59%**

As at 31 March 2007, management considered that the Group's capital risk is minimal as the Group had no borrowing.

3.3 Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices on the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair values of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing on each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debts. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal values less impairment provision of trade and other receivables and payables are reasonable approximation of their fair values.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Income taxes

The Group is subject to income taxes in various jurisdictions. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(b) Estimated write-down of inventories to net realisable value

The Group writes down inventories to net realisable value based on an assessment of the realisability of inventories. Write-downs of inventories are recorded where events or changes in circumstances indicate that the balances may not be realised.

The identification of write-downs requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and write-downs of inventories in the period in which such estimate has been changed.

(c) Estimated provision for impairment of trade receivables

The Group makes provision for impairment of trade receivables based on an assessment of the recoverability of trade receivables. Provisions are applied to trade receivables where events or changes in circumstances indicate that the balances may not be collectible.

The identification of impairment of trade receivables requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of trade receivables and impairment loss in the period in which such estimate has been changed.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(d) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.6. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 6).

In assessing the value-in-use of the goodwill, management considers changes in economic conditions and makes assumptions regarding estimated future cash flows and other factors. Estimates of future cash flows are highly subjective and judgements are based on the Group's experience and knowledge of operations. These estimates can be significantly impacted by many factors including changes in business and economic conditions, operating costs, inflation and competition.

5 PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold improvements HK$'000	Freehold building HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Computers HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
At 31 March 2006								
Cost	1,753	–	493	6,567	–	1,485	–	10,298
Accumulated depreciation	(779)	–	(253)	(5,356)	–	(1,257)	–	(7,645)
Net book amount	974	–	240	1,211	–	228	–	2,653
Year ended 31 March 2007								
Opening net book amount	974	–	240	1,211	–	228	–	2,653
Additions	848	–	23	709	–	–	–	1,580
Disposals	(230)	–	(4)	(83)	–	–	–	(317)
Depreciation	(342)	–	(75)	(629)	–	(77)	–	(1,123)
Closing net book amount	1,250	–	184	1,208	–	151	–	2,793
At 31 March 2007								
Cost	2,070	–	488	7,069	–	1,484	–	11,111
Accumulated depreciation	(820)	–	(304)	(5,861)	–	(1,333)	–	(8,318)
Net book amount	1,250	–	184	1,208	–	151	–	2,793
Year ended 31 March 2008								
Opening net book amount	1,250	–	184	1,208	–	151	–	2,793
Acquisition of subsidiaries *(Note 31(c))*	5,725	8,328	4,515	2,113	27,981	3,643	3,371	55,676
Additions	550	–	292	621	3,905	136	1,678	7,182
Disposals	–	–	(6)	(14)	(79)	(270)	(292)	(661)
Depreciation	(888)	(110)	(1,264)	(754)	(4,466)	(678)	(28)	(8,188)
Exchange difference	312	397	31	67	648	309	217	1,981
Closing net book amount	6,949	8,615	3,752	3,241	27,989	3,291	4,946	58,783
At 31 March 2008								
Cost	8,890	8,728	4,825	9,352	28,258	4,920	4,975	69,948
Accumulated depreciation	(1,941)	(113)	(1,073)	(6,111)	(269)	(1,629)	(29)	(11,165)
Net book amount	6,949	8,615	3,752	3,241	27,989	3,291	4,946	58,783

Note:

Depreciation expense of HK$8,188,000 (2007: HK$1,123,000) has been charged in administrative expenses.

The net book value of property, plant and equipment under finance leases as at 31 March 2008 was HK$183,000 (2007: Nil).

5 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Company

	Motor vehicles HK$'000
At 1 April 2006 and 31 March 2007	
Cost, accumulated depreciation and net book amount	–
Year ended 31 March 2008	
Opening net book amount	–
Additions	136
Depreciation	(65)
Closing net book amount	71
At 31 March 2008	
Cost	136
Accumulated depreciation	(65)
Net book amount	71

6 GOODWILL

	Group HK$'000
At 1 April 2006 and 31 March 2007	
Cost and net book amount	–
Year ended 31 March 2008	
Opening net book amount	–
Acquisition of subsidiaries *(Note 31(c))*	295,977
Exchange difference	20,314
Closing net book amount	316,291
At 31 March 2008	
Cost and net book amount	316,291

6 GOODWILL *(Continued)*

Note:

Goodwill is allocated to groups of cash generating units ("CGUs") in the same geographical location with similar principal activities.

A segment level summary of the goodwill allocation is presented as below:

	HK$'000
North Asia	139,378
South East Asia	176,913
Total	316,291

The recoverable amount of each group of CGUs is determined based on value-in-use calculations. Cash flow projection for impairment review is based on budget prepared on the basis of assumptions reflective of the prevailing market conditions. Key assumptions used for value-in-use calculations include:

(a) Cash flows were projected based on actual operating results and the five-year business plan.

(b) The anticipated annual revenue growth rates included in the cash flow projections are as follows:

	North Asia	**South East Asia**
Revenue growth rate (five-year period)	10%	10%
Revenue growth rate (beyond five-years)	10%	10%

(c) A pre-tax discount rate in 2008 of 12% was applied in determining the recoverable amount of the CGUs. The discount rate used reflects the risk-free rate and the premium for specific risks relating to the business units.

The values assigned to the key assumptions represent management's assessment of future trends in the IT industry and are based on both external sources and internal sources and both past performance (historical data) and its expectations for market development.

Group management believes that any reasonably possible changes in the above key assumptions applied are not likely to cause the recoverable amount to be materially lower than the carrying amount of goodwill.

7 AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets include the following:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Unlisted investment fund	**17,008**	–
Quoted investment in the PRC	**–**	9,467
Others	**1,613**	–
	18,621	9,467

	Group	
	2008	2007
	HK$'000	*HK$'000*
Beginning of the year	**9,467**	10,000
Acquisition of subsidiaries *(Note 31(c))*	**3,788**	–
Disposals	**(9,467)**	(10,000)
Additions	**20,000**	7,000
Changes in fair value charged to equity	**(5,327)**	2,467
Exchange difference	**160**	–
End of the year	**18,621**	9,467

7 AVAILABLE-FOR-SALE FINANCIAL ASSETS *(continued)*

Available-for-sale financial assets are denominated in the following currencies:

	Group	
	2008	2007
	HK$'000	*HK$'000*
HK$	**14,673**	–
RMB	**–**	9,467
S$	**1,563**	–
THB	**2,233**	–
RM	**152**	–
	18,621	9,467

The fair values of unlisted securities are based on current bid price of the underlying investment securities.

None of the financial assets is either past due or impaired.

8 INVESTMENTS IN SUBSIDIARIES

	Company	
	2008	2007
	HK$'000	*HK$'000*
Investments at cost		
– Shares listed in Singapore	**1,327,518**	–
– Unlisted investments, at cost	**83,154**	83,154
	1,410,672	83,154

On 30 October 2007, the Company acquired 52.5% equity interest of ECS Holdings Limited ("ECS"), a company listed on the Singapore Exchange Securities Trading Limited, at S$0.668 (approximately HK$3.55) per share, totalled HK$680,835,000. After this acquisition, ECS and its subsidiaries became subsidiaries of the Group.

Upon completion of the acquisition of the 52.5% interest in ECS, the Company also made a mandatory cash offer (the "Offer") in Singapore to acquire the remaining ECS shares. The Offer was based on a price of S$0.668 per share. Up to 31 March 2008, the Group purchased additional 46.18% interest in ECS at a total consideration, including direct transaction costs, of approximately S$114,512,000 (equivalent to approximately HK$629,844,000).

During the period from 17 December 2007 to 31 March 2008, shares of ECS have been suspended from trading by Singapore Exchange Securities Trading Limited since ECS did not fulfill the 10% public free floating requirement.

8 INVESTMENTS IN SUBSIDIARIES *(continued)*

In addition, all ECS shares held by the Company were pledged as securities for a bridge loan granted by a financial institution for funding of the above transactions (Note 19 (b)).

Particulars of the principal subsidiaries as at 31 March 2008 are as follows:

Name	Place of incorporation/ establishment *(Note b)*	Principal activities and place of operations	Particulars of issued share capital/registered capital	Percentage of interest held Directly	Percentage of interest held Indirectly
VST Group Limited ("VSTG")	British Virgin Islands	Investment holding, British Virgin Islands	4 ordinary shares of US$1 each	100%	–
深圳偉仕宏業電子有限公司	PRC	Distribution of IT products in the PRC	RMB20,000,000	100%	–
VST Computers (H.K.) Limited	Hong Kong	Distribution of IT products in Hong Kong	2 ordinary shares of HK$1 each 62,000,000 non-voting deferred shares of HK$1 each	–	100%
VST Computers (Singapore) Pte. Limited	Singapore	Distribution of IT products in Singapore	10 ordinary shares of SGD10 each	–	100%
ECS Holdings Limited *(Note a)*	Singapore	Distribution of IT products, provision of IT services and enterprise systems in Singapore	365,360,000 ordinary shares of SGD0.3088 each	98.68%	–
ECS Computers (Asia) Pte. Limited *(Note a)*	Singapore	Provider of information technology products and services for IT infrastructure in Singapore	S$13,600,000	–	98.68%
ECS Indo Pte. Limited *(Note a)*	Singapore	Distributor of information technology products in Singapore	US$1,570,392	–	59.21%
The Value Systems Co., Limited *(Note a)*	Thailand	Provider of information technology products and services for IT infrastructure in Thailand	7,783,000 shares of 10 Baht each	–	98.68%

8 INVESTMENTS IN SUBSIDIARIES *(continued)*

Particulars of the principal subsidiaries as at 31 March 2008 are as follows: *(continued)*

Name	Place of incorporation/ establishment *(Note b)*	Principal activities and place of operations	Particulars of issued share capital/registered capital	Percentage of interest held Directly	Indirectly
ECS KUSH Sdn Bhd *(Note a)*	Malaysia	Investment holding in Malaysia	1,000,002 ordinary shares of RM1 each	–	59.21%
ECS Technology (China) Limited *(Note a)*	Hong Kong	Investment holding, provider of information technology products and services for IT infrastructure in Hong Kong	11,500,000 ordinary shares of $1 each	–	98.68%
EC Sure Holdings (Thailand) Co., Limited *(Note a)*	Thailand	Investment holding in Thailand	196,000 preferred shares, non-accumulative dividend, Baht 1.25 per share; and 204,000 ordinary shares, Baht 1.25 per share	–	98.58%
ECS Infocom (Phils) Pte. Limited *(Note a)*	Singapore	Investment holding in Singapore	S$2	–	98.68%
Pacific City (Asia Pacific) Pte Limited *(Note a)*	Singapore	Retail of information technology products, IT equipment and accessories in Singapore	S$150,000	–	98.68%
PT ECS Indo Jaya *(Note a)*	Indonesia	Distributor of information technology products in Indonesia	100,000 ordinary shares of US$1 each	–	59.21%
ECS Pericomp Sdn Bhd *(Note a)*	Malaysia	Provider of information technology products and services for IT infrastructure in Malaysia	400,000 ordinary shares of RM1 each	–	47.37%

8 INVESTMENTS IN SUBSIDIARIES *(continued)*

Particulars of the principal subsidiaries as at 31 March 2008 are as follows: *(continued)*

Name	Place of incorporation/ establishment *(Note b)*	Principal activities and place of operations	Particulars of issued share capital/registered capital	Percentage of interest held Directly	Percentage of interest held Indirectly
ECS Astar Sdn Bhd *(Note a)*	Malaysia	Provider of information technology products and services for IT infrastructure in Malaysia	500,000 ordinary shares of RM1 each	–	59.21%
ECS International Trading (Shanghai) Company Limited *(Note a)*	PRC	Provider of information technology products and services for IT infrastructure in the PRC	US$3,100,000	–	98.68%
ECS China Technology (Shanghai) Company Limited *(Note a)*	PRC	Provider of information technology products and services for IT infrastructure in the PRC	US$15,000,000	–	98.68%
PCS Trading Limited *(Note a)*	British Virgin Islands	Provider of information technology products and services for IT infrastructure in Hong Kong and the PRC	Nil	–	98.68%

Note:

(a) Not audited by PricewaterhouseCoopers

(b) All subsidiaries are limited liability company except for those established in the PRC, which are wholly-owned foreign enterprises.

9 AMOUNTS DUE FROM SUBSIDIARIES

The amount due from VSTG of HK$280,000,000 as at 31 March 2008 (2007: HK$130,000,000) is unsecured, interest-free, denominated in HK$ and repayable on demand.

The amount due from VST Computers (H.K.) Limited of HK$55,688,000 (2007: HK$98,352,000) is unsecured, interest bearing at a rate between 5.25% and 7.75% per annum (2007: 7.75% and 8.00% per annum), denominated in HK$ and is repayable on demand.

10 INTEREST IN AN ASSOCIATED COMPANY

	Group 2008 HK$'000
Investment in an associated company	35,445
Loan to an associated company	2,163
	37,608
Beginning of the year	–
Acquisition of subsidiaries	34,174
Share of an associated company's results:	
– loss before taxation	(693)
– taxation	–
Exchange difference	1,964
End of the year	35,445
Loan to an associated company	2,163
	37,608

Details of the associated company as at 31 March 2008 are as follows:

Name	Particulars of issued shares held	Country of incorporation	Principal activities	Assets HK$'000	Liabilities HK$'000	Revenue HK$'000	Profit/ (loss) HK$'000	Effective equity interest held Indirectly
MSI-ECS Phils., Inc	3,097,055 ordinary shares of Peso 100 each	Philippines	Distribution of IT products	280,315	208,464	396,892	(1,405)	49.33%

The loan to the associated company is denominated in US$ and is unsecured, interest-free and not repayable within one year.

11 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade receivables	**2,601,826**	346,434	**–**	–
Less: provision for impairment	**(47,066)**	–	**–**	–
Trade receivables, net	**2,554,760**	346,434	**–**	–
Prepayments	**257,255**	589	**375**	232
Other receivables	**115,144**	3,031	**–**	–
	2,927,159	350,054	**375**	232

There is no concentration of credit risk with respect to trade and other receivables as the Group has large number of customers and counterparties.

The Group grants credit period to third party customers ranging from 7 to 60 days, which may be extended for selected customers depending on their trade volume and settlement history with the Group. The ageing analysis of gross trade receivables is as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
0 – 30 days	**1,841,836**	345,209
31 – 60 days	**408,877**	25
61 – 90 days	**178,856**	–
Over 90 days	**172,257**	1,200
	2,601,826	346,434

11 TRADE AND OTHER RECEIVABLES *(continued)*

Trade receivables that are less than three months past due are not considered impaired. As at 31 March 2008, trade receivables of HK$1,129,757,000 (2007: HK$ 346,434,000), which were fully performing, were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
0 – 30 days	**812,305**	345,209
31 – 120 days	**214,957**	1,225
121 – 365 days	**60,720**	–
Over 365 days	**41,775**	–
	1,129,757	346,434

As at 31 March 2008, trade receivables of HK$47,066,000 (2007: Nil) were impaired and full provision has been made. The ageing analysis of these receivables is as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
61 – 90 days	**412**	–
Over 90 days	**46,654**	–
	47,066	–

Movements on the provision for impairment of trade receivables is as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Beginning of the year	**–**	–
Acquisition of subsidiaries	**49,553**	–
Provision for receivable impairment	**13,945**	–
Receivables written off during the year as uncollectible	**(13,933)**	–
Exchange difference	**(2,499)**	–
End of the year	**47,066**	–

11 TRADE AND OTHER RECEIVABLES *(continued)*

The carrying amounts of trade and other receivables were denominated in the following currencies:

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
HK$	**8,194**	3,620	**375**	232
RMB	**1,063,919**	2,503	**–**	–
S$	**477,318**	–	**–**	–
US$	**695,740**	343,931	**–**	–
THB	**366,447**	–	**–**	–
RM	**307,848**	–	**–**	–
Indonesian rupiah ("RP")	**1,686**	–	**–**	–
Philippine pesos ("PESO")	**6,007**	–	**–**	–
	2,927,159	350,054	**375**	232

The carrying amounts of trade and other receivables approximate their fair values due to their short-term maturities.

The maximum exposure to the credit risk at the reporting date is the carrying value of the trade and other receivables above. The Group did not hold any collateral as security.

The credit quality of trade and other receivables that are neither past due nor impaired has been assessed by reference to historical information about counterparty default rates. The existing counterparties do not have significant defaults in the past.

12 INVENTORIES

	Group	
	2008	2007
	HK$'000	*HK$'000*
Inventories on hand		
– Held for re-sale	**1,348,449**	184,920
– Held for return to suppliers or exchange to customers	**4,760**	5,616
Inventories-in-transit	**88,352**	97,829
Less: provision	**(34,449)**	(704)
	1,407,112	287,661

The cost of inventories included in cost of sales amounted to HK$11,677,900,000 (2007: HK$3,988,478,000).

13 CASH AND CASH EQUIVALENTS

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash at bank and in hand	**94,506**	33,596	**363**	332
Short-term bank deposits *(note a)*	**218,308**	80,330	**–**	–
	312,814	113,926	**363**	332
Maximum exposure to credit risk	**312,086**	113,506	**363**	332

The carrying amounts of cash and cash equivalents were denominated in the following currencies:

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
HK$	**4,399**	34,371	**363**	332
US$	**142,883**	69,381	**–**	–
RMB *(note b)*	**96,730**	10,174	**–**	–
S$	**39,172**	–	**–**	–
THB	**9,165**	–	**–**	–
RM	**20,426**	–	**–**	–
RP	**39**	–	**–**	–
	312,814	113,926	**363**	332

Cash, cash equivalents and bank overdrafts include the following for the purposes of the consolidated cash flow statement:

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Bank balances and cash	**312,814**	113,926	**363**	332
Bank overdrafts *(Note 19)*	**(7,772)**	–	**–**	–
	305,042	113,926	**363**	332

(a) The effective interest rate on short-term bank deposits was 2.30% (2007: 4.07%) per annum. These deposits have an average maturity of 2 days (2007: 2 days).

13 CASH AND CASH EQUIVALENTS *(continued)*

(b) The Group's bank balances and deposits denominated in RMB are deposited with banks in the PRC. The conversion of these RMB denominated balances into foreign currencies and the remittance of funds out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the government of the PRC.

14 SHARE CAPITAL

	2008 *HK$'000*	2007 *HK$'000*
Authorised:		
2,000,000,000 (2007: 2,000,000,000) ordinary shares of HK$0.1 each	**200,000**	200,000
Issued and fully paid:		
1,117,666,666 (2007: 931,666,666) ordinary shares of HK$0.1 each	**111,767**	93,167

Movement in issued share capital of the Company is as follows:

	2008 Number of issued ordinary shares of HK$0.10 each	**2008** Par value *HK$'000*	2007 Number of issued ordinary shares of HK$0.10 each	2007 Par value *HK$'000*
Beginning of the year	**931,666,666**	**93,167**	840,000,000	84,000
Issue of shares *(note)*	**186,000,000**	**18,600**	91,666,666	9,167
End of the year	**1,117,666,666**	**111,767**	931,666,666	93,167

Note:

The Company entered into a placing agreement on 10 October 2007 ("Placing Agreement") with, among others, L & L Limited (a shareholder of the Company) and two placing agents namely Macquarie Securities Limited and Merrill Lynch Far East Limited ("Placing Agents"), and a subscription agreement on 10 October 2007 ("Subscription Agreement") with L & L Limited. Pursuant to the Placing Agreement, L & L Limited placed 186,000,000 shares of the Company owned by L & L Limited through the Placing Agents to independent third parties. Pursuant to the Subscription Agreement, L & L Limited then subscribed for the same number of shares in the Company by way of top-up subscription. The price for the shares placed and subscribed was HK$3.05 per share. The net proceeds received by the Company is approximately HK$551,807,000. These shares issued pursuant to the Subscription Agreement rank pari passu with the existing shares in issue.

During the year ended 31 March 2007, 91,666,666 ordinary shares were issued upon conversion of convertible bonds. These shares rank pari passu with the existing shares in issue.

15 SHARE OPTION SCHEME

Share option scheme of the Company

On 17 April 2002, the Company approved a share option scheme under which the Directors may, at their discretion, invite employees (including both full time and part time employees, and executive Directors), Non-executive Directors, suppliers, customers and other corporations or individuals that provide support to the Group (as defined in the share option scheme) to take up options to subscribe for shares in the Company. The maximum number of shares in respect of which options may be granted under the share option scheme may not exceed 10% of the issued share capital of the Company. The subscription price will be determined by the Company's Board of Directors and will not be less than the higher of (i) the nominal value of the Company's ordinary shares; (ii) the closing price of the Company's ordinary shares as stated in the daily quotation sheets issued by the Stock Exchange on the date of offer; and (iii) the average closing price of the Company's ordinary shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of offer. The share option scheme became effective upon the listing of the Company's shares on 9 May 2002.

Up to 31 March 2008, no options had been granted pursuant to the above share option scheme.

Share option scheme of a subsidiary – ECS

The ECS Share Option Scheme II ("Scheme II") was approved and adopted by ECS's shareholders at an extraordinary general meeting held on 13 December 2000. Scheme II provides an opportunity for ECS's employees and directors, including non-executive directors, of ECS and its subsidiaries ("ECS Group") who have contributed significantly to the growth and performance of the ECS Group to participate in the equity of ECS.

Information regarding the Scheme II is set out below:

(a) The exercise price of the options exercisable pursuant to Scheme II is set either at:

- a price equal to the average of the last dealt price of ECS's share for the three consecutive trading days immediately preceding the grant of the option; or

- a discount to the market price not exceeding 20% of the market price in respect of that option.

(b) Options granted are exercisable at any time after the first anniversary of the grant date and in the case of options with exercise price set at a discount, at any time after the second anniversary of date of grant. Options granted to ECS's employees and executive directors are exercisable up to the tenth anniversary of date of grant and those granted to non-executive directors are exercisable up to the fifth anniversary of the date of grant.

(c) The scheme will continue to be in force at the discretion of the compensation committee of ECS, subject to a maximum period of 10 years commencing 13 December 2000.

16 RESERVES

(a) Group

	Share premium (Note i) HK$'000	Convertible bonds (Note ii) HK$'000	Available-for-sale investments reserve HK$'000	General reserve (Note (iii)) HK$'000	Translation reserve HK$'000	Other reserve (Note (iv)) HK$'000	Total reserves HK$'000	Retained earnings HK$'000	Total HK$'000
Balance at 1 April 2006	30,411	996	–	–	–	–	31,407	102,841	134,248
Exchange difference	–	–	–	–	678	–	678	–	678
Changes in fair value of available-for-sale financial assets	–	–	2,467	–	–	–	2,467	–	2,467
Issue of ordinary shares upon conversion of convertible bonds	58,009	(996)	–	–	–	–	57,013	–	57,013
Net profit for the year	–	–	–	–	–	–	–	161,333	161,333
2007 interim dividend paid	–	–	–	–	–	–	–	(29,813)	(29,813)
2007 final dividend proposed	–	–	–	–	–	–	–	(42,857)	(42,857)
Balance at 31 March 2007	88,420	–	2,467	–	678	–	91,565	191,504	283,069
Balance at 1 April 2007	88,420	–	2,467	–	678	–	91,565	191,504	283,069
Exchange difference	–	–	–	–	52,352	–	52,352	353	52,705
Excess of purchase consideration over the carrying value of share of net assets of a subsidiary	–	–	–	–	–	(111,790)	(111,790)	–	(111,790)
Disposal of available-for-sale financial assets	–	–	(2,467)	–	–	–	(2,467)	–	(2,467)
Changes in fair value of available-for-sale financial assets	–	–	(5,327)	–	–	–	(5,327)	–	(5,327)
Issue of ordinary shares *(Note 14)*	533,207	–	–	–	–	–	533,207	–	533,207
Net profit for the year	–	–	–	–	–	–	–	244,743	244,743
Transfer of reserves	–	–	–	4,426	–	–	4,426	(4,426)	–
Balance at 31 March 2008	621,627	–	(5,327)	4,426	53,030	(111,790)	561,966	432,174	994,140

Notes:

(i) The share premium account of the Group includes: (a) the difference between the nominal values of the share capital of the subsidiaries acquired and that of the Company issued in exchange pursuant to the group reorganisation in April 2002; (b) the capitalisation issue in April 2002; and (c) the premium arising from the new issue of shares, net of share issuance costs.

(ii) Convertible bonds reserve represented the value of the equity conversion component of the convertible bonds.

16 RESERVES *(continued)*

(a) Group *(continued)*

Notes: (continued)

(iii) According to the current PRC Company Law, the PRC subsidiaries of the Group are required to transfer 10% of their profits after taxation to statutory surplus reserve until the surplus reserve balance reaches 50% of the registered capital. For the purpose of calculating the amount to be transferred to the reserve, the profit after taxation is the amount determined under PRC accounting standards. The amount of transfer to this reserve has to be made before profit distribution to shareholders. In accordance with the relevant regulations, this reserve may be used to make up any losses incurred or to increase the registered capital of the PRC subsidiaries.

(iv) Other reserve represents excess of consideration paid for acquisitions of additional 46.16% interest in ECS Group from minority shareholders, over the carrying value of share of net assets of ECS Group.

(b) Company

	Share premium *HK$'000*	Convertible bonds *HK$'000*	Retained earnings *HK$'000*	Total *HK$'000*
Balance at 1 April 2006	32,094	996	23,496	56,586
Profit for the year	–	–	134,009	134,009
Issue of ordinary shares upon conversion of convertible bonds	58,009	(996)	–	57,013
2007 interim dividend paid	–	–	(29,813)	(29,813)
2007 final dividend proposed	–	–	(42,857)	(42,857)
Balance at 31 March 2007	90,103	–	84,835	174,938
Balance at 1 April 2007	90,103	–	84,835	174,938
Profit for the year	–	–	132,201	132,201
Issue of ordinary shares *(Note 14)*	533,207	–	–	533,207
Balance at 31 March 2008	623,310	–	217,036	840,346

The share premium account of the Company represents: (a) the difference between the book values of the underlying net assets of the subsidiaries at the date on which they were acquired by the Company and the nominal values of the Company's shares issued under the group reorganisation in April 2002; (b) the capitalisation issue in April 2002; and (c) the premium arising from the new issue of shares, net of share issuance costs.

In accordance with the Companies Law (revised) of the Cayman Islands, the share premium account is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The share premium may also be distributed in the form of fully paid bonus shares.

17 TRADE AND OTHER PAYABLES

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade payables	**1,543,032**	333,235	**–**	–
Accruals	**98,715**	2,158	**19,874**	54
Other payables	**181,711**	1,533	**–**	–
Deferred income	**6,565**	–	**–**	–
	1,830,023	336,926	**19,874**	54
Less: non-current deferred income	**(4,783)**	–	**–**	–
	1,825,240	336,926	**19,874**	54

The Group's suppliers grant credit periods ranging from 30 to 90 days to the Group. The ageing analysis of trade payables is as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
0 – 60 days	**1,543,032**	333,235

The carrying amounts of trade payables approximate their fair values due to their short-term maturities.

The carrying amounts of trade and other payables were denominated in the following currencies:

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
HK$	**7,348**	1,556	**19,874**	54
RMB	**679,938**	2,130	**–**	–
S$	**250,477**	5	**–**	–
US$	**622,769**	333,235	**–**	–
THB	**138,653**	–	**–**	–
RM	**120,330**	–	**–**	–
RP	**5,725**	–	**–**	–
	1,825,240	336,926	**19,874**	54

18 DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method.

Movement in net deferred tax assets/(liabilities) is as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Beginning of the year	**(200)**	(237)
Acquisition of subsidiaries	**12,585**	–
Credited to the consolidated profit and loss account *(Note 25)*	**1,299**	37
Exchange difference	**(220)**	–
End of the year	**13,464**	(200)

Movements of the gross deferred tax assets and liabilities during the year are as follows:

Deferred tax assets:

	Group	
	2008	2007
Provision	***HK$'000***	*HK$'000*
Beginning of the year	**–**	–
Acquisition of subsidiaries *(Note 31 (c))*	**14,878**	–
Credited to the consolidated profit and loss account	**2,480**	–
Exchange difference	**(77)**	–
End of the year	**17,281**	–

Deferred tax liabilities:

	Group	
	2008	2007
Accelerated tax depreciation	***HK$'000***	*HK$'000*
Beginning of the year	**(200)**	(237)
Acquisition of subsidiaries *(Note 31 (c))*	**(2,293)**	–
(Charged)/credited to the consolidated profit and loss account	**(1,181)**	37
Exchange difference	**(143)**	–
End of the year	**(3,817)**	(200)

19 BORROWINGS

		Group		Company	
		2008	2007	**2008**	2007
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Non-current					
Unsecured bank borrowings	*(a)*	**351,513**	–	**–**	–
Finance lease liabilities	*(c)*	**6**	–	**–**	–
		351,519	–	**–**	–
Current					
Bank overdrafts *(Note 13)*		**7,772**	–	**–**	–
Unsecured bank borrowings	*(a)*	**882,632**	–	**–**	–
Secured bank borrowings	*(b)*	**776,400**	–	**776,400**	–
Finance lease liabilities	*(c)*	**107**	–	**–**	–
		1,666,911	–	**776,400**	–
Total borrowings	*(d)*	**2,018,430**	–	**776,400**	–

Notes:

(a) Unsecured bank borrowings

The loans are unsecured, bear interest at the Singapore Inter Bank Offer rate plus 1.25%. The bank loans are repayable within 12 months except for a syndicated loan amount of HK$351,513,000 which is repayable on 18 January 2011. A negative pledge has given in respect of all of the assets of a subsidiary with total net book value at 31 March 2008 of approximately HK$434 million.

(b) Secured bank borrowing

It represents a bridge loan granted by ABN AMRO Bank N.V. for the purpose of funding the acquisition, as described in note 8 to these accounts, which is secured by ECS shares held by the Company, repayable in full on 15 December 2008, and bears interest at the following rates:

(i) HIBOR plus 2% per annum for the first three months of the period of the loan;

(ii) HIBOR plus 3% per annum for the second three months of the period of the loan;

(iii) HIBOR plus 4% per annum after six months but before 4 June 2008;

(iv) HIBOR plus 3% per annum after 4 June 2008 but before 4 September 2008; and

(v) HIBOR plus 4% per annum for the remaining period of the loan.

19 BORROWINGS *(continued)*

Notes: (continued)

(c) Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

	Group 2008 HK$'000	Group 2007 HK$'000
Gross finance lease liabilities – minimum lease payments:		
No later than one year	121	–
Later than one year and no later than five years	9	–
	130	–
Future finance charges on finance leases	(17)	–
	113	–
The present value of finance lease liabilities is as follows:		
No later than one year	107	–
Later than one year and no later than five years	6	–
	113	–

(d) At 31 March 2008, the Group's borrowings were repayable as follows:

	Group: Bank borrowing and overdrafts 2008 HK$'000	Group: Bank borrowing and overdrafts 2007 HK$'000	Group: Financial lease liabilities 2008 HK$'000	Group: Financial lease liabilities 2007 HK$'000	Group: Total 2008 HK$'000	Group: Total 2007 HK$'000	Company: Bank borrowing 2008 HK$'000	Company: Bank borrowing 2007 HK$'000
Within 1 year	1,666,804	–	107	–	1,666,911	–	776,400	–
Between 1 and 2 years	–	–	6	–	6	–	–	–
Between 2 and 5 years	351,513	–	–	–	351,513	–	–	–
Wholly repayable within 5 years	2,018,317	–	113	–	2,018,430	–	776,400	–

19 BORROWINGS *(continued)*

Notes: (continued)

The effective interest rates at 31 March 2008 were as follows:

Bank overdrafts	7.55% – 8.05%
Unsecured bank borrowings	1.7% – 7.227%
Secured bank borrowing	6.15%
Finance lease liabilities	2.3% – 10.5%

The carrying amounts of borrowings approximate their fair values.

The carrying amounts of the borrowings were denominated in the following currencies:

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
HK$	**776,400**	–	**776,400**	–
RMB	**132,517**	–	**–**	–
S$	**53,670**	–	**–**	–
US$	**672,329**	–	**–**	–
THB	**168,128**	–	**–**	–
RM	**215,363**	–	**–**	–
RP	**23**	–	**–**	–
	2,018,430	–	**776,400**	–

20 OTHER FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2008	2007
	HK$'000	*HK$'000*
Derivative at fair value through profit or loss		
– Forward foreign exchange contracts	**23,667**	–

Other financial liabilities at fair value through profit or loss are presented within 'operating activities' as part of changes in working capital in the cash flow statement *(Note 31)*.

The fair value of other financial liabilities at fair value through profit or loss is based on current bid price.

21 TURNOVER AND SEGMENT INFORMATION

Turnover represents gross invoiced sales, net of discounts and returns. Revenue recognised during the year is as follows:

	2008 *HK$'000*	2007 *HK$'000*
Sale of goods	**9,742,125**	4,236,829
IT services	**2,608,397**	–
	12,350,522	4,236,829

(a) Primary reporting format – business segments

The main business segments of the Group are the following:

Segments	Principal activities
Enterprise systems	Provider of enterprise system tools (middleware, operating systems, Unix/NT servers, databases, storage and security products) for IT infrastructure.
IT services	IT infrastructure design and implementation, training, maintenance and support services.
Distribution	Distribution of IT products (desktop PCs, notebooks, handhelds, printers, hard disk, memory device, etc) for the commercial and consumer markets.

21 TURNOVER AND SEGMENT INFORMATION *(continued)*

(a) Primary reporting format – business segments *(continued)*

The segment results for the year ended 31 March 2008 are as follows:

	Enterprise systems	IT services	Distribution	Unallocated	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total segment revenue	2,519,627	88,770	9,742,125	–	12,350,522
Segment results	55,330	4,714	302,069	12,430	374,543
Finance costs	–	–	–	(44,587)	(44,587)
Share of loss of an associated company	–	–	(693)	–	(693)
Profit before taxation					329,263
Income tax expense					(69,710)
Profit for the year					259,553

Other segment items included in the consolidated profit and loss account are as follows:

	Year ended 31 March 2008			
	Enterprise systems	IT services	Distribution	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Depreciation	2,717	94	5,377	8,188
Inventory provision	–	–	3,241	3,241

21 TURNOVER AND SEGMENT INFORMATION *(continued)*

(a) Primary reporting format – business segments *(continued)*

The segment assets and liabilities at 31 March 2008 and capital expenditure for the year then ended are as follows:

	Business segment				
	Enterprise systems	**IT services**	**Distribution**	**Unallocated**	**Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets	1,291,752	48,955	2,922,282	795,072	5,058,061
Associated company	–	–	–	37,608	37,608
Total assets	1,291,752	48,955	2,922,282	832,680	5,095,996
Liabilities	534,492	20,834	1,274,697	2,076,072	3,906,095
Capital expenditure	2,233	105	4,844	–	7,182

Segment assets consist primarily of property, plant and equipment, inventories and trade and other receivables. Unallocated assets comprise goodwill, interests in an associated company, deferred tax assets, available-for-sale financial assets, cash and cash equivalents, other receivables and prepayment.

Segment liabilities comprise operating liabilities. Unallocated liabilities comprise items such as taxation payment, deferred tax liabilities, other financial liabilities at fair value through profit or loss and borrowings.

Capital expenditure comprises additions to property, plant and equipment (Note 5).

During the year ended 31 March 2007, the Group was operating in a single business segment which was distribution of IT products. No business segment information is presented.

21 TURNOVER AND SEGMENT INFORMATION *(continued)*

(b) Secondary reporting format – geographical segments

The Group's three business segments operate in two main geographical areas: North Asia and South East Asia.

	2008 HK$'000
Revenue	
North Asia	9,145,061
South East Asia	3,205,461
	12,350,522

Revenue is allocated based on the country in which the customer is located.

	2008 HK$'000
Total assets	
North Asia	2,518,945
South East Asia	1,744,044
	4,262,989
Associated company	37,608
Unallocated assets	795,072
	5,095,669

Total assets are allocated based on where the assets are located.

	2008 HK$'000
Capital expenditure	
North Asia	3,160
South East Asia	4,022
	7,182

Capital expenditure is allocated based on where the assets are located.

During the year ended 31 March 2007, the Group's turnover and contribution to operation results were substantially derived from the distribution of IT products carried out in Hong Kong.

22 OTHER GAINS, NET

	2008 HK$'000	2007 HK$'000
Interest income	**5,573**	4,895
Dividend income from available-for-sale financial assets	**2,967**	–
Gain/(loss) on disposal of available-for-sale financial assets	**5,305**	(2,000)
Loss on disposal of property, plant and equipment	**(85)**	(317)
Net fair value gain of other financial liabilities at fair value through profit or loss	**4,158**	–
Other service fee income	**2,756**	–
Net exchange gain	**2,350**	–
Other income	**4,513**	–
	27,537	2,578

23 OPERATING PROFIT

Expenses included in cost of sales, selling and distribution expenses and administrative expenses are analysed as follows:

	2008 HK$'000	2007 HK$'000
Cost of inventories, excluding rebates and discounts	**12,403,909**	4,448,924
Rebates and discounts from suppliers	**(726,009)**	(460,446)
Staff costs, including directors' emoluments		
– Salaries, allowance and welfare	**177,162**	20,860
– Provident fund contributions	**5,587**	766
Operating lease rentals in respect of premises and warehouse	**18,985**	3,811
Bad debt written off	**13,354**	1,206
Auditor's remuneration	**7,596**	1,128
Depreciation of property, plant and equipment	**8,188**	1,123
Provision for inventory	**3,241**	685
Impairment of trade receivables	**13,945**	–
Other expenses	**77,558**	20,500
	12,003,516	4,038,557
Representing:		
Cost of sales	**11,681,141**	3,980,795
Selling and distribution expenses	**168,116**	20,799
Administrative expenses	**154,259**	36,963
	12,003,516	4,038,557

24 FINANCE COSTS

	2008 *HK$'000*	2007 *HK$'000*
Interest expense on:		
– Bank overdrafts and import loans	**5,034**	2,620
– Unsecured bank borrowings	**22,842**	–
– Secured bank borrowing	**16,700**	–
– Convertible bonds	**–**	2,636
– Finance lease liabilities	**11**	–
	44,587	5,256

25 TAXATION

The amount of taxation charged to the consolidated profit and loss account represents:

	2008 *HK$'000*	2007 *HK$'000*
Current taxation		
– Hong Kong profits tax	**42,515**	34,741
– Overseas taxation	**30,882**	92
Over-provision of Hong Kong profits tax in prior years	**(650)**	(535)
Over-provision of overseas taxation in prior years	**(1,738)**	–
Deferred taxation *(Note 18)*	**(1,299)**	(37)
	69,710	34,261

Hong Kong profits tax has been provided at the rate of 17.5% (2007: 17.5%) on the estimated assessable profit for the year.

Taxation on overseas taxation has been calculated on the estimated assessable profit for the year at rates of taxation prevailing in the countries in which the Group operates.

25 TAXATION *(continued)*

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	2008 **HK$'000**	2007 HK$'000
Profit before taxation	**329,263**	195,594
Calculated at a taxation rate of 17.5% (2007: 17.5%)	**57,621**	34,229
Effect of different tax rates in different tax jurisdictions	**8,266**	70
Income not subject to taxation	**(976)**	(918)
Expenses not deductible for taxation purposes	**5,918**	1,323
Over-provision in prior years	**(2,388)**	(535)
Tax losses for which no deferred tax assets were recognised	**1,171**	–
Others	**98**	92
Taxation charge	**69,710**	34,261

26 PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The profit attributable to shareholders of the Company is dealt with in the accounts of the Company to the extent of HK$132,201,000 (2007: HK$134,009,000).

27 DIVIDENDS

	2008 **HK$'000**	2007 HK$'000
Interim, paid, of Nil (2007: HK3.2 cents) per ordinary share	**–**	29,813
Final, proposed, of Nil (2007: HK4.6 cents) per ordinary share	**–**	42,857
	–	72,670

The directors do not recommend the payment of a final dividend for the year ended 31 March 2008.

28 EARNINGS PER SHARE

Basic

The calculation of basic earnings per share is based on the profit attributable to equity holders of HK$244,743,000 (2007: HK$161,333,000) and the weighted average of 1,020,335,000 shares (2007: 892,740,000 shares) in issue during the year.

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding assuming conversion of all dilutive potential ordinary shares.

	2008	2007
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company	**244,743**	161,333
Interest expense on convertible bonds (net of tax)	**–**	2,175
Profit used to determine diluted earnings per share	**244,743**	163,508
Weighted average number of ordinary shares in issue (thousands)	**1,020,335**	892,740
Adjustment for assumed conversion of convertible bonds (thousands)	**–**	38,927
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**1,020,335**	931,667
Diluted earnings per share (HK cents per share)	**23.99**	17.55

During the year ended 31 March 2007, the Company had one category of dilutive potential ordinary shares which was convertible bonds. The convertible bonds were assumed to have been converted into ordinary shares, and the net profit was adjusted to eliminate the interest expense less the tax effect.

Up to 21 December 2006, all the convertible bonds had been converted into new shares. Thereafter, the Company did not have dilutive potential ordinary shares.

29 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The aggregate amounts of emoluments paid or payable to Directors of the Company during the year are as follows:

	2008 HK$'000	2007 HK$'000
Fees	**350**	340
Other emoluments		
– Basic salaries and housing allowances	**7,177**	3,562
– Discretionary bonus	**3,757**	100
– Contributions to pension scheme	**241**	101
	11,525	4,103

The remuneration of each Director for the year ended 31 March 2008 is set out below:

Name of Director	Fees HK$'000	Basic salaries and housing allowance HK$'000	Discretionary bonus HK$'000	Contribution to pension scheme HK$'000	Total HK$'000
Executive Directors					
Li Jialin	–	4,422	–	223	4,645
William Choo	–	1,638	1,000	–	2,638
Tay Eng Hoe (i)	–	1,117	2,757	18	3,892
Non-executive Director					
Sun Ali (iv)	6	–	–	–	6
Cheng Kam Chung (ii)	–	–	–	–	–
Independent non-executive Directors					
Chan Po Fun, Peter	120	–	–	–	120
Ni Zhenwei	64	–	–	–	64
Li Wei (iii)	60	–	–	–	60
Hui Hiu Fai	100	–	–	–	100
	350	7,177	3,757	241	11,525

Notes:

(i) Appointed on 17 January 2008

(ii) Resigned on 10 August 2007

(iii) Appointed on 11 August 2007

(iv) Resigned on 8 May 2007

29 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(continued)*

(a) Directors' emoluments *(continued)*

The remuneration of each Director for the year ended 31 March 2007 is set out below:

Name of Director	Fees	Basic salaries and housing allowance	Discretionary bonus	Contribution to pension scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors					
Li Jialin	–	1,924	100	101	2,125
William Choo (i)	–	1,638	–	–	1,638
Non-executive Director					
Cheng Kam Chung (ii)	–	–	–	–	–
Sun Ali (v)	60	–	–	–	60
Independent non-executive Directors					
Chan Po Fun, Peter	120	–	–	–	120
Ni Zhenwei	60	–	–	–	60
Hu Yebi (iv)	11	–	–	–	11
Hui Hiu Fai (iii)	89	–	–	–	89
	340	3,562	100	101	4,103

Notes:

(i) Appointed on 28 April 2006

(ii) Changed from executive Director to non-executive Director on 11 August 2006 and resigned on 10 August 2007

(iii) Appointed on 9 May 2006

(iv) Resigned on 8 May 2006

(v) Resigned on 8 May 2007

Directors' emoluments disclosed above include approximately HK$344,000 (2007: HK$280,000) paid to independent non-executive Directors.

No emoluments have been paid to these individuals as an inducement to join or upon joining the Group or as compensation for loss of office during year (2007: Nil).

During the year, no Director of the Company waived any emoluments (2007: Nil).

29 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included three (2007: two) Directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2007: three) individuals during the year are as follows:

	2008	2007
	HK$'000	*HK$'000*
Basic salaries and allowances	**1,491**	1,656
Discretionary bonuses	**3,647**	360
Contributions to pension schemes	**66**	77
	5,204	2,093

The emoluments fell within the following bands:

	Number of individuals	
Emolument band	**2008**	2007
Nil – HK$1,000,000	**–**	3
HK$1,000,001 – HK$2,000,000	**–**	–
HK$2,000,001 – HK$3,000,000	**2**	–

30 CONTINGENT LIABILITIES

At 31 March 2008, there were contingent liabilities in respect of the following:

(i) Guarantees given to suppliers by the Group in respect of credit facilities extended to certain subsidiaries amounted to HK$1,176,910,000 (2007: Nil), of which the amount utilised was HK$672,587,000 (2007: Nil). The guarantees are renewed on a yearly basis.

(ii) A claim was made on a subsidiary, The Value Systems Co., Limited, which was named as a second defendant in a law suit for copyright infringement amounting to Baht 170 million (equivalent to HK$45 million). The Central Intellectual Property and International Trade Court of Thailand has ruled that the subsidiary was not liable for the damages claimed by the plaintiff. Although the plaintiff has filed an appeal, based on legal opinion obtained, the Directors are of the view that the claim has no merit and accordingly, no provision for the claim is required.

31 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit before taxation to net cash generated from operations

	2008 HK$'000	2007 HK$'000
Profit before taxation	329,263	195,594
Interest income	(5,573)	(4,895)
Interest expense	44,587	5,256
Dividend income from available-for-sale financial assets	(2,967)	–
Depreciation of property, plant and equipment	8,188	1,123
Share of result of an associated company	693	–
Loss on disposal of property, plant and equipment	85	317
(Gain)/loss on disposal of available-for-sale financial assets	(5,305)	2,000
Net fair value change on other financial liabilities at fair value through profit or loss	4,158	–
Operating profit before working capital changes	373,129	199,395
Changes in working capital		
Trade and other receivables	(280,987)	(189,235)
Inventories	(227,757)	(124,242)
Trade and other payables	148,922	121,715
Other financial liabilities at fair value through profit or loss	19,509	–
Net cash generated from operations	32,816	7,633

31 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(b) Analysis of changes in financing activities

	Share capital *HK$'000*	Share premium *HK$'000*	Bank borrowings less overdrafts *HK$'000*
Balance at 1 April 2006	84,000	30,411	–
New import loans	–	–	182,845
Repayment of import loans	–	–	(182,845)
Non-cash movement:			
– Conversion of convertible bonds	9,167	58,009	–
Balance at 31 March 2007	93,167	88,420	–
Balance at 1 April 2007	93,167	88,420	–
Acquisition of subsidiaries *(Note 31 (c))*	–	–	1,034,390
New bank borrowings	–	–	2,169,428
Repayment of bank borrowings and finance lease	–	–	(1,225,987)
Issue of ordinary shares	18,600	533,207	–
Exchange difference	–	–	32,827
Balance at 31 March 2008	111,767	621,627	2,010,658

(c) Acquisition of subsidiaries

During the year, the Group acquired 52.5% interest in ECS Holdings Limited on 30 October 2007. The acquired business contributed revenue of approximately HK$6,728,761,000 and net profit of approximately HK$67,731,000 to the Group for the period from 1 November 2007 to 31 March 2008. If the acquisition had occurred on 1 April 2007, the revenue contributed to the Group would have been approximately HK$17,789,134,000, and the net profit contributed to the Group for the year would have been approximately HK$171,538,000.

	HK$'000
Purchase consideration	
– Cash paid	680,835
– Direct costs relating to the acquisition	16,839
Total purchase consideration	697,674
Fair value of net assets acquired – shown as below	(581,040)
Goodwill acquired from the subsidiary	179,343
Goodwill *(Note 6)*	295,977

31 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(c) Acquisition of a subsidiary *(continued)*

The goodwill is attributable to the workforce of the acquired business and the significant synergies expected to arise after the Group's acquisition of ECS.

The assets and liabilities as at 30 October 2007 arising from the acquisition are as follows:

	Fair value		Acquiree's carrying amount	
	S$'000	*HK$'000*	*S$'000*	*HK$'000*
Cash and cash equivalents	29,195	156,193	29,195	156,193
Property, plant and equipment	10,220	55,676	10,232	54,736
Available-for-sale financial assets	708	3,788	708	3,788
Deferred tax assets	2,781	14,878	2,781	14,878
Interest in an associated company	6,792	36,337	6,792	36,337
Inventories	160,413	858,210	160,413	858,210
Goodwill	33,522	179,343	33,522	179,343
Trade and other receivables	411,071	2,199,235	411,071	2,199,235
Trade and other payables	(240,793)	(1,288,243)	(240,793)	(1,288,243)
Borrowings	(193,344)	(1,034,390)	(193,344)	(1,034,390)
Deferred income	(399)	(2,135)	(399)	(2,135)
Taxation payable	(2,697)	(14,429)	(2,697)	(14,429)
Minority interest	(10,478)	(56,057)	(10,478)	(56,057)
Deferred tax liabilities	(429)	(2,293)	(383)	(2,049)
Net assets	206,562	1,106,113	206,620	1,105,417
Minority interest (47.5%)		(525,073)		
Net assets acquired		581,040		
Purchase consideration settled in cash				697,674
Cash and cash equivalents in subsidiaries acquired				(156,193)
Cash outflow on acquisition				541,481

There were no acquisitions during the year ended 31 March 2007.

32 COMMITMENTS UNDER OPERATING LEASES

As at 31 March 2008, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings	
	2008	2007
	HK$'000	*HK$'000*
Not later than one year	**30,915**	4,723
Later than one year and not later than five years	**34,559**	3,191
	65,474	7,914

33 RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties:

(a) Director's quarter

On 31 March 2006, the Group entered into a rental agreement with Mr. Li Jialin, the Chairman and an executive Director of the Company, in respect of a director's quarter. Pursuant to the agreement, the Group paid a monthly rental of HK$150,000 to Mr. Li Jialin for a term of 12 months from 1 April 2007 to 31 March 2008.

(b) Key management compensation

	2008	2007
	HK$'000	*HK$'000*
Basic salaries and allowances	**7,674**	3,094
Discretionary bonuses	**3,757**	100
Contribution to pension scheme	**265**	569
	11,696	3,763

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out below:

RESULTS

	Year ended 31 March				
	2008	2007	2006	2005	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Note b)			
Turnover	**12,350,522**	4,236,829	3,705,633	2,801,165	2,489,257
Profit before taxation	**329,263**	195,594	135,859	33,554	24,346
Taxation	**(69,710)**	(34,261)	(24,091)	(6,130)	(4,289)
Profit for the year	**259,553**	161,333	111,768	27,424	20,057
Attributable to:					
Equity holders of the Company	**244,743**	161,333	111,768	27,424	20,057
Minority interest	**14,810**	–	–	–	–
	259,553	161,333	111,768	27,424	20,057

ASSETS AND LIABILITIES

	As at 31 March				
	2008	2007	2006	2005	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Note b)			
Total assets	**5,095,669**	773,901	556,020	461,216	497,916
Total liabilities	**(3,906,095)**	(354,808)	(297,909)	(299,330)	(374,922)
Total equity	**1,189,574**	419,093	258,111	161,886	122,994

Notes:

(a) The Company became the holding company of the companies comprising the group (collectively referred to as the "Group") on 16 April 2002 and became listed on the Stock Exchange on 9 May 2002. Accordingly, the financial summary comprises the consolidated results and state of affairs of the Group during the last five years ended 31 March 2008.

(b) The effect of adoption of HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement" was adjusted to the opening balance of reserves for the year ended 31 March 2006 in accordance with the transitional provisions of HKAS 32 and HKAS 39. The figures prior to 2006 have not been restated to reflect this change.