CHALLENGER GROUP HOLDINGS LIMITED
挑 戰 者 集 團 控 股 有 限 公 司 *

(formerly known as Ultra Group Holdings Limited)
(前稱歐美集團控股有限公司)

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立之有限公司)

(Stock Code 股份代號 : 8203)

年 報 2008
ANNUAL REPORT

* For identification purposes only 僅供識別

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

This report, for which the directors (the "Directors") of Challenger Group Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with The Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Tse Chun Sing *(Chairman)*
Mr. Jonathan Soon P. Yeap
(Chief Executive Officer)
Mr. Wu Kam Hung

Independent Non-executive Directors

Mr. Liew Swee Yean
Mr. Siu Siu Ling, Robert
Dr. Wong Yun Kuen

QUALIFIED ACCOUNTANT

Ms. Leung Ngar Yee, *CPA, ACCA*

COMPANY SECRETARY

Ms. Leung Ngar Yee, *CPA, ACCA*

AUDIT COMMITTEE

Mr. Liew Swee Yean, *Committee Chairman*
Mr. Siu Siu Ling, Robert
Dr. Wong Yun Kuen

REMUNERATION COMMITTEE

Dr. Wong Yun Kuen, *Committee Chairman*
Mr. Tse Chun Sing
Mr. Wu Kam Hung
Mr. Liew Swee Yean
Mr. Siu Siu Ling, Robert

AUTHORISED REPRESENTATIVES

Mr. Tse Chun Sing
Mr. Wu Kam Hung

AUDITORS

RSM Nelson Wheeler

COMPLIANCE OFFICER

Mr. Wu Kam Hung

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit A1, 6/F
Mai Hing Industrial Building
16–18 Hing Yip Street
Kwun Tong
Kowloon

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong
Investor Services Limited
46th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
Hang Seng Bank Limited
Wing Hang Bank Limited
Bank of Communications Co., Limited

WEBSITE

www.challenger.com.hk

STOCK CODE

8203

FINANCIAL HIGHLIGHTS

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

RESULTS

	Year ended 31 March				
	2008	2007	2006	2005	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	**304,630**	299,298	252,033	161,635	91,950
Profit/(loss) before tax	**70,635**	15,943	20,971	3,052	(9,089)
Income tax (expense)/credit	**(531)**	(69)	(23)	55	455
Less: Attributable to minority interests	**(993)**	–	–	–	–
Profit/(loss) attributable to equity holders	**69,111**	15,874	20,948	3,107	(8,634)

ASSETS AND LIABILITIES

	As at 31 March				
	2008	2007	2006	2005	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**152,005**	143,168	108,129	70,096	52,073
Total liabilities	**(11,691)**	(87,551)	(70,529)	(53,975)	(39,059)
Equity holders' funds	**127,962**	55,617	37,600	16,121	13,014

Notes: The Company was incorporated in the Cayman Islands on 29 July 2002 and became the holding company of the Group with effect from 20 January 2004 as a result of the group reorganisation, details of which are set out in the Company's prospectus dated 31 December 2003.

CHAIRMAN'S STATEMENT

RESULTS

On behalf of the Board of Challenger Group Holdings Limited (the "Company") and its subsidiaries (collectively the "Group"), I am pleased to present the audited consolidated results for the year ended 31 March 2008 (the "Year"). The Group's consolidated turnover for the Year increased to HK$304.6 million (including continuing and discontinued operations) from last year and profit for the Year attributable to equity holders was HK$69.1 million.

BUSINESS REVIEW

The Company has been facing keen competition in the office furniture industry. In this regard, the Company has been contemplating various corporate exercises to diversify the business portfolio of the Group through acquisitions and restructuring of existing business operations. Accordingly, in July of 2007, the Company acquired Challenger Auto Services Limited (brand name "CHALLENGER"), a premier auto detailing and repairing business and disposed of its furniture subsidiary in October 2007. Challenger has over seventeen years of operating history with 22 outlets in Hong Kong. It has successfully branded itself as the market leader in the car detailing service. Challenger's car detailing and polishing process is widely regarded as the most thorough in the industry and produces substantially more superior and more consistent results than others. In 1997, Challenger diversified into the auto repair business and currently operates 3 repair facilities in Hong Kong. Challenger offers various car detailing and auto repair membership packages to encourage customer loyalty as well as to attract new customers. By providing a high quality service at a competitive price, Challenger's car detailing service will continue to be the market leader in the foreseeable future.

In early 2008, the Group was presented with an opportunity to become an integrated coking coal producer in Inner Mongolia, China. Coking coal, driven by strong demand and limited supply, experienced robust price appreciation in 2007. This trend is continuing into 2008. By becoming an integrated producer, the Group has control over the entire production chain (from raw coal to coke) thereby has a greater latitude to react to possible market pricing shifts in any of the coal products.

On 1 February 2008, the Group entered into a Sales and Purchase Agreement to acquire (the "Acquisition"): (i) a 49% interest in Inner Mongolia Mengxi Minerals Limited ("Mengxi Mineral"), a Sino-foreign joint venture company set up to own and operate a coal mine with 99.6 million tonnes of reserve (based on estimation under the PRC coal reserves standard); and (ii) a 70% stake in Ordos GEM Coal & Chemical Co., Limited (another Sino-foreign joint venture company established to build and operate coal processing plants). The Acquisition together with a Management Service Agreement ("MSA") executed earlier which entitles the Group to an additional 21% of profit distribution from Mengxi Minerals, effectively gives the Group a 70% profit distribution from Mengxi Minerals. Details of the Acquisition are set out in the circular dated 30 April 2008 and announcement dated 11 June 2008.

CHAIRMAN'S STATEMENT

PROSPECTS

The Company firmly believes as the per capita income increases in China, so will the demand for private passenger vehicles. This in turn will drive the auto beautification and car repairing industry. The Group's vision is to enter the auto detailing and auto repair industry in China and become a dominant player similar to what Challenger had done in the Hong Kong market. Given the reputation and operational efficiency that Challenger has established, I am confident our vision for China is within reach.

With the completion of the Acquisition in 2008, the Group has successfully diversified its business portfolio into different industries and has correspondently strengthened the Group's earning base.

In future, the Group will continue to seek suitable opportunities to further enhance the Group's revenue streams in order to increase shareholders' value.

APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to our fellow directors, staff members, and business partners throughout the year. The Company's directors and management will dedicate their best efforts to strive for the best interests for its shareholders and business associates.

Tse Chun Sing
Chairman

Hong Kong, 23 June 2008

MANAGEMENT DISCUSSION AND ANALYSIS

The following discussion and analysis should be read in conjunction with our financial statements together with the accompanying notes included in this annual report. The financial statement have been prepared in accordance with Hong Kong Financial Report Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), the accounting principles generally accepted in Hong Kong.

BUSINESS OVERVIEW

On 11 July 2007, the Company has entered into the share subscription agreement with Long Capital Development Limited ("Long Capital") for the subscription of 5,100 shares in Long Capital, representing 51% of the entire issued share capital of Long Capital. Long Capital was the legal and beneficial owner of the entire issued share capital of Challenger, a comprehensive auto service provider whose business includes professional auto detailing services, auto repairs and 24-hour towing service under its own brand name "CHALLENGER".

With the sales of its furniture subsidiary in October of 2007, CHALLENGER becomes the core continuing business operation of the Group for the year ended 31 March 2008.

On 1 February 2008, the Company entered into a Sale and Purchase Agreement to acquire a coal mine in Inner Mongolia for an aggregate consideration of up to HK$900 million. The consideration of HK$900 million will be satisfied by (i) HK$170 million of the Consideration Convertible Bonds; (ii) HK$184 million of the Consideration Shares; and (iii) HK$546 million in cash to be financed by the issuance of the Placing Convertible Bonds.

The target coal mine has approximated 99.60 million tonnes of reserve. The acquisition was approved by the shareholders on 20 May 2008 and completed on 10 June 2008. Details of the Acquisition are set out in the circular dated 30 April 2008 and announcement dated 11 June 2008.

FINANCIAL REVIEW

During the year under review, the Group's turnover for the year ended 31 March 2008 was approximately HK$304.6 million, which represented a slight increase of approximately 2% as compared to the turnover of approximately HK$299.3 million for the year ended 31 March 2007. The turnover derived from continuing operations and discontinued operation of the Group for the year ended 31 March 2008 were approximately HK$39.2 million and HK$265.4 million respectively.

On 31 October 2007, the Group has successfully completed the disposal of its furniture subsidiary for a consideration of approximately HK$121.1 million. This has resulted in a gain of approximately HK$64.2 million which represented about 92% of the net profit for the year ended 31 March 2008.

The Company has issued share options to the directors, employees and consultants in February of 2008. These share-based payments which amounted to HK$5.9 million were recognised and charged against the Company's earnings for the year in accordance with HKFRS 2. These payments do not represent cash outflows for the Group.

The Group recorded general administrative and other operating expenses of HK$34.6 million in the financial year of 2008, because of staff benefit cost (including share option) and rental expenses for continuing operations.

Net profit attributable to equity holders was approximately HK$69.1 million for the year ended 31 March 2008 (2007: HK$15.9 million). The substantial increase in profit was the result of the sales of the furniture subsidiary.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2008, the Group's bank and cash balances amounted to approximately HK$119.2 million (2007: HK$49.7 million). There are no short term bank loans and current portion of bank loan and obligations under finance leases at the year ended 31 March 2008.

There is no long term liability at the year ended 31 March 2008 (2007: HK$0.5 million).

As at 31 March 2008, the Group has been granted banking facilities in the aggregate amount of HK$1.5 million (2007: HK$25.3 million).

FINAL DIVIDEND

In order to retain resources for the Group's business development, the Board does not recommend the payment of a final dividend for the year ended 31 March 2008 (2007: HK$Nil).

GEARING RATIO

The Group's gearing ratio, which represents the ratio of the Group's total liabilities over the Group's total assets, was 0.08 as at 31 March 2008 (2007: 0.61).

CAPITAL STRUCTURE

There has been no change in the capital structure of the Company for the year ended 31 March 2008. During the year ended 31 March 2008, the Group's net assets were financed by internal resources through share capital and reserves. Total equity attributable to shareholders as at 31 March 2008 was approximately HK$128.0 million (2007: HK$55.6 million).

FOREIGN EXCHANGE EXPOSURE

Most of the trading transactions, assets and liabilities of the Group were denominated in Hong Kong dollars and United States dollars. As at 31 March 2008, the Group had no significant exposure under foreign exchange contracts, interest, currency swaps or other financial derivatives.

INCOME TAX

Details of the treatment of the Group's income tax expense for the year ended 31 March 2008 are set out in note 9 to the financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

HUMAN RESOURCES

As at 31 March 2008, the Group had approximately 135 (2007: 119) staff in Hong Kong. The Group continues to employ, promote and reward its staff with reference to their performance and experience. In addition to their basic salaries, the Group's employees are also entitled to other fringe benefits such as provident fund. The management will continue to closely monitor the human resources requirements of the Group, and will also put emphasis on the staff quality. During the year, the Group had not experienced any significant labour disputes which led to the disruption of its normal business operations. The Directors consider the Group's relationship with its employees to be good.

The total staff costs, including Directors' emoluments, amounted to approximately HK$56.0 million (2007: HK$43.3 million) for the year ended 31 March 2008.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 March 2008.

LITIGATION

As at 31 March 2008, the Group had no significant pending litigation.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Jonathan Soon. P. Yeap, aged 46, joined the Group in February 2008. Mr. Yeap is the Chief Executive Officer of the Group. He holds a Bachelor degree in Electrical Engineering from the University of Alberta. Mr. Yeap has over 25 years' experience in energy and natural resources industries. He has successfully completed over US$10 billion worth of energy and natural resources projects. He has led a number of US companies including Enron and the Coastal Corporation into Asia Pacific especially China.

During his tenure as the CEO of Enron China and Managing Director of Asia Pacific region from 1997 to 2001, Enron had aggressively expanded in China and Asia Pacific. It had acquired over 20 companies in upstream oil & gas exploration and downstream power plants and natural gas distribution. It traded all types of commodities including oil, gas and coke. Enron was the original developer of the China West to East US$6 billion pipeline capable of transporting 12 billion cubic meters of natural annually. In Year 2000, Enron was presented the Marco Polo Award by President Jiang Zhemin for being the best foreign company in China.

From 1993 to 1996, Mr. Yeap was the CEO of Coastal China, a subsidiary of a large oil, gas, coal and power company in US. During this period, Coastal has successfully completed a number of energy projects.

From 1992 to 1993, Mr. Yeap was a Project Director of AES Corporation assigned to China. He was the lead developer for the largest foreign invested integrated coal mine, power plant, DC transmission line project transporting electricity from Shanxi province to Jiangsu/Shanghai. The total project cost was over US$2 billion.

Mr. Tse Chun Sing, aged 58, joined the Group in September 2007. Mr. Tse is the Chairman of the Board. He graduated in the Hong Kong Baptist University. He is the founder of Shougang Concord Technology Holdings Limited, a company listed on the Main Board of the Stock Exchange. Mr. Tse has over 30 years of experience in marketing and management.

Mr. Wu Kam Hung, aged 47, joined the Group in July 2007. Mr. Wu is the Compliance Officer of the Group. He holds a bachelor degree in business administration from the University of East Asia, Macau. Mr. Wu is the financial controller of Guce Technology Park Ltd. He has over 20 years of experience in management accounting, corporate administration and financial management.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Liew Swee Yean, aged 44, joined the Group in November 2006. Mr. Liew is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants and holds a Master of Business Administration (Executive) Degree from the City University of Hong Kong. He has over 16 years of experience in finance and general management. Mr. Liew is an executive director of Autism Recovery Network Limited and a director of business development of eBroker Systems Limited which is a leading financial engineering company and technology provider of global trading solutions for the financial industry in the Asia Pacific region.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Siu Siu Ling, Robert, aged 56, joined the Group in December 2002. He is a partner of the firm Messrs. Robert Siu & Co., Solicitors. Mr. Siu has been an executive director of Maxx Bioscience Holdings Limited until 28 June 2006 and is now an independent non-executive director of Incutech Investments Limited, both of which are listed on the Main Board of the Stock Exchange. Mr. Siu holds a bachelor degree in laws and a postgraduate certificate in laws. He has been a solicitor of Hong Kong since 1992 and has been admitted as solicitor of England and Wales since 1993. His practice is mainly in the field of commercial and corporate finance.

Dr. Wong Yun Kuen, aged 50, joined the Group in September 2004. Dr. Wong received his Ph.D. Degree from Harvard University, and was a "Distinguished Visiting Scholar" in finance at the Wharton School of the University of Pennsylvania. He has worked in financial industries in the United States and Hong Kong for more than 10 years, and has considerable experience in Corporate Finance, Investment and Derivative Products. He is a member of Hong Kong Securities Institute. Dr. Wong is also an executive director of UBA Investments Limited, and independent non-executive director of Grand Field Group Holdings Limited, Harmony Asset Limited, Bauhaus International (Holdings) Limited, Climax International Company Limited, China Yunnan Tin Minerals Group Company Limited, Superb Summit International Timber Company Limited, Kong Sun Holdings Limited, ProSticks International Holdings Limited and Golden Resorts Group Limited. All the aforesaid companies are listed on the Main Board of the Stock Exchange.

SENIOR MANAGEMENT

Mr. Bob Tan, aged 55, joined the Group in June, 2008. Mr. Tan is the Chief Financial Officer of the Group. He holds a bachelor of commerce degree from the University of Alberta, Canada. Mr. Tan has 30 years of finance and administration experience in various industries. Before joining the Group, Mr. Tan was a business consultant advising clients on the development of infra-structure projects in China and North America. From 1998 to 2000, he worked as a consultant in asset management for Enron Corporation and from 1994 to 1997, he was the Vice President in charge of Asset Management for Coastal Power, a US based energy company. Before 1994, Mr. Tan worked for Alberta Environment Protection, a government ministry regulating environmental protection in the province of Alberta, Canada.

Ms. Leung Ngar Yee, aged 35, joined the Group in November 2007. Ms. Leung is the qualified accountant and the company secretary of the Group. She is an associate member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, United Kingdom. She holds a Bachelor degree in Accountancy from The University of Bolton. Ms. Leung has over 15 years of experience in accounting and finance in the retailing service industry.

REPORT OF THE DIRECTORS

The directors of the Company ("Directors") submit their report together with the audited financial statements for the year ended 31 March 2008.

PRINCIPAL ACTIVITIES AND SEGMENT ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 31 to the financial statements.

An analysis of the Group's performance for the year by segments is set out in note 38 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 29.

The Directors do not recommend the payment of a dividend in respect of the current year.

RESERVES

Movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 31.

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK$42,545 (2007: HK$99,010).

FIXED ASSETS

Details of the movements in fixed assets of the Group are set out in note 16 to the financial statements.

SHARE CAPITAL

Particulars of the share capital of the Company are set out in note 27 to the financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 March 2008 amounted to HK$113,987,873 (2007: HK$6,434,948). Under Section 34 of the Companies Law of the Cayman Islands, the reserves are available for distribution to shareholders subject to the provisions of the Articles of Association of the Company (the "Articles") and no distribution shall be paid to shareholders out of the reserves unless the Company shall be able to pay its debts as they fall due in the ordinary course of business of the Group.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for each of the last five financial years is set out on page 3.

REPORT OF THE DIRECTORS

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the shares of the Company (the "Shares") during the year.

PENSION SCHEME

According to the legislation of Hong Kong relating to the Mandatory Provident Fund ("MPF"), with effect from 1 December 2000, the Group is required to participate in the MPF scheme operated by approved trustees in Hong Kong and to make contributions for its eligible employees. The contributions borne by the Group are calculated at 5% of the salaries and wages (monthly contributions is limited to HK$1,000 for each eligible employee) as calculated under the MPF legislation.

SHARE OPTIONS

A share option scheme (the "Scheme") was adopted by the shareholders of the Company by way of written resolutions passed on 9 December 2003. Details of the Scheme are as follows:

The principal purpose of the Scheme is to enable the Company to grant options to subscribe for Shares ("Options") to the following eligible persons as incentives or rewards for their contributions to the Group:

(1) any full time employee or director of any member of the Group;

(2) any part time employee of any member of the Group who has spent not less than 10 hours per week in providing services to such member of the Group, determined by averaging out the total number of hours so spent in a period of four weeks immediately preceding the week in which the Options are offered to such part time employee; or

(3) any consultant or adviser of or to any member of the Group who has provided technical know-how and consultancy services to such member of the Group in accordance with the terms of a contractual relationship entered into between the consultant or adviser with such member of the Group.

The total number of Shares issued and to be issued upon exercise of the Options granted to a participant ("Participant"), being any eligible person who accepted the offer of any Option, under the Scheme in any 12-month period must not exceed 1% of the Shares in issue from time to time unless prior approval is obtained from the independent shareholders of the Company.

The Options may be exercised in accordance with the terms of the Scheme at any time during the option period. The Scheme does not require a minimum period for which the Options must be held or a performance target which must be achieved before any Option can be exercised. The Board shall be entitled at its absolute discretion to decide the option period subject to the Scheme, provided that it shall not exceed 10 years from the date on which the Option is deemed to be granted and accepted.

The Options will be offered for acceptance for a period of 28 days from the date on which the Options are offered to an eligible person. Upon acceptance of the Options, the eligible person shall pay HK$1 to the Company as consideration for the grant.

The subscription price for each Share subject to Options will be a price determined by the Board and notified to each Participant and shall be at least the highest of (i) the closing price of each Share on GEM as stated in the Stock Exchange's daily quotations sheet on the date of grant of the Options, which must be a business day; (ii) the average closing price of each Share on GEM as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of one Share.

The Scheme will remain valid for a period of 10 years commencing from 9 December 2003.

On 19 February 2008, as approved by the Board of Directors, a total of 21,600,000 Options have been granted to the participants to subscribe for a total of 21,600,000 Shares of the Company at a price of HK$0.69 per share. No share options have been exercised by the participants since 19 February 2008 and up to the date of this report. As at 31 March 2008, a total of 32,400,000 Shares, representing 6% of the existing issued share capital of the Company are available for issue in respect of the remaining options which may be granted under the Scheme. Details of the Company's share option scheme are set out in note 30 to the financial statements.

Details of the share options granted under the Scheme during the year are as follows:

				Number of Options				
	Date of Grant	Exercise Period	Outstanding as at 1.4.2007	Grant during the year	Exercise during the year	Outstanding as at 31.3. 2008	Exercise Price *(HK$)*	Closing Price of Shares immediately before the date of grant *(HK$)*
Director								
Tse Chun Sing	19/2/2008	19/2/2008 – 18/2/2011	–	5,400,000	–	5,400,000	0.69	0.70
Wu Kam Hung	19/2/2008	19/2/2008 – 18/2/2011	–	5,400,000	–	5,400,000	0.69	0.70
Liew Swee Yean	19/2/2008	19/2/2008 – 18/2/2011	–	540,000	–	540,000	0.69	0.70
Siu Siu Ling, Robert	19/2/2008	19/2/2008 – 18/2/2011	–	540,000	–	540,000	0.69	0.70
Wong Yun Kuen	19/2/2008	19/2/2008 – 18/2/2011	–	540,000	–	540,000	0.69	0.70
		Sub-total	–	12,420,000	–	12,420,000		
Employees in aggregate	19/2/2008	19/2/2008 – 18/2/2011	–	2,700,000	–	2,700,000	0.69	0.70
Other participants in aggregate	19/2/2008	19/2/2008 – 18/2/2011	–	6,480,000	–	6,480,000	0.69	0.70
		Grand-total	–	21,600,000	–	21,600,000		

Notes:

(1) These options represent personal interest held by the relevant directors as beneficial owners.

(2) No option was lapsed or cancelled during the year.

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors:

Mr. Tse Chun Sing	(Appointed on 14 September 2007)
Mr. Jonathan Soon P. Yeap	(Appointed on 21 February 2008)
Mr. Wu Kam Hung	(Appointed on 6 July 2007)
Ms. Cho Yuen Yi, Wendy	(Resigned on 1 November 2007)
Ms. Wong Ching Ngor	(Resigned on 1 November 2007)

Independent non-executive Directors:
Mr. Liew Swee Yean
Mr. Siu Siu Ling, Robert
Dr. Wong Yun Kuen

According to Article 86 of the Articles, the Directors shall have the power from time to time and at any time to appoint any person as a Director to fill a casual vacancy on the Board or, as an addition to the existing Board of Director (the "Board") provided that the number of Directors so appointed by the Board shall not exceed any maximum number determined from time to time by the Shareholders in general meeting. Any Director so appointed by the Board shall hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the following annual general meeting of the Company ("AGM") (in the case of an addition to the Board), and shall then be eligible for re-election at that meeting.

According to Article 87 of the Articles, one-third of the Directors for the time being (or, if the numbers of Directors is not three (3) or a multiple of three (3), the number nearest to but not less than one-third), shall retire at each AGM by rotation, provided that every Director shall be subject to retirement by rotation at least once every three (3) years. The retiring Directors shall then be eligible for re-election at the AGM.

In accordance with Article 86 of the Articles, Mr. Tse Chun Sing will hold office until the AGM and being eligible, offer himself for re-election at the forthcoming AGM.

In accordance with Article 87 of the Articles, Mr. Wu Kam Hung, Mr. Siu Siu Ling, Robert and Dr. Wong Yun Kuen will retire from offices by rotation at the forthcoming AGM, and being eligible, offer themselves for re-election at the forthcoming AGM.

The Company has received from each of Mr. Liew Swee Yean, Mr. Siu Siu Ling, Robert and Dr. Wong Yun Kuen an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and the Company considers the independent non-executive Directors to be independent.

DIRECTORS' SERVICE CONTRACTS

Each of the existing executive Directors namely, Mr. Tse Chun Sing, Mr. Jonathan Soon P. Yeap and Mr. Wu Kam Hung, has entered into a Director's Service Contract with the Company beginning on 14 September 2007, 10 June 2008 and 6 July 2007 respectively. The contracts may be terminated by either party thereto giving to the other prior notice in writing.

The term of office for each of Mr. Liew Swee Yean, Mr. Siu Siu Ling, Robert and Dr. Wong Yun Kuen is for a term of one year and may be extended for such period as agreed in writing by the Directors concerned and the Company. Currently, Mr. Liew Swee Yean has been appointed as independent non-executive Director up to 7 November 2008, Mr. Siu Siu Ling, Robert has been appointed as independent non-executive Director up to 31 December 2008, whilst Dr. Wong Yun Kuen has been appointed as independent non-executive Director up to 29 September 2008.

Save as disclosed above, none of the Directors has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

Details of the Directors' emoluments are set out in note 14 to the financial statements.

DIRECTORS' REMUNERATION

It is proposed to authorize the Board to fix the Directors' remuneration at the AGM. The remunerations, including any bonus payments to be paid to the Directors, are recommended by the Remuneration Committee of the Company with reference to directors' duties, responsibilities and performance and the results of the Group.

REMUNERATION COMMITTEE

The Company has established a Remuneration Committee on 30 March 2006 in compliance with the Code on Corporate Governance Practices as set out in Appendix 15 to the GEM Listing Rules for the purpose of making recommendations to the Board on the Company's policy and structure for all remuneration of the Directors and the senior management of the Company. The Remuneration Committee comprises three independent non-executive Directors and two executive Directors.

DIRECTORS' INTERESTS IN CONTRACTS

During the year ended 31 March 2008, there were no contracts of significance in relation to the Group's business to which the Company, its subsidiaries or its holding company was a party and in which a Director had a material interest, whether directly or indirectly, subsisted as at the end of the year or at any time during the year.

CONNECTED TRANSACTIONS

During the year ended 31 March 2008, there were no transactions to be disclosed as connected transactions in accordance with the requirement of the GEM Listing Rules.

REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 31 March 2008, the interests and short positions of the Directors and the chief executives in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have under such provisions of the Securities and Futures Ordinance), or which were required pursuant to section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to the securities transactions by the Directors:

Long position in underlying Shares

Name of Directors	Capacity	Number of Share Options *(Note)*	Approximate percentage of the total issued Shares
Tse Chun Sing	Beneficial owner	5,400,000	1.0%
Wu Kam Hung	Beneficial owner	5,400,000	1.0%
Liew Swee Yean	Beneficial owner	540,000	0.1%
Siu Siu Ling, Robert	Beneficial owner	540,000	0.1%
Wong Yun Kuen	Beneficial owner	540,000	0.1%

Note: The long position in the underlying Shares mentioned above represent the Shares to be issued and allotted upon the exercise in full of the options granted by the Company to the above mentioned directors pursuant to the share option scheme of the Company.

Details of the share options granted to the above Directors are set out in the section headed "SHARE OPTIONS".

Save as disclosed above, none of the Directors or the chief executives of the Company had any interests or short positions in the Shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to the securities transactions by the Directors.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

As at 31 March 2008, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

(i) Long position in the Shares or underlying Shares

Name of Shareholders	Capacity	Number of Shares	*Notes*	Approximate percentage of the total issued Shares
Plowright Investments Limited	Beneficial owner	81,001,000	1	15.00%
Harmony Asset Limited	Interest of a controlled corporation	81,001,000	1	15.00%
Gold Master Business Limited ("Gold Master")	Beneficial owner	81,000,000	2	15.00%
Wong Wai Keung, Dennis	Interest of a controlled corporation	81,000,000	2	15.00%
Excel Formation Limited	Beneficial owner	60,944,000	3	11.29%
Cho Yuen Yi, Wendy	Interest of a controlled corporation	83,826,500	3	15.52%
GEM Global Yield Fund Limited ("GGYFL")	Beneficial owner/ Interest of a controlled corporation	1,021,000,000	4	189.07%
Brown Christopher Francis	Investment manager	81,000,000	5	15%

(ii) Short position in the Shares or underlying Shares

Name of Shareholders	Capacity	Number of Shares	*Notes*	Approximate percentage of the total issued Shares
Gold Master	Beneficial owner	81,000,000	2	15.00%
Wong Wai Keung, Dennis	Interest of a controlled corporation	81,000,000	2	15.00%

Notes:

1. Plowright Investments Limited is a wholly-owned subsidiary of Harmony Asset Limited, the shares of which are listed on the main board of the Stock Exchange. Harmony Asset Limited is deemed to be interested in the 81,001,000 Shares held by Plowright Investments Limited under the SFO.

2. Gold Master is wholly-owned by Wong Wai Keung, Dennis. Wong Wai Keung, Dennis is deemed to be interested in 81,000,000 Shares held by Gold Master under the SFO.

3. These Shares are held as to 22,882,500 Shares by Huge Mars International Limited and 60,944,000 Shares by Excel Formation Limited. Each of Huge Mars International Limited and Excel Formation Limited is wholly-owned by Cho Yuen Yi, Wendy, who is deemed to be interested in the 22,882,500 Shares held by Huge Mars International Limited and 60,944,000 Shares held by Excel Formation Limited under the SFO.

4. These 1,021,000,000 Shares include the derivative interests of 791,000,000 Shares. Grand Pacific is interested in 400,000,000 Shares out of 1,021,000,000 Shares. Grand Pacific is wholly-owned by GGYFL, which is deemed to be interested in these 400,000,000 Shares under the SFO.

5. These 81,000,000 Shares are derivative interest.

The Directors were not aware of any other person (other than the Directors and the chief executives of the Company) who had, or was deemed to have, interests or short positions in the shares or underlying shares (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 & 3 of Part XV of the SFO, or who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company.

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.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases	
– the largest supplier	9.6%
– five largest suppliers combined	25.8%
Sales	
– the largest customer	8.5%
– five largest customers combined	18.9%

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 mentioned above.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions as set out in the Code of Corporate Governance Practices contained in Appendix 15 to the GEM Listing Rules during the year ended 31 March 2008, except code provision A.2.1. Details of compliance and deviation are set out in the Corporate Governance Report on pages 21 to 26.

COMPLIANCE WITH RULES 5.48 TO 5.67 OF THE GEM LISTING RULES

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the year ended 31 March 2008. The Company has also made specific enquiry to all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors.

AUDIT COMMITTEE

The Company has established an audit committee on 9 December 2003 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group.

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

REPORT OF THE DIRECTORS

The audit committee provides an important link between the Board and the Company's auditors in those matters within the scope of the Group's audit. It also reviews the effectiveness of the external audit, internal controls and risk evaluation. The audit committee comprises three independent non-executive Directors, namely Mr. Liew Swee Yean, Mr. Siu Siu Ling, Robert and Dr. Wong Yun Kuen, and Mr. Liew Swee Yean is the chairman of the audit committee.

During the Year, the audit committee held four meetings to review and supervise the financial reporting process. The annual results for the Year have been reviewed by the audit committee who was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and adequate disclosures have been made.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors or their respective associates (as defined in GEM Listing Rules) had any interests in any business which compete or may compete with the Group or any other conflicts of interest with the Group.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles and there are no restrictions against such rights under the laws in the Cayman Islands.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in note 31 to the financial statements.

EVENTS AFTER THE BALANCE SHEET DATE

Details of significant events after 31 March 2008 are set out in note 37 to the financial statements.

AUDITORS

A resolution to re-appoint the retiring auditors, RSM Nelson Wheeler, will be proposed at the forthcoming AGM.

There is no change of auditors of the Company since its incorporation.

For and on behalf of the Board
Tse Chun Sing
Chairman

Hong Kong, 23 June 2008

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving high standards of corporate governance that properly protect and promote the interest of its shareholders.

The Company has complied with all the code provisions as set out in Appendix 15, Code on Corporate Governance Practices of the GEM Listing Rules during the year ended 31 March 2008, except the Code Provision A.2.1.

The Code Provision A.2.1 stipulates that the role of chairman and chief executive officer should be separated and should not be performed by the same individual.

During the period from 1 April 2007 to 31 January 2008, no chief executive officer has been appointed and the responsibilities of chief executive officer had been performed by the Chairman of the Board and other executive directors. On 1 February 2008, the Board appointed Mr. Jonathan Soon P. Yeap as the chief executive officer of the Company.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the year ended 31 March 2008. The Company has also made specific enquiry to all Directors and the Company was not aware of any non-compliance with the required standard of dealings under the GEM Listing Rules and its code of conduct regarding securities transactions by Directors.

THE BOARD OF DIRECTORS

Composition of the Board of Directors (the "Board")

As at 31 March 2008, the Board comprised six Directors, including three executive Directors, namely Mr. Tse Chun Sing, Mr. Jonathan Soon P. Yeap and Mr. Wu Kam Hung, and three independent non-executive Directors, namely Mr. Liew Swee Yean, Mr. Siu Siu Ling, Robert and Dr. Wong Yun Kuen. Mr. Tse Chun Sing is the Chairman of the Board and Mr. Jonathan Soon P. Yeap is the Chief Executive Officer. One of the independent non-executive Directors has appropriate professional qualifications, or accounting or related financial management expertise. Biographical details of the Directors are set out on pages 9 to 10 of this annual report.

Each of the independent non-executive Directors has entered into a service contract with the Company for a term of one year, which may be extended for such period as agreed in writing between the Director concerned and the Company.

There is no financial, business, family or other material or relevant relationship among the Directors.

Independent Non-executive Directors

The Company has received from each of its independent non-executive Directors an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company is of the view that all the independent non-executive Directors meet the independence guidelines as set out in Rule 5.09 of the GEM Listing Rules and considers that they are independent.

Role and Function of the Board

The principal role of the Board is to formulate the operational strategies and establish an internal control system together with a high standard of corporate governance to ensure proper management of the Group. The daily operational matters of the Group are delegated by the Board to the management.

Board Meetings

Four regular Board meetings were held during the year ended 31 March 2008. The Board meetings involved the active participation of the Directors either in person or through other electronic means of communication.

At least 14 days notice has been given to all Directors of each of the Board meetings.

Attendance of each of the Directors at Board meetings during the year ended 31 March 2008 is set out as follows:

Number of Board Meetings	**4**	
Executive Directors:		
Ms. Cho Yuen Yi, Wendy (Chairman) (up to 31 October 2007)	2/2	100%
Ms. Wong Ching Ngor (up to 31 October 2007)	2/2	100%
Mr. Tse Chun Sing (Chairman) (from 14 September 2007 onwards)	2/2	100%
Mr. Jonathan Soon P. Yeap (Chief Executive Officer) (from 21 February 2008 onwards)	0	0%
Mr. Wu Kam Hung (from 6 July 2007 onwards)	3/3	100%
Independent Non-Executive Directors:		
Mr. Siu Siu Ling, Robert	4/4	100%
Dr. Wong Yun Kuen	4/4	100%
Mr. Liew Swee Yean	4/4	100%
Average attendance rate	100%	

INTERNAL CONTROL

The Board has overall responsibilities for maintaining and reviewing the effectiveness of the system of internal control of the Group. The internal control system is to safeguard the assets of the Group and the shareholders' investment and to ensure the reliability of financial reporting as well as compliance with the relevant requirements of the GEM Listing Rules. During the year ended 31 March 2008, the Board had reviewed the effectiveness of the system of internal control of the Group. The review had covered all material aspects of internal control including financial, operational and compliance controls and risk management functions of the Group.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During the period from 1 April 2007 to 31 January, 2008, the Company had not appointed chief executive officer. The responsibilities of chief executive officer had been performed by the Chairman of the Board and other executive directors. During that period, the Directors consider that the Chairman of the Board and other executive directors possesses in-depth knowledge of the Group and had developed extensive and valuable business network in the industry, thus enabling the Group to make and implement decisions promptly and efficiently which was beneficial to the business prospects of the Group. Due to the restructuring of the business operation, the Directors appointed Mr. Jonathan Soon P. Yeap as the chief executive officer of the Company on 1 February 2008.

As at 1 February 2008, the role of the Chairman, Mr. Tse Chun Sing is separated from that of the Chief Executive Officer, Mr. Jonathan Soon P. Yeap. Such division of responsibilities allows a balance of power between the Board of Directors and the management of the Group, and ensures their independence and accountability.

The Chairman is the leader of the Board and he oversees the Board so that its acts in the best interests of the Group. The Chairman is responsible for deciding the agenda of each Board meeting, taking into account, where appropriate, matters proposed by other directors for inclusion in the agenda. The Chairman has overall responsibility for providing leadership, vision and direction in the development of the business of the Company.

The Chief Executive Officer, assisted by other executive directors, is responsible for the day to-day management of the business of the Group, attends to formulation and successful implementation of policies, and assumes full accountability to the Board for all operations of the Group. Working with the Chairman and the executive management team of each core business division, he ensures smooth operations and development of the Group. He maintains continuing dialogue with the Chairman and all directors to keep them fully informed of all major business developments and issues. He is also responsible for building and maintaining an effective executive team to support him in his role.

REMUNERATION COMMITTEE

Composition of the Remuneration Committee

The Code Provision B.1.1 stipulates that listed issuers should establish a remuneration committee with specific written terms of reference.

The Company has established a Remuneration Committee in March 2006. The existing Remuneration Committee comprised two executive Directors and three independent non-executive Directors, namely Mr. Tse Chun Sing, Mr. Wu Kam Hung, Mr. Liew Swee Yean, Mr. Siu Siu Ling, Robert and Dr. Wong Yun Kuen. Dr. Wong Yun Kuen is the Chairman of the Remuneration Committee and Ms. Leung Ngar Yee is the secretary of the Remuneration Committee.

The Board adopted the new terms of reference of the Remuneration Committee in alignment with the mandatory provisions as set out in the Code Provision B.1.3.

Role and Function of the Remuneration Committee

The role and function of the Remuneration Committee included making recommendations to the Board on Company's policy and structure for all remuneration packages of Directors and senior management, establishing formal and transparent procedures for formulating policy on such remuneration packages and determining the specific remuneration packages of all executive Directors and senior management staff of the Company.

Remuneration Policy

The formulation of the Group's remuneration strategy and policy is based on the principles of equity and market competitiveness so as to drive staff to work towards the mission of the Group and to retain talents. As a long-term incentive plan and with the aim at motivating directors and employees in the continued pursuit of the Company's goal and objectives, the Company has adopted a share option scheme under which the Company may grant share options to the directors/employees to subscribe for the shares of the Company.

Remuneration Committee Meetings

The Remuneration Committee has held seven meetings during the year ended 31 March 2008. During the meetings, the Remuneration Committee had reviewed and approved the increment in salary, housing allowance and bonus payment for the executive Directors and the senior management by way of resolutions passed by all committee members. However, the executive Directors did not participate in determining their own remuneration.

Attendance of each of the Directors at the Remuneration Committee meetings during the year ended 31 March 2008 is set out as follows:

Number of Remuneration Committee Meetings	**7**	
Dr. Wong Yun Kuen (Committee Chairman)	7/7	100%
Ms. Wong Ching Ngor (up to 31 October 2007)	4/4	100%
Ms. Cho Yuen Yi, Wendy (up to 31 October 2007)	4/4	100%
Mr. Tse Chun Sing (from 14 September 2007 onwards)	3/3	100%
Mr. Wu Kam Hung (from 6 July 2007 onwards)	5/5	100%
Mr. Siu Siu Ling, Robert	7/7	100%
Mr. Liew Swee Yean	7/7	100%
Average attendance rate	100%	

NOMINATION OF DIRECTORS

The Company does not have a Nomination Committee, and the power to nominate or appoint additional Directors is vested on the Board according to the Articles, in addition to the power of the shareholders of the Company to nominate any person to become a Director in accordance with the Articles and the laws of the Cayman Islands.

In assessing nomination of new directors, the Board has taken into consideration of the nominee's qualification, ability and potential contributions to the Company.

During the year ended 31 March 2008, the Board has nominated and appointed Mr. Tse Chun Sing, Mr. Jonathan Soon P. Yeap and Mr. Wu Kam Hung to be executive Directors.

Attendance of each of the Directors at Board meetings for appointment of directors during the year ended 31 March 2008 is set out as follows:

Number of Board Meetings	**3**	
Executive Directors:		
Ms. Cho Yuen Yi, Wendy (Chairman) (up to 31 October 2007)	2/2	100%
Ms. Wong Ching Ngor (up to 31 October 2007)	2/2	100%
Mr. Tse Chun Sing (Chairman) (from 14 September 2007 onwards)	1/1	100%
Mr. Jonathan Soon P. Yeap (Chief Executive Officer) (from 21 February 2008 onwards)	0	0%
Mr. Wu Kam Hung (from 6 July 2007 onwards)	2/2	100%
Average attendance rate	100%	

The Code Provision A.4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

AUDITORS' REMUNERATION

For the year ended 31 March 2008, the fee paid or payable to external auditors in respect of audit and non-audit services amounted to HK$560,000 and HK$330,000 respectively.

AUDIT COMMITTEE

Composition of the Audit Committee

The Company has established an audit committee on 9 December 2003 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group.

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

CORPORATE GOVERNANCE REPORT

The audit committee provides an important link between the Board and the Company's auditors in those matters within the scope of the Group's audit. It also reviews the effectiveness of the external audit, internal controls and risk evaluation. The audit committee comprises three independent non-executive Directors, namely Mr. Liew Swee Yean, Mr. Siu Siu Ling, Robert and Dr. Wong Yun Kuen, and Mr. Liew Swee Yean is the chairman of the audit committee.

During the Year, the audit committee held four meetings to review and supervise the financial reporting process. The annual results for the Year have been reviewed by the audit committee who was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and adequate disclosures have been made.

Role and Function of the Audit Committee

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

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group and provide an important link between the Board and the Company's auditors on those matters within the scope of the Group's audit. It also reviews the effectiveness of the external and internal audit and conducts risk evaluation.

Audit Committee Meetings

During the year ended 31 March 2008, the Audit Committee has held four meetings to review and supervise the financial reporting process. The Audit Committee has reviewed the quarterly, interim and annual results and system of internal controls. The Audit Committee 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. The Audit Committee also carried out and discharged its other duties as set out in the Code.

Attendance of each of the independent non-executive Directors at the Audit Committee meetings during the year ended 31 March 2008 is set out as follows:

Number of Audit Committee Meetings	**4**	
Mr. Liew Swee Yean (Committee Chairman)	4/4	100%
Mr. Siu Siu Ling, Robert	4/4	100%
Dr. Wong Yun Kuen	4/4	100%
Average attendance rate	100%	

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group.

The statement by the Auditors of the Company about their reporting responsibilities is set out on page 27 of this report.

RSM! Nelson Wheeler
中瑞岳華(香港)會計師事務所
Certified Public Accountants

TO THE SHAREHOLDERS OF
CHALLENGER GROUP HOLDINGS LIMITED
(FORMERLY KNOWN AS ULTRA GROUP HOLDINGS LIMITED)
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Challenger Group Holdings Limited (the "Company") set out on pages 29 to 82, which comprise the consolidated balance sheet as at 31 March 2008, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") 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 financial statements 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 financial statements 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 HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, 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 financial statements 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 financial statements.

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

INDEPENDENT AUDITOR'S REPORT

Opinion

In our opinion the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 March 2008 and of the Group's results 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.

RSM Nelson Wheeler
Certified Public Accountants
Hong Kong
23 June 2008

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2008

	Note	2008 HK$	2007 HK$ (Restated)
Continuing operations			
Turnover	6	39,172,566	–
Cost of goods sold and services rendered		(9,292,951)	–
Gross profit		29,879,615	–
Other income	7	2,056,678	178,094
Selling and distribution costs		(1,700,866)	–
Administrative and other operating expenses		(34,630,851)	(962,047)
Loss from operations		(4,395,424)	(783,953)
Finance costs	8	(28,535)	(6)
Excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition of a subsidiary	32(a)	1,822,816	–
Impairment loss on goodwill	18	(24,035)	–
Loss before tax		(2,625,178)	(783,959)
Income tax expense	9	(431,852)	–
Loss for the year from continuing operations		(3,057,030)	(783,959)
Discontinued operation			
Profit for the year from discounted operation	10	73,161,336	16,657,754
Profit for the year	11	70,104,306	15,873,795
Attributable to:			
Equity holders of the Company		69,111,488	15,873,795
Minority interests		992,818	–
		70,104,306	15,873,795
Dividend	12	–	–
Earnings/(loss) per share (cents)	13		
From continuing and discontinued operations			
– basic		12.80	2.94
From continuing operations			
– basic		(0.75)	(0.15)

CONSOLIDATED BALANCE SHEET

At 31 March 2008

	Note	2008 *HK$*	2007 *HK$*
Non-current assets			
Fixed assets	16	1,435,702	18,313,143
Prepaid land lease payments	17	–	1,389,653
Goodwill	18	–	–
Intangible assets	19	18,234,000	334,463
Deferred tax assets	20	170,503	–
		19,840,205	20,037,259
Current assets			
Inventories	21	372,172	18,540,920
Trade and bills receivables	22	973,400	50,008,088
Deposits, prepayments and other receivables		11,607,167	4,689,931
Current tax assets		–	184,754
Pledged bank deposits	33(i)	–	3,521,425
Bank and cash balances	23	119,211,934	46,185,811
		132,164,673	123,130,929
Current liabilities			
Trade and bills payables	24	1,347,622	39,457,334
Other payables and accruals		3,765,523	28,895,381
Dividend payables		–	14,489
Sales deposits received and receipt in advance		3,948,018	8,330,144
Amounts due to minority shareholders		2,575,834	–
Short term borrowings	25	–	10,091,277
Current portion of long term borrowings	26	–	281,922
Current tax liabilities		53,829	–
		11,690,826	87,070,547
Net current assets		120,473,847	36,060,382
Total assets less current liabilities		140,314,052	56,097,641
Non-current liabilities			
Long term borrowings	26	–	480,811
NET ASSETS		140,314,052	55,616,830
Capital and reserves			
Share capital	27	5,400,000	5,400,000
Reserves		122,562,059	50,216,830
Equity attributable to equity holders of the Company		127,962,059	55,616,830
Minority interests		12,351,993	–
TOTAL EQUITY		140,314,052	55,616,830

Approved by the Board of Directors on 23 June 2008.

Tse Chun Sing
Director

Jonathan Soon P. Yeap
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2008

	Attributable to equity holders of the Company								
	Share capital HK$	Share premium (note 29(c)(i)) HK$	Merger reserve (note 29(c)(ii)) HK$	Foreign currency translation reserve (note 29(c)(iii)) HK$	Share-based payment reserve (note 29(c)(iv)) HK$	Retained profits HK$	Total HK$	Minority interests HK$	Total equity HK$
At 1 April 2006	5,400,000	9,536,387	(122,000)	482,532	–	22,303,153	37,600,072	–	37,600,072
Translation difference	–	–	–	2,142,963	–	–	2,142,963	–	2,142,963
Net income recognised directly in equity	–	–	–	2,142,963	–	–	2,142,963	–	2,142,963
Profit for the year	–	–	–	–	–	15,873,795	15,873,795	–	15,873,795
Total recognised income and expense for the year	–	–	–	2,142,963	–	15,873,795	18,016,758	–	18,016,758
At 31 March 2007 and 1 April 2007	5,400,000	9,536,387	(122,000)	2,625,495	–	38,176,948	55,616,830	–	55,616,830
Translation difference	–	–	–	1,835,221	–	–	1,835,221	–	1,835,221
Net income recognised directly in equity	–	–	–	1,835,221	–	–	1,835,221	–	1,835,221
Profit for the year	–	–	–	–	–	69,111,488	69,111,488	992,818	70,104,306
Total recognised income and expense for the year	–	–	–	1,835,221	–	69,111,488	70,946,709	992,818	71,939,527
Share-based payments	–	–	–	–	5,859,236	–	5,859,236	–	5,859,236
Disposal of subsidiaries	–	–	122,000	(4,460,716)	–	(122,000)	(4,460,716)	–	(4,460,716)
Arising on acquisition of subsidiaries	–	–	–	–	–	–	–	11,359,175	11,359,175
At 31 March 2008	5,400,000	9,536,387	–	–	5,859,236	107,166,436	127,962,059	12,351,993	140,314,052

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2008

	Note	2008 HK$	2007 HK$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		70,634,791	15,942,795
Adjustments for:			
Depreciation		3,115,108	2,566,051
Amortisation of prepaid land lease payments		23,216	38,257
Amortisation of intangible asset		45,418	54,837
Loss on disposal of fixed assets		89,522	77,991
Gain on disposal of subsidiaries		(64,152,125)	–
Equity-settled share-based payments		5,859,236	–
Excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition of a subsidiary		(1,822,816)	–
Impairment of goodwill		24,035	–
Finance costs		293,873	748,945
Interest income		(2,349,115)	(587,467)
Operating profit before working capital changes		11,761,143	18,841,409
Increase in inventories		(2,635,625)	(6,583,816)
(Increase)/decrease in trade and bills receivables		(44,986,757)	767,238
Decrease/(increase) in deposits, prepayments and other receivables		10,975,317	(1,879,196)
Increase in trade and bills payables		36,263,308	7,290,079
Increase in other payables and accruals		17,036,347	7,464,470
Decrease in sales deposits received and receipt in advance		(114,183)	(288,117)
Cash generated from operations		28,299,550	25,612,067
Interest paid		(293,873)	(748,945)
Hong Kong profits tax paid		(588,999)	(56,080)
Net cash from operating activities		27,416,678	24,807,042
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend paid		(14,489)	(83,280)
Interest received		2,349,115	587,467
Purchase of fixed assets		(2,181,645)	(7,331,285)
Purchase of intangible assets		–	(389,300)
Proceeds from disposal of fixed assets		101,999	21,097
Decrease in pledged bank deposits		3,521,425	–
Acquisition of subsidiaries	32(a)	(5,696,631)	–
Disposal of subsidiaries	32(b)	56,796,684	–
Net cash from/(used in) investing activities		54,876,458	(7,195,301)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2008

	2008 *HK$*	2007 *HK$*
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of bank loans	(3,120,120)	(4,133,124)
Bank loan raised	–	5,041,650
Net (repayment)/borrowings of trust receipt and trade financing loans	(6,057,957)	1,826,039
Repayment of finance lease payables	(177,124)	(235,970)
Repayment to minority shareholders	(1,449,259)	–
Net cash (used in)/from financing activities	(10,804,460)	2,498,595
NET INCREASE IN CASH AND CASH EQUIVALENTS	71,488,676	20,110,336
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	1,537,447	1,713,140
	73,026,123	21,823,476
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	46,185,811	24,362,335
CASH AND CASH EQUIVALENTS AT END OF YEAR	119,211,934	46,185,811
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	119,211,934	46,185,811

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is Unit A1, 6/F., Mai Hing Industrial Building, 16-18 Hing Yip Street, Kwun Tong, Kowloon, Hong Kong. The Company's shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 31 to the financial statements.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for its accounting year beginning on 1 April 2007. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current year and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 4 to the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The significant accounting policies applied in the preparation of these financial statements are set out below:

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March. Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

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

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill relating to the subsidiary which was not previously charged or recognised in the consolidated income statement and also any related accumulated foreign currency translation reserve.

Inter-company transactions, balances and unrealised profits on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence 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.

Minority interests represent the interests of minority shareholders in the operating results and net assets of subsidiaries. Minority interests are presented in the consolidated balance sheet and consolidated statement of changes in equity within equity. Minority interests are presented in the consolidated income statement as an allocation of profit or loss for the year between minority and shareholders of the Company. Losses applicable to the minority in excess of the minority's interests in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the interests of the Group until the minority's share of losses previously absorbed by the Group has been recovered.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Business combination and goodwill

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, liabilities and contingent liabilities of the subsidiary in an acquisition are measured at their fair values at the acquisition date.

The excess of the cost of acquisition over the Group's share of the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised in the consolidated income statement.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses of goodwill are recognised in the consolidated income statement and are not subsequently reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

The interests of minority shareholders in the subsidiary is initially measured at the minority's proportion of the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities at the acquisition date.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements 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 financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the rates ruling on the balance sheet date. Profits and losses resulting from this translation policy are included in the income statement.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Foreign currency translation (continued)

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

– Income and expenses for each income statement 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 exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in the consolidated income statement as part of the profit or loss on disposal.

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.

(d) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses.

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 income statement during the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Fixed assets (continued)

Depreciation of fixed assets is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Buildings	2% – 4.5%
Leasehold improvements	20% – 30%
Plant and machinery	9% – 20%
Office equipment	15% – 25%
Furniture and fixtures	10% – 20%
Moulds	20% – 30%
Motor vehicles	18% – 30%

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

Construction in progress represents buildings under construction and plant and machinery pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of fixed assets is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

(e) Leases

(i) 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. Lease payments (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the lease term.

(ii) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leases (continued)

(ii) Finance leases (continued)

The corresponding liability to the lessor is included in the balance sheet as finance lease payable. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated the same as owned assets.

(f) Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditure is expensed as incurred.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life are systematically tested for impairment at each balance sheet date. Other intangible asset is amortised from the date it is available for use. The estimated useful life of license is five years from the date it is available for use according to the agreement entered by the Group and the licensor. The estimated useful life of trademark is indefinite.

(g) Discontinued operation

A discontinued operation is a component of the Group, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale in accordance with HKFRS 5, if earlier. It also occurs when the operation is abandoned.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Discontinued operation (continued)

When an operation is classified as discontinued, a single amount is presented on the face of the income statement, which comprises:

– The post-tax profit or loss of the discontinued operation; and

– The post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(i) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the balance sheet when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in the income statement.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in the income statement.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Trade, bills and other receivables

Trade, bills and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade, bills 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 receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in the income statement.

Impairment losses are reversed in subsequent periods and recognised in the income statement when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

(k) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents represent cash at banks and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

(l) Financial liability and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Financial liability and equity instruments (continued)

Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(m) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenues from the sales of manufactured goods are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

Service income is recognised in the period when services are rendered.

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

(n) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service 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.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to the income statement represents contributions payable by the Group to the funds.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Share-based payments

The Group issues equity-settled share-based payments to certain directors, employees and consultants. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

(p) Borrowing costs

All borrowing costs are recognised in the income statement in the period in which they are incurred.

(q) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in the income statement over the period necessary to match them with the costs they are intended to compensate.

(r) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Taxation (continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(s) Related parties

A party is related to the Group if:

(i) directly or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group;

(ii) the party is an associate;

(iii) the party is a joint venture;

(iv) the party is a member of the key management personnel of the Company or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products and services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

Segment revenue, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to the segment. Unallocated costs mainly represent corporate expenses. Segment assets consist primarily of fixed assets, inventories and trade and bills receivables. Segment liabilities comprise operating liabilities and exclude items such as tax liabilities and corporate borrowings.

Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between Group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

(u) Impairment of assets

Intangible assets that have an indefinite useful life or not yet available for use are reviewed annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

At each balance sheet date, the Group reviews the carrying amounts of its tangible and other intangible assets except goodwill, deferred tax assets, inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Impairment of assets (continued)

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(v) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(w) Events after the balance sheet date

Events after the balance sheet date that provide additional information about the Group's position at the balance sheet date or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the balance sheet date that are not adjusting events are disclosed in the notes to the financial statements when material.

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying accounting policies, the directors have made the following judgement that has the most significant effect on the amounts recognised in the financial statements.

Useful life of trademark

The Group determines that the useful life of the trademark is indefinite. In making its judgement, the Group considered the trademark is well-known and long established, and its legal rights are capable of being renewed indefinitely at insignificant cost and therefore perpetual in duration.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, 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.

Recoverability of trade and other receivables

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed. If the financial conditions of the debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Share-based payment expenses

The fair value of the share options granted to the directors, employees and consultants determined at the date of grant of the respective share options is expensed over the vesting period, with a corresponding adjustment to the Group's share-based payment reserve. In assessing the fair value of the share options, the Black-Scholes option pricing model (the "Black-Scholes Model") was used. The Black-Scholes Model is one of the generally accepted methodologies used to calculate the fair value of the share options. The Black-Scholes Model requires the input of subjective assumptions, including the expected dividend yield and expected life of options. Any changes in these assumptions can significantly affect the estimate of the fair value of the share options.

5. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate 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 currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in Hong Kong dollars ("HK$") and United States dollars ("US$") and the functional currency of the principal operating Group entities is HK$. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

At 31 March 2008, if HK$ had weakened 1 per cent against the US$ with all other variables held constant, consolidated profit after tax for the year would have been HK$1,024,684 (2007: HK$42,857) higher, arising mainly as a result of the foreign exchange gain on bank and cash balances denominated in US$. If HK$ had strengthened 1 per cent against the US$ with all other variables held constant, consolidated profit after tax for the year would have been HK$1,024,684 (2007: HK$42,857) lower, arising mainly as a result of the foreign exchange loss on bank and cash balances denominated in US$.

(b) Credit risk

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

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales are made to customers with an appropriate credit history.

The credit risk on bank and cash balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis of the Groups financial liabilities is as follows:

	Less than 1 year *HK$*	Between 1 and 2 years *HK$*	Between 2 and 5 years *HK$*	Over 5 years *HK$*
At 31 March 2008				
Trade and bills payables	1,347,622	–	–	–
Other payables and accruals	3,765,523	–	–	–
Amounts due to minority shareholders	2,575,834	–	–	–
At 31 March 2007				
Short term borrowings	10,091,277	–	–	–
Long term borrowings	302,364	275,460	238,679	–
Trade and bills payables	39,457,334	–	–	–
Other payables and accruals	28,895,381	–	–	–
Dividend payables	14,489	–	–	–

(d) Interest rate risk

The Group's exposure to interest-rate risk arises from its bank deposits. These deposits bear interests at variable rates varied with the then prevailing market condition.

At 31 March 2008, if interest rates at that date had been 50 basis points lower with all other variables held constant, consolidated profit after tax for the year would have been HK$585,101 (2007: HK$190,927) lower, arising mainly as a result of lower interest income on bank deposits. If interest rates had been 50 basis points higher, with all other variables held constant, consolidated profit after tax for the year would have been HK$585,101 (2007: HK$190,927) higher, arising mainly as a result of higher interest income on bank deposits.

(e) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated balance sheet approximate their respective fair values.

6. TURNOVER

	2008 *HK$*	2007 *HK$*
Turnover		
Sales of goods	267,045,548	299,298,481
Rendering of services	37,584,021	–
	304,629,569	299,298,481
Representing:		
Continuing operations	39,172,566	–
Discontinued operation *(note 10)*	265,457,003	299,298,481
	304,629,569	299,298,481

7. OTHER INCOME

	2008 *HK$*	2007 *HK$*
Government grants	–	328,812
Interest income	2,349,115	587,467
Sundry income	422,307	962,947
	2,771,422	1,879,226
Representing:		
Continuing operations	2,056,678	178,094
Discontinued operation *(note 10)*	714,744	1,701,132
	2,771,422	1,879,226

8. FINANCE COSTS

	2008 *HK$*	2007 *HK$*
Finance lease charges	11,536	25,627
Interest on bank loans and overdrafts	282,337	723,318
	293,873	748,945
Representing:		
Continuing operations	28,535	6
Discontinued operation *(note 10)*	265,338	748,939
	293,873	748,945

9. INCOME TAX EXPENSE

	2008 *HK$*	2007 *HK$*
Current tax – Hong Kong Profits Tax		
– provision for the year	463,887	69,000
– over-provision in prior years	(69,000)	–
	394,887	69,000
Deferred tax *(note 20)*	135,598	–
	530,485	69,000
Representing:		
Continuing operations	431,852	–
Discontinued operation *(note 10)*	98,633	69,000
	530,485	69,000

Hong Kong Profits Tax is provided at 17.5% (2007: 17.5%) based on assessable profit for the year less allowable losses brought forward. Certain allowable losses of the subsidiaries of the Company incorporated in Hong Kong are yet to be agreed by the Inland Revenue Department.

Pursuant to the relevant laws and regulations in the People's Republic of China ("the PRC"), Zhaoqing Ultra Furniture Company Limited, a formerly wholly-owned subsidiary established in Zhaoqing, the PRC is subject to enterprise income tax rate at 24% on its taxable profit in accordance with 中華人民共和國外商投資企業和外國企業所得税法. However, it is exempted from enterprise income tax for two years starting from the first year of profitable operation after off-setting prior year tax losses, followed by a 50% reduction for the next three years.

9. INCOME TAX EXPENSE (CONTINUED)

The reconciliation between the income tax expense and the product of profit before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	2008 *HK$*	2007 *HK$*
Profit before tax	70,634,791	15,942,795
Tax at the domestic income tax rate of 17.5% (2007: 17.5%)	12,361,088	2,789,989
Tax effect of income that is not taxable	(11,939,396)	(31,630)
Tax effect of expenses that is not deductible	1,145,589	238,718
Tax effect of profits that is exempted from PRC tax authority	(1,087,600)	(2,434,297)
Tax effect of utilisation of tax losses not previously recognised	(115,292)	(343,541)
Temporary difference not recognised	235,096	(150,239)
Over-provision in prior years	(69,000)	–
Income tax expense	530,485	69,000

10. DISCONTINUED OPERATION

Pursuant to an agreement dated 20 August 2007 (as supplemented by the amended agreement dated 14 September 2007) entered into between the Company and an independent third party (the "Purchaser"), the Company disposed of 100% interest in a wholly-owned subsidiary, Ultra Group Company Limited.

Ultra Group Company Limited was an investment holding company and its subsidiaries were engaged in the design, manufacture and sale of office furniture during the year. The disposal was completed on 31 October 2007 and the Group discontinued its design, manufacture and sale of office furniture business.

The profit for the year from the discontinued operation is analysed as follows:

	2008 *HK$*	2007 *HK$*
Profit of discontinued operation	9,009,211	16,657,754
Gain on disposal of discontinued operation *(note 32(b))*	64,152,125	–
	73,161,336	16,657,754

10. DISCONTINUED OPERATION (CONTINUED)

The results of the discontinued operation for the period from 1 April 2007 to 31 October 2007, which have been included in the consolidated income statement, are as follows:

	Period from 1.4.2007 to 31.10.2007 HK$	Year ended 31.3.2007 HK$
Turnover	265,457,003	299,298,481
Cost of goods sold	(193,953,407)	(200,308,299)
Gross profit	71,503,596	98,990,182
Other income	714,744	1,701,132
Selling and distribution costs	(35,869,517)	(40,571,027)
Administrative and other operating expenses	(26,975,641)	(42,644,594)
Profit from operations	9,373,182	17,475,693
Finance costs	(265,338)	(748,939)
Profit before tax	9,107,844	16,726,754
Income tax expense	(98,633)	(69,000)
Profit for the period/year	9,009,211	16,657,754

During the year, the disposed subsidiaries received approximately HK$19,386,119 (2007: HK$26,241,013) in respect of operating activities, paid approximately HK$1,543,201 (2007: HK$7,373,395) in respect of investing activities and paid approximately HK$9,355,201 (2007: received HK$2,498,595) in respect of financing activities.

No tax charge or credit arose on gain on disposal of the discontinued operation.

11. PROFIT FOR THE YEAR

The Group's profit for the year is stated after charging the following:

	2008 *HK$*	2007 *HK$*
Amortisation of intangible asset (included in administrative and other operating expenses)	45,418	54,837
Auditor's remuneration	915,228	556,460
Cost of inventories sold before allowance	151,723,271	149,424,876
Allowance for obsolete inventories	325,728	496,351
	152,048,999	149,921,227
Depreciation	3,115,108	2,566,051
Loss on disposal of fixed assets	89,522	77,991
Operating lease rentals in respect of land and buildings	14,137,897	7,744,075
Staff costs (including directors' emoluments) *(note 14)*)		
Basic salaries, bonuses, allowances and benefits in kind	47,561,192	40,389,769
Equity-settled share-based payments	5,859,236	–
Retirement benefits scheme contributions	2,613,749	2,882,300
Allowance for doubtful debts	1,346,070	1,359,213
Net exchange losses	1,684,121	762,497

12. DIVIDEND

No dividend has been paid or declared by the Company during the year (2007: HK$Nil).

13. EARNINGS/(LOSS) PER SHARE

(a) From continuing and discontinued operations

Basic earnings per share

The calculation of basic earnings per share attributable to equity holders of the Company is based on the profit for the year attributable to equity holders of the Company of HK$69,111,488 (2007: HK$15,873,795) and on the weighted average number of ordinary shares of 540,000,000 (2007: 540,000,000) in issue during the year.

13. EARNINGS/(LOSS) PER SHARE (CONTINUED)

(a) From continuing and discontinued operations (continued)

Diluted earnings per share

No diluted earnings per share are presented as the Company did not have any dilutive shares during the two years ended 31 March 2008.

(b) From continuing operations

Basic loss per share

The calculation of basic loss per share from continuing operations attributable to equity holders of the Company is based on the loss for the year from continuing operations attributable to equity holders of the Company of HK$4,049,848 (2007 (restated): HK$783,959) and the denominator used is the same as that detailed in (a) above for basic earnings per share.

Diluted loss per share

No diluted loss per share are presented as the Company did not have any dilutive shares during the two years ended 31 March 2008.

(c) From discontinued operation

Basic earnings per share from the discontinued operation is HK13.55 cents per share (2007 (restated): HK3.09 cents per share), based on the profit for the year from discontinued operation attributable to the equity holders of the Company of HK$73,161,336 (2007 (restated): HK$16,657,754) and the denominator used is the same as those detailed in (a) above for basic earnings per share.

No diluted earnings per share are presented as the Company did not have any dilutive shares during the two years ended 31 March 2008.

14. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

(a) Directors' emoluments

Name of director	Fees	Salaries, allowances and benefits in kind	Discretionary bonus	Share-based payments	Retirement benefits scheme contributions	Total emoluments
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Executive directors						
WU Kam Hung (appointed on 6 July 2007)	88,387	–	–	1,458,000	4,419	1,550,806
TSE Chun Sing (appointed on 14 September 2007)	65,667	–	–	1,458,000	3,283	1,526,950
YEAP Soon P. Jonathan (appointed on 21 February 2008)	–	–	–	–	–	–
CHO Yuen Yi, Wendy (resigned on 1 November 2007)	–	728,000	3,471,338	–	7,000	4,206,338
WONG Ching Ngor (resigned on 1 November 2007)	–	567,700	1,142,000	–	7,000	1,716,700
Independent non-executive directors						
LIEW Swee Yean	25,000	–	–	145,800	–	170,800
SIU Siu Ling, Robert	25,000	–	–	145,800	–	170,800
WONG Yun Kuen	25,000	–	–	145,800	–	170,800
Total for 2008	229,054	1,295,700	4,613,338	3,353,400	21,702	9,513,194
Executive directors						
CHO Yuen Yi, Wendy	–	1,290,297	1,122,000	–	12,000	2,424,297
WONG Ching Ngor	–	936,000	378,000	–	12,000	1,326,000
Independent non-executive directors						
SIU Siu Ling, Robert	21,666	–	–	–	–	21,666
KONG Tze Wing (resigned on 8 November 2006)	17,041	–	–	–	–	17,041
LIEW Swee Yean (appointed on 8 November 2006)	9,611	–	–	–	–	9,611
WONG Yun Kuen	21,666	–	–	–	–	21,666
Total for 2007	69,984	2,226,297	1,500,000	–	24,000	3,820,281

14. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS (CONTINUED)

(a) Directors' emoluments (continued)

There was no arrangement under which a director waived or agreed to waive any emoluments during the year (2007: HK$Nil)

12,420,000 options were granted to directors under the share option scheme during the year. (2007: Nil).

(b) Five highest paid individuals

The five highest paid individuals in the Group during the year included four (2007: two) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining one (2007: three) individuals are set out below:

	2008 *HK$*	2007 *HK$*
Basic salaries, bonuses, allowances and benefits in kind	728,916	3,089,439
Share-based payments	255,150	–
Retirement benefits scheme contributions	12,000	58,669
	996,066	3,148,108

The emoluments of five highest paid individuals (including directors) fell within the following bands:

	2008	2007
Nil to HK$1,000,000	1	1
HK$1,000,001 to HK$1,500,000	–	3
HK$1,500,001 to HK$2,000,000	3	–
HK$2,000,001 to HK$2,500,000	–	1
HK$2,500,001 to HK$3,000,000	–	–
HK$3,000,001 to HK$3,500,000	–	–
HK$3,500,001 to HK$4,000,000	–	–
HK$4,000,001 to HK$4,500,000	1	–
	5	5

During the year, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

15. RETIREMENT BENEFITS

The Group operates a mandatory provident fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The Group's contributions to the MPF Scheme are calculated at 5% of the salaries and wages subject to a monthly maximum amount of HK$1,000 per employee and vest fully with employees when contributed into the MPF Scheme.

The employees of the Group's former subsidiary established in the PRC are members of a central pension scheme operated by the local municipal government. This subsidiary is required to contribute certain percentage of the employees' basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of this subsidiary. The only obligation of this subsidiary with respect to the central pension scheme is to meet the required contributions under the scheme.

16. FIXED ASSETS

	Buildings	Leasehold improvements	Plant and machinery	Office equipment	Furniture and fixtures	Moulds	Motor vehicles	Construction in progress	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Cost									
At 1 April 2006	5,762,702	4,176,271	5,984,211	6,476,170	3,472,570	1,312,050	1,078,783	260,402	28,523,159
Additions	1,621,421	1,391,416	2,126,239	1,620,473	359,680	–	151,700	60,356	7,331,285
Disposals	–	(343,561)	(72,404)	(128,614)	–	–	(348,000)	–	(892,579)
Transfer	273,085	–	–	–	–	–	–	(273,085)	–
Translation difference	277,019	138,040	316,855	112,681	105,685	–	–	12,683	962,963
At 31 March 2007 and 1 April 2007	7,934,227	5,362,166	8,354,901	8,080,710	3,937,935	1,312,050	882,483	60,356	35,924,828
Additions	304,692	159,540	269,620	1,371,613	76,180	–	–	–	2,181,645
Disposals	–	(33,516)	(504,479)	(79,525)	(3,900)	–	(177,643)	–	(799,063)
Transfer	62,251	–	–	–	–	–	–	(62,251)	–
Acquisition of subsidiaries	–	876,497	646,930	774,542	23,196	–	86,604	–	2,407,769
Disposal of subsidiaries	(8,548,014)	(5,492,489)	(8,375,199)	(9,442,519)	(4,092,983)	(1,312,050)	(730,783)	–	(37,994,037)
Translation difference	246,844	130,323	255,157	109,841	82,769	–	–	1,895	826,829
At 31 March 2008	–	1,002,521	646,930	814,662	23,197	–	60,661	–	2,547,971
Accumulated depreciation									
At 1 April 2006	1,427,192	2,994,092	3,848,846	3,545,933	1,740,532	1,307,645	516,591	–	15,380,831
Charge for the year	120,644	563,561	397,859	911,274	304,966	2,759	264,988	–	2,566,051
Disposals	–	(343,561)	(40,057)	(61,873)	–	–	(348,000)	–	(793,491)
Translation difference	67,913	95,517	201,594	56,068	37,202	–	–	–	458,294
At 31 March 2007 and 1 April 2007	1,615,749	3,309,609	4,408,242	4,451,402	2,082,700	1,310,404	433,579	–	17,611,685
Charges for the year	94,479	958,329	783,044	893,278	201,151	947	183,880	–	3,115,108
Disposals	–	(33,517)	(420,729)	(69,906)	(1,105)	–	(82,285)	–	(607,542)
Disposal of subsidiaries	(1,759,429)	(3,743,941)	(4,651,068)	(5,060,470)	(2,305,402)	(1,311,351)	(516,098)	–	(19,347,759)
Translation difference	49,201	70,993	139,283	49,687	31,613	–	–	–	340,777
At 31 March 2008	–	561,473	258,772	263,991	8,957	–	19,076	–	1,112,269
Carrying amount									
At 31 March 2008	–	441,048	388,158	550,671	14,240	–	41,585	–	1,435,702
At 31 March 2007	6,318,478	2,052,557	3,946,659	3,629,308	1,855,235	1,646	448,904	60,356	18,313,143

16. FIXED ASSETS (CONTINUED)

At 31 March 2007, the carrying amount of the Group's buildings situated in the PRC pledged as security for the Group's banking facilities amounted to HK$4,303,528.

At 31 March 2007, the carrying amount of plant and machinery and motor vehicles held by the Group under finance leases amounted to HK$498,679.

17. PREPAID LAND LEASE PAYMENTS

	HK$
Cost	
At 1 April 2006	1,674,309
Translation difference	81,547
At 31 March 2007 and 1 April 2007	1,755,856
Disposal of subsidiaries	(1,811,005)
Translation difference	55,149
At 31 March 2008	–
Accumulated amortisation	
At 1 April 2006	312,043
Charge for the year	38,257
Translation difference	15,903
At 31 March 2007 and 1 April 2007	366,203
Charge for the year	23,216
Disposal of subsidiaries	(401,147)
Translation difference	11,728
At 31 March 2008	–
Carrying amount	
At 31 March 2008	–
At 31 March 2007	1,389,653

At 31 March 2007, the carrying amount of the Group's prepaid land lease payments represents payments for land use rights situated in the PRC held under medium term leases and pledged as security for the Group's banking facilities amounted to HK$1,389,653.

18. GOODWILL

	HK$
Cost	
Arising on acquisition of a subsidiary *(note 32(a))* in the current year and at 31 March 2008	24,035
Accumulated impairment losses	
Impairment loss recognised in the current year and at 31 March 2008	(24,035)
Carrying amount	
At 31 March 2008	–

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units ("CGUs") that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill had been allocated as follows:

	2008 *HK$*	2007 *HK$*
Trading of printer accessories and batteries		
Global On-Line Distribution Limited ("Global On-Line")	24,035	–

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and budgeted gross margin and turnover during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGUs operate. Budgeted gross margin and turnover are based on past practices and expectations on market development.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next 5 years with the residual period using the growth rate of 12.3%. This rate does not exceed the average long-term growth rate for the relevant markets.

The rate used to discount the forecast cash flows from the Group's activities is 8.0%.

19. INTANGIBLE ASSETS

	Trademark *HK$*	License *HK$*	Total *HK$*
Cost			
At 1 April 2006	–	–	–
Additions	–	389,300	389,300
At 31 March 2007 and 1 April 2007	–	389,300	389,300
Acquisition of subsidiaries	18,234,000	–	18,234,000
Disposal of subsidiaries	–	(389,300)	(389,300)
At 31 March 2008	18,234,000	–	18,234,000
Accumulated amortisation			
At 1 April 2006	–	–	–
Charge for the year	–	54,837	54,837
At 31 March 2007 and 1 April 2007	–	54,837	54,837
Charge for the year	–	45,418	45,418
Disposal of subsidiaries	–	(100,255)	(100,255)
At 31 March 2008	–	–	–
Carrying amount			
At 31 March 2008	18,234,000	–	18,234,000
At 31 March 2007	–	334,463	334,463

The Group's trademark is applied to the Group's various products manufactured and services traded under the segment of provision of car repairs and beauty services both in Hong Kong and the PRC.

The recoverable amounts of the trademark are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and budgeted gross margin and turnover during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the trademark. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the trademark operate. Budgeted gross margin and turnover are based on past practices and expectations on market development.

19. INTANGIBLE ASSETS (CONTINUED)

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next 5 years with the residual period using the growth rate of 5.0%. This rate does not exceed the average long-term growth rate for the relevant markets.

The rate used to discount the forecast cash flows from the Group's activities is 10.61%.

20. DEFERRED TAX

The following are the major deferred tax (liabilities) and assets recognised by the Group.

	(Accelerated)/ decelerated tax depreciation *HK$*	**Tax losses** *HK$*	**Total** *HK$*
At 1 April 2006, 31 March 2007 and 1 April 2007	–	–	–
Acquisition of a subsidiary	(172)	548,698	548,526
Disposal of subsidiaries	–	(242,425)	(242,425)
Credit/(charge) to income statement for the year *(note 9)*	170,675	(306,273)	(135,598)
At 31 March 2008	170,503	–	170,503

The following is the analysis of the deferred tax balance (after offset) for balance sheet purposes:

	2008 *HK$*	2007 *HK$*
Deferred tax assets	170,503	–

21. INVENTORIES

	2008 HK$	2007 HK$
Raw materials	372,172	10,649,370
Work in progress	–	1,916,865
Finished goods	–	8,566,445
Less: Allowance of obsolete inventories	–	(2,591,760)
	372,172	18,540,920

22. TRADE AND BILLS RECEIVABLES

	2008 HK$	2007 HK$
Trade and bills receivables	973,400	53,485,251
Less: Allowance for doubtful debts	–	(3,477,163)
	973,400	50,008,088

The credit terms of trade and bills receivables are in accordance with specific payment schedules agreed with various customers. The aging analysis of trade and bills receivables, based on the invoice date, and net of allowance, is as follows:

	2008 HK$	2007 HK$
0 – 30 days	636,794	22,490,435
31 – 60 days	269,303	6,275,748
61 – 90 days	35,308	4,257,967
Over 90 days	31,995	20,461,101
Less: Allowance for doubtful debts	–	(3,477,163)
	973,400	50,008,088

22. TRADE AND BILLS RECEIVABLES (CONTINUED)

Included in trade and bills receivables less allowance for doubtful debts are the following amounts denominated in a currency other than the presentation currency of the Group:

	2008 *HK$*	2007 *HK$*
US$	–	112,744
Renminbi ("RMB")	–	29,013,097
	–	29,125,841

As of 31 March 2008, trade receivables of HK$926,242 (2007: HK$43,103,112) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	2008 *HK$*	2007 *HK$*
Up to 3 months	899,557	26,358,398
Over 3 months	26,685	16,744,714
	926,242	43,103,112

23. BANK AND CASH BALANCES

Included in the bank and cash balances are the following amounts denominated in a currency other than the presentation currency of the Group.

	2008 *HK$*	2007 *HK$*
US$	94,896,212	4,278,062
RMB	–	10,241,857
	94,896,212	14,519,919

Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

24. TRADE AND BILLS PAYABLES

The aging analysis of trade and bills payables, based on the date of receipt of goods, is as follows:

	2008 *HK$*	2007 *HK$*
0 – 30 days	861,084	21,317,075
31 – 60 days	181,309	8,197,644
61 – 90 days	63,542	5,748,462
Over 90 days	241,687	4,194,153
	1,347,622	39,457,334

Included in trade and bills payables are the following amounts denominated in a currency other than the presentation currency of the Group.

	2008 *HK$*	2007 *HK$*
US$	–	1,499,261
RMB	–	24,509,743
Euro	–	5,846,968
Others	–	1,058
	–	31,857,030

25. SHORT TERM BORROWINGS

	2008 *HK$*	2007 *HK$*
Bank loans – secured *(note 33)*	–	4,033,320
Trust receipt and trade financing loans – secured *(note 33)*	–	6,057,957
	–	10,091,277

At 31 March 2007 the trust receipt and trade financing loans denominated in HK$ and US$ are HK$2,393,389 and HK$3,664,568 respectively. At 31 March 2007 the bank loans are denominated in RMB and are arranged at a fixed rate of 6.1% per annum and expose the Group to fair value interest rate risk. Trust receipt and trade financing loans are arranged at floating rates, thus exposing the Group to cash flow interest rate risk with the interest rate of 8.2% as at 31 March 2007.

26. LONG TERM BORROWINGS

	2008 HK$	2007 HK$
Interest bearing borrowings		
Bank loan – secured *(note 33)*	–	274,441
Obligations under finance leases	–	488,292
	–	762,733
Current portion of long term borrowings	–	(281,922)
	–	480,811

	2008 HK$	2007 HK$
(a) The bank loan is repayable as follows:		
Within one year	–	99,804
In the second year	–	99,804
In the third to fifth years inclusive	–	74,833
	–	274,441

(b) Obligations under finance leases are repayable as follows:

	2008 Present value of the minimum lease payments HK$	2008 Interest expenses relating to future periods HK$	2008 Total minimum lease payments HK$	2007 Present value of the minimum lease payments HK$	2007 Interest expenses relating to future periods HK$	2007 Total minimum lease payments HK$
Within one year	–	–	–	182,118	20,442	202,560
In the second year	–	–	–	158,240	17,416	175,656
In the third to fifth years inclusive	–	–	–	147,934	15,912	163,846
	–	–	–	488,292	53,770	542,062

The bank loan and obligations under finance leases are denominated in HK$.

26. LONG TERM BORROWINGS (CONTINUED)

At 31 March 2007 bank loan of HK$274,441 is arranged at floating rate and thus exposing the Group to cash flow interest rate risk. The interest rate was 7.2% at 31 March 2007.

The average effective borrowing rate of the obligations under finance leases was 5.1% at 31 March 2007. Interest rates are fixed at the contract date, and thus expose the Group to fair value interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent liabilities.

The Group's finance lease payables are secured by the lessor's title to the leased assets.

27. SHARE CAPITAL

	2008 *HK$*	2007 *HK$*
Authorised:		
10,000,000,000 ordinary shares of HK$0.01 each	100,000,000	100,000,000
Issued and fully paid:		
540,000,000 ordinary shares of HK$0.01 each	5,400,000	5,400,000

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total debts less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e. share capital, share premium, minority interests, retained profits and other reserves). At 31 March 2008 and 2007 the Group has no net debt outstanding and the debt-to-adjusted capital ratios have not been disclosed.

The only externally imposed capital requirement is that for the Group to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares. The Group receives a report from the share registrars monthly on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit throughout the year. As at 31 March 2008, 59% (2007: 52%) of the shares were in public hands.

28. BALANCE SHEET OF THE COMPANY

	2008 *HK$*	2007 *HK$*
Investments in subsidiaries	16	200,000
Prepayments and other receivables	7,966,529	153,653
Amounts due from subsidiaries	11,014,600	9,615,777
Pledged bank deposits	–	3,521,425
Bank balances	106,956,494	157,783
Accruals	(690,530)	(1,813,690)
NET ASSETS	125,247,109	11,834,948
Share capital	5,400,000	5,400,000
Reserves *(note 29(b))*	119,847,109	6,434,948
TOTAL EQUITY	125,247,109	11,834,948

29. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of changes in equity.

(b) Company

	Share premium (note (c)(i)) *HK$*	**(Accumulated losses)/ Retained profits** *HK$*	**Share-based payment reserve (note (c)(iv))** *HK$*	**Total** *HK$*
At 1 April 2006	9,536,387	(2,317,480)	–	7,218,907
Loss for the year	–	(783,959)	–	(783,959)
At 31 March 2007 and 1 April 2007	9,536,387	(3,101,439)	–	6,434,948
Profit for the year	–	107,552,925	–	107,552,925
Share-based payments	–	–	5,859,236	5,859,236
At 31 March 2008	9,536,387	104,451,486	5,859,236	119,847,109

29. RESERVES (CONTINUED)

(c) Nature and purpose of reserves

(i) *Share premium account*

Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are 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.

(ii) *Merger reserve*

Merger reserve represents the difference between the nominal value of the shares of subsidiaries acquired and the nominal value of the shares issued by the Company as consideration thereof pursuant to the corporate reorganisation details of which are set out in the Company's prospectus dated 31 December 2003.

(iii) *Foreign currency translation reserve*

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 3(c) to the financial statements.

(iv) *Share-based payment reserve*

The share-based payment reserve represents the fair value of the actual or estimated number of unexercised share options granted to directors, employees and consultants of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 3(o) to the financial statements.

30. SHARE-BASED PAYMENTS

Equity-settled share option scheme

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants include the full-time and part-time employees, executives, officers, directors, business consultants, agents, legal and financial advisers of the Company and the Company's subsidiaries. The Scheme became effective on 9 December 2003 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

30. SHARE-BASED PAYMENTS (CONTINUED)

Equity-settled share option scheme (continued)

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of shares options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK$1 by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than ten years from the date of the offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares on the date of the offer.

Share options do not confer rights on the holder to dividends or to vote at shareholders' meetings.

Details of the specific categories of options are as follows:

Date of grant	Exercise period	Exercise price *HK$*
19 February 2008	19 February 2008 – 18 February 2011	0.69

If the options remain unexercised after a period of 3 years from the date of grant, the options expire. Options are forfeited if the employee leaves the Group before the options vest.

30. SHARE-BASED PAYMENTS (CONTINUED)

Equity-settled share option scheme (continued)

Details of the share options outstanding during the year are as follows:

	2008		2007	
	Number of share options *'000*	Weighted average exercise price *HK$*	Number of share options *'000*	Weighted average exercise price *HK$*
Outstanding at the beginning of the year	–	N/A	–	N/A
Granted during the year	21,600	0.69	–	N/A
Outstanding at the end of the year	21,600	0.69	–	N/A
Exercisable at the end of the year	21,600	0.69	–	N/A

The options outstanding at the end of the year have a weighted average remaining contractual life of 2.9 years (2007: Nil) and the exercise prices was HK$0.69 (2007: HK$Nil). In 2008, options were granted on 19 February 2008. The estimated fair value of the options on this date is HK$5,859,236.

This fair value was calculated using the Black-Scholes Model. The inputs into the model were as follows:

	2008	2007
Weighted average share price	HK$0.69	–
Weighted average exercise price	HK$0.69	–
Expected volatility	86.14%	–
Expected life	1.5 years	–
Risk free rate	1.505%	–
Expected dividend yield	Nil	–

Expected volatility was determined by calculating the historical volatility of the Company's share price over 390 days. The expected life used in the model has been adjusted, based on the Group's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

31. SUBSIDIARIES

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

Name	Place of incorporation and principal place of operation	Attributable equity interest	Issued and fully paid share capital	Principal activities
Directly held				
Time Creation Group Limited	British Virgin Islands	100%	US$1 Ordinary	Investment holding
High Focus Group Limited	British Virgin Islands	100%	US$1 Ordinary	Investment holding
Coastal Kingfold Finance Limited	British Virgin Islands	100%	US$1 Ordinary	Investment holding
Indirectly held				
Global On-Line	Hong Kong	51%	HK$10,000 Ordinary	Trading of printer accessories and batteries
Long Capital Development Limited ("Long Capital")	British Virgin Islands	51%	US$10,000 Ordinary	Investment holding
Challenger Auto Services Limited	Hong Kong	51%	HK$4,090,000 Ordinary	Provision of repairs and maintenance services to motor vehicles, operating car accessories shop, car washing, cleaning and beauty services

32. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisition of subsidiaries

On 3 July 2007, the Group acquired 51% of the issued share capital of Global On-Line for a cash consideration of HK$5,100 and Global On-Line was engaged in trading of printer accessories and batteries during the year.

On 24 June 2007, the Group subscribed 51% of the issued share capital of Long Capital for a cash consideration of HK$10,000,000. Long Capital and its subsidiary is engaged in provision of repairs and maintenance services to motor vehicles, operating car accessories shop, car washing, cleaning and beauty services during the year.

The fair values of the identifiable assets and liabilities of Global On-Line and Long Capital acquired as at its date of acquisition, which have no significant difference from its carrying amounts, are as follows:

	Global On-line *HK$*	**Long Capital** *HK$*	**Total** *HK$*
Net assets acquired:			
Property, plant and equipment	9,464	2,398,305	2,407,769
Intangible assets	–	18,234,000	18,234,000
Deferred tax assets	–	548,526	548,526
Inventories	32,483	273,352	305,835
Trade receivables	36,727	930,855	967,582
Prepayments, deposits and other receivables	7,809	12,094,753	12,102,562
Bank and cash balances	2,064,323	2,244,146	4,308,469
Trade and other payables	(22,741)	(1,727,585)	(1,750,326)
Accrual and other payable	–	(5,394,904)	(5,394,904)
Receipt in advance	–	(4,541,364)	(4,541,364)
Amounts due to shareholders	(2,147,000)	(1,878,093)	(4,025,093)
Minority interests	–	(11,359,175)	(11,359,175)
	(18,935)	11,822,816	
Goodwill/(Excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition of a subsidiary)	24,035	(1,822,816)	
Satisfied by:			
Cash	5,100	10,000,000	
Net cash outflow arising on acquisition:			
Cash consideration paid	(5,100)	(10,000,000)	(10,005,100)
Cash and cash equivalents acquired	2,064,323	2,244,146	4,308,469
	2,059,223	(7,755,854)	(5,696,631)

32. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(a) Acquisition of subsidiaries (continued)

The goodwill arising on the acquisition of Global On-Line is attributable to the anticipated profitability of the distribution of the Group's products in the new markets and the anticipated future operating synergies from the combination.

Global On-Line and Long Capital contributed approximately HK$1,588,545 and HK$37,584,021 respectively to the Group's turnover and approximately HK$117,171 loss and HK$2,030,839 profit respectively to the Group's profit before tax, for the period between the date of acquisition and the balance sheet date.

If the acquisition had been completed on 1 April 2007, total Group turnover for the year would have been HK$53,870,122, and profit for the year would have been HK$69,590,346. The proforma information is for illustrative purposes only and is not necessarily an indication of the turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2007, nor is intended to be a projection of future results.

32. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(b) Disposal of subsidiaries

As referred to in note 10 to the financial statements, on 31 October 2007 the Group discontinued its design, manufacture and sale of office furniture business at the time of the disposal of its subsidiary, Ultra Group Company Limited.

Net assets at the date of disposal were as follows:

	HK$
Fixed assets	18,646,278
Prepaid land lease payments	1,409,858
Intangibles asset	289,045
Deferred tax assets	242,425
Inventories	21,043,983
Trade and bills receivables	94,950,353
Deposits, prepayments and other receivables	5,481,450
Current tax assets	842,753
Bank and cash balances	49,921,038
Trade and bills payables	(76,100,605)
Other payables and accruals	(47,583,850)
Sales deposits received	(8,809,307)
Short term borrowings	(1,294,185)
Long term borrowings	(331,424)
Amount due to holding company	(3,471,441)
Current tax liabilities	(410,058)
Net assets disposed of	54,826,313
Release of foreign currency translation reserve	(4,460,716)
Direct cost to the disposal	6,620,225
Gain on disposal of subsidiaries	64,152,125
Total consideration	121,137,947
Cash receivable from escrow agent under deposits, prepayments and other receivables	(7,800,000)
Cash consideration received	113,337,947
Net cash inflow arising on disposal:	
Cash consideration received	113,337,947
Cash paid for direct cost	(6,620,225)
Cash and cash equivalents disposed of	(49,921,038)
	56,796,684

33. BANKING FACILITIES

At 31 March 2008, the Group has been granted banking facilities totaling HK$1.5 million (2007: HK$25.3 million) of which HK$Nil (2007: HK$17.4 million) were utilised and were secured by the following:

(i) Pledge of fixed deposits of approximately HK$Nil (2007: HK$3.5 million) plus subsequent accrued interest;

(ii) Personal guarantee of a minority shareholder of HK$20,000 (2007: HK$Nil); and

(iii) Legal charge on prepaid land lease payments and buildings owned by a former subsidiary at 31 March 2007.

34. CONTINGENT LIABILITIES

At 31 March 2008, the Group did not have any significant contingent liabilities.

35. LEASE COMMITMENTS

At 31 March 2008, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2008 *HK$*	2007 *HK$*
Within one year	5,122,926	7,564,900
In the second to fifth years inclusive	3,163,757	7,451,312
	8,286,683	15,016,212

36. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the financial statements, the Group had the following transactions with its related parties during the year:

	2008 *HK$*	2007 *HK$*
Sales to:		
– CHO Yuen Yi, Wendy	–	30,227
– James T. W. Kong & Co.	–	34,085

Kong Tze Wing, a former director of the Company, has beneficial interest in James T.W. Kong & Co.

37. EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to the balance sheet date, the Group completed the acquisition of 100% entire issued share capital of Imare Company Limited and loan at consideration of HK$900 million on 10 June 2008. The details of the transaction was disclosed in the Company's circular issued on 30 April 2008 and announcement issued on 11 June 2008.

The consideration amount is payable by HK$170 million consideration convertible bonds, HK$184 million of consideration shares and HK$546 million cash. The HK$546 million cash payment is financed by the proceeds from the placing of convertible bonds. An aggregate amount of HK$600 million convertible bonds have been placed to an third party on 10 June 2008. The details of the placement were disclosed in the Company's announcement issued on 11 June 2008.

Save as those financial information disclosed in the Company's circular issued on 30 April 2008, the other financial information related to this transaction is not available as the latest financial information of Imare Company Limited is not available.

38. SEGMENT INFORMATION

Primary reporting format – Business segments

The Group is organised into two main segments which is design and sale of office furniture and provision of car repairs and beauty services.

Secondary reporting format – Geographical segments

The Group's principal markets are located in the PRC, Hong Kong and Overseas.

38. SEGMENT INFORMATION (CONTINUED)

Primary reporting format – Business segment

Business segment information for the year is presented as follows:

Year ended 31 March 2008

	Continuing operations		Discontinued operation	
	Provision of car repairs and beauty services	Others	Design and sale of office furniture	Consolidated
	HK$	*HK$*	*HK$*	*HK$*
Revenue				
Sales to external customers	37,584,021	1,588,545	265,457,003	304,629,569
Results				
Segment results	2,421,304	(187,709)	8,658,438	10,892,033
Unallocated corporate expenses				(8,709,732)
Other income				68,746,363
Profit from operations				70,928,664
Finance costs				(293,873)
Profit before tax				70,634,791
Income tax expense				(530,485)
Profit for the year				70,104,306

38. SEGMENT INFORMATION (CONTINUED)

Primary reporting format – Business segment (continued)

Business segment information for the year is presented as follows: (continued)

Year ended 31 March 2008 (continued)

	Continuing operations		Discontinued operation	
	Provision of car repairs and beauty services	**Others**	**Design and sale of office furniture**	**Consolidated**
	HK$	*HK$*	*HK$*	*HK$*
Segment assets	24,598,264	48,133	–	24,646,397
Unallocated assets				127,358,481
Total assets				152,004,878
Segment liabilities	8,253,035	108,236	–	8,361,271
Unallocated liabilities				3,329,555
Total liabilities				11,690,826
Other information				
Capital expenditure	199,660	–	1,981,985	2,181,645
Depreciation and amortisation	1,153,646	2,366	2,004,514	3,160,526
Allowance for doubtful debts	–	–	1,346,070	1,346,070

38. SEGMENT INFORMATION (CONTINUED)

Primary reporting format – Business segment (continued)

Business segment information for the year is presented as follows: (continued)

Year ended 31 March 2007

	Discontinued operation
	Design and sale of office furniture *HK$*
Revenue	
Sales to external customers	299,298,481
Results	
Segment results	15,774,561
Unallocated corporate expenses	(962,047)
Other income	1,879,226
Operating profit	16,691,740
Finance costs	(748,945)
Profit before tax	15,942,795
Income tax expense	(69,000)
Profit for the year	15,873,795

38. SEGMENT INFORMATION (CONTINUED)

Primary reporting format – Business segment (continued)

Business segment information for the year is presented as follows: (continued)

Year ended 31 March 2007 (continued)

	Discontinued operation
	Design and sale of office furniture
	HK$
Segment assets	93,122,545
Unallocated assets	50,045,643
Total assets	143,168,188
Segment liabilities	74,869,169
Unallocated liabilities	12,682,189
Total liabilities	87,551,358
Other information	
Capital expenditure	7,720,585
Depreciation and amortisation	2,620,888
Allowance for doubtful debts	1,359,213

38. SEGMENT INFORMATION (CONTINUED)

Secondary reporting format – Geographical segments

	Continuing operations		Discontinued operation							
	Hong Kong		Hong Kong		The PRC		Overseas		Unallocated	
	2008 HK$	2007 HK$	2008 HK$	2007 HK$	2008 HK$	2007 HK$	2008 HK$	2007 HK$	2008 HK$	2007 HK$
Revenue from external customer	39,172,566	–	66,888,995	92,466,330	139,310,047	145,060,229	59,257,961	61,771,922	–	–
Segment assets	152,004,878	–	–	17,837,960	–	40,876,448	–	7,971,144	–	76,482,635
Capital expenditure	199,660	–	613,127	615,368	1,368,858	2,221,182	–	–	–	4,884,635

39. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 23 June 2008.