Annual Report **2009**

帝通

EMCOM INTERNATIONAL LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code:8220

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. 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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

The Hong Kong Exchanges and Clearing Limited and The Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors of Emcom International 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 (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The directors of the Company (the "Directors"), having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) 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.

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Lam Kwok Ho
Chan Cheong Yee

Independent Non-Executive Directors

Tsang Fung Chu
Wong Chi Keung Patrick
Chong Lee Chang

COMPANY SECRETARY

Cheng Chai Fu

COMPLIANCE OFFICER

Chan Cheong Yee

AUDIT COMMITTEE

Tsang Fung Chu
Wong Chi Keung Patrick
Chong Lee Chang

REMUNERATION COMMITTEE

Wong Chi Keung Patrick
Tsang Fung Chu
Chong Lee Chang

AUTHORIZED REPRESENTATIVE

Chan Cheong Yee
Cheng Chai Fu

AUDITORS

Graham H. Y. Chan & Co.
Certified Public Accountants

PRINCIPAL BANKERS

The Hong Kong and Shanghai Banking Corporation Limited

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

30th Floor, Times Media Centre
133 Wan Chai Road, Hong Kong

SHARE REGISTRARS AND TRANSFER OFFICES

Principal Registrar

HSBC Trustee (Cayman) Limited
P.O. Box 513 G.T. Strathvale House
North Church Street, George Town
Grand Cayman, Cayman Islands
British West Indies

Branch Registrar

Tricor Tengis Limited
26/F, Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

STOCK CODE

8220

WEBSITE

http://www.emcominternational.com

Directors' Business Review

On behalf of the Board of Directors (the "Board"), I hereby present the annual report of Emcom International Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 March 2009 (the "Year") to our shareholders.

GENERAL

During the Year, the Group is principally organized into the business segments of continuing operations including sales and trading of telecommunication and electronic equipment, commodities, and computer hardware and relevant peripherals ("Trading"), and provision of property management services ("Property Management"); and the business segments of discontinuing operations comprising telecommunication services ("Telecommunication"), digital versatile disc players ("DVD Players"), and mobile phones ("Mobile Phones").

FINANCIAL REVIEW

During the Year, the Group recorded a total turnover of approximately HK$214,935,000, representing increase of approximately 117% as compared with HK$98,779,000 for 2008.

Loss attributable to shareholders for the Year was approximately HK$95,531,000 compared with a loss of HK$27,067,000 for 2008.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 March 2009, the Group had total assets of approximately HK$48,343,000 (31 March 2008 (restated): HK$101,650,000), including cash and cash equivalents of approximately HK$15,403,000 (31 March 2008: HK$39,612,000). There was pledged bank deposit of HK$150,000 as at 31 March 2009 (31 March 2008: 150,000).

During the Year, the Group financed its operations mainly with its own working capital, proceeds from convertible note converting in new shares of the Company at the conversion price of HK$0.26 per share in April 2008 and proceeds from top-up placing existing shares and top-up subscription new shares of the Company completed on 7 January 2009. As at 31 March 2009, save as disclosed in note 30 to the financial statement there was no bank overdraft (31 March 2008: Nil) and there was no other charge on the Group's assets (31 March 2008: Nil).

As at 31 March 2009, the debt ratio (defined as the ratio between total liabilities over total assets) was approximately 0.93 (31 March 2008 (restated): approximately 0.63).

Directors' Business Review

On 24 December 2008, the Company, Emcom Limited ("Emcom") and the placing agent entered into the top-up placing and subscription agreement, pursuant to which Emcom agreed to place 540 million existing shares at a price of HK$0.02 per top-up placing share on a fully underwritten basis and agreed to subscribe for 540 million top-up subscription shares at a price of HK$0.02 per top-up subscription share (the "Top-up Placing and Top-up Subscription"). The Top-up Placing and the Top-up Subscription was completed on 5 January 2009 and 7 January 2009 respectively, of which the gross proceeds from the Top-up Subscription would be approximately HK$10,800,000 and the maximum net proceeds of approximately HK$10,440,000 from the Top-up Subscription would increase the working capital of the Company and also to finance its further funding requirements pursuant to the agreement entered into between the Easybuild Assets Management Limited, a wholly-owned subsidiary of the Company, and ISF Asset Manager Limited on 2 December 2008, details of which were disclosed in the announcement of the Company dated 3 December 2008. The details of the Top-up Placing and Top-up Subscription were set out in an announcement dated 24 December 2008 and 7 January 2009 respectively.

LITIGATION

On 6 May 2008, the Company entered into a conditional sale and purchase agreement (the "Agreement"), supplemented by a supplemental agreement on 21 May 2008 (the "Supplemental Agreement"), with Mr. Lee Kwok Ning Lobo and Ms. Lin Wai Yan (collectively the "Vendors") and Mr. Yong Wai Hong, the former Chairman and chief Executive Officer of the Company, as warrantor to acquire a group of financial service companies engaging in advising on securities, assets management, dealing in securities and advising on corporate finance, all being regulated activities under the Securities and Futures Ordinance, at a consideration of HK$180,000,000. The consideration for the acquisition will be satisfied at completion as to HK$30,000,000 in cash and as to HK$150,000,000 by issue of convertible notes by the Company to the Vendors or their respective nominees. Details of the transaction were contained in the Company's circular dated 23 June 2008.

Nonetheless, at the extraordinary general meeting held on 16 July 2008, the relevant resolutions of the transaction were not passed and hence the transaction did not proceed further.

On 16 July 2008, the Company received a claim from the Vendors for approximately HK$180,000,000 alleging the breach of the Agreement and the Supplemental Agreement. On 22 July 2008, the Company had appointed P.C. Woo & Co. as the legal adviser of the Company ("Legal Adviser") for the litigation ("Litigation") and the legal opinion was received on 30 July 2008. The Legal Adviser is of the view that the Company has a good defense to the Litigation and further advises the Company to vigorously contest the Litigation once the writ is served by the Vendors' solicitors.

Following the legal opinion received on 30 July 2008 from the Legal Adviser, the Company and the Directors received the Amended Writ of Summons served by the solicitors of the Vendors on 4 September 2008, the Legal Adviser filed the Acknowledgment of Service of the Amended Writ of Summons on behalf of the Company on 5 September 2008; on 18 September 2008, by a Notice of Discontinuance the Vendor had wholly discontinued their action against Mr. Lam Kwok Ho, Ms. Tsang Fung Chu and Mr. Wong Chi Keung Patrick, from the Litigation, subsequently on 29 October 2008, the Vendor by another Notice of Discontinuance had further wholly discontinued their action against Mr. Lee Pin Yeow and Jolly King Limited from the Litigation; on 30 October 2008 the Statement of Claim was served on the Company and the Directors. The Legal Adviser representing both the Company and Emcom Limited would obtain an extension of time from the court for the filing and service of the Company's defence (the "Defence") to 12 January 2009. According to the Legal Adviser, the Company's Defense would be filed and served on or before 12 January 2009.

According to the Legal Adviser there was nothing critical that will cause them to amend their previous opinion as at 30 July 2008, the Company and the Directors are of the view that the Company has a very good defence to the Litigation and is seriously evaluating the potential counterclaim against the Vendor either in the Litigation or in a separate action and reserves the right to claim against the Vendor for any damages incurred. Details of the latest progress of the Litigation would be contained in the Company's announcement dated 17 January 2009.

ACQUISITIONS

On 5 November 2008, Sinoeye Limited ("SL"), an indirectly wholly-owned subsidiary of the Company, entered into a joint venture agreement with an independent third party to subscribe 49% shareholding of a joint venture company at not more than RMB2,450,000. The details of the transaction were set out in an announcement dated 5 November 2008.

On 2 December 2008, Easybuild Assets Management Limited ("Easybuild"), a wholly-owned subsidiary of the Company, entered into an agreement with an independent third party pursuant to which Easybuild agreed to acquire 100% shareholdings of Gi Space Limited ("Gi") and Ty Space Limited ("Ty") at HK$6.8 million to be settled by way of issuing a promissory note. The details of the transaction were set out in an announcement dated 2 December 2008 and 19 December 2008 and the circular dated 22 December 2008 respectively.

SUBSEQUENT EVENT

On 27 May 2009, the Company as purchaser entered into an agreement with Beglobal Investments Limited, a company incorporated in the British Virgin Islands and an independent third party of the Company, and Ryoden Property Development Company Limited, a company incorporated in Hong Kong and an independent third party of the Company (the "Vendors") (the "Agreement"), pursuant to which the Company has agreed to acquire and the Vendors have agreed to sell of the (i) 2 shares of US$1.00 each in the share capital of the Harvest Yield Investments Limited, a company incorporated in the British Virgin Islands with limited liability ("Harvest"), representing the entire issued share capital in Harvest, which is beneficially owned by the Vendors in equal portion and (ii) the amounts equal to the entirety of the face value of the loans outstanding as at completion of the Acquisition pursuant to the terms and conditions of the Agreement made by the Vendors to Harvest for a total consideration of HK$300 million less the Outstanding Bank Loan. As at the date of the Agreement, the consideration amounts to HK$153 million.

FOREIGN EXCHANGE EXPOSURE

The Group's transactions during the Year were mainly denominated in Renminbi, HK Dollars, US Dollars and Singapore Dollars. Risk on exposure to fluctuation in exchange rates was insignificant to the Group.

EMPLOYEES

As at 31 March 2009, the Group had 45 (31 March 2008: 32) staff in the PRC and Hong Kong. Total staff costs including directors' remuneration were approximately HK$14,881,000 during the Year (31 March 2008: HK$7,035,000).

Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. Year end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to statutory mandatory provident fund scheme to its employees. To date, total 234,140,000 share options have been granted to certain directors, employees and advisors.

CONTINGENT LIABILITIES

As at 31 March 2009, the Group had no significant contingent liabilities (31 March 2008: Nil).

CAPITAL COMMITMENTS

As at 31 March 2009, the Group had capital commitments of approximately HK$5,255,000 (31 March 2008: approximately HK$286,000).

OPERATING LEASE COMMITMENTS

As at 31 March 2009, the commitments under non-cancellable operating lease are represented as follows:

	31 March 2009		31 March 2008	
	Properties (Audited) HK$'000	Others (Audited) HK$'000	Properties (Audited) HK$'000	Others (Audited) HK$'000
Not later than one year	1,708,000	–	2,896	195
Later than one year but not later than five years	703,000	–	2,149	585
Total operating lease commitments	2,411,000	–	5,045	780

OPERATION REVIEW

The Year had turned out to be a rather unusual year. The financial tsunami triggered by the US sub-prime crisis had driven the world economy into one of the worst recessions in modern history, impacting on every corner of the globe and every type of business activities. As a result, our Group's operating result for the Year was also inevitably affected, though the Group has taken every precautionary measure not only to ride out this unprecedented economic down-turn, but also to capture any opportunities arising therefrom.

For the Year, the Group recorded a total turnover of approximately HK$214,935,000, representing increase of approximately 117% as compared with HK$98,779,000 for 2008.

Loss attributable to shareholders for the Year was approximately HK$95,531,000 compared with a loss of HK$27,067,000 for 2008.

As reported in the previous financial statements and the financial results, competition encountered by the business segments including Telecommunication, DVD Players and Mobile Phones were extremely keen, coupled with the surge in labour related cost and appreciation of Renminbi. Therefore, the Group decided to organize those business segments as discontinuing operations and to reallocate and consolidate scarce financial resources and management time to other business segments or opportunities.

For the Year the Trading business segment had been successfully launched and exceedingly expanded, and Property Management business segment could contribute steady income to the Group.

Directors' Business Review

OUTLOOK

While the world economy will take some time to get through the current economic downturn, China is considered to be in relative healthy position and is generally expected to lead the world out of the recession.

We have made significant progress in building our Trading business segment in China. As a next step, we plan to pick up the business opportunities in a blooming mobile computing industry and Property Management in due course.

2009 will still be a year full of challenges. Nevertheless the management remains cautiously optimistic about the prospects of the Group's business in 2009 and beyond.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to extend my sincere gratitude to all our shareholders, investors and business partners for their continued support and confidence in the Group. I would also like to thank my fellow directors, especially the former Chairman and Chief Executive Officer, who have offered invaluable advice and leadership during such a challenging year and the management team and all staff for their dedication, loyalty and valued services.

For and on behalf of the board

Chan Cheong Yee
Executive Director
Hong Kong, 26 June 2009

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Lam Kwok Ho ("Mr. Lam"), aged 46, joined the Group in August 2007, is currently the Chief Executive of Head and Shoulders Asset Management Limited. Mr. Lam has over 20 years of work experience in the life insurance industry in Hong Kong and the PRC. Mr. Lam has worked Fortis Insurance Company as regional director and in Ping An Insurance Company Limited in the PRC and had also been an Agency General Manager of one of the leading insurance companies in Hong Kong. Mr. Lam obtained his master degree of business administration (elective e-commerce) from Charles Sturt University Australia in 2002.

Mr. Chan Cheong Yee ("Mr. Chan"), aged 45 was appointed as an Independent Non-Executive Director of the Company on 28 August 2007 and was re-designated to an Executive Director from an Independent Non-Executive Director on 14 April 2009. Mr. Chan is currently the sales director and the responsible officer of China Everbright Securities (HK) Limited. He is also an executive director of China Innovation Investment Limited, which is a listed investment company under Chapter 21 of the Rules Governing the Listing of Securities on the Stock Exchange, since June 2003. Mr. Chan has been in the financial and investment business for 20 years and directly involved in identifying investment opportunities, conducting due diligence, performing valuation, monitoring performance of investment portfolios and providing investment and divestment recommendations. Mr. Chan holds a bachelor degree of science majoring in finance. Mr. Chan is a registered and licensed person under the SFO to carry on regulated activities in dealing in securities, advising on securities, dealing in futures contracts and undertaking asset management.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Tsang Fung Chu ("Ms. Tsang"), aged 41, joined the Group in August 2007, is a certified public accountant, fellow of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Ms. Tsang holds a Bachelor Degree of Social Sciences from the University of Hong Kong and has broad experience in the finance and accounting field. She served as honorary auditor for several non-governmental and non-profit making organizations and has a number of government and public appointments, mainly in the Yaumatei/Tsimshatsui/Mongkok region in Hong Kong. She is also a member of All China Youth Federation, the PRC and is involved in the provision of professional services to various kinds of PRC companies and investors.

Directors and Senior Management

Mr. Wong Chi Keung Patrick ("Mr. Wong"), aged 58, joined the Group in November 2007, has been working in the insurance field for 30 years at senior management level in the area of sales management, during which several major sales awards and international recognitions have been achieved. Besides sales and marketing, Mr. Wong has put extensive effort in the training areas for insurance professionals, helping young recruits building a solid foundation in the financial planning career. Mr. Wong is currently working in Fortis Insurance Company as regional director, and he is also the master trainer and members of the Fortis Financial Services Academy, responsible for advising on the educational direction of the entire sales force, which is reaching a number of over 2,000 registered insurance agents. His major working areas are risk management and sales compliance. He is also an active member in the General Agents and Managers Association of Hong Kong and Life Underwriters Association of Hong Kong, which are the union and federation for the registered insurance mangers and agents in the professional insurance field.

Mr. Chong Lee Chang ("Mr. Chong"), aged 49, Malaysian, joined the Group on 31 March 2009, graduated with a BA (honours) degree in law from the Manchester Metropolitan University (formerly known as Manchester Polytechnic) in 1982. Mr. Chong was admitted to the Honourable Society of Lincoln's Inn, London, in 1982 and was enrolled as a barrister at law in 1983. In 1984, Mr. Chong was admitted as an advocate and solicitor of the High Court of Malaya and is currently holding a legal practicing certificate to practice law in Malaysia. Mr. Chong has more than 20 years of experience in legal practice in Malaysia. Mr. Chong is a senior partner of a Kuala Lumpur based law firm, Messrs. LC Chong & Co. His legal experience has included advising various companies from Asia and United Kingdom, including steel millers from China. Mr. Chong has served as an executive director of Antah Holdings Berhad, a public company listed on the main board of Bursa Malaysia and also held directorship in Permanis Sdn. Bhd., the Malaysian franchise holder and bottler of Pepsi-Cola and Seven-up. Mr. Chong has also served as a non-executive Director of Midwest Corporation Limited, a public company that was previously listed on the Australian Stock Exchange, and is engaged in mining, exploring and processing iron ore. Mr. Chong also holds directorship in CVM Minerals Limited since 27 December 2007, a company listed on the main board of The Stock Exchange of Hong Kong Limited since 22 December 2008.

Corporate Governance Report

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company endeavors in maintaining high standard of corporate governance for the enhancement of shareholders' value. The Company has complied with the required code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 to the GEM Listing Rules for the year ended 31 March 2009, except for the following deviation:

Code Provision A.2.1

This code stipulates that the role of chairman and chief executive officer should be separated and should not be performed by the same individual. The Board is in the process of locating an appropriate person to fill the vacancy of the chairman and chief executive officer of the Company as soon as practicable.

Recommended Best Practices A.4.4

The Company has not established a nomination committee. Instead, the full Board is involved in the appointment of new directors. The Board will take into consideration criteria such as expertise, experience, integrity and commitment when considering new director appointment. The Board will conduct in-depth assessment on the independence of candidates for post of independent directors.

DIRECTORS' SECURITIES TRANSACTIONS

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. 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 dealing and its code of conduct regarding securities transactions by directors.

BOARD OF DIRECTORS

The Board is responsible for determining the overall strategy, reviewing and approving the work plan of the Company; and overseeing the corporate governance of the Company. While the management of the Company is responsible for proposing and implementing the work plan of the Company, executing the day-to-day operation of the Company and undertaking any further responsibility as delegated by the Board from time to time.

Corporate Governance Report

The Board comprises two executive directors and three independent non-executive directors. The Board conducts regular scheduled meetings on a quarterly basis. Ad-hoc meetings are convened when circumstances require. Its composition and the attendance of individual directors at these board meetings were as follows:

Name		Number of meetings held during the term of office	Number of meetings attended
Executive directors			
Mr. Lam Kwok Ho		11	11
Mr. Chan Cheong Yee	(re-designated to executive director on 14 April 2009)	9	7
Mr. Yong Wai Hong	(resigned on 18 April 2009)	11	11
Independent non-executive directors			
Ms. Tsang Fung Chu		9	7
Mr. Wong Chi Keung Patrick		11	9
Mr. Chong Lee Chang	(appointed on 31 March 2009)	0	0

TERM OF APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Chi Keung Patrick, Ms. Tsang Fung Chu and Mr. Chong Lee Chang, the independent non-executive directors of the Company, are appointed for a term of 1 year and are subject to retirement and re-election at the Company's annual general meetings in accordance with the Articles of Association of the Company.

REMUNERATION OF DIRECTORS

The Company has established a remuneration committee with specific written terms of reference. The Committee is mainly responsible for making recommendation to the Board on policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration. The committee comprises three independent non executive Directors, namely Mr. Wong Chi Keung Patrick, Ms. Tsang Fung Chu and Mr. Chong Lee Chang. The Committee convened two meetings during the financial year ended 31 March 2009.

AUDITOR'S REMUNERATION

For the year ended 31 March 2009, fee for the Company's external auditor for audit services was HK$400,000. Except the statutory audit fee, the Company has paid nil to the external auditor for non-audit services.

AUDIT COMMITTEE

The Company has established an audit committee 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 the Company's annual report and accounts, interim reports and quarterly reports and to provide advice and comments thereon to the Board. The audit committee will also be responsible for reviewing and supervising the Company's financial reporting and internal control system.

The audit committee comprises three independent non-executive Directors, namely Ms. Tsang Fung Chu (Chairman), Mr. Wong Chi Keung Patrick and Mr. Chong Lee Chang. The Committee convened four meetings during the financial year ended 31 March 2009. During these meetings, the committee reviewed the annual, interim and quarterly results of the Company and made recommendations to the Board and the management in respect of the Company's financial reporting and internal control system. Details of the attendance of the audit committee meetings are as follows:

Name		Number of meetings held during the term of office	Number of meetings attended
Ms. Tsang Fung Chu		4	4
Mr. Wong Chi Keung Patrick		4	4
Mr. Chong Lee Chang	(appointed on 31 March 2009)	0	0
Mr. Chan Cheong Yee	(re-designated to executive director on 14 April 2009)	4	4

Accountability and Audit

The directors acknowledge their responsibility for preparing the accounts of the Company. As at 31 March 2009, the directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the directors have prepared the financial statements of the Company on a going concern basis.

The responsibilities of the external auditor on financial reporting are set out in the Independent Auditor's Report attached to the Company's Financial Statements for the year ended 31 March 2009.

The Board has conducted a review of the effectiveness of the Company's internal control system with an aim to safeguard the shareholders' investment and the Company's assets. The purpose is to provide reasonable, but not absolute, assurance against material misstatements, errors, losses or fraud, and to manage rather than eliminate risks of failure in achieving the Company's business objectives.

Directors' Report

The board of Directors (the "Board") of Emcom International Limited (the "Company") presents the audited financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 March 2009.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 21 to the financial statements.

RESULTS AND DIVIDEND

The Group's loss for the year ended 31 March 2009 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 25 to 28.

The Directors of the Company do not recommend the payment of final dividend for the year ended 31 March 2009 (2008: Nil).

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years is set out on page 108. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year are set out in note 18 to the financial statements.

SHARE CAPITAL, SHARE OPTIONS, WARRANTS AND CONVERTIBLE BONDS

Details of movements in either the Company's convertible notes, share capital and share option during the year are set out in notes 33, 35 and 39 to the financial statements.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

Directors' Report

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 36 to the financial statements and in the consolidated statement of changes in equity, respectively.

MAJOR CUSTOMERS AND SUPPLIERS

During in the Year, sales to the Group's five largest customers accounted for 98% of the total sales for the year and sales to the largest customer included therein amounted to 46%. Purchases from the Group's five largest suppliers accounted to 100% of the total purchases for the year and purchases from the largest supplier included therein amounted to 86%.

None of the directors of the Company or any of their associates or any shareholders which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital had any beneficial interest in the Group's five largest customers.

DIRECTORS

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

Executive directors:
Mr. Lam Kwok Ho
Mr. Chan Cheong Yee (re-designated to executive director on 14 April 2009)
Mr. Yong Wai Hong (resigned on 18 April 2009)

Non-executive directors:
Ms. Tsang Fung Chu
Mr. Wong Chi Keung Patrick
Mr. Chong Lee Chang (appointed on 31 March 2009)

In accordance with Article 86(3) of the Company's Articles of Association, Mr. Chong Lee Chang will retire at the forthcoming annual general meeting and, being eligible, offer himself for re-election.

The Company confirmed that it has received from each of its independent non-executive directors an annual confirmation of his independence pursuant to Rule 5.09 of the Rules Governing the Listing of Securities on Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the GEM Listing Rules) for the year ended 31 March 2009 and it still considered them to be independent as the date of this report.

DIRECTORS' SERVICE CONTRACTS

None of the Directors has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in notes 27 and 44 to the financial statements, no other contracts of significance in relation to the Group's business to which the Company, any of the subsidiaries or its holding company was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at the time during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2009, the following Directors of the Company had or were deemed to have interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) (i) 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 they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to herein; or (iii) which were, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors to be notified to the Company and the Stock Exchange:

(a) Long positions in the shares of the Company

Name of Directors	Nature of interest	Number of Shares held	Approximate percentage of issued share capital of the Company
Mr. Yong Wai Hong *(Note1)*	Interest of controlled corporation	1,487,996,000	45.66%
Mr. Lam Kwok Ho	Beneficial owner	16,000	0.00%

Note:

1. Mr. Yong Wai Hong was the former Chairman, Chief Executive Officer and Executive Director of the Company and resigned on 18 April 2009. Mr. Yong Wai Hong is deemed to be interested in 1,487,996,000 Shares through his beneficial interest in 15% of the entire issued share capital of Emcom Limited. Emcom Limited is a party acting in concert with Modern China Holdings Limited under section 317(1)(a) of the SFO. Emcom Limited is beneficially interested in 1,336,312,000 Shares or 41% of the issued share capital of the Company.

(b) **Long positions in the underlying shares of the Company**

The Company adopted a share options scheme on 19 October 2002 which the Board may, at their discretion, offer employees, non-executive Directors, independent non-executive Directors or any other persons who have contributed to the Group to take up share options to subscribe for shares subject to the terms and conditions stipulated in the share option scheme. Details of share options granted to the Directors as at 31 March 2009 were as follows:

Name of Director	Date of grant	Number of options held as at 1 April 2008	Number of options granted during the period	Number of options cancelled during the year	Number of options held as at 31 March 2009	Exercise price HK$	Exercise period
Mr. Yong Wai Hong *(Note)*	30 Dec 2008	–	2,700,000	–	2,700,000	0.027	30 Dec 2008 – 29 Dec 2011
Mr. Lam Kwok Ho	30 Dec 2008	200,000	2,700,000	200,000	2,700,000	0.027	30 Dec 2008 – 29 Dec 2011
Mr. Chan Cheong Yee	30 Dec 2008	200,000	2,700,000	200,000	2,700,000	0.027	30 Dec 2008 – 29 Dec 2011
Ms. Tsang Fung Chu	30 Dec 2008	200,000	2,700,000	200,000	2,700,000	0.027	30 Dec 2008 – 29 Dec 2011
Mr. Wong Chi Keung Patrick	30 Dec 2008	–	2,700,000	–	2,700,000	0.027	30 Dec 2008 – 29 Dec 2011

Note:

Mr. Yong Wai Hong was the former Chairman, Chief Executive Officer and Executive Director of the Company and resigned on 18 April 2009.

Save as disclosed above, as at 31 March 2009, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares of debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), (i) 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 were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

So far as known to the Directors, as at 31 March 2009, the following person (not being Directors or chief executive of the Company) had, or was deemed to have, interests or short in the Shares or underlying Shares (i) 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 (ii) who is expected, directly and indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group or (iii) which were required, pursuant to section 336 of the SFO, to be entered in the register referred to therein:

Long position in the shares of the Company

Name of Shareholder	Number of Shares held	Approximate percentage of issued share capital of the Company
Emcom Limited *(Note 1)*	1,487,996,000	45.66%
Jolly King Limited *(Note 2)*	1,487,996,000	45.66%
Mr. Phang Wah *(Note 2)*	1,487,996,000	45.66%
Modern China Holdings Limited *(Note 3)*	1,487,996,000	45.66%
Mr. Chen Jijin *(Note 3)*	1,487,996,000	45.66%
Beauvoir Holdings Limited *(Note 4)*	240,000,000	7.36%
Mr. Tsang Chi Man *(Note 4)*	240,000,000	7.36%
Shieldman Limited	237,736,095	7.29%

Notes:

1. The issued share capital of Emcom Limited is beneficially owned as to 75% by Mr. Phang Wah, 15% by Mr. Yong Wai Hong and 10% by Mr. Lee Pin Yeow. Mr. Yong Wai Hong was the former Chairman, Chief Executive Officer and Executive Director of the Company and resigned on 18 April 2009. Emcom Limited is a party acting in concert with Modern China Holdings Limited under section 317(1)(a) of the SFO. Therefore, Emcom Limited is deemed to be interested in 1,487,996,000 Shares. Emcom Limited is beneficially interested in 1,336,312,000 Shares or 41% of the issued share capital of the Company.

2. Jolly King Limited holds 75% interest in Emcom Limited and is therefore entitled to exercise or control the exercise of one-third or more of the voting power of Emcom Limited. The entire issued share capital of Jolly King Limited is held by Mr. Phang Wah. By virtue of the SFO, Jolly King Limited and Mr. Phang Wah are deemed to be interested in 1,487,996,000 Shares.

3. Modern China Holdings Limited is wholly and beneficially owned by Mr. Chen Jijin who was formerly the chairman and an executive Director. Modern China Holdings Limited is a party acting in concert with Emcom Limited under section 317(1)(a) of the SFO. Therefore, Modern China Holdings Limited is deemed to be interested in 1,487,996,000 Shares. Modern China Holdings Limited is beneficially interested in 151,684,000 Shares or 4.65% of the issued share capital of the Company.

4. Beauvoir Holdings Limited is wholly and beneficially owned by Mr. Tsang Chi Man.

Save as disclosed above, as at 31 March 2009, the Directors are not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short in the Shares or underlying Shares (i) 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 (ii) who is expected, directly and indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group or (iii) which were required, pursuant to section 336 of the SFO, to be entered in the register referred to therein.

SHARE OPTIONS SCHEME

The Company's share option scheme was adopted pursuant to written resolutions passed on 19 October 2002 (the "Scheme") for the primary purpose of providing incentives to directors, eligible employees and participants who have contributed to the Group, and will expire in 12 November 2012. Under the Scheme, the board of directors of the Company may grant options to full-time or part-time employees including directors (executive and non-executive) and any advisor, consultant, supplier, distributor, contractor, agent, business partner, promoter, service provider or customer of the Company or any of its subsidiaries, to subscribe for shares in the Company.

The following share options were outstanding under the Scheme during the year:

Category	Date of grant	Number of options held as at 1 April 2008	Number of options granted during the year	Number of options Cancelled/ lapsed during the year	Number of options held as at 31 March 2009	Exercise price HK$	Exercise period
Directors	30 Dec 2008	600,000	13,500,000	600,000	13,500,000	0.027	30 Dec 2008 – 29 Dec 2011
Employees	30 Dec 2008	2,264,000	640,000	2,264,000	640,000	0.027	30 Dec 2008 – 29 Dec 2011
Advisors	30 Dec 2008 and 24 Feb 2009	9,296,000	220,000,000	9,296,000	220,000,000	0.027 and 0.036	30 Dec 2008 – 29 Dec 2011/ 24 Feb 2009 – 23 Feb 2012
Total		12,160,000	234,140,000	12,160,000	234,140,000		

DIRECTORS' AND EMPLOYEES' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the sections headed "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES" and "SHARE OPTIONS SCHEME" above, none of the Directors or employees of the Group or their associates were granted by the Company or its subsidiaries the rights to acquire shares or debentures of the Company or any other body corporate, or had exercised any such rights as at 31 March 2009.

CONNECTED TRANSACTIONS

Save as disclosed in note 27 and 44 to the financial statements, no other connected transactions were entered into by the Group under the GEM Listing Rules.

COMPETING INTEREST

None of the Directors, the management shareholders or the substantial shareholders of the Company, or any of their respective associates, has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interest with the Group.

Directors' Report

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 45 to the financial statements.

AUDITORS

The financial statements have been audited by Graham H.Y. Chan & Co. and a resolution for their re-appointment as the Company's auditors for the upcoming year is to be proposed at the forthcoming annual general meeting. The former auditors, CCIF, resigned as the auditors of the Company on 13 January 2009 as the Company and CCIF could not reach a consensus about the auditors' remuneration. The Board and CCIF confirmed that there were no circumstances in connection with the resignation of CCIF that should be brought to the attention of the shareholders of the Company.

On behalf of the Board

Chan Cheong Yee
Executive Director

Hong Kong, 26 June 2009

Independent Auditor's Report

事會陳
務計浩
所師賢

GRAHAM H.Y. CHAN & CO.
CERTIFIED PUBLIC ACCOUNTANTS
HONG KONG

TO THE SHAREHOLDERS OF EMCOM INTERNATIONAL LIMITED
(incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of Emcom International Limited set out on pages 25 to 107 which comprise the consolidated and Company balance sheets as at 31 March 2009, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED 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 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 Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the 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 judgment, 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.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2009 and of the Group's loss 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.

Graham H.Y. Chan & Co.
Certified Public Accountants *(Practising)*
Unit 1, 15/F, The Center,
99 Queen's Road Central,
Hong Kong

26 June 2009

Consolidated Income Statement

For the Year ended 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
Continuing operations			
Turnover	6	213,195	–
Cost of sales		(210,589)	–
Gross profit		2,606	–
Reimbursement from licensor		2,271	–
Other revenue and other net income	7	122	3,620
Selling expenses		(116)	–
Administrative expenses		(29,606)	(12,932)
Other losses	11	(16,108)	(2,208)
Share of loss of associates	23	(63)	–
Finance costs	8	(77)	(1,475)
Loss before taxation		(40,971)	(12,995)
Taxation	14	(313)	–
Loss for the year from continuing operations	11	(41,284)	(12,995)
Discontinued operations			
Loss for the year from discontinued operations	9	(54,637)	(14,193)
Loss for the year	11	(95,921)	(27,188)
Attributable to:			
Equity holders of the Company	15	(95,531)	(27,067)
Minority interests		(390)	(121)
Loss for the year		(95,921)	(27,188)
DIVIDEND	16	–	–
Loss per share (cents per share)	17		
From continuing and discontinued operations			
Basic		(3.37)	(1.47)
Diluted		N/A	N/A
From continuing operations			
Basic		(1.44)	(0.70)
Diluted		N/A	N/A

Consolidated Balance Sheet

At 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000 (restated)
NON-CURRENT ASSETS			
Property, plant and equipment	18	3,039	7,746
Interests in a jointly controlled entity	22	–	21,326
Interests in an associate	23	–	–
Payment for investment in a joint venture		–	8,653
Other intangible assets	20	–	–
Goodwill	19	2,700	–
		5,739	37,725
CURRENT ASSETS			
Inventories	24	15,050	4,940
Trade receivables	25	5,395	4,179
Other receivables, deposits and prepayments		5,307	15,014
Amount due from a jointly controlled entity	26	–	30
Security deposit to a related company	27	800	–
Pledged bank deposit	28	150	150
Bank balances and cash	28	15,324	39,612
		42,026	63,925
Assets classified as held for sale	10	578	–
		42,604	63,925
CURRENT LIABILITIES			
Trade payables	29	2,740	4,316
Other payables and accruals		20,899	6,480
Promissory note	30	900	–
Amount due to an associate	23	63	–
Amount due to minority interests	32	966	–
Amount due to a related company	31	–	1,509
Tax payables		313	–
		25,881	12,305
Liabilities associated with assets classified as held for sale	10	19,185	–
		45,066	12,305
NET CURRENT (LIABILITIES)/ASSETS		(2,462)	51,620
TOTAL ASSETS LESS CURRENT LIABILITIES		3,277	89,345

Consolidated Balance Sheet

At 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000 (restated)
NON-CURRENT LIABILITY			
Convertible note	33	–	(51,721)
NET ASSETS		**3,277**	37,624
CAPITAL AND RESERVES			
Share capital	35	**32,590**	24,790
Reserves	36	**(29,545)**	12,955
		3,045	37,745
Minority Interests		**232**	(121)
TOTAL EQUITY		**3,277**	37,624

The financial statements on pages 25 to 107 were approved and authorised for issue by the board of directors on 26 June 2009 and are signed on its behalf by:

Chan Cheong Yee
DIRECTOR

Lam Kwok Ho
DIRECTOR

Balance Sheet

At 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	21	**27,356**	108,902
CURRENT ASSETS			
Other receivables, deposits and prepayments		**3**	235
Security deposit to a related company	27	**800**	–
		803	235
CURRENT LIABILITIES			
Other payables and accruals		**3,944**	662
Amount due to subsidiaries	21	**820**	20
		4,764	682
NET CURRENT LIABILITIES		**(3,961)**	(447)
TOTAL ASSETS LESS CURRENT LIABILITIES		**23,395**	108,455
NON CURRENT LIABILITIES			
Convertible notes	33	**–**	(51,721)
NET ASSETS		**23,395**	56,734
CAPITAL AND RESERVES			
Share capital	35	**32,590**	24,790
Reserves	36	**(9,195)**	31,944
TOTAL EQUITY		**23,395**	56,734

Chan Cheong Yee
DIRECTOR

Lam Kwok Ho
DIRECTOR

Consolidated Statement of Changes in Equity

For the Year ended 31 March 2009

	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Equity component of convertible note HK$'000	Share option reserve HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 April 2007	6,374	50,295	3,930	–	–	2,373	(50,487)	12,485	–	12,485
Exchange difference arising from translation of financial statements	–	–	–	–	–	3,841	–	3,841	–	3,841
Loss for the year	–	–	–	–	–	–	(27,067)	(27,067)	(121)	(27,188)
Total recognised income and expense for the year	–	–	–	–	–	3,841	(27,067)	(23,226)	(121)	(23,347)
Issue of new shares of HK$0.01 each completed on 31 July 2007	18,000	12,600	–	–	–	–	–	30,600	–	30,600
Issue of new shares of HK$0.01 each completed on 29 February 2008	416	4,961	–	–	–	–	–	5,377	–	5,377
Issue of convertible note on 11 October 2007	–	–	–	12,154	–	–	–	12,154	–	12,154
Equity-settled share option arrangement	–	–	–	–	355	–	–	355	–	355
At 31 March 2008	24,790	67,856	3,930	12,154	355	6,214	(77,554)	37,745	(121)	37,624
Exchange difference arising from translation of financial statements	–	–	–	–	–	(2,455)	–	(2,455)	(5)	(2,460)
Loss for the year	–	–	–	–	–	–	(95,531)	(95,531)	(390)	(95,921)
Transfer to profit or loss on disposal of foreign operations	–	–	–	–	–	(45)	–	(45)	–	(45)
Total recognised income and expense for the year	–	–	–	–	–	(2,500)	(95,531)	(98,031)	(395)	(98,426)
Conversion from the convertible note took place on 9 April 2008	2,400	60,000	–	(12,154)	–	–	–	50,246	–	50,246
Issue of new shares of HK$0.01 each completed on 7 January 2009	5,400	5,400	–	–	–	–	–	10,800	–	10,800
Capital injection by minority interest holders of a subsidiary	–	–	–	–	–	–	–	–	748	748
Issuing expenses	–	(359)	–	–	–	–	–	(359)	–	(359)
Cancellation or lapse of share option granted	–	–	–	–	(355)	–	355	–	–	–
Equity-settled share option arrangement	–	–	–	–	2,644	–	–	2,644	–	2,644
At 31 March 2009	32,590	132,897	3,930	–	2,644	3,714	(172,730)	3,045	232	3,277

Consolidated Cash Flow Statement

For the Year ended 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000 (restated)
CASH FLOW FROM OPERATING ACTIVITIES			
Loss for the year:		**(95,921)**	(27,188)
Adjustments for:			
Income tax expenses		**313**	(527)
Interest on convertible notes		**77**	1,475
Other interest expenses		**–**	838
Share of loss of a jointly controlled entity		**721**	1,337
Share of loss of an associate		**63**	–
Loss on disposal of a subsidiary		**580**	–
Interest income		**(119)**	(565)
Depreciation and amortization		**4,313**	3,392
Impairment loss in respect of property, plant and equipment		**888**	9,130
Impairment loss in respect of goodwill		**3,759**	–
Impairment loss in respect of other intangible assets		**2,080**	–
Impairment loss in respect of inventory		**15,783**	–
Written off in respect of interests in a jointly controlled entity		**18,928**	–
Impairment loss in respect of payment for investment in a joint venture		**8,653**	–
Impairment loss in respect of other receivables, deposits and prepayment		**1,025**	–
Loss on disposal of property, plant and equipment		**9,069**	6
Loss on redemption of convertible note		**–**	2,208
Amount due to a former director written-off		**–**	(3,172)
Equity-settled share option expense		**2,644**	355
Operating cash flows before working capital changes		**(27,144)**	(12,711)
(Increase)/decrease in inventories		**(26,196)**	2,735
(Increase)/decrease in trade receivables		**(432)**	10,953
Decrease/(increase) in other receivables, deposits and prepayments		**8,878**	(8,855)
Increase in security deposit to a related company		**(800)**	–
Decrease in amount due from a related company		**–**	6,535
(Increase)/decrease in amount due from a jointly controlled entity		**(1)**	35
(Decrease)/increase in amount due to a related company		**(1,509)**	1,509
Increase/(decrease) in trade payables		**3,285**	(12,658)
Increase in other payables and accruals		**22,744**	10,270
Increase in amount due to minority interest		**966**	–
CASH USED IN OPERATION		**(20,209)**	(2,187)
Tax refunded		**–**	6,351
NET CASH (USED IN)/FROM OPERATING ACTIVITIES		**(20,209)**	4,164

Consolidated Cash Flow Statement

For the Year ended 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000 (restated)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for investment in a joint venture		–	(8,653)
Acquisition of subsidiaries	*37*	**3,747**	–
Increase in pledged bank deposit		–	(150)
Purchase of other intangible assets		**(2,340)**	–
Purchase of property, plant and equipment		**(10,904)**	(5,830)
Proceeds from disposal of property, plant and equipment		**941**	-
Net cash outflow from disposal of subsidiaries	*38*	**(41)**	(20)
Interests in a jointly controlled entity		–	(513)
Interest received		**119**	565
NET CASH USED IN INVESTING ACTIVITIES		**(8,478)**	(14,601)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from placement of new shares		**10,441**	30,600
Proceeds from issue of convertible notes		–	62,400
Repayment of convertible note		–	(18,400)
Repayment of bank loans		–	(25,293)
Repayment of amount due to a director		–	(8,088)
Repayment of promissory notes		**(5,900)**	–
Capital injection from minority interests		**748**	–
Interest paid		–	(838)
NET CASH GENERATED FROM FINANCING ACTIVITIES		**5,289**	40,381
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(23,398)**	29,944
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**39,612**	8,624
Effect of foreign exchange rate changes		**(811)**	1,044
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	*28*	**15,403**	39,612

Notes to Financial Statements

For the Year ended 31 March 2009

1. CORPORATE INFORMATION

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 21 to the financial statements.

The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the head office and principal place of business of the Company in Hong Kong is located at 30th Floor, Times Media Centre, 133 Wan Chai Road, Hong Kong. The Company has its primary listing on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure provisions of The Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and the disclosure requirements of the Hong Kong Companies Ordinance. A summary of the significant accounting policies adopted by the Group is set out below. These financial statements have been prepared under historical cost convention except for certain financial instruments which are measured at fair value, as explained in the accounting policies set out below.

The Group has adopted the following new standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA that have been effective for the current year's financial statements.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of these new HKFRSs had no material effect on how the results and financial position of the Company for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new and revised standards, amendments and interpretations that have been issued but are not yet effective.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Statement of compliance (Continued)

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 1 (Revised)	Presentation of Financial Statements[3]
HKAS 23 (Revised)	Borrowing Costs[3]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[4]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[3]
HKAS 39 (Amendment)	Eligible Hedged Items[4]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[3]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[4]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[3]
HKFRS 3 (Revised)	Business Combinations[4]
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[3]
HKFRS 8	Operating Segments[3]
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives[8]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[5]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[3]
HK(IFRIC) – Int 16	Hedge of a Net Investment in a Foreign Operation[6]
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners[4]
HK(IFRIC) – Int 18	Transfer of Assets from Customers[7]

1 Effective for annual periods beginning on or after 1 January 2009 except for the amendment to HKFRS 5, which is effective for annual periods beginning on or after 1 July 2009

2 Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate

3 Effective for annual periods beginning on or after 1 January 2009

4 Effective for annual periods beginning on or after 1 July 2009

5 Effective for annual periods beginning on or after 1 July 2008

6 Effective for annual periods beginning on or after 1 October 2008

7 Effective for transfers of assets from customers received on or after 1 July 2009

8 Effective for annual periods ending on or after 30 June 2009

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Statement of compliance (Continued)

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments and interpretations will have no material impact on the results and the financial position of the Group.

b) Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet with equity, separately from equity attributable to the equity holders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity holders of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Consolidation (Continued)

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

c) Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business Combinations" are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in income statement.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

d) Goodwill

Goodwill arising on acquisitions on or after 1 January 2005

Goodwill arising on an acquisition of a business for which the agreement date is on or after 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a business is presented separately in the consolidated balance sheet.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Goodwill (Continued)

Goodwill arising on acquisitions on or after 1 January 2005 (Continued)

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

e) Subsidiaries

A subsidiary is a company controlled by the Company. Subsidiaries are considered to be controlled if the Company has the power, directly or indirectly, to govern the financial and operating policies so as to obtain benefits from their activities.

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

f) Jointly controlled entities

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group or Company and other parties, where the contractual arrangement establishes that the Group or Company and one or more of the other parties share joint control over the economic activity of the entity.

An investment in a jointly controlled entity is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the jointly controlled entity's net assets, unless it is classified as held for sale. The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the jointly controlled entities for the year.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Jointly controlled entities (Continued)

When the Group's share of losses exceeds its interest in the jointly controlled entity, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the jointly controlled entity. For this purpose, the Group's interest in the jointly controlled entity is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the jointly controlled entity.

Unrealised profits and losses resulting from transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entity, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

g) Investment in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

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, after reassessment, is recognised immediately in the profit and loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets' (disposal groups') previous carrying amount and fair value less costs to sell.

i) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Major costs incurred in restoring property, plant and equipment to their normal working condition are charged to the income statement. Improvements are capitalised and depreciated over their expected useful lives.

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the enterprise. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

The gain or loss on disposal of property, plant and equipment is determined as the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

Depreciation is calculated on the straight-line basis to write-off the cost of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Computers	25%
Leasehold improvement	Over the shorter of the lease terms and 20%
Motor vehicles	20%
Furniture, fixtures and equipment	20%
Plant and machinery	10%
Moulds	20%

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Property, plant and equipment (Continued)

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

j) Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortization and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

Research and development expenditures

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the tangible asset first meets the recognition criteria. Where no internally-generated intangible asset can be recognised, development expenditure is charged to income statement in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets acquired separately.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, calculated on a first-in, first-out basis, comprises all costs of purchases, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

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.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

l) Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the consolidated income statement.

The Group's financial assets are classified as loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or where appropriate, a shorter period.

Interest income is recognised on an effective interest basis for debt instruments.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) Financial instruments (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade receivables, amount due from a jointly controlled entity, security deposit to a related company, pledged bank deposits and cash and cash equivalents) are carried at amortised cost using the effective interest method, less any identified impairment losses, (see accounting policy on impairment loss on financial assets below), unless the effect of discounting would be immaterial, in which case they are stated at cost less provision for impairment.

Impairment loss on financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For all the Group's financial assets, objective evidence of impairment could include:

– significant financial difficulty of the issuer or counterparty; or

– default or delinquency in interest or principal payments; or

– it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade and other receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) Financial instruments (Continued)

Impairment loss on financial assets (Continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and amount due from group companies, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable or amount due from group companies is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss and other financial liabilities. The Group classifies its financial liabilities into other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expenses over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, when appropriate, a short period.

Interest expense is recognised on an effective interest basis.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) Financial instruments (Continued)

Other financial liabilities

Other financial liabilities including trade and bills payables, other payables and accruals and borrowings are 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.

Convertible note

Convertible notes issued by the Company that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

An initial recognition the liability component of the convertible notes is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in income statement on the liability component is calculated using the effective interest method. The equity component is recognised in the convertible loan notes equity reserve until either the note is converted or redeemed.

If the note is converted, the convertible loan note equity reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, the convertible loan notes equity reserve is released directly to retained profits.

Equity instruments

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) Financial instruments (Continued)

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in the consolidated income statement.

For financial liabilities, they are derecognised from the Group's balance sheet when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in the consolidated income statement.

m) Impairment of other assets other than goodwill (see the accounting policy in respect of goodwill above)

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– intangible assets;

– investments in subsidiaries;

– investment in an associate and

– investment in a jointly controlled entity.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m) Impairment of other assets other than goodwill (see the accounting policy in respect of goodwill above) (Continued)

Calculation of recoverable amount

The recoverable amount of an asset is the greater of its 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e., a cash-generating unit).

Recognition of impairment losses

An impairment loss is recognised in the income statement whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

Reversal of impairment losses

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

Interim financial reporting and impairment

Under the GEM Listing Rules, the Company is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year.

Impairment losses recognised in an interim period in respect of goodwill and available-for-sale financial asset carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

n) Cash and cash equivalents

Cash and cash equivalents are short-term, highly liquid investments which are readily convertible into known amounts of cash without notice and which were within three months of maturity when acquired. Cash and cash equivalents include investments and advances denominated in foreign currencies provide that they fulfill the above criteria.

For the purposes of the cash flow statement, cash and cash equivalents would also include bank overdrafts and advances from banks repayable within three months from the date of the advance.

o) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a 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 expenditure 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 of economic benefits 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 of economic benefits is remote.

p) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and these benefits can be measured reliably.

(i) Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

(ii) Income in respect of telecommunication services provided to customers is recognised when the services are rendered.

(iii) Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

q) Reimbursement from licensor

Pursuant to the agreement between the licensor of the shopping mall and the Group, the licensor will reimburse the Group all actual and renewable costs and expenses paid by the Group in connection with fulfillment of the obligation of the Group on the condition that the prior written approval of the licensor is obtained. Reimbursement from licensor is recognised when the relevant expenses incurred are certain to be reimbursable by the licensor and is presented as a separate item in the consolidated income statement.

r) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary differences or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

r) Income tax (Continued)

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously: or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

s) Operating leases

Lease where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight line basis.

t) Employee benefits

(i) Short-term employee benefits

Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employee of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Contributions to defined contribution retirement plan

The Group operates a defined contribution mandatory provident fund retirement benefits scheme (the "Hong Kong Scheme") under the Mandatory Provident Fund Scheme Ordinance, for those employees who are eligible to participate in the Hong Kong Scheme. The Hong Kong Scheme became effective on 1 December 2000. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the Hong Kong Scheme. The assets of the Hong Kong Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the Hong Kong Scheme.

The Group contributes on a monthly basis to defined contribution retirement benefit plan organized by relevant municipal governments in the People's Republic of China ("PRC"). The municipal governments undertake to assume the retirement benefit obligations of all existing and future retired employees payable under the plan. Contribution to the plan is expensed as incurred. The assets of the plan are held separately from those of the Group in independently administered funds managed by the PRC Government.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

t) Employee benefits (Continued)

(iii) Share-based compensation

The Company operates an equity-settled share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

u) Share options granted to advisors

For share options granted to advisers in exchange for services, they are measured at the fair value of the services received. The fair values of the services are recognised as expenses immediately, unless the services qualify for recognition as assets. Corresponding adjustments have been made to equity (share option reserve).

v) Borrowing costs

Borrowing costs are expensed in the income statement in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying assets for its intended use or sale are interrupted or complete.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

w) Translation of foreign currencies

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 ("HK$"), which is the Company's functional and presentation currency, and all values are rounded to the nearest thousand except when otherwise indicated.

Transactions and balances

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

Non-monetary assets and liabilities measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

Group companies

The financial statements of all the Group's entity (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

(ii) income and expenses for each 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 dates of the transactions); and

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

w) Translation of foreign currencies (Continued)

Group companies (Continued)

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

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

x) Related parties

A party is considered to be related to the Group if:

(i) directly, or indirectly through one or more intermediaries, the party:

- control, is controlled by, or is under common control with, the Group;
- has an interest in the Company that gives it significant influence over the Group; or
- has joint control over the Group

(ii) the party is a member of key management personnel of the Company;

(iii) the party is a close member of the family of any individual referred to in (i) and (ii);

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

(v) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

y) Segment Reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or 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 chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purpose of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. 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. Intra-segment pricing is based on similar terms as those available to other external parties.

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

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, corporate and financing expenses and minority interests.

3. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The carrying amounts of each of the categories of the Group and the Company's financial assets and liabilities as at the balance sheet date are as follows:

	The Group		The Company	
	2009 HK$'000	2008 HK$'000 (Restated)	**2009 HK$'000**	2008 HK$'000
Financial assets				
Loans and receivables (including cash and cash equivalents)	**22,082**	54,102	**28,155**	109,133
Financial liabilities				
Financial liabilities measured at amortised cost	**29,665**	63,406	**3,769**	51,803

(b) Financial risk management objectives and policies

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

(i) Foreign currency risk

The Group is exposed to foreign currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily Euros, Singapore dollars, United States dollars and Renminbi.

Most of the trading transactions of the Group were denominated in Euro, United States dollars and in Renminbi. As the Group considers the risk of movements in exchange rates between the Hong Kong dollar and the United States dollar to be insignificant, while the official rates for United States dollars has remained stable and the risk on Renminbi exposure is insignificant for both years, no hedging or similar measures have been implemented by the Group. However, the management monitors the foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

3. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(i) Foreign currency risk (Continued)

As at 31 March 2009 and 2008, most assets and liabilities of the Group were denominated in Hong Kong dollars. Given this, management does not expect that there will be any significant currency risk associated with the Group.

	2009			2008		
	SGD'000	**USD'000**	**RMB'000**	SGD'000	USD'000	RMB'000
Assets	**–**	**1,004**	**1,548**	35	5,170	1,267
Liabilities	**–**	**–**	**(18,280)**	(34)	(42)	(3,418)

There is no significant effect on the Group's result for 2009 and 2008 in response to reasonably possible changes in the foreign exchange rates to which the Group has exposure at the balance sheet date. In this respect, it is assumed that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to the Group's exposure to foreign exchange risk for financial instruments in existence at that date and that all other variables, in particular interest rates, remain constant. It is also assumed that the pegged rate between HKD and USD would be materially unaffected by any changes in movement in value of USD against other currencies. The analysis is performed on the same basis for 2008.

(ii) Interest rate risk

The Group is exposed to the cash flow interest rate risk and fair value interest rate risk due to its bank deposits and borrowings, respectively, carrying interest at variable and fixed rates which are disclosed in note 28 and note 33 to the financial statements respectively. The Group currently does not have an interest rate hedging policy and does not use any derivative instruments to reduce its economic exposure to the changes in interest rates.

There is no significant impact on the Group's result for 2009 and 2008 in response to reasonably possible changes in the interest rates to which the Group has exposure at the balance sheet date. In this respect, it is assumed that the change in interest rates had occurred at the balance sheet date and had been applied to the Group's exposure to interest rate risk for financial instruments in existence at that date, and that all other variables, in particular foreign exchange rates, remain constant.

3. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(iii) Credit risk

The Group's credit risk is primarily attributable to cash at bank, trade and other receivables and deposits. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Cash at bank are placed with high-credit-quality institutions and directors of the Group consider that the credit risk for such is minimal.

In respect of trade receivables, credit evaluations are performed on all customers requiring credit over a certain amount. These receivables are due within 60-120 days from the date of billing. Debtors with overdue balances, which will be reviewed on a case-by-case basis, are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

In order to minimise the credit risk in respect of deposit, trade and other receivables, the Group reviews the recoverable amount at each balance sheet date to ensure that adequate allowances are made for irrecoverable amounts. In this regard, the directors of the Group consider that the Group's credit risk is significantly reduced.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. At the balance sheet date, the Group has a certain concentration of credit risk as 81% (2008: 99%) of the total trade receivables was due from the Group's five largest customers.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance. The Group does not provide any guarantees which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk from trade receivables are set out in note 25 to the financial statements.

3. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(iv) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the board of directors when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realizable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the balance sheet date of the Group's and the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates current at the balance sheet date) and the earliest date the company can be required to pay:

The Group

	2009				2008			
	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	Carrying amount (Restated) HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000
Trade payables	10,284	10,284	10,284	–	4,316	4,316	4,316	–
Other payables and accruals	17,452	17,452	17,452	–	5,860	5,860	5,860	–
Promissory note	900	900	900	–	–	–	–	–
Convertible notes	–	–	–	–	51,721	51,721	–	51,721
Amount due to an associate	63	63	63	–	–	–	–	–
Amount due to minority interests	966	966	966	–	–	–	–	–
Amounts due to a related company	–	–	–	–	1,509	1,509	1,509	–
	29,665	29,665	29,665	–	63,406	63,406	11,685	51,721

3. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(iv) Liquidity risk (Continued)

The Company

	2009				2008			
	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Other payables and accruals	2,949	2,949	2,949	–	62	62	62	–
Convertible notes	–	–	–	–	51,721	51,721	–	51,721
Amounts due to subsidiaries	820	820	820	–	20	20	20	–
	3,769	3,769	3,769	–	51,803	51,803	82	51,721

(v) Fair values

The fair values of debt elements of convertible notes is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as inputs.

All other financial instruments are carried at amounts not materially different from their fair values as at 31 March 2009 and 2008 due to short maturity of these instruments.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

a) Useful lives of property, plant and equipment and intangible assets (other than goodwill)

The Group's management determines the estimated useful lives and related depreciation and amortization charges for its property, plant and equipment and intangible assets (other than goodwill). This estimate is based on the historical experience of the actual useful lives of property, plant and equipment and intangible assets of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry activities. Management will increase the depreciation and amortization charges where useful lives are less than previously estimated lives or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Periodic review could result in a change in depreciable and amortization lives and therefore depreciation and amortization expense in future periods.

b) Impairment of jointly controlled entity

The Group assesses annually whether the investment in the jointly controlled entity has suffered any impairment in accordance with the accounting policy stated in note 2(f). The recoverable amount of the investment in the jointly controlled entity is determined using discounted cash flows calculations.

c) Impairment of trade and other receivables

The Group makes impairment loss on doubtful debts based on an assessment of the recoverability of trade receivables and other receivables. Impairment is applied to trade receivables and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of receivables and doubtful debt expenses in the period in which such estimate has been changed.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

d) Estimated net realisable value of inventories

The Group determines the write-down for slow-moving or obsolete inventories based on an assessment of the net realisable value of the inventories. Write-down is applied to the inventories where events or changes in circumstances indicate that the net realisable value is less than cost. The determination of net realisable value requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of the inventories and inventory expenses in the period in which such estimate has been changed.

e) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

The carrying amount of goodwill at the balance sheet date was HK$2.7 million (2008: Nil) after an impairment loss of HK$3.7 million (2008: Nil) was recognised during the year ended 31 March 2009. Details of the impairment loss calculation are set out in note 19.

f) Fair value of debt elements and conversion option elements in respect of convertible notes

As described in note 33, Binomial option pricing model is selected for valuation of conversion option elements of convertible notes. It is based on the significant inputs into calculation included interest rate, risk free rate, terms and conditions of the convertible notes, and initial public offering date.

g) Valuation of share options granted

The fair value of share option granted was calculated using the Binomial pricing model based on the Group's management's significant inputs into calculation the volatility of share price, weighted average share prices and exercise price of the share options granted. Furthermore, the calculation assumes nil future dividends.

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

a) Primary reporting format – business segments

For management purposes, the Group is organised into five business segments:

Mobile phones	–	Manufacturing and trading of mobile phones
DVD players	–	Sales of digital versatile disc players
Telecommunication	–	Provision of telecommunication services
Trading	–	Sales and trading of telecommunication and electronic equipment, commodities, and computer hardware and relevant peripherals
Property management	–	Provision of property management services

The following tables present turnover, loss and certain assets and liabilities information for the Group's business segments.

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

a) Primary reporting format – business segments (Continued)

TURNOVER AND RESULTS
Year ended 31 March 2009

	Continuing operations			Discontinued operations				
	Trading	Property management	Sub-total	Mobile phones	DVD players	Telecom-munication	Sub-total	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TURNOVER								
External	212,683	512	213,195	–	1,491	249	1,740	214,935
SEGMENT RESULTS	(3,895)	(1,462)	(5,357)	–	(5,293)	(3,184)	(8,477)	(13,834)
Interest income			111				8	119
Unallocated corporate expenses			(35,585)				(45,447)	(81,032)
Loss from operation			(40,831)				(53,916)	(94,747)
Finance costs			(77)				–	(77)
Share of loss of a jointly controlled entity			–				(721)	(721)
Share of loss of an associate			(63)				–	(63)
Loss before taxation			(40,971)				(54,637)	(95,608)
Taxation			(313)				–	(313)
Loss for the year			(41,284)				(54,637)	(95,921)

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

a) Primary reporting format – business segments (Continued)

CONSOLIDATED ASSETS AND LIABILITIES
At 31 March 2009

	Continuing operations				Discontinued operations				
	Trading	Property management	Others	Sub-total	Mobile phones	DVD players	Telecom-munication	Sub-total	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS									
Segment assets	30,421	7,154	–	37,575	–	112	1,297	1,409	38,984
Interests in an associate				–				–	–
Interests in a jointly controlled entity				–				–	–
Unallocated corporate assets				9,359				–	9,359
Consolidated total assets				46,934				1,409	48,343
LIABILITIES									
Segment liabilities	14,626	4,685	–	19,311	–	19,185	266	19,451	38,762
Unallocated corporate liabilities				6,304				–	6,304
				25,615				19,451	45,066
OTHER INFORMATION									
Segment capital expenditure	2,144	–	1,920	4,064	–	6,486	354	6,840	10,904
Segment depreciation and amortization	1,004	–	1,297	2,301	–	725	1,287	2,012	4,313
Loss on disposal of property, plant and equipment	9	–	1,007	1,016	–	7,499	554	8,053	9,069
Impairment on other intangible asset	2,080	–	–	2,080	–	–	–	–	2,080
Impairment on property, plant and equipment	–	–	–	–	–	–	888	888	888
Loss on disposal of subsidiary	–	–	–	–	–	–	580	580	580
Impairment on inventory	291	–	–	291	–	15,492	–	15,492	15,783
Interests in a jointly controlled entity written off	–	–	–	–	–	18,928	–	18,928	18,928
Impairment on payment for investment in a joint venture	–	–	8,653	8,653	–	–	–	–	8,653
Impairment on goodwill	–	3,759	–	3,759	–	–	–	–	3,759
Impairment on other receivables, deposits and prepayment	–	–	309	309	–	–	716	716	1,025

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

a) Primary reporting format – business segments (Continued)

TURNOVER AND RESULTS
Year ended 31 March 2008

	Discontinued operation					Continuing operation	
	Others	Mobile phone	DVD players	Telecom-munication	Sub-total	Other	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TURNOVER							
External	877	74,650	16,123	7,129	98,779	–	98,779
SEGMENT RESULTS	70	1,261	(1,539)	(2,304)	(2,512)	–	(2,512)
Unallocated corporate income					–	2,583	2,583
Interest income					165	400	565
Unallocated corporate expenses					(1,068)	(14,503)	(15,571)
Impairment loss on property, plant and equipment					(9,130)	–	(9,130)
Loss from operation					(12,545)	(11,520)	(24,065)
Finance costs					(838)	(1,475)	(2,313)
Share of loss of a jointly controlled entity					(1,337)	–	(1,337)
Loss before taxation					(14,720)	(12,995)	(27,715)
Taxation					527	–	527
Loss for the year					(14,193)	(12,995)	(27,188)

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

a) Primary reporting format – business segments (Continued)

CONSOLIDATED ASSETS AND LIABILITIES
At 31 March 2008

	Discontinued operation				Continuing operation	
	Mobile phone HK$'000	DVD players HK$'000	Telecom-munication HK$'000	Sub-total HK$'000	Other HK$'000	Consolidated HK$'000
ASSETS						
Segment assets	25,663	5,542	9,816	41,021	302	41,323
Interests in a jointly controlled entity				21,326	–	21,326
Unallocated corporate assets				–	53,719	53,719
Consolidated total assets				62,347	54,021	116,368
LIABILITIES						
Segment liabilities	18,086	3,906	3,541	25,533	213	25,746
Unallocated corporate liabilities				–	52,998	52,998
Consolidated total liabilities				25,533	53,211	78,744
OTHER INFORMATION						
Segment capital expenditure	208	45	2,985	3,238	3	3,241
Unallocated capital expenditure				–	2,589	2,589
Consolidated capital expenditure				3,238	2,592	5,830
Segment depreciation	2,192	474	392	3,058	26	3,084
Unallocated depreciation				–	–	308
Depreciation for the year				3,058	26	3,392
Segment impairment	7,436	1,606	–	9,042	88	9,130

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

b) Secondary reporting format – geographical segments

The following tables present turnover and certain assets information for the Group's geographical segments.

Year ended 31 March 2009

	The PRC (including Hong Kong) HK$'000	Taiwan HK$'000	Singapore HK$'000	Indonesia HK$'000	Others HK$'000	Consolidated HK$'000
TURNOVER						
External	**2,004**	**27,960**	**111,849**	**71,677**	**1,445**	**214,935**
OTHER SEGMENT INFORMATION						
Segment assets	**48,343**	–	–	–	–	**48,343**
Capital expenditure	**10,550**	–	**354**	–	–	**10,904**

Year ended 31 March 2008

	The PRC (including Hong Kong) HK$'000	Europe HK$'000	Singapore HK$'000	The United States of America ("U.S.A.") HK$'000	Others HK$'000	Consolidated HK$'000
TURNOVER						
External	92,237	5,028	26	1,105	383	98,779
OTHER SEGMENT INFORMATION						
Segment assets	115,097	–	1,271	–	–	116,368
Capital expenditure	5,054	–	776	–	–	5,830

6. TURNOVER

An analysis of Group's turnover for the year, for both continuing and discontinued operations, is as follows:

	2009 HK$'000	2008 HK$'000
Continuing operations		
Revenue from sales of goods	**212,683**	–
Revenue from rendering of services	**512**	–
	213,195	–
Discontinued operations		
Revenue from sales of goods	**1,491**	91,650
Revenue from rendering of services	**249**	7,129
	1,740	98,779
	214,935	98,779

7. OTHER REVENUE AND OTHER NET INCOME

	Continuing operations		**Discontinued operations**		**Consolidated**	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Interest income	**111**	400	**8**	165	**119**	565
Bad debt recovered	**–**	–	**–**	2,683	**–**	2,683
Others	**11**	48	**607**	47	**618**	95
Amount due to a former director waived	**–**	3,172	**–**	–	**–**	3,172
	122	3,620	**615**	2,895	**737**	6,515

8. FINANCE COSTS

	Continuing operations		Discontinued operations		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Bank loan interest	**–**	–	**–**	838	**–**	838
Interest on convertible notes	**77**	1,475	**–**	–	**77**	1,475
	77	1,475	**–**	838	**77**	2,313

9. DISCONTINUED OPERATIONS

On 10 November 2008, the Board of Directors agreed to dispose the entire 100% shareholding interest in EmCall Singapore Pte Limited ("subsidiary") which was rendering of telecommunication services. The cash consideration was SGD1. The loss on disposal of the subsidiary amounted to HK$580,000. Details of the assets and liabilities disposed of are disclosed in note 38.

The Board of Directors planned to dispose of the business of Telecommunication, Mobile phones and DVD players. The planned disposal is consistent with the Group's long term policy to reallocate and consolidate scarce financial resources and management time to other business segments.

9. DISCONTINUED OPERATIONS (CONTINUED)

The combined results and cash flows of the discontinued operations (i.e. Telecommunication, Mobile phones and DVD players) included in the consolidated income statement and the consolidated cash flow statement are set out below.

	2009 HK$'000	2008 HK$'000
Loss for the year from discontinued operations		
Revenue	**2,355**	101,674
Expenses	**(11,614)**	(105,921)
Other loss *(See note 11)*	**(44,077)**	(9,136)
Loss before taxation	**(53,336)**	(13,383)
Taxation credit	**–**	527
	(53,336)	(12,856)
Loss on disposal of a subsidiary	**(580)**	–
Share of loss of a jointly controlled entity	**(721)**	(1,337)
	(54,637)	(14,193)
Cash flows from discontinued operations		
Net cash (used in)/from operating activities	**(16,189)**	21,381
Net cash from/(used in) investing activities	**15,480**	(4,254)
Net cash used in financing activities	**–**	(24,729)
Net cash flows	**(709)**	(7,602)

The business of Telecommunication, Mobile phones and DVD players have been classified and accounted for at 31 March 2009 as a disposal group held for sale (See note 10).

10. NON-CURRENT ASSETS HELD FOR SALE

	2009 HK$'000	2008 HK$'000
Property, plant and equipment held for sale *(Note 1)*	466	–
Assets related to the manufacturing business *(Note 2)*	112	–
	578	–
Liabilities associated with assets held for sale *(Note 2)*	19,185	–

Note 1: The Group intends to dispose the telecommunication servers they no longer utilise in the future. A search is underway for the buyers. The impairment loss of HK$888,000 was recognised on reclassification of those property, plant and equipment as held for sale as 31 March 2009.

Note 2: As described in note 9, the Group is seeking to dispose of its manufacturing business, which involves the manufacturing and sale of Mobile phones and DVD players and anticipates that the disposal will be completed at the end of 2009. The major classes of assets and liabilities comprising the operations classified as held for sale at the balance sheet are as follows:

	Notes	2009 HK$'000	2008 HK$'000
Interests in a jointly controlled entity	*22*	–	–
Other receivables, deposits and prepayments		2	–
Amount due from a jointly controlled entity	*26*	31	–
Bank and cash balances	*28*	79	–
Assets of manufacturing business classified as held for sale		112	–
Trade payables	*29*	(7,544)	–
Other payables		(11,641)	–
Liabilities of manufacturing business associated with assets classified as held for sale		(19,185)	–
Net liabilities of manufacturing business classified as held for sale		(19,073)	–

11. LOSS FOR THE YEAR

Loss for the year is arrived at after charging/(crediting):

	Continuing operations		Discontinued operations		Consolidated	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
Auditor's remuneration	415	600	221	2	636	602
Amortization of other intangible assets	260	–	–	–	260	–
Bad debts written off	–	–	–	574	–	574
Cost of inventories sold	210,589	–	1,437	92,062	212,026	92,062
Cost of services provided *(Note (i))*	–	–	1,781	6,049	1,781	6,049
Depreciation	2,042	193	2,011	3,199	4,053	3,392
Exchange loss	43	66	176	27	219	93
Other losses	16,108	2,208	44,077	9,136	60,185	11,344
– Impairment on property, plant and machinery	–	–	888	9,130	888	9,130
– Impairment on inventory	291	–	15,492	–	15,783	–
– Impairment on goodwill	3,759	–	–	–	3,759	–
– Impairment on other intangible assets	2,080	–	–	–	2,080	–
– Interests in a joint controlled entity written off	–	–	18,928	–	18,928	–
– Impairment on payment for investment in a joint venture *(Note (iv))*	8,653	–	–	–	8,653	–
– Impairment on other receivables, deposits and prepayments	309	–	716	–	1,025	–
– Loss on disposal of property, plant and equipment	1,016	–	8,053	6	9,069	6
– Loss on redemption of convertible notes	–	2,208	–	–	–	2,208

11. LOSS FOR THE YEAR (CONTINUED)

	Continuing operations		Discontinued operations		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Operating lease rental in respect of rented premises *(Note (ii))*	**3,954**	1,013	**27**	857	**3,981**	1,870
Research and development costs *(Note (iii))*	**584**	–	**–**	–	**584**	–
Staff costs (including directors' remuneration)						
– Salaries and allowances	**8,134**	2,234	**1,407**	4,675	**9,541**	6,909
– Equity-settled share option expense	**151**	84	**–**	–	**151**	84
– Termination benefits	**–**	–	**5,055**	–	**5,055**	–
– Retirement scheme contributions	**125**	34	**9**	8	**134**	42

Notes:

(i) Included in the cost of services provided are depreciation of HK$1,106,000 (2008: HK$2,940,000), which had also been included in depreciation disclosed above.

(ii) Included in the operating lease rentals in respect of rented premises are paid for the director's and staff quarter of HK$496,000 (2008: Nil) which had also been included in staff costs disclosed above.

(iii) Included in the research and development expenditure are staff costs of HK$286,000 (2008: Nil) which had also been included in staff costs disclosed above.

(iv) The Group had entered into a joint venture agreement with Shanghai Jian Hua Satellite Communications Limited, for the purpose of conducting distant education and training. An amount of approximately HK$8,653,000 was paid for the capital investment of this potential joint venture during the year ended 31 March 2008. Despite the fact that the joint venture company has been set up during the year, the Group assessed the recoverable amount of the consideration paid by reference to value in use to be nil and determined that the consideration paid was impaired by HK$8,653,000 (2008: Nil).

12. DIRECTOR'S EMOLUMENTS

The emoluments paid or payable to the Company's directors for the year ended 31 March 2009 and 2008 were as follows:

	Year ended 31 March 2009			
	Directors' fee HK$'000	Salaries, allowances and other benefits HK$'000	Share based payment HK$'000	Total HK$'000
Executive directors				
Mr. Yong Wai Hong	–	1,096	29	1,125
Mr. Lam Kwok Ho	105	60	29	194
Independent non-executive directors				
Mr. Chan Cheong Yee *(Note 2)*	105	–	29	134
Mr. Chong Lee Chang *(Note 1)*	–	–	–	–
Ms. Tsang Fung Chu	105	–	29	134
Mr. Wong Chi Keung Patrick	105	20	29	154
	420	1,176	145	1,741

Note 1: Appointed on 31 March 2009.

Note 2: Re-designated to executive director on 14 April 2009.

12. DIRECTOR'S EMOLUMENTS (CONTINUED)

	Year ended 31 March 2008			
	Directors' fee HK$'000	Salaries, allowances and other benefits HK$'000	Share based payment HK$'000	Total HK$'000
Executive directors				
Mr. Yong Wai Hong	–	310	–	310
Mr. Lam Kwok Ho	70	–	–	70
Mr. Chen Jijin *(Note 3)*	87	–	–	87
Independent non-executive directors				
Mr. Chan Cheong Yee	70	–	6	76
Ms. Tsang Fung Chu	70	–	6	76
Mr. Wong Chi Keung Patrick	40	–	6	46
Mr. Chen Wei Rong *(Note 3)*	25	–	–	25
Mr. Lam Hon Kueng *(Note 3)*	25	–	–	25
Mr. Law Chi Yuen *(Note 3)*	25	–	–	25
	412	310	18	740

Note 3: Resigned on 28 August 2007

During the year ended 31 March 2009 and 2008, no emoluments were paid to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

None of the directors has waived any emoluments in the year ended 31 March 2009 and 2008.

13. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals in the Group with the highest emoluments, one (2008: one) is a director of the Company whose emoluments are disclosed above. The emoluments of the remaining four individuals (2008: four), whose emoluments are individually below HK$1,000,000, are as follows:

	2009 HK$'000	2008 HK$'000
Salaries and other benefits	1,448	1,037
Retirement scheme contributions	19	16
	1,467	1,053

14. TAXATION

	2009 HK$'000	2008 HK$'000
The taxation charge/(credit) comprises:		
Current tax		
Hong Kong	313	–
Overprovision in prior years:		
Hong Kong	–	–
PRC Enterprises Income Tax	–	(527)
	313	(527)
Attributable to:		
Continuing operations	313	–
Discontinued operations	–	(527)
	313	(527)

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 and reduced corporate profit tax rate from 17.5% to 16.5% which is effective from the year of assessment 2008/09. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the year ended 31 March 2009. No provision for Hong Kong profits tax has been made for the year ended 31 March 2008 as the Group's income neither arising in, nor is derived from Hong Kong.

14. TAXATION (CONTINUED)

Taxes on profits assessable other than in Hong Kong are calculated at the rates of tax prevailing in the places in which the Group operates based on existing legislation, practices and interpretations thereof.

Guangdong Photar Digital & Electronic Company Limited ("Guangdong Photar"), the subsidiary which was classified as discontinued operation, was subject to the PRC enterprise income tax. As a wholly foreign-owned enterprise pursuant to the Income Tax Law of the PRC for Foreign Investment Enterprise and with the confirmation received from the 河源市國家税務直屬税務分局 on 24 August 2006, Guangdong Photar was exempted from the PRC enterprise income tax for the two years starting from its first profit making year after offsetting the accumulated losses, being the year ended 31 March 2007, and is entitled to a 50% relief for the subsequent three years.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued implementation Regulations of the New Law. The New Law and Implementation Regulations will change the tax rate to 25% for certain subsidiaries from 1 January 2008.

The taxation for the year can be reconciled to the loss before taxation per the consolidated income statement as follows:

	2009 **HK$'000**	2008 HK$'000
Loss before taxation		
Continuing operations	**(40,971)**	(12,995)
Discontinued operations	**(54,637)**	(14,720)
	(95,608)	(27,715)
Tax at the statutory tax rate	**(15,775)**	(4,850)
Income not subject to taxation	**(309)**	(537)
Expenses not deductible for tax purpose	**8,915**	3,087
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(724)**	(1,887)
Effect of share of taxation of jointly controlled entity	**–**	441
Tax effect of unrecognised temporary difference	**448**	(432)
Tax effect of unrecognised tax loss	**7,758**	4,178
Over-provision for taxation in prior year	**–**	(527)
Taxation charge/(credit) for the year	**313**	(527)

15. LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss attributable to equity holders of the Company for the year dealt with in the financial statements of the Company is a net loss of HK$96,670,000 (2008: HK$11,461,000).

16. DIVIDEND

The directors do not recommend the payment of a dividend for the year ended 31 March 2009 (2008: Nil).

17. LOSS PER SHARE

(i) Basic loss per share

	2009 HK Cent	2008 HK Cent
Basic loss per share		
From continuing operations	**1.44**	0.70
From discontinued operations	**1.93**	0.77
Total basic loss per share	**3.37**	1.47

The loss and weighted average number of ordinary shares used in the calculation of basic loss per share are as follows:

	2009 HK$'000	2008 HK$'000
Loss for the year attributable to equity holders of the Company	**95,531**	27,067
Loss for the year from discontinued operations used in the calculation of basic loss per share from discontinued operation	**(54,637)**	(14,193)
Loss used in the calculation of basic loss per share from continuing operations	**40,894**	12,874

	2009	2008
Weighted average number of ordinary shares for the purpose of basic loss per share	**2,835,856,965**	1,845,982,667

17. LOSS PER SHARE (CONTINUED)

(ii) Diluted loss per share

Diluted loss per share for the year ended 31 March 2009 and 2008 are not presented as the effect of share option and convertible notes are anti-dilutive and are not included in the calculation of diluted loss per share for the years ended 31 March 2009 and 2008.

18. PROPERTY, PLANT AND EQUIPMENT

	Leasehold Improvement HK$'000	Mould HK$'000	Plant and machinery HK$'000	Computers HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost							
At 1 April 2007	462	10,338	4,148	54	723	271	15,996
Additions	1,452	63	130	396	3,789	–	5,830
Disposal	–	–	–	–	(66)	–	(66)
Exchange difference	12	1,004	404	–	61	27	1,508
At 31 March, 2008 and 1 April 2008	1,926	11,405	4,682	450	4,507	298	23,268
Additions	2,100	754	7,060	523	467	–	10,904
Disposal	(1,808)	(11,537)	(11,222)	(224)	(2,157)	(301)	(27,249)
Reclassified as held for sale	–	–	–	(34)	(2,662)	–	(2,696)
Exchange difference	6	132	61	3	13	3	218
At 31 March 2009	2,224	754	581	718	168	–	4,445
Accumulated depreciation and impairment							
At 1 April 2007	127	2,041	389	25	168	53	2,803
Charge for the year	284	2,052	422	42	538	54	3,392
Written back on disposal	–	–	–	–	(60)	–	(60)
Impairment loss	80	6,182	2,428	35	308	97	9,130
Exchange difference	1	197	38	–	16	5	257

18. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Leasehold Improvement HK$'000	Mould HK$'000	Plant and machinery HK$'000	Computers HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 31 March 2008 and 1 April 2008	492	10,472	3,277	102	970	209	15,522
Charge for the year	1,716	472	238	145	1,442	40	4,053
Written back on disposal	(1,121)	(11,014)	(3,531)	(59)	(1,041)	(251)	(17,017)
Impairment loss	–	–	–	–	888	–	888
Reclassified as held for sale	–	–	–	(9)	(2,221)	–	(2,230)
Exchange difference	8	120	54	1	5	2	190
At 31 March 2009	1,095	50	38	180	43	–	1,406
Net book value							
At 31 March 2009	1,129	704	543	538	125	–	3,039
At 31 March 2008	1,434	933	1,405	348	3,537	89	7,746

During the year, the Group carried out a review of the recoverable amount of its plant and equipment used in the business of Telecommunication. The review led to the recognition of an impairment loss of HK$888,000, that has been recognised in profit or loss.

The impairment loss have been included in Loss for the year from discontinued operation in the consolidated income statement.

19. GOODWILL

	HK$'000
Cost	
At 1 April 2007 & 1 April 2008	–
Acquired on acquisition of subsidiaries *(See note 37)*	6,459
At 31 March 2009	6,459
Accumulated impairment	
At 1 April 2007 & 1 April 2008	–
Impairment loss recognised	(3,759)
At 31 March 2009	(3,759)
Carrying amount	
At 31 March 2009	2,700
At 31 March 2008	–

The goodwill arose from the acquisition of subsidiaries during the year, which are engaged in property management. For the purpose of impairment testing, goodwill has been allocated to one cash generating unit.

During the financial year, the Group assessed the recoverable amount of goodwill, and determined that goodwill associated with the Group's property management segment was impaired by HK$3,759,000 (2008: nil). The recoverable amount of the property management segment was assessed by reference to value in use. The calculations use post-tax cash flow projections based on financial budgets approved by management covering a three– year period. Cash flows beyond the three-year period are extrapolated assuming seasonality and other business conditions remain unchanged. A discount factor of 20% (2008: nil) per annum was applied in the value in use model. Management believes that the assumption is reasonable within the same industry.

20. OTHER INTANGIBLE ASSET

	Capitalised development cost HK$'000
Cost	
At 1 April 2007, 31 March 2008 & 1 April 2008	–
Additions	2,340
At 31 March 2009	2,340
Accumulated amortisation and impairment	
At 1 April 2007, 31 March 2008 & 1 April 2008	–
Provided for the year	(260)
Impairment loss recognised	(2,080)
At 31 March 2009	(2,340)
Carrying amount	
At 31 March 2009 & 31 March 2008	–

The amortisation expense has been included in the line item depreciation and amortization expense in the consolidated income statement.

The capitalized development cost has definite useful lives. Such intangible asset is amortised on a straight-line basis over 3 years.

During the year, the Group carried out a review of the recoverable amount of capitalized development cost. As a result, the Group assessed the recoverable amount of this asset to be nil and the carrying amount was written down by HK$2,080,000.

21. INTERESTS IN SUBSIDIARIES

	The Company	
	2009	2008
	HK$'000	HK$'000
Unlisted shares, at cost	**1**	1
Amount due from subsidiaries	**114,601**	108,901
Less: impairment loss	**(87,246)**	–
	27,356	108,902
Amount due to subsidiaries	**(820)**	(20)

The amounts due from/(to) subsidiaries are unsecured, non-interest bearing and have no fixed terms of repayment.

The movement in the allowance for impairment as of balance sheet date is as follows:

	The Company	
	2009	2008
	HK$'000	HK$'000
Balance at beginning of the year	**–**	–
Impairment losses recognised	**87,246**	–
Balance at end of the year	**87,246**	–

Included in the allowance are individually impaired amount due from subsidiaries which have significant loss for the year.

21. INTERESTS IN SUBSIDIARIES (CONTINUED)

Particulars regarding the subsidiaries at 31 March 2009 are as follows:

Name of subsidiary	Place of incorporation/ operation	Type of legal entity	Issued and fully paid share capital	Attributable equity interest held by the Company Directly %	Attributable equity interest held by the Company Indirectly %	Principal activities
Easybuild Assets Management Limited	BVI	Limited liability company	US$1	100	–	Investment holding
Emcom (HK) Pte Limited	Hong Kong	Limited liability company	HK$10	100	–	Investment holding
Faith Pro Trading Limited	BVI	Limited liability company	US$100	100	–	Dormant
Photar International Holdings Limited *(note 1)*	Hong Kong	Limited liability company	HK$1	100	–	Investment holding
Sinotrans Resources Limited (formally known as "Emcom International Investment Limited)	BVI	Limited liability company	US$1	100	–	Trading of palm oil and coal
EmCall Pte Limited	Hong Kong	Limited liability company	HK$10	–	100	Provision of telecommunication services
Emcom International (China) Investment Limited	Hong Kong	Limited liability company	HK$10	–	100	Investment holding
Gi Space Limited	Hong Kong	Limited liability company	HK$1	–	100	Marketing and management of a shopping mall
Ty Space Limited	Hong Kong	Limited liability company	HK$1	–	100	Marketing and management of a shopping mall
Sparkle Success Investment Limited	Hong Kong	Limited liability company	HK$1	–	100	Investment holding
Guangdong Photar Digital Electronic Company Limited (note 1)	The PRC	Wholly-foreign-owned enterprise	HK$60,000,000	–	100	Manufacture and sale of electronic communication and consumer products

21. INTERESTS IN SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation/ operation	Type of legal entity	Issued and fully paid share capital	Attributable equity interest held by the Company Directly %	Attributable equity interest held by the Company Indirectly %	Principal activities
Skymax Investment Development Limited	Hong Kong	Limited liability company	HK$100	–	100	Trading of servers
Smoothway Investment Limited	Hong Kong	Limited liability company	HK$10	–	70	Investment holding and trading of computer hardware
Sinoeye Limited	BVI	Limited liability company	US$1	–	100	Investment holding
Emcom Management Consultation (Shanghai) Company Limited	The PRC	Limited liability company	US$307,800	–	100	Providing consultancy services
E-Learning iTech Service (Shanghai) Company Limited	The PRC	Limited liability company	US$173,101	–	51	Providing consultancy services
Smoothway Technology (Shenzhen) Inc.	The PRC	Limited liability company	HK$600,000	–	70	Provision of technical development on communication device

The Group acquired 100% equity interests of Gi Space Limited and Ty Space Limited from an independent third party at a consideration of HK$6,800,000 by way of issuing a promissory note which is obliged to settle the consideration on or before 31 May 2009 by the Group. The net assets of the subsidiaries acquired of are disclosed in note 37.

During the year ended 31 March 2009, the Group disposed one of the subsidiaries to a third party for a consideration of SGD1. The net assets of the subsidiary disposed of are disclosed in note 38.

During the year ended 31 March 2008, the Group disposed of four subsidiaries, which are inactive during the year 2008, to a third party for a consideration of approximately HK$232,000.

Note 1: These subsidiaries are not audited by Graham H.Y. Chan & Co.

22. INTERESTS IN A JOINTLY CONTROLLED ENTITY

	2009 HK$'000	2008 HK$'000
Share of net assets	–	21,819
Exchange difference	–	(493)
Share of net assets	–	21,326
Transfer to assets held for sale *(See note 10)*	–	–
Carrying amount	–	21,326

Details of the group's interest in the jointly controlled entity are as follows:

Name	Form of business structure	Place of establishment and operations	Registered capital	Group's effective interest %	Held by the Company %	Held by a subsidiary %	Principal activities
Photar Sagem Electronics Co. Ltd	Corporate (Joint venture)	The PRC	RMB100,000,000	20	–	20	Sales of fax machines

Summary financial information on jointly controlled entity – Group's effective interest:

	2009 HK$'000	2008 HK$'000
Non-current assets	–	4,476
Current assets	–	25,812
Current liabilities	–	(8,469)
Net assets	–	21,819
Income	23,907	48,473
Expenses	(24,628)	(49,810)
Loss for the year	(721)	(1,337)

The Group has lost the controlling power on the above jointly controlled entity, the management of the Group determined to write off the investment after sharing the loss of current year.

23. INTERESTS IN AN ASSOCIATE

	2009 HK$'000	2008 HK$'000
Cost of investment in unlisted associate	–	–
Share of post – acquisition results	(63)	–
Amount due to an associate	(63)	–

Amount due to an associate is unsecured, non-interest bearing and has no fixed terms of repayment.

The Group has incurred the legal obligation to make additional investment on the associate and the capital commitment was disclosed in the note 42 in the financial statement. As a result, the additional share of losses and the liability were recognized.

As at 31 March 2009, the Group had interest in the following associate:

Name of associate	Form of business structure	Place of incorporation/ operations	Class of shares held	Nominal value of issued capital	Percentage of equity attributable to the Group	Principal activities
Boss Education Limited	Limited liability company	Hong Kong	Ordinary	HK$1,000	49%	Not yet commenced business

23. INTERESTS IN AN ASSOCIATE (CONTINUED)

The summarised financial information in respect of the Group's associate is set out below:

	2009 HK$'000	2008 HK$'000
Total assets	103	–
Total liabilities	(230)	–
Net liabilities	(127)	–
Group's share of net liabilities of the associate	(63)	–
Revenue	–	–
Loss for the period	(128)	–
Group's share of loss of associates for the year	(63)	–

24. INVENTORIES

	2009 HK$'000	2008 HK$'000
Raw materials	129	1,721
Work-in-Progress	323	–
Finished goods	14,598	3,219
	15,050	4,940

25. TRADE RECEIVABLES

The aging of the Group's trade receivables is analysed as follows:

	2009 HK$'000	2008 HK$'000
Within 30 days	702	1,487
31 – 60 days	81	1,299
61 – 90 days	42	1,393
Over 90 days	4,570	–
	5,395	4,179

For property management segment, no credit period was granted to the licensor and sub-licensees according to the Group's policies. For trading and other segment, the credit terms granted by the Group to its customers normally ranged from COD (cash-on-delivery) to 120 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. All trade receivable are expected to be recovered within one year.

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

As at 31 March 2009 and 31 March 2008, neither impairment loss nor allowance on bad debt had been made.

The aging analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	The Group	
	2009 HK$'000	2008 HK$'000
Neither past due nor impaired	671	–
Past due but not impaired:		
Less than 1 month past due	31	1,487
1 to 3 months past due	4,489	2,692
More than 3 months past due	204	–
	5,395	4,179

25. TRADE RECEIVABLES (CONTINUED)

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

26. AMOUNT DUE FROM A JOINTLY CONTROLLED ENTITY

	The Group			
	Year ended 31 March		Maximum outstanding	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Photar Sagem Electronics Co. Ltd	**31**	30	**31**	30
Less: Transfer to assets held for sales *(See note 10)*	**(31)**	–		
	–	30		

The amount due from a jointly controlled entity is unsecured, non-interest bearing and has no fixed terms of repayment.

27. SECURITY DEPOSIT TO A RELATED COMPANY

Security deposit represents deposits pledged to Alliance Global Capital Finance Limited ("AGCF"), a company in which the director, Lam Kwok Ho has beneficial interest, in accordance with a loan agreement entered into with AGCF to secure financial facility line granted to the Group.

28. CASH AND CASH EQUIVALENTS/PLEDGED BANK DEPOSITS

	2009 HK$'000	2008 HK$'000
Unpledged deposits with bank	–	33,547
Cash at bank and in hand	**15,324**	6,065
Bank and cash balances classified as held for sales *(See note 10)*	**79**	–
Cash and cash equivalents	**15,403**	39,612
Pledged bank deposit	**150**	150

Cash at banks earns interest at floating rate based on daily bank deposit rates. The pledged bank deposits carry fixed deposit interest rates. The fair values of the Group's bank balances and cash and pledged bank deposits at 31 March 2009 approximate their corresponding carrying amounts.

Pledged bank deposits of HK$150,000 (2008: HK$150,000) represents deposits pledged to a bank to secure short term banking facilities granted to the Group and is therefore classified as current assets. The amount of HK$50,000 of the pledged bank deposits have been released on 2 April 2009.

29. TRADE PAYABLES

The following is an aged analysis of the Group's trade payables at the balance sheet date:

	The Group	
	2009 HK$'000	2008 HK$'000
Within 30 days	**2,680**	954
31-60 days	–	8
61-90 days	**60**	308
Over 90 days	**7,544**	3,046
	10,284	4,316
Trade payables	**2,740**	4,316
Trade payables associated with assets held for sale *(See note 10)*	**7,544**	–
	10,284	4,316

30. PROMISSORY NOTE

On 2 December 2008, the Group issued the Promissory Note in a principal amount of HK$6,800,000 for acquiring the entire issued share capital of Gi Space Limited and Ty Space Limited and is interest free.

Pursuant to the promissory notes, the note shall be repayable in one lump sum on 31 May 2009 ("maturity date"). The Group has the right to early redeem the promissory notes. The Company may at any time after three months from the date of issue of the promissory note to the date immediately before the maturity date of the promissory notes, redeem the promissory notes (in whole or in part) at the principal amount of the promissory notes to be redeemed. The Group called for early redemption of the principal amount of HK$5,900,000 during the year.

As security of the performance of the Group and its obligations under the promissory note, two share charges were duly executed by the Group to charge the entire issued share capital of Gi Space Limited and that of Ty Space Limited in favour of the payee.

31. AMOUNT DUE TO A RELATED COMPANY

	The Group	
	2009	2008
	HK$'000	HK$'000
Empire Communication Technology Pte Limited	–	1,509

The amount due is unsecured, non-interest-bearing and has no fixed terms of repayments. The amount was repaid in full during the year.

32. AMOUNT DUE TO MINORITY INTERESTS

The amount due is unsecured, non-interest-bearing and has no fixed terms of repayments.

33. CONVERTIBLE NOTE

On 11 October 2007, the Company issued a new convertible note with face value of US$8,000,000 (or approximately HK$62,400,000) with a conversion price of HK$0.26 per conversion share. Assuming full conversion of the convertible note at the conversion price, the convertible note will be converted into 240,000,000 shares of the Company. The note holder or its nominee(s) will have the right to convert in whole or in part of the principal amount of the convertible note into shares of the Company on any business day prior to the maturity date of 10 October 2009. The interest of the convertible bond is 5% per annum, payable annually in arrears on dates falling at the first year and second year after the date of issue of the convertible note.

33. CONVERTIBLE NOTE (CONTINUED)

The fair value of the liability component was determined by an independent professional valuer, Asset Appraisal Limited on the date of issue.

The fair value of the liability component is the present value of the contractually determined stream of future cash flows discounted at the interest rate and providing substantially the same cash flows, on the same terms, but without the conversion option. The residual amount is assigned as the equity component and is included in shareholders' equity.

During the year, the above convertible note was converted in whole the principal amount of the convertible note at the conversion price of HK$0.26 per conversion share and totally 240,000,000 shares were converted.

The movement of the liability component and equity component of the convertible note for the year is set out below:

	Liability component HK$'000	**Equity component** HK$'000
As at 1 April 2007	–	–
Convertible note issued on 11 October 2007	50,246	12,154
Interest expenses charged	1,475	–
As at 31 March 2008 and 1 April 2008	51,721	12,154
Interest expenses charged	77	–
Conversion of entire convertible bonds into share	(50,246)	(12,154)
As at 31 March 2009	1,552	–

The balance as at 31 March 2009 represents interest payable of the convertible note and has been included in Other payables and accruals in the consolidated and the Company balance sheet.

34. DEFERRED TAXATION

In accordance with the accounting policy set out in note 2(r), the Group has not recognised deferred tax assets in respect of cumulative tax losses of HK$38,972,000 (2008: HK$12,025,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses do not expire under current tax legislation.

As at 31 March 2009 and 2008, the Group has no material unprovided deferred tax.

35. SHARE CAPITAL

	2009		2008	
	Number of shares '000	Nominal value HK$'000	Number of shares '000	Nominal value HK$'000
Ordinary shares of HK$0.01 each				
Authorised:				
At the beginning and the end of the year	10,000,000	100,000	10,000,000	100,000
Issued and fully paid:				
At the beginning of year	2,478,980	24,790	637,432	6,374
Placing of new shares *(Note 1)*	–	–	1,800,000	18,000
Placing of new shares *(Note 2)*	–	–	41,548	416
Conversion of convertible note *(Note 3)*	240,000	2,400	–	–
Placing of new shares *(Note 4)*	540,000	5,400	–	–
At the end of year	3,258,980	32,590	2,478,980	24,790

Note 1: The Company issued 1,800,000,000 ordinary shares of HK$0.01 each on 31 July 2007.

Note 2: The Company issued 41,548,253 ordinary shares of HK$0.01 each on 29 February 2008.

Note 3: The Company issued 240,000,000 ordinary shares of HK$0.01 each as a result of the exercise of the conversion rights attached to the convertible note of entire principal amount of HK$62,400,000 at a conversion price of HK$0.26 each on 9 April 2008.

Note 4: The Company placed 540,000,000 ordinary shares of HK$0.01 each at a placing price of HK$0.02 per share on 7 January 2009 for the purpose of increase the working capital of the Company and also to finance its further funding requirements for acquisition of subsidiaries.

Capital management

Capital comprises of share capital and reserves stated on the consolidated balance sheet. The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

35. SHARE CAPITAL (CONTINUED)

Capital management (Continued)

The Group actively regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

As in prior year and consistent with industry practice, the Group monitors its capital structure on the basis of a net debt to adjusted capital ratio. For this purpose the Group defines net debts as total debt (which includes interest-bearing loans and borrowings, trade and other payables and obligations under finance leases but excludes redeemable preference shares) plus unaccrued proposed dividends, less cash and cash equivalents. Adjusted capital comprises all components of equity and redeemable preference shares, other than amounts recognised in equity relating to cash flow hedges, less unaccrued proposed dividends.

During the year ended 31 March 2009, the Group's equity ratio has been increased due to the significant loss incurred in the Group business which is initially launched during the year.

The net debt-to-equity ratio at 31 March 2009 and 2008 was as follows:

		The Group		The Company	
	Note	**2009 HK$'000**	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Current liabilities:					
Trade payables	*29*	**2,740**	4,316	**–**	–
Other payables and accruals		**20,899**	6,480	**3,944**	662
Promissory note	*30*	**900**	–	**–**	–
Amount due to an associate	*23*	**63**	–	**–**	–
Amount due to minority interests	*32*	**966**	–	**–**	–
Amount due to a related company	*31*	**–**	1,509	**–**	–
Amount due to subsidiaries	*21*	**–**	–	**820**	20
Tax payables		**313**	–	**–**	–
Liabilities associated with assets classified as held for sale	*10*	**19,185**	–	**–**	–
		45,066	12,305	**4,764**	682
Non-current liabilities:					
Convertible notes	*33*	**–**	51,721	**–**	51,721

35. SHARE CAPITAL (CONTINUED)

Capital management (Continued)

		The Group		The Company	
		2009	2008	2009	2008
	Note	HK$'000	HK$'000	HK$'000	HK$'000
Total debt		**45,066**	64,026	**4,764**	52,403
Less: Cash and cash equivalents	*28*	**(15,403)**	(39,612)	**–**	–
Pledged bank deposits	*28*	**(150)**	(150)	**–**	–
Net debt		**29,513**	24,264	**4,764**	52,403
Total equity		**3,277**	37,624	**23,395**	56,734
Net debt-to-equity ratio		**901%**	64%	**20%**	92%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirement.

36. RESERVES

a) The Group

	Share premium HK$'000	Contributed surplus HK$'000	Equity component of convertible note HK$'000	Share option reserve HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2007	50,295	3,930	–	–	2,373	(50,487)	6,111
Issue of new shares of HK$0.01 each completed on 31 July 2007	12,600	–	–	–	–	–	12,600
Issue of new shares of HK$0.01 each completed on 29 February 2008	4,961	–	–	–	–	–	4,961
Issue of convertible note on 11 October 2007	–	–	12,154	–	–	–	12,154
Equity-settled share option arrangement	–	–	–	355	–	–	355
Exchange difference arising from translation of financial statements	–	–	–	–	3,841	–	3,841
Loss for the year	–	–	–	–	–	(27,067)	(27,067)
At 31 March 2008	67,856	3,930	12,154	355	6,214	(77,554)	12,955
At 1 April 2008	67,856	3,930	12,154	355	6,214	(77,554)	12,955
Conversion of convertible note into shares	60,000	–	(12,154)	–	–	–	47,846
Issue of new shares of HK$0.01 each completed on 7 January 2009	5,400	–	–	–	–	–	5,400
Issuing expenses	(359)	–	–	–	–	–	(359)
Transfer of cancelled/ lapsed share option to retained earning	–	–	–	(355)	–	355	–
Equity-settled share option arrangement	–	–	–	2,644	–	–	2,644
Exchange difference arising from translation of financial statements	–	–	–	–	(2,455)	–	(2,455)
Transfer to profit or loss on disposal of foreign operations	–	–	–	–	(45)	–	(45)
Loss for the year	–	–	–	–	–	(95,531)	(95,531)
At 31 March 2009	132,897	3,930	–	2,644	3,714	(172,730)	(29,545)

36. RESERVES (CONTINUED)

b) The Company

	Share premium HK$'000	Contributed surplus HK$'000	Equity component of convertible note HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2007	50,295	1,988	–	–	(38,948)	13,335
Issue of new shares of HK$0.01 each completed on 31 July 2007	12,600	–	–	–	–	12,600
Issue of new shares of HK$0.01 each completed on 29 February 2008	4,961	–	–	–	–	4,961
Issue of convertible note on 11 October 2007	–	–	12,154	–	–	12,154
Equity-settled share option arrangement	–	–	–	355	–	355
Loss for the year	–	–	–	–	(11,461)	(11,461)
At 31 March 2008	67,856	1,988	12,154	355	(50,409)	31,944
At 1 April 2008	67,856	1,988	12,154	355	(50,409)	31,944
Conversion of convertible note into shares	60,000	–	(12,154)	–	–	47,846
Issue of new shares of HK$0.01 each completed on 7 January 2009	5,400	–	–	–	–	5,400
Issuing expenses	(359)	–	–	–	–	(359)
Transfer of cancelled/ lapsed share option to retained earning	–	–	–	(355)	355	–
Equity-settled share option arrangement	–	–	–	2,644	–	2,644
Loss for the year	–	–	–	–	(96,670)	(96,670)
At 31 March 2009	132,897	1,988	–	2,644	(146,724)	(9,195)

36. RESERVES (CONTINUED)

b) The Company (Continued)

At 31 March 2009, the Company had no reserve available for distribution to shareholders (2008: the aggregate amount of reserves available for distribution to equity holders of the Company was approximately HK$19,435,000)

The share premium is arising from the issue of shares of the Company.

The contributed surplus represents the difference between the combined net assets of the subsidiaries acquired by the Company and the nominal value of the shares of the Company at the time of the Group reorganisation.

37. ACQUISITION OF SUBSIDIARIES

On 19 December 2008, the Group acquired the entire issued share capital of Gi Space Limited and Ty Space Limited for considerations of HK$5,000,000 and HK$1,800,000 respectively. The amount of goodwill arising as a result of the acquisition was approximately HK$6,459,000 in aggregate.

The net assets acquired in the transaction and the goodwill arising are as follows:

	Gi Space Limited	Ty Space Limited	
	Acquiree's carrying amount and fair value	Acquiree's carrying amount and fair value	Total fair value
	HK$'000	HK$'000	HK$'000
Net assets acquired:			
Bank balances and cash	3,548	199	3,747
Trade receivables	685	174	859
Other receivables, deposits and prepayment	70	–	70
Amounts due from parent company before acquisition	115	36	151
Trade payables	(2,683)	–	(2,683)
Other payables and accruals	(1,443)	(360)	(1,803)
	292	49	341
Goodwill			6,459
			6,800

37. ACQUISITION OF SUBSIDIARIES (CONTINUED)

	Gi Space Limited	Ty Space Limited	
	Acquiree's carrying amount and fair value	Acquiree's carrying amount and fair value	Total fair value
	HK$'000	HK$'000	HK$'000
Total consideration satisfied by:			
Fair value of promissory note			6,800
Net cash inflow arising on acquisition:			
Cash consideration paid			–
Bank balances and cash acquired			3,747
			3,747

The net assets of acquirees are carried at amounts not materially different from their fair values as at acquisition date. The promissory note is carried at amounts not materially different from its fair values when issued at the acquisition date due to the short maturity of the promissory note.

The goodwill arising on the acquisition is attributable to the anticipated profitability of the new business and the anticipated future operating synergies form the combination.

Gi Space Limited and Ty Space Limited contributed HK$1,030,000 and HK$442,000 to the Group's loss for the period between the date of acquisition and the balance sheet date respectively.

If the acquisition had been completed on 1 April 2008, total group revenue for the year would have been HK$215,496,000, and loss for the year would have been HK$95,582,000. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of the Group that actually would have been achieved had the acquisition been completed on 1 April 2008, nor is it intended to be a projection of future results.

38. DISPOSAL OF SUBSIDIARIES

As referred to in note 9, on 10 November 2008, the Group disposed of one subsidiary, EmCall Singapore Pte Limited. The net assets of the EmCall Singapore Pte Limited at the date of disposal were as follows:

	2009
	HK$'000
Net assets disposed of:	
Property, plant and equipment	222
Inventories	303
Trade receivables	75
Other receivables, deposits and prepayments	23
Bank and cash balances	41
Other payables and accruals	(39)
	625
Release of exchange reserve	(45)
Loss on disposal	580
Total consideration	–
Net cash outflow arising on disposal:	
Cash consideration	–
Bank balances and cash disposed of	(41)
	(41)

The subsidiary disposed of during the year did not have any significant impact on the Group's cash-flow.

39. SHARE OPTION SCHEME

The Company's share option scheme was adopted pursuant to written resolutions passed on 19 October 2002 (the "Scheme") for the primary purpose of providing incentives to directors, eligible employees and participants who have contributed to the Group, and will expire in 12 November 2012. Under the Scheme, the board of directors of the Company may grant options to full-time or part-time employees including directors (executive and non-executive) and any advisor, consultant, supplier, distributor, contractor, agent, business partner, promoter, service provider or customer of the Company or any of its subsidiaries, to subscribe for share in the Company.

Subject to the condition that the total number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Company must not exceed 30% of the shares of the Company in issue from time to time, the total number of shares in respect of which options may be granted under the Scheme when aggregated with any shares subject to any other schemes is not permitted to exceed 10% of the shares of the Company immediately upon the listing of the shares on the Stock Exchange ("Scheme Mandate Limit"), without prior approval from the Company's shareholders. Options lapsed in accordance with the terms of the share option scheme will not be counted for the purpose of calculating the Scheme Mandate Limit. The number of shares in respect of which options may be granted to any individual in aggregate within any 12-month period is not permitted to exceed 1% of the shares of the Company in issue, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors or any of his, her or its associates in the 12-month period up to and including the date of offer of the option exceeding the higher of 0.1% of the Company's shares in issue and with a value in excess of HK$5 million must be approved by the Company's shareholders.

Options granted must be taken up within 21 days of the date of grant, upon payment of HK$1 per option. Options may be exercised at any time from the date of acceptance of the share option to such date as determined by the board of directors of the Company and will not be less than the highest of the closing price of the Company's shares on the date of grant, the average closing prices of the shares for the five business days immediately preceding the date of grant and the nominal value of the Company's shares.

39. SHARE OPTION SCHEME (CONTINUED)

The following share options were outstanding under the Scheme during the year:

			Number of shares issuable under options held							
Category	Share option type (note 1)	Date of grant	Balance at 1 April 2008 '000	Granted during the year '000	Exercised during the year '000	Lapsed during the year '000	Cancelled during the year '000	Balance at 31 March 2009 '000	Exer-cisable price HK$	Exercise period
Directors	2008A	3/10/2007	600	–	–	–	(600)	–	0.312	3/10/2008 – 3/10/2012
	2009A	30/12/2008	–	13,500	–	–	–	13,500	0.027	30/12/2008 – 29/12/2011
Employees	2008A	3/10/2007	2,264	–	–	(1,904)	(360)	–	0.312	3/10/2008 – 3/10/2012
	2009A	30/12/2008	–	640	–	–	–	640	0.027	30/12/2008 – 29/12/2011
Advisors	2008A	3/10/2007	9,296	–	–	(8,608)	(688)	–	0.312	3/10/2008 – 3/10/2012
	2009A	30/12/2008	–	171,000	–	–	–	171,000	0.027	30/12/2008 – 29/12/2011
	2009B	24/2/2009	–	49,000	–	–	–	49,000	0.036	24/2/2009 – 23/2/2012
			12,160	234,140	–	(10,512)	(1,648)	234,140		

39. SHARE OPTION SCHEME (CONTINUED)

Note 1: For 2008A, the options are exercisable during the 4-year period from the first anniversary of the offer date to the expiry of the fifth anniversary of the offer date (i.e., from 3 October 2008 to 3 October 2012) in the following manner:

(1) 20% of the respective option shares will be exercisable by the related grantee after the first anniversary of the offer date; and

(2) The remaining 80% of the respective option shares will be exercisable by the related grantee after the third anniversary of the offer date.

For 2009A, the options are exercisable in part or in full during the 3-year period from the offer date to the expiry of the third anniversary of the offer date (i.e., from 30 December 2008 to 29 December 2011).

For 2009B, the options are exercisable in part or in full during the 3-year period from the offer date to the expiry of the third anniversary of the offer date (i.e., from 24 February 2009 to 23 February 2012).

The fair value of the share options granted for 2009A and 2009B during the year ended 31 March 2009 was approximately to HK$1,977,000 and HK$667,000 respectively and the Company recognised total expenses of approximately HK$2,644,000 for the year (2008: HK$355,000).

The fair value of equity-settled share options granted during the year was estimated as at the date of grant using a Black-Scholes Option Pricing Model (2008: binomial model), taking into the account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	Share option type		
	2008A	**2009A**	**2009B**
Option pricing model	Binomial	Black-Scholes	Black-Scholes
Grant date share price	HK$0.27	HK$0.027	HK$0.036
Exercise price	HK$0.312	HK$0.027	HK$0.036
Volatility	85.57%	84.3%	80.24%
Risk-free interest rate	4.079%	0.379%	0.447%
Life of options	5 years	3 years	3 years
Expected dividend yield	0%	0%	0%

Expected volatility was determined by using the historical weekly volatility of the Company's share price over the previous 78 weeks (2008: over the previous 104 weeks).

At the date of approval of these financial statements, the Company had 234,140,000 share options outstanding under the Scheme, which represented approximately 7.2% of the Company's shares in issue as at that date.

40. RESTATEMENT OF PRIOR PERIODS AND OPENING BALANCES

The financial statements for the year ended 31 March 2009 include a restatement of the 2008 financial statements to correct certain errors noted by the Group. The effects of the restatement on the 2008 financial statements are summarized below:

Effect on the consolidated balance sheets at 31 March 2008

	2008	Reclassification	2008
	HK$'000	HK$'000	HK$'000
	(as previously reported)	*(note 1)*	(as restated)
Current assets			
Other receivables, deposits and prepayments	29,732	(14,718)	15,014
Current liabilities			
Other payables and accruals	21,198	(14,718)	6,480

There is no effect on the consolidated income statement for the year ended 31 March 2008 and other accounts of the consolidated balance sheet.

Note 1: Guangdong Photar High Technology Co Ltd. ("GPHT") is a company wholly owned by Mr. Chan Jijin ("Mr. Chan"), the former director and chairman of the Company. During the year ended 31 March 2008, the total receivables from GPHT amounted HK$21,328,000 classified in Other receivables that included a renovation fee amounted HK$14,718,000 paid on behalf of GPHT by the Company at the same time, while the Company also maintain an Other payable with the same amount HK$14,718,000 due to Mr. Chan. The board considered that the amount of HK$14,718,000 should have been offset in the Other payable and Other receivable. Accordingly, a prior period adjustment was made in the 2008 financial statements to reflect the reclassification.

41. OPERATING LEASE COMMITMENTS

The Group as lessee

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2009		2008	
	Properties HK$'000	Others HK$'000	Properties HK$'000	Others HK$'000
Within one year	1,708	–	2,896	195
In the second to fifth year, inclusive	703	–	2,149	585
	2,411	–	5,045	780

Other than as disclosed above, the Group and the Company had no material lease commitments outstanding at the balance sheet date.

42. CAPITAL COMMITMENTS

The Group

	2009 HK$'000	2008 HK$'000
Contracted but not provided for		
– Property, plant and equipment	–	286
– Additional capital injection in an associate, Boss Education Limited	2,550	–
– Additional capital injection in a subsidiary,		
E-Learning i Tech Service (Shanghai) Company Limited	1,206	–
Emcom Management Consultation (Shanghai) Company Limited	1,499	–
	5,255	286

Other than as disclosed above, the Group and the Company had no material capital commitments outstanding at the balance sheet date.

43. CONTINGENT LIABILITIES

On 16 July 2008, the Company received a claim from Mr. Lee and Kwok Ning Lobo and Ms. Lin Wai Yan (collectively the "Vendors") for approximately HK$180,000,000 alleging the breach of the conditional sales and purchase agreement and the supplemental agreement regarding the acquisition of a group of financial service companies. The legal action is still in progress.

Following the legal opinion received on 3 June 2009 from the legal advisor of the Company, the Company has a good arguable defence in the case. The Board is of the opinion that it is only a present obligation that may, but probably will not, require an outflow of resources. Accordingly, no provision is made in the consolidated financial statements.

44. RELATED PARTY TRANSACTIONS

In addition to the security deposit to a related company as disclosed in note 27 and transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party and connected transactions.

(a) During the year, the Group entered into the following material related party and connected transactions.

	2009	2008
	HK$'000	HK$'000
Rental expenses paid to Guangdong Photar High Technology Co., Ltd. ("Photar High Tech") *(Note)*	**–**	255

Note: There is a common shareholder in the Company and Photar High Tech.

(b) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 12 is as follows:

	2009	2008
	HK$'000	HK$'000
Salaries, allowances and other benefits	**1,596**	722
Share-based payment	**145**	18
	1,741	740

45. SUBSEQUENT EVENTS

A very substantial acquisition in relation to acquisition of interests in Harvest Yield Investments Limited (the "Acquisition")

On 27 May 2009, the Company entered into an agreement with Beglobal Investments Ltd and Ryoden Property Development Company Ltd (the "Vendors") whereby the Company has conditionally agreed, among other things, to acquire from the Vendors the entire issued share capital of Harvest Yield Investments Ltd and the sales debts, being such amounts equal to the entirety of face value of the loans outstanding as at Completion made by the Vendors to Harvest Yield Investments Ltd, at a consideration of HK$153 million.

The consideration for the Acquisition is to be satisfied at Completion as to HK$75 million in the form of consideration shares with the issue price of HK$0.05 per share and as to HK$78 million by issue of convertible bonds.

Harvest Yield Investments Ltd is the sole beneficial owner of the entire issued share capital of Hong Kong Subsidiary who is the owner of the shopping mall located in Tsimshatsui which is currently managed by Gi Space Ltd, a wholly owned subsidiary of the Company.

The Board considers that it is in the benefits of the Company to seek for suitable investment opportunities and broaden its source of income. The Board believes that the rental income from the shopping mall will generate stable income for the Group and will also broaden its source of income. In addition, the shopping mall represents an excellent investment opportunity as the Company can benefit from the gain in value of the shopping mall as the Hong Kong property market grows.

As more particularly described in the Company's announcement dated 4 June 2009.

46. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

Five Year Financial Summary

The results and assets and liabilities of the Group for the last five financial years are as follows:

	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Turnover	**214,935**	98,779	63,072	64,147	34,526
Loss before taxation	**95,608**	27,715	28,510	13,299	11,384
Taxation	**(313)**	527	–	700	(233)
Loss before minority interest	**95,921**	27,188	28,510	12,599	11,617
Minority interests	**(390)**	(121)	–	–	–
Loss attributable to equity holders of the Company	**95,531**	27,067	28,510	12,599	11,617
Loss per share					
– Basic (cents)	**3.37**	1.47	4.52	2.26	2.23

	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)			
ASSETS AND LIABILITIES					
Total assets	**48,343**	101,650	83,871	56,564	19,073
Total liabilities	**(45,066)**	(64,026)	(71,386)	(37,335)	(5,435)
Minority interests	**(232)**	(121)	–	–	–