



SOUTHEAST ASIA PROPERTIES & FINANCE LIMITED

Stock Code : 252

ANNUAL REPORT 2006-2007

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BOARD OF DIRECTORS

Executive Directors

Chua Nai Tuen
(Chairman & Managing Director)
Chua Nai King
(Deputy Chairman)
Se Ying Kin

Non-Executive Directors

Siy Yap
Jimmy Siy Tiong
Luis Chua
Rene Siy Chua
Tsai Han Yung
Chan Man Hon, Eric

Independent Non-Executive Directors

Chan Siu Ting *(Appointed on 16 Oct 2006)*
Lee Man Ban *(Resigned on 16 Oct 2006)*
James L. Kwok
Wong Shek Keung

AUDIT COMMITTEE

Chan Siu Ting *(Chairman)*
(Appointed on 16 Oct 2006)
Lee Man Ban *(Chairman)*
(Resigned on 16 Oct 2006)
James L. Kwok
Wong Shek Keung
Chan Man Hon, Eric
Tsai Han Yung

REMUNERATION COMMITTEE

James L. Kwok *(Chairman)*
Wong Shek Keung
Chan Man Hon, Eric

PRINCIPAL BANKERS

Hang Seng Bank Limited
Industrial and Commercial Bank of
China (Asia) Limited
Standard Chartered Bank (Hong Kong) Limited
Wing Hang Bank Limited

SOLICITORS

Vincent T. K. Cheung, Yap & Co.

AUDITOR

K. L. Young & Co.

QUALIFIED ACCOUNTANT

Lui Man Sang, Warwick

COMPANY SECRETARY

Woo Siu Ping, Dilys

REGISTERED OFFICE

Units 407-410, 4th Floor,
Tower 2, Silvercord,
No. 30 Canton Road,
Tsimshatsui, Kowloon, Hong Kong.

SHARE REGISTRAR

General Secretarial Services Limited,
20th Floor, Capitol Centre,
5-19 Jardine's Bazaar,
Causeway Bay, Hong Kong.

STOCK CODE

252

DIRECTORS AND SENIOR MANAGEMENT PROFILE

EXECUTIVE DIRECTORS

Mr. Chua Nai Tuen, aged 55, was appointed Managing Director in 1973 and was further appointed Chairman of the Company in 2000. Mr. Chua is responsible for the formulation and execution of the Group's overall strategic planning, business development and seeking business opportunities for the Group. He is the Chairman and Managing Director of Nan Sing Plastics Limited and he is also a Director of other companies in the Group. He has over 30 years' experience in finance, property investment, property development, manufacturing and trading of plastic packaging materials and hotel business.

Mr. Chua Nai King, aged 57, was appointed Director in 1972 and was further appointed Deputy Chairman of the Company in 2000. He is also a Director of other companies in the Group. He has over 30 years' experience in finance, property investment, property development and hotel business.

Mr. Se Ying Kin, aged 65, was appointed Director of the Company in 1973. Mr. Se is responsible for the Group's property investment and development business. He is the Deputy Chairman of Nan Sing Plastics Limited and he is also a Director of other companies in the Group. He graduated from University College of London University and obtained a Bachelor's degree (Honours) in Electrical and Electronic Engineering. He has over 30 years' experience in property investment, property development, manufacturing and trading of plastic packaging materials and hotel business.

NON-EXECUTIVE DIRECTORS

Mr. Siy Yap, aged 74, was appointed Director of the Company in 1978. Mr. Siy is the Chairman of Standard Appliances Corporation, a company incorporated in the Philippines.

Mr. Jimmy Siy Tiong, aged 71, was appointed Director of the Company in 1978. Mr. Siy was the former President of Philippine Sanyo Inc., a company incorporated in the Philippines.

Mr. Luis Chua, aged 54, was appointed Director of the Company in 1978. Mr. Chua is a Director of Standard Appliances Corporation, a company incorporated in the Philippines.

Mr. Rene Siy Chua, aged 49, was appointed Director of the Company in 2000. Mr. Chua is the General Manager of Mindanao Textile Corporation, a company incorporated in the Philippines.

Mr. Tsai Han Yung, aged 41, was appointed Director of the Company in 2000. Mr. Tsai holds management positions in certain companies in Taiwan.

Messrs. Chua Nai Tuen, Chua Nai King, Jimmy Siy Tiong, Luis Chua, Rene Siy Chua and Tsai Han Yung are brothers and they are the brothers-in-law of Mr. Se Ying Kin. Apart from the aforesaid relationships, they do not have any relationship with any other directors or senior management of the Company.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

NON-EXECUTIVE DIRECTORS (Cont'd)

Mr. Chan Man Hon, Eric, aged 50, was appointed Director of the Company in 1994. Mr. Chan is a practising solicitor in Hong Kong. He obtained a Bachelor of Laws degree from the University of Hong Kong and was admitted as a solicitor in Hong Kong in 1981. He was further admitted as a solicitor in England and Australia in 1984 and 1985 respectively. He is the consultant of Vincent T. K. Cheung, Yap & Co.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Siu Ting, aged 55, was appointed Independent Non-executive Director of the Company in 2006. Mr. Chan has been practising as a certified public accountant in Hong Kong for over 10 years. He is a fellow member of The Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants. He is currently a director of Wong Chan Lau C.P.A. Company Limited, Certified Public Accountants (Practising).

Mr. James L. Kwok, aged 55, was appointed Independent Non-executive Director of the Company in 1994. Mr. Kwok obtained a MBA degree from the Wharton School, University of Pennsylvania. He started his career in banking and had once held the position of manager of the Asian portfolios of a major American bank in Hong Kong. For the past two decades, he held a management position in a group of private companies in Hong Kong and North America which were involved in general trading, property investment and garment business.

Mr. Wong Shek Keung, aged 64, was appointed Independent Non-executive Director of the Company in 2005. Mr. Wong has over 30 years' extensive experience in banking, finance and administration. He had held a senior position of a reputable French bank's Hong Kong Branch and had worked as an advisor to the Chairman of a down manufacturing company in China.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

SENIOR MANAGEMENT

Mr. Fu Ka Tsang, aged 49, is the General Manager of the Company and he is also a Director of other companies in the Group. Mr. Fu joined the Group in 1995 and is responsible for the Group's property investment and development business.

Mr. Chan Yu Hung, aged 46, is the Director and General Manager of Nan Sing Plastics Limited. He is also a Director of other companies in the Group. Mr. Chan joined the Group in 2004 and is responsible for the Group's trading and manufacturing business of plastic packaging materials.

Mr. Choy Tin Woo, Johnnie, aged 52, is the Executive Director and Responsible Officer of Stockwell Securities Limited. He is also a Director of other companies in the Group. Mr. Choy joined the Group in 1976 and is responsible for the Group's securities and commodities dealings.

Mr. Lui Man Sang, Warwick, aged 43, is the Financial Controller of the Company. Mr. Lui is a fellow member of The Association of Chartered Certified Accountants and associate member of the Hong Kong Institute of Certified Public Accountants. He holds an Executive MBA Degree granted by the City University of Hong Kong. Mr. Lui's working experience covered a variety of industries including auditing work with one of the Big 4 accounting firms in Hong Kong. He joined the Group in 1996 and is responsible for the Group's finance accounting and tax affairs.

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to submit to the Shareholders the Annual Report of the Group for the year ended 31st March, 2007.

RESULTS

During the year, the Group's profits attributable to Shareholders was HK\$34,582,107 (2005/2006: HK\$47,094,541). Earnings per share was 17.5 cents (2005/2006: 23.8 cents). Turnover was HK\$340,807,836 (2005/2006: HK\$338,046,877).

During the year, the Group's profit before taxation was HK\$46,094,026 (2005/2006: HK\$63,182,150). Given below is an analysis of the profit from operations of the Group's principal activities:

	2007	2006
	HK\$	HK\$
Property investments and development	1,129,922	(2,318,428)
Manufacturing and trading of plastic packaging materials	13,192,783	17,800,382
Stock broking and finance	17,178,625	5,887,660
Revaluation surplus of investment properties	27,696,798	53,631,092
	<hr/>	<hr/>
Profit from operations	59,198,128	75,000,706
Finance costs	(13,324,695)	(10,985,174)
Share of loss of associated companies	220,593	(833,382)
	<hr/>	<hr/>
Profit before taxation	46,094,026	63,182,150
	<hr/>	<hr/>

DIVIDENDS

No interim dividend was paid during the year (2005/2006: Nil). The Directors now recommend for the adoption at the Annual General Meeting to be held on Friday, 31st August, 2007 the payment on 7th September, 2007 of a final dividend of 3.0 cents per share (2005/2006: 3.0 cents per share) in respect of the financial year ended 31st March, 2007 to Shareholders on record as at 31st August, 2007, absorbing a total amount of HK\$5,929,605 (2005/2006: HK\$5,929,605).

DISCUSSION & ANALYSIS OF THE GROUP'S PERFORMANCE**Business Review***Property Investments and Development*

The Group's properties for lease include the shops on the Ground Floor of Dragon House, Tsimshatsui, office unit in Silvercord, Tsimshatsui, the whole block of Nan Sing Industrial Building at Kwai Chung, office/warehouse units in Kwai Tak Industrial Centre at Kwai Chung and office units in Chao Shan Building at Shenzhen. During the year, the Group had let all the properties for lease except part of the shop premises at the Ground Floor of Dragon House which had not been offered to let so as to facilitate the hotel project. This business had brought a steady rental income to the Group. However, owing to the decrease in leasing rate of the shop premises, the rental income during the year only amounted to HK\$10.98 million, representing a decrease of 5.8% from that of last year.

The hotel project at Dragon House, Tsimshatsui is approaching completion and the Group is now awaiting the issue of the hotel licence. It is expected that the hotel can be opened in the second half of the financial year 2007/2008. The Group has already decided to name the hotel as "Hotel Benito 華國酒店".

Regarding the property at 24 Essex Road, Kowloon Tong, the project in converting the said premises from guesthouse to residential premises for director's accommodation had been completed before the end of the financial year 2006/2007. The rental expenses paid to a third party by the Group for the director's accommodation previously will be saved and shown in the 2007/2008 financial statements.

The Group, through an associated company, owns 20% interest in the shopping mall situated at the Ground floor of Ming Yue Hua Yuan, Futian District, Shenzhen with an area of over two thousand square meters. The whole shopping mall has been reserved for leasing purpose. During this year, the associated company had disputes with one of the tenants. It finally won the lawsuit and took back the possession of the premises concerned together with all fixtures and fittings made by the tenant. The associated company is now making its best endeavour to look for a new tenant.

During the year, the government of Zhangmutou, Dongguan had repurchased a portion of land located within the area of Donggang Nan Sing Factory for the purpose of building railway and thus the Group had recorded a profit on sale of land in the amount of HK\$2.5 million. With regard to the land originally reserved for Nan Sing Building at Zhangmutou, Dongguan but now having been changed to commercial purpose, the problem on land foundation had caused amendments to the construction drawings and a further approval from the relevant government authority is required. The Group will expedite the construction work of the project as soon as the approval is received.

Manufacturing and Distribution of Plastic Packaging Materials

During this year, this business recorded an operating profit before finance cost of HK\$13.19 million (2005/2006: HK\$17.8 million). Turnover amounted to HK\$307.95 million, an increase of 6.9% over the same period last year.

The business was still suffering from high resin prices during the year. Since the rising rate of resin in Europe and the United States of America was more moderate than that in Asia, our sales orders volume during this year reduced. The anti-dumping tariff having been imposed by European Union for all the plastics bags transported from China to European Union countries had adversely affected our sales business in Europe. Besides, the uncertainties such as the Reminbi appreciation, inflation in mainland China, increasing trading surplus, macroeconomic austerity measures in China and the decrease in export tax refund rate had all continuously increased the production costs. As a result, although our various cost control measures had gradually achieved effects, the gross profit of this business during the year still decreased 1.8% from the same period last year.

With the steady production volume, good quality products and increase in production capacity, the results of the joint venture company formed with our Japanese partner remained steady during the year. We believe that the increase in production capacity will also benefit our expansion in Japan market in future. The associate company formed with our USA partner had entered into suppliers' agreements with some major clients. This business's income and expenditure was going to achieve a balanced condition. However, again because of the decreasing difference in resin price in North European and Asian countries, the results of this business will still need to be improved.

Stock broking

During the year, the stock broking and finance business recorded an operating profit before finance costs of HK\$17.18 million (2005/2006: HK\$5.88 million), representing a substantial increase of 192% over the same period last year. However, such increase was attributable to the following two factors: the deduction of impairment loss of HK\$2.81 million and HK\$1.18 million in respect of the Group's exchange right granted by The Hong Kong Stock Exchange Limited and the membership of The Chinese Gold & Silver Exchange Society respectively was accounted for in the last year's operating profit; and the unrealized holding gain of HK\$5 million on listed shares held for investment purpose was accounted for in this year's operating profit. Excluding the above two factors, the operating profit before finance costs was HK\$12.18 million, representing an increase 23% over the same period last year.

During the year, the successive listings of big enterprises and financial institutions from mainland China had activated the market turnover in Hong Kong. Besides, both the world economy and China economy had been kept on an upward track. This had attracted abundant inflow of liquidity to the Hong Kong stock market. The market turnover had been kept on increasing and it continues to witness new highs. With the continuous increase in market turnover and in the interest earned from our margin clients, the brokerage income increased by 28.7% from that of the last year. This had brought steady income to this business despite the increasing challenges in the highly competitive securities industry.

Liquidity and Financial Resources

At the year end date, the Group's bank borrowings increased from HK\$194.69 million of the last year to HK\$295.89 million of this year, in which the short term borrowings amounted to HK\$247.67 million and long term borrowings amounted to HK\$48.22 million. The Group's current year debt/equity ratio was 68% expressed as a percentage of the Group's total bank borrowings over the Shareholders' funds of HK\$432.08 million. The increase in the Group's bank borrowings and debt/equity ratio was attributable to the substantial increase in short term borrowings caused by the fact that many clients of our stock brokerage business had applied initial public offer ("IPO") loan through us to subscribe for the IPO shares of big enterprises during the end of the financial year 2006/2007.

To minimize exposure on foreign exchange fluctuations, the Group's borrowings are primarily denominated in Hong Kong dollars and United States dollars. The Group has no significant exposure to foreign exchange rate fluctuations.

Capital Structure

As at 31st March, 2007, the Group's Shareholders' funds amounted to HK\$432.08 million (2005/2006: HK\$392.64 million). The Group's consolidated net assets per share as at the year end date was HK\$2.2.

Pledge of Assets

Details of pledge of assets are set out in note 36 to the financial statements on page 82.

Contingent Liabilities

Details of contingent liabilities are set out in note 37 to the financial statements on page 83.

Employees

The Group had about 1,000 employees as at 31st March, 2007. Employees were remunerated according to nature of the job and market trend.

Retirement Scheme

The Group had joined a Mandatory Provident Fund Scheme to conform with the requirements as stipulated in the Mandatory Provident Schemes Ordinance. Details of the scheme are set out in note 33 to the financial statements on page 81.

OUTLOOK

Looking into next year, prospects for the global economy remained steady and China's rapid development will continue to drive worldwide and local economic growth. Hong Kong's economy during the year was in its best shape since the Asia financial crisis. Real GDP growth was supported by strong consumer spending, tourism, capital investment and exports. The buoyant financial and stock markets, improving employment and stabilising interest rate environment boosted local confidence and the 'feel good' sentiment.

CHAIRMAN'S STATEMENT

The Group's hotel, namely, "Hotel Benito華國酒店" which is still under preparation, is situated in Tsimshatsui shopping centre. The advantageous location, ideal transportation, vicinity support, the continued positive global and local economic environment coupled with the expanding number of tourists ensure an optimistic prospect of our hotel business.

Keen demand from various trading sectors resulted in continuous increase in rent of all kinds of properties. The average renewal rent of the Group's office unit at Silvercord, which situate at the core central business district in Tsimshatsui and the shops at Dragon House, Tsimshatsui has been increased by about 25%. The shop which was not offered to let because of the hotel project has already been let at market price now. It is expected that the results of this business will be improved in next financial year.

Regarding our stock brokerage business, with the general market strength and continuous increase in market turnover, we expect that the results of this business will further be improved in next financial year despite keen competition in securities industry arising from the major retail banks who intend to step up marketing efforts to gain their market shares. The Group will keep improving its service standard to maintain the competitive edge and to increase its trading volume by looking for more new clients in order to keep a satisfactory results.

The operation of our business in manufacturing of plastic bags is becoming more and more difficult because of the inevitable uncertainties such as high resin prices, decrease in export tax refund rate, continuous Reminbi appreciation, inflation in mainland China, the anti-dumping tax imposed by European Union and the tax on plastics bags proposed by Hong Kong government. Nevertheless, the Group will on the one hand look for new sales networks with focus on China market and exploit new products. On the other hand, we will renew machinery and equipment, optimize the production flow, increase production efficiency and rationalize the business structure with an aim to reduce direct production costs.

APPRECIATION

Finally, I sincerely thank the Board and all staff for their diligence and dedication in the past year.

Chua Nai Tuen

Chairman

Hong Kong, 13th July, 2007

(A) CORPORATE GOVERNANCE PRACTICES

During the financial year ended 31st March 2007, all those principles as set out in the Code on Corporate Governance Practices in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) of The Stock Exchange of Hong Kong Limited (the “Code”) were applied by the Company, and the relevant Code provisions were met by the Company, with the exception of two deviations as set out under sections (D) and (E) below. The application of the relevant principles and the reasons for the abovementioned deviations from the Code provisions are stated in the following sections.

(B) DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules (the “Model Code”). Having made specific enquiry of all Directors of the Company, they have confirmed that they have complied with the Model Code during the year.

(C) BOARD OF DIRECTORS

(i) **Composition of the Board, number of Board meetings and Directors’ attendance**

The Board comprises twelve Directors. Biographical details of Directors, relationship among Directors are disclosed in “Directors and Senior Management Profile” of the Annual Report. The Company’s Board has a balance of skills and experience and a balanced composition of executive and non-executive directors. Four full board meetings were held during the year. Senior management executives may, from time to time, be invited to attend the board meetings for making presentation and/or answering any queries that may be raised by the Board. The composition of the Board and attendance of the Directors are set out below:

Directors	Attendance at Meetings
<i>Chairman and Managing Director</i>	
Chua Nai Tuen	4
<i>Deputy Chairman</i>	
Chua Nai King	4
<i>Executive Director</i>	
Se Ying Kin	4
<i>Non-executive Directors</i>	
Siy Yap	1
Jimmy Siy Tiong	2
Luis Chua	1
Rene Siy Chua	2
Tsai Han Yung	1
Chan Man Hon, Eric	2
<i>Independent Non-executive Directors</i>	
Chan Siu Ting (<i>Appointed on 16 Oct 2006</i>)	3
Lee Man Ban (<i>Resigned on 16 Oct 2006</i>)	1
James L. Kwok	4
Wong Shek Keung	2

Each Director of the Company has been appointed on the strength of his calibre, experience and his potential to contribute to the proper guidance of the Group and its businesses. Apart from formal meetings, matters requiring board approval were arranged by means of circulation of written resolutions.

(ii) Operation of the Board

The Company is headed by an effective Board which takes decisions objectively in the interests of the Company. The Company's management has closely monitored changes to regulations that affect its corporate affairs and businesses and adopted an appropriate reporting format in its interim report, annual report and other documents to present a balanced, clear and comprehensible assessment of the Group's performance, position and prospects. Where these changes are pertinent to the Company or Directors' disclosure obligations, the Directors are briefed during Board Meetings to keep them abreast of their responsibilities and of the conduct, business activities and development of the Group. Newly appointed Directors receive

information on their legal and other responsibilities as a Director and the role of the Board. The Company has also provided appropriate information in a timely manner to the Directors to enable them to make an informed decision and to discharge their duties and responsibilities as Directors of the Company. Decisions on important matters, including those affecting the Group's strategic policies, major investments and funding decisions are specifically reserved to the Board whereas decisions on the Group's general operations are delegated to the management.

Moreover, the Company has maintained a procedure for its directors to seek independent professional advice, in appropriate circumstances, at the Company's expense in discharging their duties to the Company.

(D) CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Chua Nai Tuen serves as the Chairman and also the chief executive officer of the Company. This is a deviation from the Code Provision with respect to the roles of Chairman and chief executive officer to be performed by different individuals. Such deviation is deemed appropriate as it is considered to be more efficient to have one single person to be the Chairman of the Company as well as to discharge the executive functions of a chief executive officer. The Board believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high calibre individuals with three independent non-executive directors.

(E) NON-EXECUTIVE DIRECTORS

Pursuant to the Code Provision, non-executive directors should be appointed for a specific term. Currently, non-executive directors are not appointed for a specific term but they are subject to retirement by rotation under the articles of association of the Company. The deviation is deemed appropriate as the retirement by rotation has given the Company's Shareholders the right to approve or disapprove the continuation of the service of non-executive directors.

(F) REMUNERATION OF DIRECTORS

The Company has set up a Remuneration Committee consisting of two independent non-executive directors and one non-executive director.

One Remuneration Committee meeting was held during the year. Attendance of the members is set out below:

Members	Attendance at Meeting
Mr. James L. Kwok (<i>Chairman</i>)	1
Mr. Wong Shek Keung	1
Mr. Chan Man Hon, Eric	1

The terms of reference of the Remuneration Committee are aligned with the provisions set out in the Code. Given below are the main duties of the Remuneration Committee:

- (i) to make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management;
- (ii) to have the delegated responsibility to determine the specific remuneration packages of all executive directors and senior management;
- (iii) to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;
- (iv) to review and approve the compensation payable to executive directors and senior management in connection with any loss or termination of their office or appointment;
- (v) to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct; and
- (vi) to ensure that no director or any of his associates is involved in deciding his own remuneration.

The work performed by the Remuneration Committee during the year is summarized below:

- (i) review of the Company's policy and structure of all remuneration of Directors and senior management;
- (ii) consideration of the emoluments for all Directors and senior management; and
- (iii) review of the level of Directors' fees.

The basis of determining the emoluments payable to its Directors and senior management by the Company ties with their duties and responsibilities within the Group. The Directors' fees are from time to time approved by the Shareholders of the Company and they are regularly reviewed and compared with other listed companies in Hong Kong.

(G) NOMINATION OF DIRECTORS

The Company does not have a nomination committee as the role and the function of such committee are performed by the Board.

The Board is responsible for the formulation of nomination policies, making recommendations to Shareholders on Directors standing for re-election, providing sufficient biographical details of Directors to enable Shareholders to make an informed decision on the re-election, and where necessary, nominating Directors to fill casual vacancies. The Chairman, Deputy Chairman and the Executive Director from time to time review the composition of the Board with particular regard to ensuring that there is appropriate number of Directors on the Board independent of management. They also identify and nominate qualified individuals for appointment as new Directors of the Company. New Directors of the Company will be appointed by Board. Any and all new Directors are subject to retirement from the Board at the Annual General Meeting of the Company immediately following his or her appointment and may stand for re-election at the Annual General Meeting.

(H) AUDITORS' REMUNERATION

The fees in relation to the audit and non-audit services provided by external auditors of the Company for the financial year ended 31st March, 2007 amounted to HK\$709,360 and HK\$70,000 respectively.

(I) AUDIT COMMITTEE

The Audit Committee consists of three independent non-executive directors and two non-executive directors.

All Members have sufficient experience in reviewing audited financial statements as aided by the auditor of the Group whenever required. In addition, both Mr. Lee Man Ban and Mr. Chan Siu Ting have the appropriate professional qualifications and experience in financial matters.

Three Audit Committee meetings were held during the year. Attendance of the Members is set out below:

Members	Attendance at Meeting
Mr. Chan Siu Ting (<i>Chairman</i>) (<i>Appointed on 16 Oct 2006</i>)	2
Mr. Lee Man Ban (<i>Chairman</i>) (<i>Resigned on 16 Oct 2006</i>)	1
Mr. James L. Kwok	3
Mr. Wong Shek Keung	2
Mr. Chan Man Hon, Eric	2
Mr. Tsai Han Yung	0

The terms of reference of the Audit Committee are aligned with the recommendations set out in “A Guide for Effective Audit Committees” issued by the Hong Kong Institute of Certified Public Accountants. Given below are the main duties of the Audit Committee:

- (i) to make recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of that auditor;
- (ii) to review and monitor the external auditor’s independence and objectivity and the effectiveness of the audit process in accordance with applicable standard. The audit committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;

- (iii) To review the Company's annual report and accounts, half-year report and quarterly reports before submission to the Board, the committee should focus particularly on:
 - (a) any changes in accounting policies and practices;
 - (b) major judgmental areas;
 - (c) significant adjustments resulting from audit;
 - (d) the going concern assumptions and any qualifications;
 - (e) compliance with accounting standards; and
 - (f) compliance with the Listing Rules and other legal requirements in relation to financial reporting;
- (iv) to discuss problems and reservations arising from the audits, and any matters the external auditor may wish to discuss; and
- (v) to review the audit programme, and ensure co-ordination with external auditor, of the internal audit function.

The work performed by the Audit Committee during the year is summarized below:

- (i) review of the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- (ii) review of half-year and annual financial statements before submission to the Board, with particular consideration of the points mentioned in paragraph (iii) above regarding the duties of the Audit Committee;
- (iii) discussion with the external auditor, the nature and scope of the audit; and
- (iv) review of the group's internal control systems.

(J) DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors are responsible for overseeing the preparation of accounts for the financial year ended 31st March, 2007, which give a true and fair view of the affairs and results of the Company and of the Group and in compliance with requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules.

In preparing the accounts for the financial year ended 31st March, 2007:

- (i) appropriate accounting policies are selected, applied consistently and in accordance with the Hong Kong Financial Reporting Standards;
- (ii) prudent and reasonable judgments and estimates are made; and

- (iii) the reasons for any significant departure from applicable accounting standards are stated, if applicable.

(K) REVIEW OF INTERNAL CONTROL

The Directors are ultimately responsible for the internal control system of the Group and, through the Audit Committee, have reviewed the effectiveness of the system.

A review of the effectiveness of the Group's internal control system and procedures covering all controls, including financial, operational and compliance and risk management, was conducted by the Audit Committee and subsequently reported to the Board during the year. Based on the result of the review, in respect of the year ended 31st March, 2007, the Directors considered that the internal control system and procedures of the Group were effective and adequate.

Chua Nai Tuen

Chairman and Managing Director

Hong Kong, 13th July, 2007

The Directors submit their report and the audited financial statements for the year ended 31st March, 2007.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and property investment and those of its subsidiaries are shown in note 40 to the financial statements on pages 85 to 86.

Further information on the segmental details is provided in note 5 of the financial statements on pages 54 to 55.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31st March, 2007 are set out in note 40 to the financial statements on pages 85 to 86.

RESULTS & APPROPRIATIONS

The results of the Group for the year ended 31st March, 2007 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 28 to 87.

DIVIDENDS

No interim dividend was paid during the year. The Directors have recommended for adoption at the Annual General Meeting to be held on Friday, 31st August, 2007 the payment of a final dividend of 3.0 cents per share in respect of the financial year ended 31st March, 2007 on 7th September 2007 to Shareholders on record as at 31st August, 2007. This recommendation has been disclosed in the financial statements.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 90.

REPORT OF THE DIRECTORS

RESERVES

Movements in reserves during the year are set out in note 31 to the financial statements on pages 78 and 79.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment during the year are set out in note 16 to the financial statements on pages 65 to 67.

BANK LOANS AND OVERDRAFTS

Particulars of all bank loans and overdrafts of the Group at 31st March, 2007 repayable on demand or within a period not exceeding one year and those which fall due for repayment after a period of one year are set out in note 28 to the financial statements on page 75.

MAJOR CUSTOMERS AND SUPPLIERS

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

Percentage of purchases attributable to the Group's largest supplier	30%
Percentage of purchases attributable to the Group's five largest suppliers	64%
Percentage of sales attributable to the Group's largest customer	14%
Percentage of sales attributable to the Group's five largest customers	42%

None of the Directors or their associates, nor does any Shareholder owning (to the knowledge of the Directors) more than 5% of the Company's issued share capital hold, any interests in the share capital of the suppliers and customers noted above.

DIRECTORS

The Directors of the Company during the year were:

Executive Directors:

Mr. Chua Nai Tuen (*Chairman & Managing Director*)

Mr. Chua Nai King (*Deputy Chairman*)

Mr. Se Ying Kin

Non-executive Directors:

Mr. Siy Yap

Mr. Jimmy Siy Tiong

Mr. Luis Chua

Mr. Rene Siy Chua

Mr. Tsai Han Yung

Mr. Chan Man Hon, Eric

Independent Non-executive Directors:

Chan Siu Ting (*Appointed on 16 Oct 2006*)

Lee Man Ban (*Resigned on 16 Oct 2006*)

Mr. James L. Kwok

Mr. Wong Shek Keung

In accordance with Article 107(A) of the Company's Articles of Association, Messrs. Chua Nai King, Se Ying Kin, Siy Yap and Luis Chua shall retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election. In accordance with Article 98 of the Company's Articles of Association, Mr. Chan Siu Ting shall retire at the forthcoming Annual General Meeting and, being eligible, offer himself for re-election.

The Company confirms that it has received written confirmation from each of the independent non-executive directors confirming their independence pursuant to Rule 3.13 of the Listing Rules, and the Company still considers the independent non-executive directors to be independent.

None of the Directors has a service contract with the Company or its subsidiaries, which is not determinable by the employer within one year without payment of compensation.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 31st March, 2007, Directors of the Company had the following beneficial interests, all being long positions, in the share capitals of the Company, the subsidiaries and associate companies of the Company:

	Number of shares held			% of the Issued Share Capital
	Personal Interests	Family Interests	Corporate Interests	
(a) The Company				
(Ordinary shares of HK\$1.00 per share)				
Chua Nai Tuen	2,475	–	76,439,495 (<i>Note</i>)	38.67
Chua Nai King	22,314,643	–	2,558,514 (<i>Note</i>)	12.58
Se Ying Kin	54,903	5,655,085	–	2.99
Siy Yap	990,018	847,000	–	0.93
Jimmy Siy Tiong	6,390,796	–	–	3.23
Luis Chua	8,696,754	–	–	4.40
Rene Siy Chua	8,696,754	–	–	4.40
Tsai Han Yung	6,512,754	–	–	3.30
(b) Nan Sing Plastics Limited				
(Ordinary shares of HK\$100.00 each)				
Chua Nai Tuen	–	6,965	–	4.64
(c) Titan Dragon Properties Corporation				
(Capital stock of Philippines Peso 1,000.00 each)				
Chua Nai Tuen	4,000	13,600	4,000 (<i>Note</i>)	27.00
Rene Siy Chua	3,200	–	–	4.00

Note: The shares regarding 'Corporate interests' in which Messrs. Chua Nai Tuen and Chua Nai King were taken to be interested as stated above were the interests of corporations in general meetings of which they were either entitled to exercise (or were taken under Part XV of the Securities and Futures Ordinance (the "SFO") to be able to exercise) or control the exercise of one-third or more of the voting power in general meetings of such corporations.

DIRECTORS' INTERESTS IN SHARE CAPITAL (Cont'd)

Except as disclosed above, as recorded in the register kept by the Company under section 352 of the SFO in respect of information required to be notified to the Company and the Stock Exchange pursuant to the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers:

- (a) there were no interests, both long and short positions, held as at 31st March, 2007 by any of the Directors or Chief Executive of the Company in shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), and
- (b) there existed during the financial year no rights to subscribe for shares, underlying shares or debentures of the Company which were held by any of the Directors or Chief Executive of the Company or any of their spouses or children under 18 years of age nor had there been any exercises during the financial year of any such rights by any of them.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

Given below are the names of all parties, other than persons who are Directors of the Company, which were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital of the Company and the respective relevant numbers of shares in which they were, and/or were deemed to be, interested as at 31st March, 2007 as recorded in the register kept by the Company under section 336 of the SFO:

	No. of Ordinary Shares held	% of the Issued Share Capital
J & N International Limited ("J & N")	48,306,189	24.44
Sonliet Investment Company Limited ("Sonliet")	28,133,306	14.23
HSBC International Trustee Limited ("HSBC")	15,373,050	7.77

For the avoidance of doubts and double counting, it should be noted that J & N's and Sonliet's interests are entirely duplicated with Mr. Chua Nai Tuen's interests and HSBC's interests are entirely duplicated with Mr. Chua Nai King's interests as recorded in the preceding note.

All the interests stated above represented long positions and as at 31st March, 2007, there were no short positions recorded in the said register.

DIRECTORS' INTERESTS IN CONTRACTS

During the year, consultancy fees of HK\$3,493,173 were paid by the Group to Sonliet Investment Company Limited (“Sonliet”), Rolling Development Limited (“Rolling”), Tonwell Investment Company (Hong Kong) Limited (“Tonwell”) and Holytex Investment Company Limited (“Holytex”) of which Mr. Chua Nai Tuen was the director of Sonliet, Mr. Chua Nai King was the director of Rolling and Tonwell respectively and Mr. Se Ying Kin was the manager of Holytex. The consultancy fees are part of the aforesaid directors’ remuneration and have been disclosed in note 11 to the financial statements on pages 60 to 61.

A tenancy agreement was made on normal commercial terms during the year in connection with the leasing of a premises owned by a company controlled by Mr. Chua Nai Tuen to the Company’s subsidiary at an annual rent of HK\$622,710 for the operation of plastic bags business. Furthermore, an unsecured financial assistance was made by a company in which Mr. Chua Nai Tuen had controlling interest to the Company on normal commercial terms. Details of which are set out in note 27 to the financial statements on page 75.

Apart from the foregoing, no contracts of significance to which the Company, or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company, or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s shares during the year.

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors as at the date of this report, the Company has maintained the prescribed public float under the Listing Rules throughout the year ended 31st March, 2007.

AUDITOR

The financial statements now presented have been audited by Messrs. K. L. Young & Company who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board
Chua Nai Tuen
Managing Director

Hong Kong, 13th July, 2007

Independent auditor's report to the shareholders of Southeast Asia Properties & Finance Limited

(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Southeast Asia Properties & Finance Limited (the "Company") set out on pages 28 to 87, which comprise the consolidated and company balance sheets as at 31st March, 2007, 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 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 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. This report is made solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of the 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair value of the state of affairs of the Company and of the Group as at 31st March, 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

K.L. Young & Company
Certified Public Accountants

Hong Kong, 13th July, 2007

CONSOLIDATED INCOME STATEMENT

For the year ended 31st March, 2007

	<i>Notes</i>	2007 HK\$	2006 HK\$
TURNOVER	6	340,807,836	338,046,877
COST OF SALES		<u>(263,133,587)</u>	<u>(260,404,734)</u>
GROSS PROFIT		77,674,249	77,642,143
OTHER REVENUES	7	17,636,430	12,902,754
FAIR VALUE CHANGES ON INVESTMENT PROPERTIES		27,696,798	53,631,092
DISTRIBUTION EXPENSES		(14,059,077)	(13,644,545)
ADMINISTRATIVE EXPENSES		(47,830,517)	(47,909,819)
OTHER OPERATING EXPENSES		<u>(1,919,755)</u>	<u>(7,620,919)</u>
PROFIT FROM OPERATIONS	8	59,198,128	75,000,706
FINANCE COSTS	9	(13,324,695)	(10,985,174)
SHARE OF PROFIT (LOSS) OF ASSOCIATES		<u>220,593</u>	<u>(833,382)</u>
PROFIT BEFORE TAXATION		46,094,026	63,182,150
TAXATION	10	<u>(10,674,287)</u>	<u>(13,913,993)</u>
PROFIT FOR THE YEAR		<u>35,419,739</u>	<u>49,268,157</u>
PROFIT ATTRIBUTABLE TO :			
SHAREHOLDERS OF THE COMPANY	12	34,582,107	47,094,541
MINORITY INTEREST		<u>837,632</u>	<u>2,173,616</u>
		<u>35,419,739</u>	<u>49,268,157</u>
PROPOSED DIVIDENDS	13	<u>5,929,605</u>	<u>5,929,605</u>
EARNINGS PER SHARE	14	<u>17.5 cents</u>	<u>23.8 cents</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March, 2007

	SHARE CAPITAL HK\$	PROPERTY REVALUATION RESERVE HK\$	EXCHANGE RESERVE HK\$	RETAINED PROFITS HK\$	PROPOSED DIVIDENDS HK\$	MINORITY INTERESTS HK\$	TOTAL HK\$
AT 1ST APRIL, 2005, AS RESTATED	197,653,500	-	(3,368,019)	142,943,095	2,964,803	12,300,042	352,493,421
2005 FINAL DIVIDENDS PAYMENT	-	-	-	-	(2,964,803)	-	(2,964,803)
EFFECT OF ADOPTING HKAS 40							
ARISING FROM CHANGE OF USAGE	-	2,555,496	-	-	-	124,457	2,679,953
EXCHANGE DIFFERENCE							
ARISING FROM CONSOLIDATION	-	-	5,756,629	-	-	128,998	5,885,627
PROFIT FOR THE YEAR	-	-	-	47,094,541	-	2,173,616	49,268,157
PROPOSED DIVIDENDS	-	-	-	(5,929,605)	5,929,605	-	-
AT 31ST MARCH, 2006	<u>197,653,500</u>	<u>2,555,496</u>	<u>2,388,610</u>	<u>184,108,031</u>	<u>5,929,605</u>	<u>14,727,113</u>	<u>407,362,355</u>
AT 1ST APRIL, 2006	197,653,500	2,555,496	2,388,610	184,108,031	5,929,605	14,727,113	407,362,355
2006 FINAL DIVIDENDS PAYMENT	-	-	-	-	(5,929,605)	-	(5,929,605)
EXCHANGE DIFFERENCE							
ARISING FROM CONSOLIDATION	-	-	10,735,504	-	-	3,175	10,738,679
SHARE OF RESERVES IN ASSOCIATES	-	-	61,007	-	-	-	61,007
PROFIT FOR THE YEAR	-	-	-	34,582,107	-	837,632	35,419,739
PROPOSED DIVIDENDS	-	-	-	(5,929,605)	5,929,605	-	-
AT 31ST MARCH, 2007	<u>197,653,500</u>	<u>2,555,496</u>	<u>13,185,121</u>	<u>212,760,533</u>	<u>5,929,605</u>	<u>15,567,920</u>	<u>447,652,175</u>

CONSOLIDATED BALANCE SHEET

As at 31st March, 2007

	<i>Notes</i>	2007 HK\$	2006 HK\$
NON-CURRENT ASSETS			
INVESTMENT PROPERTIES	15	269,289,183	241,592,385
PROPERTY, PLANT & EQUIPMENT	16	178,099,502	147,659,505
LEASEHOLD LAND AND LAND USE RIGHTS	17	47,476,510	49,262,498
INTERESTS IN ASSOCIATES	19	56,863,464	51,799,360
AVAILABLE-FOR-SALE FINANCIAL ASSETS	20	8,546,989	6,475,889
INTANGIBLE ASSETS	21	2,702,706	2,282,706
OTHER ASSETS		800,000	650,000
		563,778,354	499,722,343
CURRENT ASSETS			
INVENTORIES	22	71,136,631	51,147,147
TRADING PROPERTIES		440,765	440,765
TRADE AND OTHER RECEIVABLES	23	442,987,683	193,729,186
FINANCIAL ASSETS AT FAIR VALUE THROUGH INCOME STATEMENT	24	13,673,227	8,454,525
DEPOSITS AND PREPAYMENTS		3,351,190	6,156,974
TAX PREPAID		89,239	294,563
TIME DEPOSITS	25	9,858,153	14,273,512
TRUST ACCOUNTS OF SHARES DEALING CLIENTS		24,612,160	2,511,066
CASH AND BANK BALANCES		6,873,174	8,461,558
		573,022,222	285,469,296
CURRENT LIABILITIES			
TRADE AND OTHER PAYABLES	26	334,647,897	131,203,522
AMOUNTS DUE TO RELATED COMPANY	27	15,797,669	15,797,884
BANK LOANS AND OVERDRAFTS	28	247,667,460	154,258,682
AMOUNTS DUE TO ASSOCIATES		1,028,087	528,925
TAXATION		1,000,761	2,222,316
		600,141,874	304,011,329
NET CURRENT LIABILITIES		(27,119,652)	(18,542,033)
TOTAL ASSETS LESS CURRENT LIABILITIES		536,658,702	481,180,310

CONSOLIDATED BALANCE SHEET

As at 31st March, 2007

	<i>Notes</i>	2007 HK\$	2006 HK\$
NON-CURRENT LIABILITIES			
LONG TERM BORROWINGS	28	48,224,887	40,426,323
DEFERRED TAXATION	29	40,781,640	33,391,632
		<u>89,006,527</u>	<u>73,817,955</u>
		<u>447,652,175</u>	<u>407,362,355</u>
CAPITAL AND RESERVES			
SHARE CAPITAL	30	197,653,500	197,653,500
RESERVES	31	228,501,150	189,052,137
PROPOSED DIVIDENDS		5,929,605	5,929,605
		<u>432,084,255</u>	<u>392,635,242</u>
SHAREHOLDERS' FUNDS		432,084,255	392,635,242
MINORITY INTERESTS		<u>15,567,920</u>	<u>14,727,113</u>
TOTAL EQUITY		<u>447,652,175</u>	<u>407,362,355</u>

CHUA NAI TUEN
DIRECTOR

CHUA NAI KING
DIRECTOR

The accompanying note on pages 36 to 87 form an integral part of the financial statements.

COMPANY BALANCE SHEET

As at 31st March, 2007

	<i>Notes</i>	2007 HK\$	2006 HK\$
NON-CURRENT ASSETS			
INVESTMENT PROPERTIES	15	909,183	865,385
PROPERTY, PLANT & EQUIPMENT	16	1,564,556	1,847,355
INTERESTS IN SUBSIDIARIES	18	268,089,722	278,758,559
INTERESTS IN ASSOCIATES	19	22,231,554	21,192,754
AVAILABLE-FOR-SALE FINANCIAL ASSETS	20	6,475,889	6,475,889
		299,270,904	309,139,942
CURRENT ASSETS			
TRADE AND OTHER RECEIVABLES		87,818	83,857
DEPOSITS AND PREPAYMENTS		542,501	566,050
PROFITS TAX PREPAID		73,022	122,092
CASH AND BANK BALANCES		861,202	819,036
		1,564,543	1,591,035
CURRENT LIABILITIES			
TRADE AND OTHER PAYABLES		4,328,356	3,658,709
AMOUNTS DUE TO RELATED COMPANY	27	15,797,669	15,797,884
BANK LOANS AND OVERDRAFTS	28	2,743,523	6,522,271
AMOUNTS DUE TO ASSOCIATES		1,028,087	528,925
AMOUNTS DUE TO SUBSIDIARIES		12,414,089	11,585,251
TAXATION		–	75,531
		36,311,724	38,168,571
NET CURRENT LIABILITIES		(34,747,181)	(36,577,536)
TOTAL ASSETS LESS CURRENT LIABILITIES		264,523,723	272,562,406

COMPANY BALANCE SHEET

As at 31st March, 2007

	<i>Notes</i>	2007 HK\$	2006 HK\$
NON-CURRENT LIABILITIES			
LONG TERM BORROWINGS	28	4,600,000	7,343,523
DEFERRED TAX LIABILITIES	29	200,045	249,523
		4,800,045	7,593,046
		259,723,678	264,969,360
CAPITAL AND RESERVES			
SHARE CAPITAL	30	197,653,500	197,653,500
RESERVES	31	56,140,573	61,386,255
PROPOSED DIVIDENDS		5,929,605	5,929,605
SHAREHOLDERS' FUND		259,723,678	264,969,360

CHUA NAI TUEN
DIRECTOR

CHUA NAI KING
DIRECTOR

The accompanying note on pages 36 to 87 form an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st March, 2007

	<i>Notes</i>	2007 HK\$	2006 HK\$
CASH (OUTFLOW) INFLOW FROM OPERATIONS			
	32	(50,594,083)	36,822,540
Interest received		7,949,164	3,684,686
Interest paid		(12,437,987)	(10,112,587)
Dividend paid		(5,634,495)	(2,768,059)
Profits tax refunded		172,471	–
Profits tax paid		(4,472,981)	(1,672,237)
		(65,017,911)	25,954,343
NET CASH (OUTFLOW) INFLOW FROM OPERATIONS			
INVESTING ACTIVITIES			
Purchase of property, plant & equipment		(36,527,518)	(14,825,835)
Increase in investment properties		–	(107,400)
Proceeds from disposal of property, plant & equipment		55,082	158,407
Dividends received from financial assets at fair value through income statement		317,166	316,927
Loans to associates		(2,721,199)	(7,265,753)
Purchase of leasehold land and land use rights		–	(2,645,518)
Proceeds from sale of land use rights		3,601,474	–
Payment for acquiring intangible assets		(420,000)	(460,000)
Increase of other assets		(150,000)	(200,000)
Purchase of available-for-sale financial assets		(2,071,100)	–
Purchase of financial assets at fair value through income statement		(11,902,718)	(27,187,817)
Proceeds from sales of financial assets at fair value through income statement		11,508,653	27,082,548
		(38,310,160)	(25,134,441)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES			

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st March, 2007

<i>Notes</i>	2007 HK\$	2006 HK\$
FINANCING		
New bank loans	1,234,246,951	827,475,902
Repayment of bank loans	(1,135,981,360)	(835,559,430)
Other finance cost paid	(867,216)	(830,870)
Increase in advance from associates	499,162	68,690
	<hr/>	<hr/>
NET CASH INFLOW (OUTFLOW) FROM FINANCING	97,897,537	(8,845,708)
	<hr/>	<hr/>
DECREASE IN CASH AND CASH EQUIVALENTS	(5,430,534)	(8,025,806)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	6,361,550	9,594,752
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	900,398	4,792,604
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	1,831,414	6,361,550
	<hr/>	<hr/>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
CASH AND BANK BALANCE	6,873,174	8,461,558
BANK OVERDRAFTS	(5,041,760)	(2,100,008)
	<hr/>	<hr/>
	1,831,414	6,361,550
	<hr/>	<hr/>

Included in cash and cash equivalents are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	2007	2006
United States Dollars	US\$26,465	US\$12,251
Renminbi	RMB2,388,729	RMB3,987,190
Japanese Yen	Yen85,750	Yen1,801,250
Canadian Dollars	C\$5,025	C\$1,156

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

1. GENERAL INFORMATION

The Company and its subsidiaries (hereby collectively referred to as the “Group”) are principally engaged in property investment and development, manufacturing and trading of plastic packaging materials, stock broking and finance.

The Company is a limited liability company incorporated in Hong Kong and listed on The Stock Exchange of Hong Kong Limited. The address of its registered office is Units 407-410, 4th Floor, Tower 2, Silvercord, 30 Canton Road, Tsimshatsui, Kowloon, Hong Kong.

These consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) which is a collective term that includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”), and Interpretations (“Ints”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and applicable disclosure provisions of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the financial assets at fair value through income statement and investment properties, which are carried at fair value.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.2 Impact of adoption of new and revised Hong Kong Financial Reporting Standards

In the current year, the Group and the Company have applied, for the first time, a number of new standards, amendments and interpretations (“new HKFRSs”) issued by the HKICPA, which are either effective for accounting periods beginning on or after 1st December, 2005 or 1st January, 2006. The adoption of the new HKFRSs has had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

2.3 Impact of issued but not yet effective Hong Kong Financial Reporting Standards

The Group has not early applied the following new standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital Disclosures ¹
HKFRS 7	Financial Instruments: Disclosures ¹
HKFRS 8	Operating Segment ²
HK (IFRIC) – Int 8	Scope of HKFRS 2 ³
HK (IFRIC) – Int 9	Reassessment of Embedded Derivatives ⁴
HK (IFRIC) – Int 10	Interim Financial Reporting and Impairment ⁵
HK (IFRIC) – Int 11	HKFRS2 – Group and Treasury Share Transactions ⁶
HK (IFRIC) – Int 12	Service Concession Arrangements ⁷

¹ Effective for annual periods beginning on or after 1st January, 2007

² Effective for annual periods beginning on or after 1st January, 2009

³ Effective for annual periods beginning on or after 1st May, 2006

⁴ Effective for annual periods beginning on or after 1st June, 2006

⁵ Effective for annual periods beginning on or after 1st November, 2006

⁶ Effective for annual periods beginning on or after 1st March, 2007

⁷ Effective for annual periods beginning on or after 1st January, 2008

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.4 Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31st March.

(a) *Subsidiaries*

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

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (see Note 2.9(a)). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.4 Consolidation (Cont'd)

(b) *Associates*

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (see Note 2.9(a)).

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

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

2.5 Segment reporting

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.5 Segment reporting (Cont'd)

Segment assets consist primarily of non-current assets, inventories, receivables, operating cash and interests in associates. Segment liabilities comprise operating liabilities and exclude certain corporate borrowing. Capital expenditure comprises additions to property, plant and equipment.

In respect of geographical segment reporting, sale, total assets and capital expenditure are based on the destination country to which goods are shipped and location of assets respectively.

2.6 Foreign currency translation

(a) *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 HK dollars, which is the Company's functional and presentation currency.

(b) *Transactions and balances*

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

Translation differences on non-monetary items, such as equity instruments at fair value through income statement, are reported as part of the fair value gain or loss. Translation difference on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(c) *Group companies*

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.6 Foreign currency translation (Cont'd)

- (c) *Group companies (Cont'd)*
- (ii) income and expenses for each income statement are translated at average exchange rates (unless the 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.

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

2.7 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment loss, if any.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the asset.

Building transferred from investment properties are stated at deemed cost, which is equal to its fair value at the date of change in use.

Construction in progress comprises properties under construction, and other property, plant and equipment under installation, and is stated at cost which includes development and construction expenditure incurred and other direct costs attributable to the development less any impairment losses. No depreciation is provided on construction in progress until such time as the relevant assets are completed and put into use.

The gain or loss arising from the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement. When revalued assets are sold, the amounts included in other reserves are transferred to retained profits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.7 Property, plant and equipment (Cont'd)

Depreciation is provided to write off the cost of an asset over its estimated useful life using the following rates per annum:

Buildings	Over the shorter of its useful life or unexpired period of the lease
Plant and machinery	10% – 20% on reducing balance method
Furniture, fixtures and equipment	15 – 25% on reducing balance method
Motor vehicles	15% – 25% on reducing balance method

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.11).

2.8 Leasehold land and land use rights

Leasehold land and land use rights represent upfront premium paid for land cost and is charged to income statement over the term of relevant land leases on a straight line basic.

Medium term lease is defined as a lease of over 10 years but not more than 50 years.

2.9 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary or associates at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in interests in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill on acquisitions that occurred prior to 31st March, 2001 was eliminated against reserves. Upon disposal of subsidiaries or associates that were acquired prior to the said date, the relevant portion of attributable goodwill previously written off to retained profits is released and charged to the income statement in arriving at the gain or loss on sale of the investments.

Goodwill is allocated to cash generating units for the purpose of impairment testing.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.9 Intangible assets (Cont'd)

(b) *Trading rights*

Trading rights held in The Stock Exchange of Hong Kong Limited and Hong Kong Futures Exchange Limited (the “Stock Exchange trading rights” and “Futures Exchange trading right” respectively) are classified as intangible assets. Trading rights have an indefinite useful life and are carried at cost less accumulated impairment losses.

(c) *Membership*

The membership of The Chinese Gold & Silver Exchange Society and a club membership are recognised as an intangible asset on the balance sheet. The membership has an indefinite useful life and is carried at cost less accumulated impairment losses.

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

2.10 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and is not occupied by the companies in the Group, is classified as an investment property.

Investment properties comprise land held under operating leases and buildings held under finance leases.

Land held under operating leases are classified and accounted for as investment properties when the rest of the definition of investment properties is met. The operating lease is accounted for as if it were a finance lease.

Investment properties are measured initially at their cost, including related transaction costs.

After initial recognition, investment properties are carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. These valuations are reviewed annually by external valuers. Changes in fair values are recognised in the income statement for the period in which they arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.10 Investment properties (Cont'd)

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset is included in the income statement the year in which the item is derecognised.

Medium term lease is defined as a lease of over 10 years but not more than 50 years.

2.11 Impairment of non-financial assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its net realizable value and value in use, in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets, to which the asset belongs, that generates cash flows independently (i.e. a cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately, unless the relevant asset is carried at revalued amount under another HKAS/HKFRS, in which case the impairment loss is treated as a revaluation decrease under that HKAS/HKFRS.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately, unless the relevant asset is carried at a revalued amount under another HKAS/HKFRS, in which case the reversal of the impairment loss is treated as a revaluation increase under that HKAS/HKFRS.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.12 Financial assets

The Group classifies its financial assets into the following categories: at fair value through income statement, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

(i) *Financial assets at fair value through income statement*

This category has two sub-categories: financial assets held for trading, and those designated at fair value through income statement at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within twelve months of the balance sheet date.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as 'long term loans and advances', 'loans and advances' and 'trade and other receivables' in the balance sheet.

(iii) *Available-for-sale financial assets*

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

Regular purchases and sales of investments are recognised on trade-date - the date on which the Group commits to purchase or sell the asset. Financial assets carried at fair value through income statement are initially recognised at fair value and transaction costs are expensed in the income statement. For all the financial assets, they are initially recognised at fair value plus transaction cost. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through income statement are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.12 Financial assets (Cont'd)

Gains and losses arising, from changes in the fair value of the 'financial assets at fair value through income statement' category including interest and dividend income, are presented in the income statement within 'other revenues' and 'turnover' respectively, in the year in which they arise.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the consolidated profit and loss account. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognized in prior years. Impairment losses arising on equity securities are not reversed.

2.13 Trading properties

Trading properties are stated at the lower of cost and net realisable value. Cost includes the acquisition cost, financing cost and decoration cost capitalised. Net realisable value is the estimated selling price at which a property can be realised less related expenses.

2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and comprised of direct materials, direct labour cost and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less further costs expected to completion and costs to be incurred in selling and distribution.

2.15 Trade and other receivables

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.16 Borrowings

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

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

2.17 Deferred taxation

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

Deferred tax assets are recognised to the extent that it is probable that sufficient taxable profit will be available against which the related tax benefits can be utilised.

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

2.18 Employee benefits

(a) *Discretionary bonus*

The expected cost of discretionary bonus payments are recognised as a liability when the group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for discretionary bonus are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.18 Employee benefits (Cont'd)

(b) Retirement benefit costs

The Group's contributions to the defined contribution retirement schemes are expensed as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. The assets of the schemes are held separately from those of the Group in independently administered funds.

As stipulated by rules and regulations in Mainland China, the Group contributes to state-sponsored retirement plans for its employees in Mainland China. The Group contributes to the retirement plans certain percentage of the basic salaries of its employees, and has no further obligations for the actual payment of post-retirement benefits.

2.19 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation, as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

2.20 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, the will then be recognised as a provision.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.21 Recognition of revenue

- (i) Rental income under operating leases is recognised, on a straight-line basis over the lease terms.
- (ii) Guest house income is recognised when guest house services are provided.
- (iii) Income from sale of goods is recognised when goods are delivered and title has passed to customers.
- (iv) Income from sale of trading properties is recognised when the relevant contract is made and properly executed.
- (v) Brokerage income is recognised when the relevant contract note is made and properly executed.
- (vi) Gains on foreign exchange dealings are recognised when the exchange memorandum are made and properly executed respectively.
- (vii) Dividend income from financial assets is recognised when the shareholders' right to receive payment has been established. Dividend income from subsidiaries is recognised in the period to which the dividend relates.

2.22 Capitalisation of borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

2.23 Operating leases

Leases which do not transfer substantially all the risks and reward of ownership to the Group are classified as operating leases. Where the Group has the use of assets held under operating leases, payments made under the leases are charged to consolidated income statement in equal instalments over the accounting periods covered by the lease term.

2.24 Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the capital and reserves section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends are approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.25 Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognized as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognized in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognized in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognized as deferred income is amortized in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognized in accordance with note (2.19) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognized, less accumulated amortization.

2.26 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity of acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.27 Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

- i. the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;
- ii. the Group and the party are subject to common control;
- iii. the party is an associate of the Group or a joint venture in which the Group is a venturer;
- iv. the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individuals, or is an entity under the control, joint control or significant influence of such individuals;
- v. the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or
- vi. the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party or the Group.

3. FINANCIAL RISK MANAGEMENT

The Group's major financial instruments include borrowings, available-for-sale financial assets, financial assets at fair value through income statement, deposit and bank balances, trade and other receivables, trade and other payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

Several subsidiaries of the Company have foreign currency sales, trade receivables and borrowings denominated in foreign currencies which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

3. FINANCIAL RISK MANAGEMENT (Cont'd)

Cash flow interest rate risk

The Group's cash flow interest rate risk relate primarily to variable-rate borrowings. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate change exposure and will consider hedging significant interest rate change exposure should the need arise.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31st March, 2007 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Price risk

The Group's financial assets at fair value through income statement are measured at fair value at each balance sheet date. Therefore, the Group is exposed to equity security price risk. The management manages this exposure by maintaining a portfolio of investments with different risk profiles.

Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31st March, 2007 and 2006 except financial assets at fair value through income statement.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the process of applying the Group's accounting policies which are described in Note 2, management has made the following judgements that have significant effect on the amounts recognised in the financial statements. The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also discussed below.

Allowance for bad and doubtful debts

The policy for provision of impairment loss of trade and other receivables of the Group is based on the evaluation of collectibility and ageing analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional provisions may be required.

Profits taxes

The Group is subject to profits taxes in various jurisdictions. Significant judgement is required in determining provision for profit tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation expenses for the Group's property, plant and equipment. Management will revise the depreciation expenses where useful lives are different to previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

5. SEGMENT INFORMATION

1) Business Segment

	Property development and investment		Manufacturing and trading of plastic packing material		Stock broking and finance		Eliminations		Consolidated	
	2007 HK\$	2006 HK\$	2007 HK\$	2006 HK\$	2007 HK\$	2006 HK\$	2007 HK\$	2006 HK\$	2007 HK\$	2006 HK\$
Turnover										
External sales	10,975,853	32,832,462	307,954,847	288,122,096	21,877,136	17,092,319	-	-	340,807,836	338,046,877
Inter-segment sales	2,475,272	2,573,246	-	-	-	-	(2,475,272)	(2,573,246)	-	-
	13,451,125	35,405,708	307,954,847	288,122,096	21,877,136	17,092,319	(2,475,272)	(2,573,246)	340,807,836	338,046,877
Operation result	1,129,922	(2,318,428)	13,192,783	17,800,382	17,178,625	5,887,660			31,501,330	21,369,614
Fair value changes on investment properties	27,696,798	53,631,092	-	-	-	-			27,696,798	53,631,092
Segment result	28,826,720	51,312,664	13,192,783	17,800,382	17,178,625	5,887,660			59,198,128	75,000,706
Finance costs									(13,324,695)	(10,985,174)
Share of profit (loss) of associates	802,168	425,396	(581,575)	(1,258,778)	-	-			220,593	(833,382)
Profit before taxation									46,094,026	63,182,150
Taxation	(4,235,191)	(6,888,223)	(4,001,382)	(5,165,697)	(2,437,714)	(1,860,073)			(10,674,287)	(13,913,993)
Profit after taxation									35,419,739	49,268,157
Minority interests	-	-	(775,644)	(2,143,981)	(61,988)	(29,635)			(837,632)	(2,173,616)
Profit attributable to shareholders									34,582,107	47,094,541
Segment assets	301,764,962	269,522,032	330,736,501	283,297,668	438,888,660	174,096,690			1,071,390,123	726,916,390
Interest in associates	46,793,246	43,410,373	10,070,218	8,388,987	-	-			56,863,464	51,799,360
Unallocated corporate assets									8,546,989	6,475,889
Total Assets	348,558,208	312,932,405	340,806,719	291,686,655	438,888,660	174,096,690			1,136,800,576	785,191,639
Segment liabilities	60,848,542	53,825,803	46,589,206	35,039,457	285,818,306	94,279,019			393,256,054	183,144,279
Unallocated liabilities									295,892,347	194,685,005
Total liabilities									689,148,401	377,829,284
Minority interests	-	-	14,036,273	13,133,479	1,531,647	1,593,634			15,567,920	14,727,113
Depreciation for the year	2,254,358	1,924,983	8,656,745	8,311,317	200,389	192,380			11,111,492	10,428,680
Amortisation of leasehold land and land use rights	774,594	875,481	253,582	165,501	-	-			1,028,176	1,040,982
Capital expenditure incurred during the year	23,250,824	1,355,818	13,052,279	15,875,593	224,415	239,942			36,527,518	17,471,353

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

5. SEGMENT INFORMATION (Cont'd)

II) Geographical Segment

	Turnover	
	2007 HK\$	2006 HK\$
Hong Kong	47,928,882	45,201,785
Mainland China	13,954,354	28,231,832
North America	84,774,732	85,217,849
Europe	36,783,346	39,539,113
Australia	50,806,631	43,631,504
Asia	105,493,442	95,517,822
Other	1,066,449	706,972
	340,807,836	338,046,877

	Carrying amount of Segment assets		Additions to Property, Plant and Equipment	
	2007 HK\$	2006 HK\$	2007 HK\$	2006 HK\$
Hong Kong	807,507,436	505,838,163	7,131,726	2,063,476
Mainland China	229,921,243	193,008,893	29,395,792	15,407,877
North America	11,097,485	7,108,315	–	–
Europe	3,900,427	5,629,493	–	–
Australia	10,648,668	7,828,606	–	–
Asia	8,314,864	7,502,920	–	–
	1,071,390,123	726,916,390	36,527,518	17,471,353

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

6. TURNOVER

Turnover comprises the aggregate of gross invoiced values of goods sold less discounts and returns, gross proceeds from sale of trading properties, gross rental income, brokerage commission, guest house income, gains on foreign exchange dealings and dividend income.

	2007	2006
	HK\$	HK\$
Sale of goods	307,954,847	287,945,096
Sale of trading properties	–	20,073,614
Gross rental income	10,975,853	11,651,182
Brokerage commission	21,023,662	16,332,608
Guest house income	–	1,284,666
Gains on foreign exchange dealings	536,308	442,784
Dividend income	317,166	316,927
	<u>340,807,836</u>	<u>338,046,877</u>

7. OTHER REVENUES

	2007	2006
	HK\$	HK\$
Interest income	7,964,859	6,304,285
Other income	2,065,565	3,797,202
Profit on disposal of land use rights	2,500,569	–
Consultancy & management fee	280,800	407,962
Unrealised holding gains on financial assets at fair value through income statement	5,218,702	445,647
Loss on disposal of financial assets at fair value through income statement	(394,065)	(99,635)
Impairment loss of trade receivables written back	–	2,047,293
	<u>17,636,430</u>	<u>12,902,754</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

8. PROFIT FROM OPERATIONS

	2007 HK\$	2006 HK\$
Profit from operations is arrived at after charging:		
Auditors' remuneration	709,360	668,541
Cost of inventories sold	225,272,175	209,320,038
Cost of trading properties sold	–	18,958,818
Impairment loss of intangible assets	–	3,985,000
Impairment loss of property, plant & equipment	–	1,047,403
Impairment loss of trade and other receivables	191,894	–
Loss on disposal of property, plant and equipment	25,716	551,690
Staff costs (including directors' remuneration)	39,955,447	40,278,077
Salaries, wages and allowance	35,391,819	35,592,725
Benefits	3,163,842	3,158,402
Defined contribution plans	697,043	705,349
Severance payment	702,743	821,601
Operating lease rental in respect of land and buildings	1,479,855	1,161,144
Depreciation	11,111,492	10,428,680
Amortisation of leasehold land and land use rights	1,028,176	1,040,982
Exchange loss	1,001,206	724,822
and after crediting:		
Net rental income	10,655,179	11,439,674
Gross rental income from investment properties	10,975,853	11,651,182
Less: outgoings	(320,674)	(211,508)

9. FINANCE COSTS

	2007 HK\$	2006 HK\$
Interest on:		
Bank loans and overdrafts wholly repayable:		
within five years	10,209,315	8,304,170
over five years	834,968	886,829
Other borrowings	1,413,196	963,305
Bank charges	867,216	830,870
	<u>13,324,695</u>	<u>10,985,174</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

10. TAXATION

	2007	2006
	HK\$	HK\$
The amount of taxation in the consolidated income statement represents:		
Current tax-Hong Kong profits tax		
Tax for the year	3,421,071	2,052,451
Benefit of previously unrecognized tax losses	(718,001)	(172,870)
Under-provision in prior year	21,834	–
	2,724,904	1,879,581
Current tax-Overseas taxation		
Tax for the year	558,500	493,732
Write-back of provision made in previous year	–	(2,319,910)
Under-provision in prior year	875	–
	559,375	(1,826,178)
Deferred tax		
Origination and reversal of temporary differences	554,737	1,276,216
Change in fair value of investment properties	7,454,212	13,340,206
Benefit of current year's tax loss recognized	(288,454)	(359,813)
Benefit of previously unrecognized tax losses now recognized	(330,487)	(405,292)
Net under-provision in prior years	–	9,273
	7,390,008	13,860,590
Total charge for taxation	10,674,287	13,913,993
Effective tax rate	23.1%	22.0%
Reconciliation between taxation charge and accounting profit at applicable tax rates:		
Profit before taxation	46,094,026	63,182,150

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

10. TAXATION (Cont'd)

	2007	2006
	HK\$	HK\$
Notional tax on profit before taxation, calculated at Hong Kong profits tax rate of 17.5%	8,066,455	11,056,879
Tax effect of:		
Different tax rates in other tax jurisdiction	71,355	(341,252)
Non-deductible expenses	3,622,484	11,192,864
Non-taxable revenue	(689,106)	(5,850,767)
Current year's tax loss not recognized	669,907	740,804
Previous tax losses utilized in current year	(718,001)	(172,870)
Recognition of previously unrecognized tax losses	(330,487)	(405,292)
Net (over) under provision in prior years	(17,961)	9,273
Origination and reversal of unrecognized temporary differences	(359)	4,264
Write-back of provision made in previous year	–	(2,319,910)
	<hr/>	<hr/>
Actual charge for taxation	10,674,287	13,913,993
	<hr/>	<hr/>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

II. DIRECTORS' AND EMPLOYEES' REMUNERATION

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

Name of Directors	Salary and other benefits HK\$ Note	Director fee HK\$	MPF contribution HK\$	Bonus HK\$	Total HK\$
<i>Executive Director</i>					
Chua Nai Tuen	1,968,272	40,000	11,818	700,377	2,720,467
Chua Nai King	939,303	30,000	-	-	969,303
Se Ying Kin	975,003	30,000	-	-	1,005,003
<i>Non-executive Directors</i>					
Siy Yap	-	30,000	-	-	30,000
Jimmy Siy Tiong	-	30,000	-	-	30,000
Luis Chua	-	30,000	-	-	30,000
Rene Siy Chua	-	30,000	-	-	30,000
Tsai Han Yung	-	30,000	-	-	30,000
Chan Man Hon, Eric	-	30,000	-	-	30,000
<i>Independent Non-executive Directors</i>					
Lee Man Ban (Resigned on 16/10/06)	-	30,000	-	-	30,000
Chan Siu Ting (Appointed on 16/10/06)	-	30,000	-	-	30,000
James L. Kwok	-	30,000	-	-	30,000
Wong Shek Keung	-	30,000	-	-	30,000
	<u>3,882,578</u>	<u>400,000</u>	<u>11,818</u>	<u>700,377</u>	<u>4,994,773</u>

Note: Including consultancy fees were paid to Sonliet Investment Company Limited (“Sonliet”), Rolling Development Limited (“Rolling”), Tonwell Investment Company (Hong Kong) Limited (“Tonwell”) and Holytex Investment Company Limited (“Holytex”) of which Messrs. Chua Nai Tuen was the director of Sonliet, Mr. Chua Nai King was the director of Rolling and Tonwell respectively and Mr. Se Ying Kin was the manager of Holytex.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

II. DIRECTORS' AND EMPLOYEES' REMUNERATION (Cont'd)

The remuneration of every Director for the year ended 31 March 2006 is set out below:

Name of Directors	Salary and	Director fee	Severance	MPF	Bonus	Total
	other benefits		Pay	contribution		
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
<i>Executive Director</i>						
Chua Nai Tuen	1,946,395	30,000	-	21,095	350,247	2,347,737
Chua Nai King	953,295	20,000	-	-	-	973,295
Se Ying Kin	1,146,160	20,000	241,037	7,858	-	1,415,055
<i>Non-executive Directors</i>						
Siy Yap	-	20,000	-	-	-	20,000
Jimmy Siy Tiong	-	20,000	-	-	-	20,000
Luis Chua	-	20,000	-	-	-	20,000
Rene Siy Chua	-	20,000	-	-	-	20,000
Tsai Han Yung	-	20,000	-	-	-	20,000
Chan Man Hon, Eric	-	20,000	-	-	-	20,000
<i>Independent Non-executive Directors</i>						
Lee Man Ban	-	20,000	-	-	-	20,000
James L. Kwok	-	20,000	-	-	-	20,000
Wong Shek Keung	-	20,000	-	-	-	20,000
	<u>4,045,850</u>	<u>250,000</u>	<u>241,037</u>	<u>28,953</u>	<u>350,247</u>	<u>4,916,087</u>

Note: Including consultancy fees were paid to Sonliet Investment Company Limited ("Sonliet"), Rolling Development Limited ("Rolling") and Holytex Investment Company Limited ("Holytex") of which Messrs. Chua Nai Tuen was the director of Sonliet, Mr. Chua Nai King was the director of Rolling and Mr. Se Ying Kin was the manager of Holytex.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

II. DIRECTORS' AND EMPLOYEES' REMUNERATION (Cont'd)

Five highest paid employees

The five highest paid employees of the Group during the year included three directors, details of whose remuneration are disclosed above. The remuneration of the other two employees disclosed were as follows:

	2007 HK\$	2006 HK\$
Salaries and other allowances	1,050,000	1,032,900
Consultancy fee	267,750	249,900
MPF contribution	52,500	50,700
Bonus	457,714	948,408
Director's Fee from subsidiaries	10,000	10,000
	<u>1,837,964</u>	<u>2,291,908</u>

The remuneration of the other two employees fell within the following band:

	2007 Number of employees	2006 Number of employees
Nil – HK\$1,000,000	1	1
HK\$1,000,001 – HK\$1,500,000	1	1
	<u>2</u>	<u>2</u>

12. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

	2007 HK\$	2006 HK\$
Dealt with in the financial statements of the Company	683,923	(48,922,481)
Retained by subsidiaries	33,677,591	96,850,404
Retained by associates	220,593	(833,382)
	<u>34,582,107</u>	<u>47,094,541</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

13. PROPOSED DIVIDENDS

	2007	2006
	HK\$	HK\$
Proposed final dividend of HK 3.0 cents per share (2006: HK 3.0 cents)	5,929,605	5,929,605

14. EARNINGS PER SHARE

The calculation of the earnings per share is based on the profit attributable to shareholders of HK\$34,582,107 (2006: HK\$47,094,541) and ordinary shares in issue of 197,653,500 shares.

15. INVESTMENT PROPERTIES

Group

	Medium term lease in Hong Kong HK\$	Medium term lease in the Mainland China HK\$	Total HK\$
Valuation			
At 1st April, 2005, as restated	184,000,000	812,893	184,812,893
Transfer from building	3,041,000	–	3,041,000
Additions	107,400	–	107,400
Fair value gain	53,578,600	52,492	53,631,092
	<u>240,727,000</u>	<u>865,385</u>	<u>241,592,385</u>
At 31st March, 2006	240,727,000	865,385	241,592,385
	<u>240,727,000</u>	<u>865,385</u>	<u>241,592,385</u>
At 1st April, 2006	240,727,000	865,385	241,592,385
Fair value gain	27,653,000	43,798	27,696,798
	<u>268,380,000</u>	<u>909,183</u>	<u>269,289,183</u>
At 31st March, 2007	268,380,000	909,183	269,289,183

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

15. INVESTMENT PROPERTIES (Cont'd)

Company

	Medium term lease in Hong Kong HK\$	Medium term lease in the Mainland China HK\$	Total HK\$
Valuation			
At 1st April, 2005	193,000,000	812,893	193,812,893
Disposal	(193,000,000)	–	(193,000,000)
Fair value gain	–	52,492	52,492
	<u>–</u>	<u>52,492</u>	<u>52,492</u>
At 31st March, 2006	–	865,385	865,385
	<u>–</u>	<u>865,385</u>	<u>865,385</u>
At 1st April, 2006	–	865,385	865,385
Fair value gain	–	43,798	43,798
	<u>–</u>	<u>43,798</u>	<u>43,798</u>
At 31st March, 2007	<u>–</u>	<u>909,183</u>	<u>909,183</u>

Investment properties were revalued at their open market value at 31st March, 2007. The revaluation was carried out by K.T. Liu Surveyors Limited, an independent valuer.

Regarding the investment property in the Mainland China, the Group is entitled to the property-use right for fifty years as from 12th January, 1992 to 11th January, 2042 in accordance with the sale and purchase agreement, and is allowed to transfer or lease the property-use right according to the regulations of the Shenzhen Government.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

16. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings		Construction in progress	Plant and Machinery	Furniture, fixtures & equipment	Motor vehicles	Total
	Medium term lease in Hong Kong	Medium term lease in the Mainland China					
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Cost							
At 1 st April, 2006	31,522,942	63,081,010	8,167,260	107,156,352	15,792,928	8,136,756	233,857,248
Additions	–	484,281	20,962,091	9,119,396	5,170,968	790,782	36,527,518
Transfer	–	3,914,896	(4,079,094)	94,592	69,606	–	–
Disposals	–	–	–	(20,537)	(27,631)	(734,433)	(782,601)
Exchange realignments	–	3,243,584	419,955	4,713,520	228,737	207,629	8,813,425
At 31st March, 2007	31,522,942	70,723,771	25,470,212	121,063,323	21,234,608	8,400,734	278,415,590
Accumulated depreciation							
At 1 st April, 2006	4,166,736	15,933,218	–	51,941,823	9,012,191	5,143,775	86,197,743
Charge for the year	1,220,724	1,228,153	–	6,541,903	1,343,923	776,789	11,111,492
Written back on disposals	–	–	–	(2,054)	(5,849)	(693,676)	(701,579)
Exchange realignments	–	851,657	–	2,598,329	118,300	140,146	3,708,432
At 31st March, 2007	5,387,460	18,013,028	–	61,080,001	10,468,565	5,367,034	100,316,088
Net book value as at 31st March, 2007	26,135,482	52,710,743	25,470,212	59,983,322	10,766,043	3,033,700	178,099,502

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

16. PROPERTY, PLANT AND EQUIPMENT (Cont'd) Group

	Buildings		Construction in progress HK\$	Plant and Machinery HK\$	Furniture, fixtures & equipment HK\$	Motor vehicles HK\$	Total HK\$
	Medium term lease in Hong Kong HK\$	Medium term lease in the Mainland China HK\$					
Cost							
At 1st April, 2005, as restated	32,259,772	54,773,391	10,066,985	98,309,752	16,289,568	6,726,076	218,425,544
Additions	–	1,696,475	3,320,250	6,976,385	1,287,324	1,545,401	14,825,835
Effect of adopting HKAS 40 – revaluation surplus for building changed to investment property	2,679,953	–	–	–	–	–	2,679,953
Disposals	–	–	–	(94,378)	(2,007,130)	(215,688)	(2,317,196)
Transfer	–	5,304,102	(5,445,340)	–	141,238	–	–
Change from building to investment property	(3,416,783)	–	–	–	–	–	(3,416,783)
Exchange realignments	–	1,307,042	225,365	1,964,593	81,928	80,967	3,659,895
At 31st March, 2006	31,522,942	63,081,010	8,167,260	107,156,352	15,792,928	8,136,756	233,857,248
Accumulated depreciation							
At 1st April, 2005, as restated	3,314,427	13,197,364	–	45,287,642	9,002,849	4,548,773	75,351,055
Charge for the year	1,228,092	2,440,409	–	4,641,265	1,379,260	739,654	10,428,680
Written back on disposals	–	–	–	(9,438)	(1,408,051)	(189,610)	(1,607,099)
Written back arising from building changed to investment property	(375,783)	–	–	–	–	–	(375,783)
Impairment loss	–	–	–	1,047,403	–	–	1,047,403
Exchange realignments	–	295,445	–	974,951	38,133	44,958	1,353,487
At 31st March, 2006	4,166,736	15,933,218	–	51,941,823	9,012,191	5,143,775	86,197,743
Net book value as at 31st March, 2006	27,356,206	47,147,792	8,167,260	55,214,529	6,780,737	2,992,981	147,659,505

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

16. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

Company

	Furniture, fixtures & equipment HK\$	Motor vehicles HK\$	Total HK\$
Cost			
At 1st April, 2006	2,958,523	2,935,864	5,894,387
Additions	23,425	–	23,425
At 31st March, 2007	<u>2,981,948</u>	<u>2,935,864</u>	<u>5,917,812</u>
Accumulated depreciation			
At 1st April, 2006	2,406,399	1,640,633	4,047,032
Charge for the year	111,940	194,284	306,224
At 31st March, 2007	<u>2,518,339</u>	<u>1,834,917</u>	<u>4,353,256</u>
Net book value as at 31st March, 2007	<u>463,609</u>	<u>1,100,947</u>	<u>1,564,556</u>
Cost			
At 1st April, 2005	2,939,833	1,946,386	4,886,219
Additions	18,690	1,205,166	1,223,856
Disposals	–	(215,688)	(215,688)
At 31st March, 2006	<u>2,958,523</u>	<u>2,935,864</u>	<u>5,894,387</u>
Accumulated depreciation			
At 1st April, 2005	2,272,471	1,601,673	3,874,144
Charge for the year	133,928	228,570	362,498
Written back on disposals	–	(189,610)	(189,610)
At 31st March, 2006	<u>2,406,399</u>	<u>1,640,633</u>	<u>4,047,032</u>
Net book value as at 31st March, 2006	<u>552,124</u>	<u>1,295,231</u>	<u>1,847,355</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

17. LEASEHOLD LAND AND LAND USE RIGHTS

Group

	HK\$
Cost	
At 1st April, 2005, as restated	55,835,109
Additions	2,645,518
Exchange alignment	<u>117,313</u>
At 31st March, 2006	<u>58,597,940</u>
At 1st April, 2006	58,597,940
Disposal	(1,333,003)
Exchange alignment	<u>411,516</u>
At 31st March, 2007	<u>57,676,453</u>
Amortisation	
At 1st April, 2005, as restated	8,269,782
Charge for the year	1,040,982
Exchange alignment	<u>24,678</u>
At 31st March, 2006	<u>9,335,442</u>
At 1st April, 2006	9,335,442
Charge for the year	1,028,176
Written back on disposal	(232,098)
Exchange alignment	<u>68,423</u>
At 31st March, 2007	<u>10,199,943</u>
Net book value at	
31st March, 2007	<u>47,476,510</u>
31st March, 2006	<u>49,262,498</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

18. INTERESTS IN SUBSIDIARIES

Company

	2007	2006
	HK\$	HK\$
Unlisted shares, at cost	37,064,774	37,064,773
Amounts due from subsidiaries	283,233,719	294,436,943
	320,298,493	331,501,716
Impairment loss		
At the beginning of the year	52,743,157	4,536,530
(Written back) Provided for the year	(534,386)	48,206,627
At the end of the year	52,208,771	52,743,157
	268,089,722	278,758,559

Details of the Company's principal subsidiaries at 31st March, 2007 are set out in note 40 to the financial statements.

The amounts due from subsidiaries are unsecured and will not be demanded for repayment in foreseeable future. At 31st March, 2007, an amount of HK\$230,387,781(2006: HK\$197,336,291) bears interest at Hong Kong dollar prime rate, quoted by Standard Chartered Bank (Hong Kong) Limited, minus 2% to 3.25% and the remaining balance is interest free.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

19. INTERESTS IN ASSOCIATES

	2007	2006
	HK\$	HK\$
Group		
Share of net assets at 1st April	24,889,153	411,780
Share of associates' results		
– profit (loss) before taxation	220,593	(827,217)
– taxation	–	(6,165)
Effect of adopting HKAS 40 at 1st April 2005	–	23,370,258
Other equity movements	61,007	(1,865)
Exchange gain arising from consolidation	2,061,305	1,942,362
	<hr/> 27,232,058	24,889,153
Share of net assets at 31st March	27,232,058	24,889,153
Amounts due from associates	29,631,406	26,910,207
	<hr/> 56,863,464	51,799,360
	<hr/> 18,562,601	18,562,601
Investment at cost	18,562,601	18,562,601
Company		
Investment at cost	13,921,154	13,921,154
Amounts due from associates	8,310,400	7,271,600
	<hr/> 22,231,554	21,192,754

Details of the Group's associates at 31st March, 2007 are set out in note 41 to the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

19. INTERESTS IN ASSOCIATES (Cont'd)

Summary financial information on associates

	At 31st March, 2007				
	Assets	Liabilities	Equity	Revenue	Profit
	HK\$	HK\$	HK\$	HK\$	HK\$
100 per cent	175,149,302	(128,109,970)	47,039,332	42,437,640	1,027,181
Group's effective interest	<u>76,763,781</u>	<u>(49,531,722)</u>	<u>27,232,058</u>	<u>20,047,999</u>	<u>220,593</u>

	At 31st March, 2006				
	Assets	Liabilities	Equity	Revenue	Loss
	HK\$	HK\$	HK\$	HK\$	HK\$
100 per cent	151,715,588	(110,206,990)	41,508,598	17,296,619	(513,186)
Group's effective interest	<u>66,020,464</u>	<u>(41,131,311)</u>	<u>24,889,153</u>	<u>7,962,120</u>	<u>(833,382)</u>

20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2007 HK\$	2006 HK\$	2007 HK\$	2006 HK\$
At cost				
Unlisted in Hong Kong	5,400,649	3,664,649	3,664,649	3,664,649
Unlisted outside Hong Kong	<u>3,146,340</u>	<u>2,929,990</u>	<u>2,811,240</u>	<u>2,929,990</u>
	8,546,989	6,594,639	6,475,889	6,594,639
Impairment loss				
Unlisted outside Hong Kong	–	(118,750)	–	(118,750)
	<u>8,546,989</u>	<u>6,475,889</u>	<u>6,475,889</u>	<u>6,475,889</u>
Carrying value				
Unlisted in Hong Kong	5,400,649	3,664,649	3,664,649	3,664,649
Unlisted outside Hong Kong	<u>3,146,340</u>	<u>2,811,240</u>	<u>2,811,240</u>	<u>2,811,240</u>
	<u>8,546,989</u>	<u>6,475,889</u>	<u>6,475,889</u>	<u>6,475,889</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

21. INTANGIBLE ASSETS

Group

	Stock Exchange trading rights HK\$	Future Exchange trading right HK\$	Membership of The Chinese Gold & Silver Exchange Society HK\$	Club Membership HK\$	Total HK\$
Cost					
At 1st April, 2005	3,150,001	201,205	1,475,000	981,500	5,807,706
Addition	460,000	–	–	–	460,000
Impairment loss	(2,810,000)	–	(1,175,000)	–	(3,985,000)
Carrying value at 31st March, 2006	<u>800,001</u>	<u>201,205</u>	<u>300,000</u>	<u>981,500</u>	<u>2,282,706</u>
Carrying value at 1st April, 2006	800,001	201,205	300,000	981,500	2,282,706
Addition	<u>420,000</u>	–	–	–	<u>420,000</u>
Carrying value at 31st March, 2007	<u>1,220,001</u>	<u>201,205</u>	<u>300,000</u>	<u>981,500</u>	<u>2,702,706</u>

22. INVENTORIES

Group

	2007 HK\$	2006 HK\$
Raw materials	48,500,768	33,787,712
Work in progress	4,045,266	3,592,041
Finished goods	18,590,597	13,767,394
	<u>71,136,631</u>	<u>51,147,147</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

23. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 30 days to 90 days to its trade customers. The ageing analysis of trade and other receivables was as follows:

Group

	2007 HK\$	2006 HK\$
0-1 month	416,326,338	172,229,931
2-3 months	13,010,359	11,640,696
Over 3 months	16,513,810	12,470,901
	<u>445,850,507</u>	<u>196,341,528</u>
Impairment loss	(2,862,824)	(2,612,342)
	<u>442,987,683</u>	<u>193,729,186</u>

Included in trade and other receivables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	2007	2006
United States Dollars	US\$4,122,186	US\$3,490,923
Renminbi	RMB8,425,119	RMB6,781,338

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH INCOME STATEMENT

Group

	2007 HK\$	2006 HK\$
At fair value		
Equity securities listed in Hong Kong, market value at 31st March	<u>13,673,227</u>	<u>8,454,525</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

25. TIME DEPOSITS

Group

	2007 HK\$	2006 HK\$
Short term bank deposits		
– secured time deposits	8,858,153	13,273,512
– secured certificate of deposits	1,000,000	1,000,000
	<u>9,858,153</u>	<u>14,273,512</u>

Secured time deposits of HK\$ Nil (2006: HK\$4,005,662) are placed with bank in the Mainland China. The remittance of these funds out of the Mainland China is subject to exchange control restrictions imposed by the PRC government.

The certificate of deposits bear interest at a fixed rate of 2.8% p.a. with maturity in September 2007 and is extendable for two years at banker's option. The amounts represent deposits pledged to banks to secure short term banking facilities granted to the Group and are therefore classified as current assets.

The effective annual interest rates on time deposits ranged from 3.26% to 3.75% (2006: 0.72% to 3.58%) and these deposits have maturity ranged from 12 days to 170 days.

26. TRADE AND OTHER PAYABLES

The ageing analysis of trade and other payables was as follows:

Group

	2007 HK\$	2006 HK\$
0-1 month	301,779,887	106,248,322
2-3 months	3,934,136	5,210,028
Over 3 months	28,933,874	19,745,172
	<u>334,647,897</u>	<u>131,203,522</u>

Included in trade and other payables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	2007	2006
United States Dollars	US\$1,751,832	US\$1,815,775
Renminbi	RMB17,862,014	RMB14,234,266
Singaporean Dollars	–	SGD1,333

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

27. AMOUNTS DUE TO RELATED COMPANY

The net amounts due was unsecured and had no fixed repayment terms. At 31st March, 2007 an amount of HK\$17,500,000 (2006: HK\$17,500,000) due to related company was charged interest at Hong Kong dollar prime rate per annum, quoted by Standard Chartered Bank (Hong Kong) Limited, minus 2% and the amount of HK\$1,702,331 (2006: HK\$1,702,116) due from related company was interest free.

28. BORROWINGS

	Group		Company	
	2007 HK\$	2006 HK\$	2007 HK\$	2006 HK\$
Secured bank overdrafts	5,041,760	2,100,008	–	–
Secured bank loans	263,855,508	181,579,022	7,343,523	13,865,794
Unsecured bank loans	26,995,079	11,005,975	–	–
	<u>295,892,347</u>	<u>194,685,005</u>	<u>7,343,523</u>	<u>13,865,794</u>
Bank loans and overdrafts repayable:				
Within one year	247,667,460	154,258,682	2,743,523	6,522,271
More than one year but not exceeding two years	30,566,747	18,992,990	2,400,000	2,743,523
More than two years but not exceeding five years	12,158,140	13,933,333	2,200,000	4,600,000
Over five years	5,500,000	7,500,000	–	–
	<u>295,892,347</u>	<u>194,685,005</u>	<u>7,343,523</u>	<u>13,865,794</u>
Portion due within one year included under current liabilities	<u>(247,667,460)</u>	<u>(154,258,682)</u>	<u>(2,743,523)</u>	<u>(6,522,271)</u>
Portion due after one year	<u>48,224,887</u>	<u>40,426,323</u>	<u>4,600,000</u>	<u>7,343,523</u>

The carrying amount of bank loans approximates to its fair value and is denominated in Hong Kong dollar and Renminbi. The effective annual interest rate at 31st March 2007 ranged from 5.02% to 6.86% (2006: 4.99% to 7.43%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

29. DEFERRED TAXATION

Group

a. *Deferred tax assets and liabilities recognized*

The components of deferred tax (assets) liabilities recognized in the consolidated balance sheet and the movements during the year are as follows:

	Depreciation allowance in excess of related depreciation HK\$	Revaluation of investment properties HK\$	Future benefit of tax losses HK\$	Others HK\$	Total HK\$
At 1st April, 2006	3,159,579	30,767,772	(765,105)	229,386	33,391,632
Charged (Credited) to income statement	<u>444,479</u>	<u>6,767,810</u>	<u>(618,941)</u>	<u>796,660</u>	<u>7,390,008</u>
At 31st March, 2007	<u>3,604,058</u>	<u>37,535,582</u>	<u>(1,384,046)</u>	<u>1,026,046</u>	<u>40,781,640</u>
At 1st April, 2005	2,468,930	17,427,566	–	(365,454)	19,531,042
Charged (Credited) to income statement	<u>690,649</u>	<u>13,340,206</u>	<u>(765,105)</u>	<u>594,840</u>	<u>13,860,590</u>
At 31st March, 2006	<u>3,159,579</u>	<u>30,767,772</u>	<u>(765,105)</u>	<u>229,386</u>	<u>33,391,632</u>
				2007 HK\$	2006 HK\$
Net deferred tax liabilities recognized on the balance sheet				<u>40,781,640</u>	<u>33,391,632</u>

b. *Deferred tax assets unrecognized*

Deferred tax assets have not been recognized in respect of the following items:

	2007 HK\$	2006 HK\$
Deductible temporary differences	–	12,880
Tax losses	<u>1,048,209</u>	<u>1,500,420</u>
	<u>1,048,209</u>	<u>1,513,300</u>

The tax losses do not expire under current tax legislation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

29. DEFERRED TAXATION (Cont'd)

Company

a. *Deferred tax liabilities recognized*

The components of deferred tax liabilities recognized in the consolidated balance sheet and the movements during the year are as follows:

	Depreciation allowance in excess of related depreciation HK\$	Others HK\$	Total HK\$
At 1st April, 2006	249,523	–	249,523
Credited to income statement	(49,478)	–	(49,478)
At 31st March, 2007	<u>200,045</u>	<u>–</u>	<u>200,045</u>
At 1st April, 2005	302,891	(54,896)	247,995
Charged (Credited) to income statement	(53,368)	54,896	1,528
At 31st March, 2006	<u>249,523</u>	<u>–</u>	<u>249,523</u>
		2007 HK\$	2006 HK\$
Net deferred tax liabilities recognized on the balance sheet		<u>200,045</u>	<u>249,523</u>

b. *Deferred tax assets unrecognized*

Deferred tax assets have not been recognized in respect of the following items:

	2007 HK\$	2006 HK\$
Tax losses	<u>128,957</u>	<u>47,703</u>

The tax losses do not expire under current tax legislation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

30. SHARE CAPITAL

	2007 HK\$	2006 HK\$
Authorized :		
200,000,000 shares of HK\$1.00 each	<u>200,000,000</u>	<u>200,000,000</u>
Issued and fully paid:		
197,653,500 shares of HK\$1.00 each	<u>197,653,500</u>	<u>197,653,500</u>

31. RESERVES

	PROPERTY REVALUATION RESERVE HK\$	EXCHANGE RESERVE HK\$	RETAINED PROFITS HK\$	TOTAL HK\$
Group				
AT 1 APRIL 2006	2,555,496	2,388,610	184,108,031	189,052,137
EXCHANGE DIFFERENCE ARISING FROM CONSOLIDATION	–	10,735,504	–	10,735,504
SHARE OF RESERVES IN ASSOCIATES	–	61,007	–	61,007
PROFIT FOR THE YEAR	–	–	34,582,107	34,582,107
PROPOSED DIVIDENDS	–	–	(5,929,605)	(5,929,605)
AT 31 MARCH 2007	<u>2,555,496</u>	<u>13,185,121</u>	<u>212,760,533</u>	<u>228,501,150</u>
Attributable to:				
Company and subsidiaries	2,555,496	13,124,114	214,600,824	230,280,434
Associates	–	61,007	(1,840,291)	(1,779,284)
	<u>2,555,496</u>	<u>13,185,121</u>	<u>212,760,533</u>	<u>228,501,150</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

31. RESERVES (Cont'd)

	PROPERTY REVALUATION RESERVE HK\$	EXCHANGE RESERVE HK\$	RETAINED PROFITS HK\$	TOTAL HK\$
AT 1 APRIL 2005, AS RESTATED	–	(3,368,019)	142,943,095	139,575,076
EFFECT OF ADOPTING HKAS 40 ARISING FROM CHANGE OF USAGE	2,555,496	–	–	2,555,496
EXCHANGE DIFFERENCE ARISING FROM CONSOLIDATION	–	5,756,629	–	5,756,629
PROFIT FOR THE YEAR	–	–	47,094,541	47,094,541
PROPOSED DIVIDENDS	–	–	(5,929,605)	(5,929,605)
	<u>2,555,496</u>	<u>2,388,610</u>	<u>184,108,031</u>	<u>189,052,137</u>
AT 31 MARCH 2006				
Attributable to:				
Company and subsidiaries	2,555,496	2,388,610	186,168,915	191,113,021
Associates	–	–	(2,060,884)	(2,060,884)
	<u>2,555,496</u>	<u>2,388,610</u>	<u>184,108,031</u>	<u>189,052,137</u>
			RETAINED PROFITS HK\$	
Company				
AT 1 APRIL 2006			61,386,255	
PROFIT FOR THE YEAR			683,923	
PROPOSED DIVIDENDS			(5,929,605)	
			<u>56,140,573</u>	
AT 31 MARCH 2007				
AT 1 APRIL 2005			116,238,341	
LOSS FOR THE YEAR			(48,922,481)	
PROPOSED DIVIDENDS			(5,929,605)	
			<u>61,386,255</u>	
AT 31 MARCH 2006				

Reserves of the Company available for distribution to shareholders amount to HK\$62,070,178 (2006: HK\$67,315,860).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

32. RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH (OUTFLOW) INFLOW FROM OPERATING ACTIVITIES

	Group	
	2007	2006
	HK\$	HK\$
Profit before taxation	46,094,026	63,182,150
Impairment loss of intangible assets	–	3,985,000
Impairment loss of properties plant & equipments	–	1,047,403
Fair value changes on investment properties	(27,696,798)	(53,631,092)
Share of (profit) loss of associates	(220,593)	833,382
Dividend income	(317,166)	(316,927)
Interest income	(7,964,859)	(6,304,285)
Foreign exchange loss	1,001,206	724,822
Finance costs	13,324,695	10,985,174
Depreciation	11,111,492	10,428,680
Amortisation of leasehold land and land use rights	1,028,176	1,040,982
Profit on disposal of land use rights	(2,500,569)	–
Loss on disposal of property, plant & equipment	25,716	551,690
Loss on disposals of financial assets at fair value through income statement	394,065	99,635
Unrealised holding gain on financial asset at fair value through income statement	(5,218,702)	(445,647)
Operating profit before working capital changes	29,060,689	32,180,967
Decrease in trading properties	–	18,958,818
(Increase) Decrease in inventories	(19,989,484)	3,937,992
Decrease (Increase) in time deposits	4,415,359	(4,581,825)
(Increase) Decrease in clients' trust money	(22,101,094)	4,944,057
Decrease in loans and advances	–	2,981,233
Increase in trade and other receivables	(249,050,908)	(54,339,242)
Decrease (Increase) in deposits and prepayments	2,805,784	(2,457,472)
Decrease in amount due to related company	(215)	–
Increase in trade and other payables	204,265,786	35,198,012
CASH (OUTFLOW) INFLOW FROM OPERATION	(50,594,083)	36,822,540

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

33. RETIREMENT BENEFIT COSTS

The Group operates a Mandatory Provident Fund Scheme (MPF Scheme) under the rules and regulations of Mandatory Provident Fund Scheme Ordinance for all its employees up to a maximum of HK\$1,000 per person per month. The employees also contribute a corresponding amount to the MPF contributions which are fully and immediately vested in the employees as accrued benefits once they are paid. The Group also makes voluntary contribution which are in excess of the MPF Scheme requirement for certain employees. Before the voluntary contributions become fully vested in the employees, the relevant portion of the voluntary contributions forfeited will be reverted to the Group to offset future employer's contributions. The assets of the MPF Scheme and voluntary contributions are held separately from those of the Group in an independently administered fund.

The aggregate employer's contributions, net of forfeited contributions, which have been dealt with in the income statement for the year amounted to:

	2007 HK\$	2006 HK\$
Group		
Gross employer's contributions	697,043	711,219
Less: Forfeited contributions utilised to offset employer's contribution for the year	–	(5,870)
	<u>697,043</u>	<u>705,349</u>
Net employer's contribution charged to income statement	<u>697,043</u>	<u>705,349</u>

34. COMMITMENTS

As at 31 st March 2007, the Group had commitments under non-cancellable operating leases in respect of land and buildings to make payment in the following periods as follows:

	2007 HK\$	2006 HK\$
Group		
Within one year	983,786	2,183,406
More than one year but not exceeding five years	2,803,125	3,252,797
Over five years	1,923,355	2,258,065
	<u>5,710,266</u>	<u>7,694,268</u>

For leasing period exceeds two years, lease rental will be adjusted bi-yearly to reflect market rent.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

35. FUTURE MINIMUM LEASE PAYMENTS RECEIVABLE

As at 31st March 2007, the total future minimum lease payments receivable under non-cancellable operating leases are analysed as follows:

	Group		Company	
	2007 HK\$	2006 HK\$	2007 HK\$	2006 HK\$
Within one year	11,077,667	9,800,757	263,663	207,533
More than one year but not exceeding five years	8,946,258	9,865,392	651,581	870,484
Total	20,023,925	19,666,149	915,244	1,078,017

36. PLEDGE OF ASSETS

At 31st March, 2007, the Group had the following assets pledged to banks to secure general banking facilities granted to the Group:

- (i) the Group's investment properties and leasehold land with a total carrying value of approximately HK\$196,523,793 (2006: HK\$183,079,000) together with assignments of sales proceeds, insurance proceeds, rental income, revenues and all other income generated from the relevant properties;
- (ii) the Group's hotel buildings and leasehold land with a total carrying value of approximately HK\$15,159,272 (2006: HK\$ 15,957,000) ;
- (iii) the Group's owner occupied properties and leasehold land with a total carrying value of approximately HK\$41,944,000 (2006: HK\$43,044,000) ;
- (iv) Time deposits of HK\$9,858,153 (2006: HK\$14,273,512);
- (v) Financial assets at fair value through income statement of HK\$ 13,575,400 (2006: HK\$ 8,373,750); and
- (vi) Margin clients' Hong Kong listed shares of HK\$35,154,557(2006: HK\$32,601,558).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

37. CONTINGENT LIABILITIES

	Group		Company	
	2007 HK\$	2006 HK\$	2007 HK\$	2006 HK\$
a. Financial guarantees issued to banks in favour of – subsidiaries	–	–	288,548,823	180,819,210
Guarantees issued by bank in favour of – subsidiaries	3,296,500	–	3,296,500	–
– associates	948,000	–	948,000	–
Financial guarantees issued to trade creditors in favour of subsidiaries	–	–	5,196,672	906,984

The Company has not recognized any deferred income for the financial guarantees given for subsidiaries as their fair value cannot be reliably measured and their transaction price was HK\$Nil.

As at the balance sheet date, the directors do not consider it is probable that a claim will be made against the Company under any of the guarantees.

- b. The Company had unsettled tax dispute regarding the deductibility of interest expenses incurred in the year 2000/2001.

38. CAPITAL COMMITMENTS

Group

	2007 HK\$	2006 HK\$
Contracted for but not provided in the financial statements in respect of plant expansion project and building re-development project	13,558,000	6,814,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

39. RELATED PARTIES TRANSACTIONS

During the year, in addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following transactions with related parties at normal commercial terms:

	2007	2006
	HK\$	HK\$
(a) Income received from associates of the Group:		
– consultancy and management fee	280,800	407,962
– interest income	752,809	689,135
– sales of finished goods	7,231,142	7,806,707
– sales of raw materials	10,019,084	4,127,638
– sharing of production overheads	83,385	806,453
(b) Payment to an associate of the Group:		
– purchase of finished goods	–	1,892,323
– purchase of raw materials & production material	326,778	2,182,920
– sub-contracting charges	–	483,101
– commission	159,126	–
(c) Payment to a company in which the Chairman of the Group has controlling interest		
– rental expenses	622,710	600,000
(d) Interest payment to related companies in which the Chairman of the Group has controlling interest	1,080,359	871,284
(e) In addition to the Directors' and employees' remuneration as disclosed in note 11, remuneration of the other key management personnel was disclosed as follows:		
Short-term employee benefits	1,935,096	1,936,988
MPF contribution	44,145	52,145
Long service payments	387,436	–
(f) Remuneration paid to close family members of key management personnel	953,575	722,483

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

40. PRINCIPAL SUBSIDIARIES

Name of Company	Place of incorporation/ operation	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity interest held by		Principal activities
			Company	Group	
Always Best Company Limited	British Virgin Islands/ Mainland China	US\$1	–	95	Investment holding
Brightgate Limited	Hong Kong	HK\$1,000	100	100	Hotel operation
Dongguan Nan Sing Plastics Limited ^(c)	Mainland China	HK\$160,000,000 ^(a)	–	95	Manufacturing of plastics products
Dongguan Nanryo Super Plastics Limited ^(c)	Mainland China	HK\$20,000,000 ^(b)	–	71.5	Manufacturing of plastics products
Fortune State Investments Limited	Hong Kong	HK\$2	100	100	Investment holding
Happy Dragon Investment Limited	Hong Kong	HK\$2	100	100	Investment holding
K.W. & Associates Company Limited	Hong Kong	HK\$2,000,000	100	100	Property investment
Nan Sing Holdings Limited	Hong Kong	HK\$10,000	100	100	Investment holding
Nan Sing Plastics Limited	Hong Kong	HK\$15,000,000	–	95	Trading of plastics products

(a) Paide up capital up to 31st March, 2007 amounted to HK\$140,804,828.

(b) Paid up capital up to 31st March, 2007 amounted to HK\$3,690,000.

(c) Subsidiaries not audited by K.L.Young & Co.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

40. PRINCIPAL SUBSIDIARIES (Cont'd)

Name of Company	Place of incorporation/ operation	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity interest held by		Principal activities
			Company	Group	
Nanryo Super Plastics (Hong Kong) Limited	Hong Kong	HK\$19,500,000	–	71.5	Trading of plastics products
Nan Sing Plastics International Limited	British Virgin Islands/ Mainland China	US\$10	–	95	Provision of consultancy services
Southeast Asia Properties & Finance (China) Limited	Hong Kong/ Mainland China	HK\$2	100	100	Property investment and development
Southeast Asia Properties & Finance (Exchange) Limited	Hong Kong	HK\$1,000,000	75	75	Money exchange
Southeast Asia Properties & Finance (Nominees) Limited	Hong Kong	HK\$10,000	100	100	Nominees service
SAP Realty Company Limited	Hong Kong	HK\$100	100	100	Property investment
Stockwell Securities Limited	Hong Kong	HK\$20,000,000	100	100	Stock broking
Tanpar Company Limited	Hong Kong	HK\$2	–	95	Trading and nominee
Top Epoch Limited	Hong Kong	HK\$1	100	100	Property investment
Tsen Hsin Industrial Company Limited	Hong Kong	HK\$400,000	–	95	Property investment

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of the other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

41. ASSOCIATES

Name of Company	Place of incorporation/ operation	Particulars of issued and paid up capital	Business Structure	Percentage of equity interest held by		Principal activities
				Company	Group	
Redi Bag USA LLC	USA	N/A	partnership	-	47.7	Trading of plastics products
Wisestar Holdings Limited	Hong Kong	2 ordinary shares of HK\$1 each	company	-	47.7	Trading of plastics products
Dongguan Wisestar Plastics Limited	Mainland China	HK\$3,690,000	company	-	47.7	Manufacturing of plastics products
Ongoing Investments Limited	British Virgin Islands/ Mainland China	100 ordinary shares of US\$1 each	company	-	20	Property investment
Sequin Development Limited	British Virgin Islands/ Mainland China	100 ordinary shares of US\$1 each	company	-	20	Property investment
Titan Dragon Properties Corporation	Philippines	80,000 ordinary shares of Peso 1,000 each	company	30	49	Property investment

All the associates except Wisestar Holdings Limited are not audited by K.L. Young & Co.

42. COMPARATIVE FIGURES

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

43. APPROVAL AND AUTHORIZATION FOR ISSUE OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised by the Board of Directors on 13th July, 2007.

LIST OF PROPERTIES

As at 31st March, 2007

I. PROPERTIES HELD FOR INVESTMENT

	Location	Use	Category of lease	Group's Interest
(1)	Shops, G/F Dragon House 7-7B Cameron Road Tsimshatsui Kowloon	Commercial	Medium term lease	100%
(2)	Room 406, 4/F, Tower 2, Silvercord 30 Canton Road Tsimshatsui Kowloon.	Commercial	Medium term lease	100%
(3)	Nan Sing Industrial Building 57-59, Kwok Shui Road Kwai Chung New Territories	Industrial	Medium term lease	95%
(4)	9/F, Chao Shan Building, Dong Men Nan Road, Shenzhen, PRC.	Commercial	Medium term lease	100%
(5)	Flats C & D , 2/F, Block 2, Kwai Tak Industrial Centre, Kwai Chung, New Territories	Industrial	Medium term lease	95%

2. TRADING PROPERTIES

Location	Estimated gross floor area (sq.m.)	Use	Group's Interest
1 unit of Tower 1, Ming Yue Hua Yuan Yitian Road, Futian Shenzhen, PRC	105	Residential	100%

LIST OF PROPERTIES

As at 31st March, 2007

3. PROPERTIES HELD FOR DEVELOPMENT

	Location	Approximate Site Area (sq.m.)	Use	Group's interest
(1)	Nan Shan Development Zhangmutou Dongguan PRC	147,000	Industrial	100%
(2)	Nan Sing Building Town centre Zhangmutou Dongguan PRC	1,350	Residential/ Commercial	100%

Note: Development plans are under consideration.

4. PROPERTIES HELD FOR SELF USE

	Location	Use	Category of lease
(1)	Residential Block of Dragon House, 7-7B Cameron Road, Tsimshatsui, Kowloon.	Being converted into hotel	Medium term lease
(2)	Room 407-410, 4/F, Tower2, Silvercord, 30 Canton Road, Tsimshatsui, Kowloon.	Commercial	Medium term lease
(3)	24, Essex Crescent, Kowloon Tong, Kowloon.	Residential	Medium term lease
(4)	Nan Sing Industrial Estate, Nan Shan Development, Zhangmutou, Dongguan, PRC	Industrial	Medium term lease
(5)	Flats B4, 18/F. & Flat B4, 19F., 32-34, Hong Keung Street, San Po Kong, Kowloon.	Residential	Medium term lease
(6)	Flats A4, 3/F., Hutchison Estate, 2 Lei Muk Road, Kwai Chung, N.T.	Residential	Medium term lease
(7)	Flat 8, 13/F, Block K, Fanling Centre, Fanling, N.T.	Residential	Medium term lease
(8)	Car Park Space No. 20 on G/F., Kwai Tak Industrial Centre, Kwai Chung, N. T.	Carpark	Medium term lease

FIVE YEARS FINANCIAL SUMMARY

The consolidation results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements are as follows:

	2007 HK\$	2006 HK\$	2005 HK\$	2004 HK\$	2003 HK\$
RESULTS					
Turnover	340,807,836	338,046,877	269,010,159	207,702,804	176,739,905
Profit attributable to shareholders	34,582,107	47,094,541	4,233,648	22,513,900	12,526,211
ASSETS AND LIABILITIES					
Investment properties	269,289,183	241,592,385	255,812,893	275,566,365	265,324,771
Property, plant and equipment	178,099,502	147,659,505	128,344,489	71,488,058	64,361,317
Leasehold land and land use rights	47,476,510	49,262,498	45,540,327	–	–
Properties under development	–	–	–	12,219,558	14,642,080
Interests in associates	56,863,464	51,799,360	19,536,834	29,737,735	26,216,698
Available-for-sales financial assets	8,546,989	6,475,889	6,475,889	6,475,889	6,475,889
Other non-current assets	3,502,706	3,697,811	7,053,757	6,329,202	6,822,814
Current assets	573,022,222	285,469,296	258,674,966	331,597,919	217,283,627
Liabilities	(689,148,401)	(378,594,389)	(338,070,992)	(298,789,180)	(199,181,574)
Minority interests	(15,567,920)	(14,727,113)	(11,876,331)	(11,970,595)	(6,471,349)
Shareholders' equity	432,084,255	392,635,242	371,491,832	422,654,951	395,474,273
EARNINGS PER SHARE	17.5 cents	23.8 cents	2.1 cents	11.4 cents	6.3 cents
DIVIDENDS PER SHARE	3.0 cents	3.0 cents	1.5 cents	5.0 cents	2.5 cents

Certain figures have been restated to comply with the requirements of HKAS 16, HKAS 17, HKAS 40 and HKAS-Int 21. Figures for 2004 and prior years have not been restated as it would involve delay and expenses out of proportion to the benefit of the Shareholders.