RONTEX

RONTEX INTERNATIONAL HOLDINGS LIMITED

朗迪國際控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 1142)

2008 Annual Report

* For identification only

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Cheung Keng Ching *(Chairman)*
Chou Mei
Li Wing Sang (appointed on 6 September 2007)

Independent Non-executive Directors

Lo Siu Tong, Alfred
Tam Tak Wah (appointed on 11 June 2007)
Wong Lai Wah, Ada

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Chan Hung Kwan (resigned on 4 April 2007)
Lo Suet Fan (appointed on 4 April 2007)

AUTHORISED REPRESENTATIVES

Cheung Keng Ching
Chan Hung Kwan (resigned on 4 April 2007)
Lo Suet Fan (appointed on 4 April 2007)

AUDIT COMMITTEE

Lo Siu Tong, Alfred
Tam Tak Wah (appointed on 11 June 2007)
Wong Lai Wah, Ada

REMUNERATION COMMITTEE

Cheung Keng Ching
Lo Siu Tong, Alfred
Tam Tak Wah (appointed on 1 September 2007)

AUDITOR

Shu Lun Pan Horwath Hong Kong CPA Limited

PRINCIPAL BANKERS

The Hong Kong and Shanghai Banking Corporation Limited
Standard Chartered (Hong Kong) Bank
DBS Bank (Hong Kong) Limited

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

23rd Floor
Chun Wo Commercial Centre
23 - 29 Wing Wo Street
Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Bermuda (Cayman) Limited
P.O. Box 513 G.T.
Strathvale House
North Church Street
George Town
Grand Cayman
Cayman Islands
British West Indies

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

HKEX STOCK CODE

1142

On behalf of the board of directors (the "Board") of Rontex International Holdings Limited (the "Company"), I am pleased to present to the shareholders the annual results of the Company and its subsidiaries (together the "Group") for the year ended 31 March 2008.

For the year under review, the Group has continued to focus on garments and premium products trading. While the market competition was remained keen, the Group has undergone a number of changes to preserve its competitive edge, such as to implement stringent cost control; to reinforce its sales and marketing team and to geographically diversify to United Kingdom, Australian and South American markets.

In addition, the Group has continued to seek for business opportunities with a view to improve the competitiveness of the Group. While keeping abreast with the core business, the Group will look for new investments, irrespective of whether they are in line with the principal businesses, in order to increase the value of the Company.

Digital television broadcasting nowadays is a global trend and it is also a strategic development for the People's Republic of China ("PRC") to face new era of technology. In early 2008, the PRC government announced various policies to support the digital television broadcasting industry in the area of debt finance from domestic financial institutions, tax preferential treatment and domestic research and development. Under such circumstances, the prospects of digital television technology services in the PRC will enter into a brilliant era.

The Group grasped this opportunity and acquired a 51% equity interest of a digital television technology company in the PRC on 25 April 2008 with businesses including provision of equipments and software of cable VOD system, information broadcasting system, embedded television systems. The Group believes that the acquisition provides a good opportunity for the Group to diversify into businesses which is in the commercial interest of the Group in the long run.

On behalf of the Board, I would like to take this opportunity to thank our board of directors, shareholders, business partners and for the dedication and hardworking of our staff members during the year.

Cheung Keng Ching
Chairman

Hong Kong, 11 July 2008

FINANCIAL REVIEW

For the year ended 31 March 2008, the Group recorded a turnover of approximately HK$120.6 million (2007: HK$166.4 million), representing a decrease of approximately 27.5% as compared to the last year. Intense competition in the garment industry has made the Group having to face a general trend of fall in the selling prices of garment products which reduced its turnover. The overall gross profit also fell by 32.5%.

The operating loss was approximately HK$9.3 million (2007: HK$1.7 million). The loss was mainly attributable to (i) the fall in turnover of garment products for reasons explained below (ii) the general falling trend in selling prices of garment products under keen competition (iii) the increase in cost of sales as a result of the appreciation in Renminbi (iv) the relatively low profit margin of our PRC joint venture as the production plant is facing higher cost of production in terms of raw materials, fuel and labor and (v) the increase in Hong Kong staff costs and other administrative expenses.

The Group recorded a loss attributable to shareholders of approximately HK$12.8 million (2007: HK$38.7 million). The improvement was mainly attributable to the fact that in prior year there was an under-provision of tax and related penalties of approximately HK$11.1 million and an impairment loss on goodwill of approximately HK$19.5 million which both were isolated events and did not recur again in the current year.

OPERATION REVIEW

Garment products

Garment products business has continued to be the major source of revenue of the Group. For the year ended 31 March 2008, garment products accounted for approximately 92.4% (2007: 95.9%) of the Group's turnover. Revenue derived from garment products decreased by approximately 30.2% to approximately HK$111.3 million. The decrease in turnover was mainly due to (i) the change in accounting treatment as a result of the change of status of Rontex Co. Ltd. from a subsidiary into a jointly-controlled entity since 1 October 2006. The turnover of Rontex Co. Ltd. was not incorporated in the Group's turnover since that date. (ii) the reduction of garment products' selling prices resulting from the keen competition of the market and (iii) the reduction of sales to a major customer who had opened its own office in the PRC. The loss attributable to garment products was recorded at approximately HK$4.1 million (2007: profit of HK$0.7 million). This was mainly due to low profit margin and unsatisfactory performance of the PRC joint venture. The appreciation of Renminbi and the introduction of new labor law in the PRC drove a general increase in cost of sales while the keen competition drove a fall in selling prices of garment products.

Premium products

For the year ended 31 March 2008, the revenue of premium products accounted for approximately 7.6% (2007:4.1%) of the turnover of the Group. The revenue and operating profit of premium products were approximately HK$9.2 million (2007: HK$6.9 million) and HK$0.8 million (2007: HK$1.0 million) respectively.

Geographical

Chile continues to be the Group's major market segment which accounted for approximately 56.9% (2007: 56.1%) of the total revenue. Other markets include various countries located in United Kingdom, Europe, North America, South America and Australia.

PROSPECTS

The global economic environment is optimistic which provides an opportunity for the Group to grow. During the year under review, the Group has progressively developed in markets of United Kingdom, Australia and Uruguay. The Group will try to build up a closely trading relationship with these newly explored markets and continue to explore other new markets.

The Board also noted the high operating costs in both Hong Kong and the PRC are eroding the Group's profit margin. The Group will continue to tighten its cost control measures so as to improve the efficiency in operation and minimise operating costs. The Group will also implement conservative strategies on new investments and assess the prospects of the existing investments in light of the current market environment.

During the period under review, the Group has achieved in diversification of business. In January 2008, the Group entered into an agreement to acquire 51% equity interest in DTV China Inc, and its subsidiary, EnReach Information Technology (Shanghai) Company Limited, is one of the chief services providers of digital television broadcasting industry in the PRC, including provision of equipments and software of cable VOD system, information broadcasting system, embedded television systems and value-added services. The transaction was subsequently completed in April 2008.

The Group believes that the acquisition provides a good opportunity for the Group to diversify its business, which will enable the Group to achieve profitability.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2008, the Group had net current assets of approximately HK$4.3 million (2007: net current liabilities of HK$8.5 million). The Group's current ratio, being a ratio of current assets to current liabilities, was approximately 113.0% (2007: 78.1%) and the Group's gearing ratio, being a ratio of total interest-bearing borrowings to total assets, was lowered to approximately 13.8% (2007: 21.5%).

The Group generally finances its operations with internally generated cash flow, facilities provided by its banks in Hong Kong and the PRC and the capital market in Hong Kong available for listed companies. During the year under review, the Group recorded a net cash inflow of approximately HK$15.3 million (2007: HK$0.4 million), which increased the total cash and cash equivalents to approximately HK$19.3 million as at the balance sheet date.

The Group will constantly review its financial resources and will consider various plans to enhance its financial capabilities. The Group believes that to broaden its shareholders base would provide a solid ground for the Group to grow. During the year under review, the Company has issued 391,000,000 unlisted warrants to independent investors which if fully exercised will raise approximately HK$82 million.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGES

The interest-bearing bank borrowings of the Group as at 31 March 2008 included bank loans of approximately HK$6.9 million (2007: HK$5.8 million), which were denominated in Renminbi. The Renminbi bank loans are at fixed interest rates ranging from 6.05% to 7.02% per annum. As the Group mainly operated in Hong Kong and the PRC with most of the transactions settled in Hong Kong dollars, Renminbi and United States dollars; the existing currency peg of Hong Kong dollars with United States dollars will likely to remain steady in the near future, the exposure to risk resulting from changes in foreign currency exchange rates should not be significant. However, the use of financial instruments for hedging purposes will be considered when necessary.

INVESTMENTS, ACQUISITIONS AND DISPOSALS

During the year under review, the Group did not acquire or dispose of any material investments or subsidiaries.

CONTINGENT LIABILITIES

As at 31 March 2008, the Group had contingent liabilities arising from long service payments of approximately HK$0.2 million (2007: HK$0.2 million).

PLEDGE OF ASSETS

The Group's banking facilities are secured against the Group's land and buildings located in Hong Kong and the PRC with a total carrying value of approximately HK$17.1 million as at 31 March 2008 (2007: HK$21.3 million).

SHARE OPTION SCHEME

The Group has adopted share option scheme whereby Directors, employees and consultants of the Group may be granted options to subscribe for the shares of the Company. Details of the share option scheme are set out in note 31 to the financial statements.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2008, the Group had approximately 110 staff in Hong Kong and the PRC.

The Group's remuneration policy is reviewed periodically and determined largely based on industry practice, company performance, and individual qualifications and performance. Remuneration packages comprised salary, commissions and bonuses based on individual performance.

FUTURE PLANS FOR MATERIAL INVESTMENT

The Group acquired a 51% equity interest in DTV China Inc. on 25 April 2008 which is a digital television technology company with businesses including cable VOD system, information broadcasting system and embedded television system.

As set out in the Company's circular dated 31 March 2008 and the announcement dated 24 April 2008, the acquisition was satisfied with an aggregate consideration of HK$357 million, of which HK$20 million was satisfied in cash; HK$100 million by issuing promissory note; and HK$237 million was settled by the issue of 790 million ordinary shares of the Company at HK$0.30 per share. The HK$20 million of the consideration in cash was settled by internal resources of the Group.

The board of directors (the "Board") of Rontex International Holdings Limited (the "Company") presents their report together with the audited financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31 March 2008.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 17 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND APPROPRIATION

The results of the Group for the year ended 31 March 2008 and the state of affairs of the Group and the Company as at 31 March 2008 are set out on pages 24 to 87.

The Board does not recommend the payment of any dividend for the year ended 31 March 2008 (2007: Nil).

SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to results by principal activities and geographical segments of operations for the year ended 31 March 2008 is set out in note 5 to the financial statements.

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group is set out on page 88.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 30 to the financial statements and consolidated statement of changes in equity respectively.

As at 31 March 2008, the Company's reserves available for cash distribution and/or distribution in specie, calculated in accordance with the Companies Law (2001 Second Revision) of the Cayman Islands, amounted to HK$23,346,000 (2007: HK$15,126,000). Under the laws of the Cayman Islands, a company may make distributions to its members out of the contributed surplus account under certain circumstances. In addition, the Company's share premium account amounted to HK$40,553,000 (2007: HK$22,594,000) may be distributed in the form of fully paid bonus shares.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 15 to the financial statements.

SHARE CAPITAL, SHARE OPTIONS AND UNLISTED WARRANTS

Details of movements in the Company's share capital, share options and unlisted warrants are set out in notes 29, 31 and 32 respectively to the financial statements.

DONATION

The Group did not make any charitable donation during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for approximately 52.9% of the Group's total turnover for the year. In particular, sales to the largest customer of the Group accounted for approximately 21.9% of the Group's total turnover for the year.

Purchases from the Group's five largest suppliers accounted for approximately 60.8% of the Group's total purchases for the year. In particular, purchases from the Group's largest supplier accounted for approximately 19.4% of the Group's total purchases for the year.

None of the directors of the Company, their associates (as defined in the Listing Rules) or any shareholder (which to the knowledge of the directors of the Company own more than 5% of the Company's issued share capital) had any beneficial interests in the Group's five largest customers or suppliers.

DIRECTORS

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

Executive directors

Mr. Cheung Keng Ching *(Chairman)*
Ms. Chou Mei
Mr. Li Wing Sang (appointed on 6 September 2007)

Independent non-executive directors

Mr. Lo Siu Tong, Alfred
Mr. Tam Tak Wah (appointed on 11 June 2007)
Ms. Wong Lai Wah, Ada

In accordance with the Company's articles of association, Mr. Li Wing Sang, Mr. Lo Siu Tong, Alfred and Ms. Wong Lai Wah, Ada shall retire and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

Mr. Cheung Keng Ching and Ms. Chou Mei has each entered into a service contract with the Company for an initial fixed term of three years commencing from 19 October 2002 and which will continue thereafter until the contract is terminated by not less than three months' notice in writing served by either party to the other.

Mr. Li Wing Sang has entered into a service contract with the Company for a term of two years commencing from 6 September 2007 and thereafter may be extended for such period as the Company and Mr. Li may agree in writing. The service may be terminated by either party by giving not less than one month's prior notice in writing to the other party.

All independent non-executive directors of the Company have no fixed term of appointment. No service agreement has been or will be entered into between the Company and either of them.

All Directors are subject to retirement by rotation and re-election at annual general meeting of the Company in accordance with the articles of association of the Company.

Save as disclosed above, no director of the Company has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company, its holding 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive directors

Mr. Cheung Keng Ching, aged 56, is the founder of the Group and chairman of the Group. He has extensive experience in trading of garment and premium products. He is responsible for the overall business strategy and merchandising functions of the Group. He is the spouse of Ms. Chou Mei.

Ms. Chou Mei, aged 48, is the co-founder of the Group and an executive director. Ms. Chou has extensive experience in trading of garment and premium products. She is responsible for the procurement functions of the Group. She is the spouse of Mr. Cheung Keng Ching.

Mr. Li Wing Sang, aged 50, has been appointed as an executive director of the Company with effect from 6 September 2007. Mr. Li has extensive marketing and management experience in the fields of household appliance which are in senior management positions. He holds a bachelor degree from Kobe University of Commerce, Japan. He is currently an executive director of A & K Educational Software Holdings Limited, a company listed on the GEM Board of the Stock Exchange.

Independent non-executive directors

Mr. Lo Siu Tong, Alfred, aged 59, was appointed as an independent non-executive director of the Company since January 2006. He was a fellow member of the Institute of Housing, United Kingdom. Mr. Lo has retired from a senior civil servant of the Hong Kong Government and has valuable experience in the field of management of more than 27 years.

Mr. Tam Tak Wah, aged 42, was appointed as an independent non-executive director of the Company since June 2007. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants of the United Kingdom. He has extensive experience in accounting, corporate finance and corporate development. He is currently an independent non-executive director of Vertex Group Limited, a company listed on the GEM Board of the Stock Exchange.

Ms. Wong Lai Wah, Ada, aged 60, was appointed as an independent non-executive director of the Company since February 2006. She is a merchant. She has more than 26 years experience in the field of trading.

Senior management

Ms. Lo Suet Fan, aged 42, joined the Company as financial controller in April 2007. She is also the company secretary, authorized representative and qualified accountant of the Company. She is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants of the United Kingdom. She has extensive experience in accounting and financial management.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

At 31 March 2007, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

(i) Shares of HK$0.01 each in the Company

Name	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Executive directors:			
Mr. Cheung Keng Ching ("Mr. Cheung") (Note1 & 2)	Interests in controlled corporation	28,600,000 (Long position)	1.40%
		820,000,000 (Short position)	40.05%
	Beneficial owner	7,400,000 (Long position)	0.36%
	Deemed	7,600,000 (Long position)	0.37%

Name	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Executive directors:			
Ms. Chou Mei (“Ms. Chou”) (Note1 & 2)	Interests in controlled corporation	28,600,000 Long position	1.40%
		820,000,000 (Short position)	40.05%
	Beneficial owner	7,600,000 Long position	0.37%
	Deemed	7,400,000 (Long position)	0.36%
Independent non-executive director:			
Mr. Lo Siu Tong, Alfred	Beneficial owner	96,000 Long position	0.005%

Note 1: These 848,600,000 shares are beneficially owned by Star Master International Limited (“Star Master”), of which 820,000,000 shares are subject to an option deed entered into between Star Master and Plenty Holdings Limited (“Plenty”) on 15 October 2007, pursuant to which Plenty shall have an option to require Star Master to sell 820,000,000 shares (representing 40.05% of the issued share capital of the Company as at 31 March 2008) to Plenty at an exercise price of HK$45 million during the period commencing from 15 October 2007 to 6 July 2008. The entire issued share capital of Star Master is legally and beneficially owned by Mr. Cheung and Ms. Chou as to 50% and 50% respectively.
(Remark: The option was subsequently exercised on 2 July 2008).

Note 2: As spouse, Mr. Cheung and Ms. Chou are respectively deemed to be interested in the shares held by each other in the Company. As such Mr. Cheung is deemed to be interested in the 7,600,000 shares beneficially owned by Ms. Chou and Ms. Chou is deemed to be interested in the 7,400,000 shares beneficially owned by Mr. Cheung.

Note 3: Mr. Li Wing Sang (“Mr. Li”) owns 19,560,000 shares options under the share option scheme of the Company which confer him the rights to acquire 19,560,000 shares. Details of which are separately disclosed in note 31 to the financial statements.

(ii) Shares of US$1.00 each in the share capital of Star Master, the associated corporation of the Company

Name	Capacity	Number of Star Master shares held	Percentage of shareholding
Executive directors:			
Mr. Cheung (Note)	Beneficial owner	500	50%
	Deemed	500	50%
Ms. Chou (Note)	Beneficial owner	500	50%
	Deemed	500	50%

Note: The entire issued share capital of Star Master is legally and beneficially owned by Mr. Cheung and Ms. Chou as to 50% and 50% respectively. As spouse, Mr. Cheung and Ms. Chou are respectively deemed to be interested in the shares held by each other in Star Master.

Save as disclosed above, and save for nominee shares in certain subsidiaries held in trust for the Group at 31 March 2008, none of the directors or any of their associates or chief executive of the Company, had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the share option scheme in note 31 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director of the Company or their respective spouse or children under 18 years of age, or were any such rights exercised by them, or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

On 19 October 2002, the Company had adopted a share option scheme (the "Scheme"). Further details of the Scheme and share options granted during the year to the directors of the Company, and employees and consultants of the Group are set out in note 31 to the financial statements.

SUBSTANTIAL SHAREHOLDERS

At 31 March 2008, the following person's interests of 5% or more in the share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name of shareholder	**Capacity**	**Number of shares held**	**Percentage of the issued share capital of the Company**
Star Master (Note 1)	Beneficial owner	28,600,000 (Long position)	1.40%
		820,000,000 (Short position)	40.05%
Cheong Phau Choo Yvonne (Note 2)	Deemed	820,000,000 (Long position)	40.05%
Ho Yung Pedder (Mr. Ho") (Note 2)	Corporation	820,000,000 (Long position)	40.05%
Plenty	Beneficial owner	820,000,000 (Long position)	40.05%

Note 1: The entire issued share capital of Star Master is legally and beneficially owned by Mr. Cheung and Ms. Chou as to 50% and 50% respectively. 820,000,000 shares are subject to an option deed entered into between Star Master and Plenty on 15 October 2007, pursuant to which Plenty shall have an option to require Star Master to sell 820,000,000 shares (representing 40.05% of the issued share capital of the Company as at 31 March 2008) to Plenty at an exercise price of HK$45 million during the period commencing from 15 October 2007 to 6 July 2008. (Remark: The option was subsequently exercised on 2 July 2008.)

Note 2: Plenty is wholly and beneficially owned by Mr. Ho. By virtue of the SFO, Mr. Ho and Ms. Cheong Phau Choo Yvonne, being the wife of Mr. Ho are deemed to be interested in the 820,000,000 shares which Plenty has beneficial interests in.

Save as disclosed above, no other party was recorded in the register of interests in shares and short positions of substantial shareholders kept pursuant to section 336 of SFO as having an interest in 5% or more of the nominal value of the issued ordinary shares that carry a right to vote in all circumstances at general meetings of the Company.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the "Corporate Governance Report" on pages 16 to 21 to the annual report.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 41 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its Directors as at the latest practicable date prior to the issue of this report, there is sufficient public float of more than 25% of the issued share capital of the Company as required under the Listing Rules.

AUDITORS

On 15 March 2007, HLB Hodgen Imprey Cheng resigned as auditor of the Company and Horwath Hong Kong CPA Limited was appointed as auditor of the Company. On 9 October 2007, Horwath Hong Kong CPA Limited changed its name to Shu Lun Pan Horwath Hong Kong CPA Limited.

The financial statements have been audited by Shu Lun Pan Horwath Hong Kong CPA Limited who retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Shu Lun Pan Horwath Hong Kong CPA Limited as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Cheung Keng Ching
Chairman

Hong Kong, 11 July 2008

INTRODUCTION

Maintaining high standards of business ethics and corporate governance practices has always been one of the Company's goals. The corporate governance principles of the Company emphasize a quality board, sound internal control, transparency and accountability to all shareholders. This report describes its corporate governance practices, explains the applications of the principles of the Code on Corporate Governance (the "Code") as set out in Appendix 14 of the Listing Rules.

The board of directors (the "Board") has reviewed the Company's corporate governance practices and is of the opinion that the Company has complied with the Code except that: (i) the roles of chairman and chief executive officer are not separate and are performed by the same individual, (ii) the non-executive directors are not appointed for a specific term but are subject to retirement by rotation and re-election pursuant to the Company's articles of association (the "Articles") and (iii) pursuant to Rules 3.10 and 3.21 of the Listing Rules, the Board and Audit Committee must include at least one independent non-executive director who must have appropriate professional qualifications or accounting or related financial management expertise. The Company was unable to comply with these rules during the period when Mr. Wan Ngar Yin, David resigned on 30 March 2007 until the appointment of Mr. Tam Tak Wah on 11 June 2007.

CORPORATE GOVERNANCE PRACTICES

Save as disclosed in this report, the Company has complied with the provisions of the Code. The Company believes that by achieving high standard of corporate governance, the corporate value and accountability of the Company can be enhanced and the shareholders' interests can be maximized. The Board has continued to monitor and review the Company's progress in respect of corporate governance practices to ensure compliance. Meetings were held throughout the year and where appropriate, circulars and other guidance notes were issued to Directors and senior management of the Company to enhance their awareness of good corporate governance practices and keep them abreast of the latest development of the Listing Rules and other regulatory requirements.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Following specific enquiry by the Company, all Directors confirmed that they have complied with the required standards as set out in the Model Code throughout the year under review.

BOARD OF DIRECTORS

The Board comprises six Directors, of whom three are executive Directors and three are independent non-executive Directors (the "INED"). The Board believes that as the number of INEDs is the same as the number of executive Directors, the composition of the Board is adequate to provide checks and balances that safeguard the interests of shareholders and the Group.

The INEDs provide the Group with different expertise and experience. Their participation in Board meetings could bring independent judgment on issues relating to the Group's strategy, internal control and performance to ensure the interests of the shareholders are taken into account.

The Company has received from each of the INEDs an annual confirmation of their independence and considers that all the INEDs are independent under the guidelines set out in Rule 3.13 of the Listing Rules.

The Company has set out the respective functions and responsibilities reserved to the Board and those delegated to management. The Board delegated day-to-day operations of the Group to executive Directors and senior management while reserving certain key matters for its approval. The Board is responsible for approving and monitoring the Company's overall strategies and policies, overseeing the financial position of the Group, approving business plans, evaluating the performance of the Company and supervising the performance of the management.

Decisions of the Board are communicated to the management through executive Directors who have attended Board meetings.

The members of the Board during the year under review were:

Executive Directors:

Cheung Keng Ching *(Chairman)*
Chou Mei
Li Wing Sang (appointed on 6 September 2007)

Independent Non-Executive Directors:

Lo Siu Tong, Alfred
Tam Tak Wah (appointed on 11 June 2007)
Wong Lai Wah, Ada

Brief biographical details of the Directors are set out in the "Biographical Details of Directors and Senior Management" section in the Report of the Directors on pages 10 to 11 of this annual report.

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group, in addition to the meetings for reviewing and approving the Group's annual and interim results. During the year under review, 33 Board meetings were held and attendance of each Director at the Board meetings is set out as follows:

Directors	Attendance
Executive Directors	
Cheung Keng Ching	31/33
Chou Mei	32/33
Li Wing Sang	11/14
Independent non-executive Directors	
Lo Siu Tong, Alfred	17/33
Tam Tak Wah	15/21
Wong Lai Wah, Ada	21/33

Under the code provision A4.1 of the Code, non-executive director should be appointed for a specific term and subject to re-election. However, all of the INEDs have not been appointed for a specific term but they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance is no less exacting than those in the Code.

Pursuant to the Rule 3.10 of the Listing Rules, the Board must include at least three INEDs and one of them must have appropriate professional qualifications or accounting or related financial management expertise. The Company was unable to comply with this rule during the period when Mr. Wan Ngar Yin, David resigned on 30 March 2007 until the appointment of Mr. Tam Tak Wah on 11 June 2007.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Cheung Keng Ching has combined the role of chairman and chief executive officer. The Board believes that as Mr. Cheung is the founder of the Group, vesting the roles of both chairman and chief executive officer of the Group in the same person provides the Group with strong and consistent leadership and is beneficial to the Group as he has in-depth understanding of the operation of the Group and considerable experience in the industry.

The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the composition of the Board which comprises experienced and professional INEDs and experienced management team. Given the fact that Mr. Cheung is the founder of the Group, the Board considers that appointing Mr. Cheung as the chairman and chief executive officer will maximize the effectiveness of its operations. However, the Board will review the existing structure from time to time.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Board is responsible for the appointment of any potential new directors and the nomination of directors for re-election by shareholders at the annual general meeting of the Company. In accordance with the Articles, the Directors shall have the power from time to time and at any time to appoint any person as a director either to fill a casual vacancy on the Board or as an addition to the existing Board, whom is subject to retirement and re-election at the first annual general meeting after his appointment and shall then be eligible for re-election. Furthermore, every Director shall retire from office no later than the third annual general meeting after he was last elected or re-elected.

REMUNERATION COMMITTEE

The Remuneration Committee was established in December 2005. The chairman of the committee was Mr. Cheung Keng Ching (executive Director) and other members included Mr. Lo Siu Tong, Alfred and Mr. Tam Tak Wah (appointed on 1 September 2007).

The Remuneration Committee is responsible for formulating and recommending the Board in relation to the remuneration policy, determining the remuneration of executive Directors and members of the senior management of the Company, and reviewing and making recommendations on the Company's share option scheme, other compensation-related issues and performance based remuneration.

Individual attendance of each remuneration committee member during the year under review is as follows:

Members		**Attendance**
Cheung Keng Ching		4/4
Lo Siu Tong, Alfred		4/4
Tam Tak Wah	(appointed on 1 September 2007)	2/2

The Remuneration Committee is provided with resources enabling it to discharge its duties including access to relevant and timely information, support of independent professional advice if and when necessary. During the year under review, the Remuneration Committee held four meetings. Regular meetings of the Remuneration Committee will be held to discuss remuneration and compensation related issues.

AUDIT COMMITTEE

The Audit Committee comprises three INEDs, namely Mr. Tam Tak Wah (Chairman), Mr. Lo Siu Tong, Alfred and Ms. Wong Lai Wah, Ada. The Committee is responsible for appointing external auditors, reviewing the Group's financial information and overseeing the Group's financial reporting system and internal control procedures. It is also responsible for reviewing the interim and final results of the Group prior to recommending them to the Board for approval. Management of the Company provides the Board with all relevant information the Committee needs for it to discharge its responsibilities.

The Audit Committee meets regularly to review financial reporting and internal control matters and has unrestricted access to the support of both the Company's management and auditors.

The Audit Committee held two meetings during the year under review, in which the Audit Committee reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters so as to ensure that an effective control environment is maintained.

Individual attendance of each Audit Committee member during the year under review is as follows:

Members		**Attendance**
Lo Siu Tong, Alfred		2/2
Tam Tak Wah	(appointed on 11 June 2007)	2/2
Wong Lai Wah, Ada		2/2

Pursuant to the Rule 3.21 of the Listing Rules, the Audit Committee must comprise a minimum of three members, at least one of whom is an INED with appropriate professional qualifications or accounting or related financial management expertise. The Company was unable to comply with this rule during the period when Mr. Wan Ngar Yin, David resigned on 30 March 2007 until the appointment of Mr. Tam Tak Wah on 11 June 2007.

AUDITOR'S REMUNERATION

During the year under review, total auditor's remuneration charged in relation to statutory audit work of the Group amounted to HK$638,000 (2007: HK$680,000) and non-audit services rendered amounted to HK$300,000 (2007: HK$Nil).

NOMINATION OF DIRECTORS

The Board has the power to appoint Directors pursuant to the Articles. During the year ended 31 March 2008, the Board has appointed two (2) Directors to enhance the management functions.

ACCOUNTABILITY AND INTERNAL CONTROL

The Board acknowledges that they are responsible for (i) preparing financial statements for each financial year which give a true and fair view of the state of affairs of the Group, and (ii) presenting a clear, balanced and understandable assessment of the Group's performance and prospects in the Company's annual and interim report, price-sensitive announcements and other financial disclosures required under the Listing Rules and such other matters as the regulators may request. The Board is not aware of any material uncertainties relating to the events or condition that might cast doubt upon the Company's ability to continue as a going concern. Accordingly, the Board has prepared the financial statements of the Company on a going concern basis.

The Board has overall responsibility for monitoring the internal control of the Group and reviewing its effectiveness. The Board is committed to implement an effective and sound internal control system to safeguard the interest of shareholders and the Group's assets. The Board has delegated to the management the implementation of the internal control system within an established framework.

INVESTORS RELATIONS

To foster effective communications, the Company provided all necessary information to its shareholders in its annual report, interim report and announcements. The Board host annual general meeting each year to meet the shareholders so as to ensure that the shareholders' view is communicated to the Board. The Board will make efforts to attend the annual general meetings so that they could communicate with the shareholders and answer their questions.

Horwath

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TO THE SHAREHOLDERS OF RONTEX INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Rontex International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 24 to 87, which comprise the consolidated and company balance sheets as at 31 March 2008, the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

OPINION

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

SHU LUN PAN HORWATH HONG KONG CPA LIMITED
Certified Public Accountants

11 July 2008
Shiu Hong Ng
Practising Certificate number P03752

20th Floor, Central Plaza
18 Harbour Road
Wanchai
Hong Kong

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2008

(Expressed in Hong Kong dollars)

	Note	**2008 $'000**	2007 $'000
Turnover	6	**120,550**	166,429
Cost of sales		**(102,747)**	(140,060)
Gross profit		**17,803**	26,369
Other revenue and gains	6	**1,910**	801
Write-off of/impairment loss on trade receivables		**(411)**	(354)
Selling and distribution costs		**(7,938)**	(11,517)
Administrative and other expenses		**(20,616)**	(16,958)
Operating loss		**(9,252)**	(1,659)
Finance costs	7	**(2,085)**	(2,728)
Share of profits less losses of associates	18	**(670)**	(1,480)
Share of loss of a jointly-controlled entity	19	**(2,631)**	(2,439)
Tax penalties and surcharges	10(iii)	**–**	(3,759)
Impairment loss on goodwill	20	**–**	(19,458)
Loss before taxation	8	**(14,638)**	(31,523)
Income tax	10(i)	**140**	(7,831)
Loss for the year		**(14,498)**	(39,354)
Attributable to:			
Equity holders of the Company	11	**(12,821)**	(38,684)
Minority interests		**(1,677)**	(670)
		(14,498)	(39,354)
Dividend	12	**–**	–
Loss per share attributable to ordinary equity holders of the Company			
Basic (HK cents)	13	**0.644**	2.353
Diluted (HK cents)	13	**N/A**	N/A

The accompanying notes form part of these financial statements.

CONSOLIDATED BALANCE SHEET

At 31 March 2008

(Expressed in Hong Kong dollars)

	Note	2008 $'000	2007 $'000
ASSETS AND LIABILITIES			
Non-current assets			
Leasehold land and land use rights	14	**7,530**	12,646
Property, plant and equipment	15	**9,587**	12,146
Interests in associates	18	**14,670**	15,110
Interest in a jointly-controlled entity	19	**—**	2,631
Goodwill	20	**—**	—
Available-for-sale investments	21	**—**	1,573
Deposits and direct costs paid for acquisition of a subsidiary	22	**12,071**	—
		43,858	44,106
Current assets			
Property held for sale	16	**7,332**	—
Trading securities	23	**278**	—
Inventories	24	**2,645**	2,961
Trade receivables	25	**7,451**	14,401
Other receivables, deposits and prepayments		**467**	5,169
Amounts due from related parties	37(c), 10(iii)	**—**	2,490
Cash and cash equivalents	26	**19,322**	5,426
		37,495	30,447
Current liabilities			
Interest-bearing bank borrowings, secured	27	**11,203**	16,064
Trade payables	28	**4,866**	4,213
Other payables, accrued expenses and deposits received		**12,795**	7,657
Current tax liabilities		**39**	3,833
Tax penalty and surcharge payables	10(iii)	—	2,939
Amounts due to directors	37(b)	**4,277**	4,256
		33,180	38,962
Net current assets/(liabilities)		**4,315**	(8,515)
Net assets		**48,173**	35,591

CONSOLIDATED BALANCE SHEET

At 31 March 2008

(Expressed in Hong Kong dollars)

	Note	2008 $'000	2007 $'000
EQUITY			
Share capital	29	**20,475**	18,075
Reserves		**26,697**	15,028
Equity attributable to equity holders of the Company		**47,172**	33,103
Minority interests		**1,001**	2,488
Total equity		**48,173**	35,591

These financial statements were approved and authorised for issue by the board of directors on 11 July 2008.

Cheung Keng Ching
Director

Chou Mei
Director

The accompanying notes form part of these financial statements.

BALANCE SHEET

At 31 March 2008

(Expressed in Hong Kong dollars)

	Note	2008 $'000	2007 $'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries	17	**42,695**	49,207
Current assets			
Other receivables, deposits and prepayments		**219**	4,242
Cash and cash equivalents	26	**1,263**	3,232
		1,482	7,474
Current liabilities			
Other payables and accrued expenses		**356**	328
Amounts due to subsidiaries	17	**–**	23,152
		356	23,480
Net current assets/(liabilities)		**1,126**	(16,006)
Net assets		**43,821**	33,201
EQUITY			
Share capital	29	**20,475**	18,075
Reserves	30	**23,346**	15,126
Total equity		**43,821**	33,201

These financial statements were approved and authorised for issue by the board of directors on 11 July 2008.

Cheung Keng Ching
Director

Chou Mei
Director

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2008

(Expressed in Hong Kong dollars)

	Share capital $'000 (note 29)	Share premium $'000	Contributed surplus $'000 (note a)	Translation reserve $'000	Equity-settled share option reserve $'000 (note b(i))	Warrant reserve $'000 (note b(ii))	Capital reserve $'000 (note b(iii))	Available-for-sale investment revaluation reserve $'000	Retained profits/ (accumulated losses) $'000	Sub-total $'000	Minority interests $'000	Total equity $'000
Balance at 1 April 2006	16,295	15,294	918	1,062	–	–	–	–	21,869	55,438	7,610	63,048
Change in fair value of available-for-sale investments	–	–	–	–	–	–	–	885	–	885	–	885
Exchange differences arising on translation of overseas operations	–	–	–	393	–	–	–	–	–	393	92	485
Total income recognised directly in equity	–	–	–	393	–	–	–	885	–	1,278	92	1,370
Loss for the year	–	–	–	–	–	–	–	–	(38,684)	(38,684)	(670)	(39,354)
Total income and expenses for the year	–	–	–	393	–	–	–	885	(38,684)	(37,406)	(578)	(37,984)
Contributions from equity holders of the Company (note 10(iii))	–	–	–	–	–	–	4,233	–	–	4,233	–	4,233
Premium received on issue of warrants (note 32)	–	–	–	–	–	2,296	–	–	–	2,296	–	2,296
Issue of shares on exercise of warrants	900	3,765	–	–	–	(795)	–	–	–	3,870	–	3,870
Grant of share options (note 31)	–	–	–	–	800	–	–	–	–	800	–	800
Issue of shares on exercise of share options	880	3,535	–	–	(543)	–	–	–	–	3,872	–	3,872
Reclassification of interest in a subsidiary into a jointly-controlled entity (note 35)	–	–	–	–	–	–	–	–	–	–	(4,544)	(4,544)
At 31 March 2007 and 1 April 2007	18,075	22,594	918	1,455	257	1,501	4,233	885	(16,815)	33,103	2,488	35,591
Exchange differences arising on translation of overseas operations and total income recognised directly in equity	**–**	**–**	**–**	**920**	**–**	**–**	**–**	**–**	**–**	**920**	**190**	**1,110**
Recognised in the income statement on disposal of available-for-sale investments	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(885)**	**–**	**(885)**	**–**	**(885)**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(12,821)**	**(12,821)**	**(1,677)**	**(14,498)**
Total income and expenses for the year	**–**	**–**	**–**	**920**	**–**	**–**	**–**	**(885)**	**(12,821)**	**(12,786)**	**(1,487)**	**(14,273)**
Premium received on issue of warrants (note 32)	**–**	**–**	**–**	**–**	**–**	**3,688**	**–**	**–**	**–**	**3,688**	**–**	**3,688**
Issue of shares on exercise of warrants	**1,700**	**7,099**	**–**	**–**	**–**	**(1,501)**	**–**	**–**	**–**	**7,298**	**–**	**7,298**
Grant of share options (note 31)	**–**	**–**	**–**	**–**	**4,566**	**–**	**–**	**–**	**–**	**4,566**	**–**	**4,566**
Issue of shares on exercise of share options	**700**	**10,860**	**–**	**–**	**(257)**	**–**	**–**	**–**	**–**	**11,303**	**–**	**11,303**
At 31 March 2008	**20,475**	**40,553**	**918**	**2,375**	**4,566**	**3,688**	**4,233**	**–**	**(29,636)**	**47,172**	**1,001**	**48,173**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2008

(Expressed in Hong Kong dollars)

Note: (a) As at the balance sheet date, the contributed surplus of the Group represented the difference between the nominal value of share capital of the subsidiaries acquired pursuant to the group reorganisation during the year ended 31 March 2003, over the nominal value of the shares of the Company issued in exchange therefor.

(b) As at the balance sheet date, the equity-settled share option reserve, warrant reserve and capital reserve of the Group represented (i) the fair value at respective grant dates in respect of the outstanding share options of the company; (ii) premium received in respect of the outstanding warrants of the Company; and (iii) the contributions from the equity holders of the Company for an indemnity of additional taxation liabilities, penalties, surcharges and other relevant costs of the Group in respect of any accounting periods ended on or before 31 March 2002, details of which are set out in note 10(iii) to the financial statements, respectively.

The accompanying notes form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2008

(Expressed in Hong Kong dollars)

	2008 $'000	2007 $'000
Operating activities		
Loss before taxation	**(14,638)**	(31,523)
Adjustments for:		
Interest income	**(265)**	(44)
Net realised and unrealised gains on trading securities	**(24)**	—
Gains on disposal of available-for-sale investments (including transfer from equity on disposal)	**(1,536)**	—
Equity-settled share option expense	**4,566**	800
Depreciation	**853**	1,452
Amortisation of leasehold land and land use rights	**128**	248
Finance costs	**2,085**	2,728
Share of profits less losses of associates	**670**	1,480
Share of loss of a jointly-controlled entity	**2,631**	2,439
Loss on disposal of property, plant and equipment	**—**	127
Tax penalties and surcharges	**—**	3,759
Impairment loss on inventories	**1,662**	464
Impairment loss on property, plant and equipment	**697**	—
Write-off of/impairment loss on trade receivables	**411**	354
Impairment loss on goodwill	**—**	19,458
Operating cash (outflow)/inflow before working capital changes	**(2,760)**	1,742
Increase in inventories	**(1,346)**	(368)
Decrease/(increase) in trade receivables	**6,539**	(11,662)
Decrease/(increase) in other receivables, deposits and prepayments	**4,627**	(1,737)
Increase/(decrease) in trade payables	**653**	(1,148)
Decrease in other payables, accrued expenses and deposits received	**(3,612)**	(544)
Increase/(decrease) in amounts due to directors	**21**	(1,131)
Cash generated from/(used in) operations	**4,122**	(14,848)
Hong Kong profits tax paid	**(3,654)**	(2,915)
Interest and bank charges paid	**(2,085)**	(2,728)
Tax penalties and surcharges paid	**(2,939)**	(820)
Net cash used in operating activities	**(4,556)**	(21,311)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2008

(Expressed in Hong Kong dollars)

	2008 $'000	2007 $'000
Investing activities		
Reclassification of interest in a subsidiary into a jointly-controlled entity (note 35)	**–**	(4,504)
Deposit received on disposal of property held for sale	**8,750**	—
Repayment of amount due from an associate	**1,057**	—
Acquisition of additional interest in an associate	**(455)**	—
Deposits and direct costs paid for acquisition of a subsidiary	**(12,071)**	—
Interest received	**265**	44
Purchase of property, plant and equipment	**(320)**	(7,159)
Proceeds from disposal of property, plant and equipment	**–**	55
Investment in trading securities	**(370)**	—
Proceeds from disposal of trading securities	**116**	—
Proceeds from disposal of available-for-sale investments	**2,224**	—
Additions to land use rights	**(16)**	(783)
Net cash used in investing activities	**(820)**	(12,347)
Financing activities		
Proceeds from new bank borrowings	**80,065**	124,488
Repayment of bank borrowings	**(84,052)**	(102,185)
Proceeds from issue of warrants	**3,688**	2,296
Proceeds from issue of shares on exercise of warrants	**7,298**	3,870
Proceeds from issue of shares on exercise of share options	**11,303**	3,872
Contribution received from equity holders of the Company	**2,490**	1,743
Net cash generated from financing activities	**20,792**	34,084
Net increase in cash and cash equivalents	**15,416**	426
Cash and cash equivalents at beginning of year	**3,964**	3,777
Effect of foreign exchange rate changes	**(58)**	(239)
Cash and cash equivalents at end of year	**19,322**	3,964
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	**19,322**	5,426
Bank overdrafts	**–**	(1,462)
	19,322	3,964

The accompanying notes form part of these financial statements.

(Expressed in Hong Kong dollars)

1. ORGANISATION AND OPERATIONS

The Company is a public limited company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 17 to the financial statements.

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

In the current year, the Group has adopted all of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to its operations and effective for the current accounting period of the Group and the Company. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies.

The impact of the adoption of HKFRS 7 "Financial Instruments: Disclosures" and HKAS 1 Amendment "Capital Disclosures" has been to expand the disclosures provided in these financial statements regarding the Group's financial instruments and management of capital.

At the date of authorisation of these financial statements, the following standards and interpretations were in issue but not yet effective:

		Effective for annual periods beginning on or after
HKAS 1 (Revised)	Presentation of financial statements	1 January 2009
HKAS 23 (Revised)	Borrowing costs	1 January 2009
HKAS 27 (Revised)	Consolidated and separate financial statements	1 July 2009
HKASs 32&1 (Amendments)	Puttable financial instruments and obligations arising in liquidation	1 January 2009
HKFRS 2 (Amendment)	Share-based payment-vesting conditions and cancellation	1 January 2009
HKFRS 3 (Revised)	Business combinations	1 July 2009
HKFRS 8	Operating segments	1 January 2009
HK(IFRIC) — Int 12	Service concession arrangements	1 January 2008
HK(IFRIC) — Int 13	Customer loyalty programmes	1 July 2008
HK(IFRIC) — Int 14	HKAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction	1 January 2008

The Group is in the process of making an assessment of what the impact of these new or revised standards or interpretations is expected to be in the period of their initial application.

3. PRINCIPAL ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable HKFRSs, accounting principles generally accepted in Hong Kong and the disclosure requirements of Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

(b) Basis of preparation of financial statements

These consolidated financial statements have been prepared under the historical cost convention, as modified for the revaluation of available-for-sale investments and trading securities which are carried at fair value.

(c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

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

All significant intercompany transactions, balances and unrealised gains on transactions between group enterprises are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment on the asset transferred.

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

Minority interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(d) Business combinations

Acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured as the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent.

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

(e) Subsidiaries

Subsidiaries are entities in which the Group has the power to govern the financial and operating policies, so as to obtain benefits from their activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

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

(f) Associates and jointly-controlled entities

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

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

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(f) Associates and jointly-controlled entities (Continued)

The results and assets and liabilities of associate or jointly-controlled entity are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates and jointly-controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the group's share of the net assets of the associates and jointly-controlled entities, less impairment in the value of individual investments. Losses of an associate or a jointly-controlled entity in excess of the Group's interest in that associate or jointly-controlled entity, which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or jointly controlled entity are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associates or jointly-controlled entity.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate or jointly-controlled entity recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment is recognised immediately in profit or loss.

Where a group entity transacts with an associate or jointly-controlled entity of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate or jointly-controlled entity, except where unrealised losses provide evidence of an impairment of the assets transferred, in which case they are recognised immediately in profit or loss.

(g) Goodwill

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to other asset of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On the disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(h) Property, plant and equipment

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

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost less any recognised impairment losses. Cost includes professional fees and, for qualifying assets. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Historical cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhaul costs, is charged to profit or loss 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 assets, the expenditure is capitalised as an additional cost of the asset or a separate asset.

Depreciation is charged so as to write off the cost of assets, other than properties under construction, over their estimated useful lives, using the straight-line method. The useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. The principal annual rates are as follows:

Buildings	2% to 5% or the terms of the leasehold land and land use rights, if shorter
Leasehold improvements	20%
Plant and machinery	6.67%
Furniture and fixtures	20%
Office equipment	10% to 20%
Motor vehicles	10% to 30%

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(i) Impairment of assets excluding goodwill and 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 in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories by the method most appropriate to the particular class of inventory, with the majority being valued on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and cost necessary to make the sale.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(k) Financial assets

Financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value. During the year, the group's financial assets are financial assets at fair value through profit or loss, loans and receivables, and available-for-sale investments, which are subsequently accounted for as follows, depending on their classification:

(i) Financial assets at fair value through profit or loss

Trading securities are classified as financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial assets.

(ii) Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(iii) Available-for-sale investments

Investments in securities which do not fall into any of the other two categories are classified as available-for-sale investments and are stated at fair value. Gains and losses arising from changes in fair value are recognised directly in equity in the available-for-sale investment revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the available-for-sale investment revaluation reserve is included in profit or loss for the period.

Dividends on available-for-sale investments are recognised in profit or loss when the group's right to receive the dividends is established.

The fair value of available-for-sale investments denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the balance sheet date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in equity.

(iv) Impairment of financial assets

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

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(k) Financial assets (Continued)

(iv) Impairment of financial assets (Continued)

For equity securities, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

— significant financial difficulty of the issuer or counterparty; or

— default or delinquency in interest or principal payments; or

— it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, any impairment loss is determined and recognised as follows:

— For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  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 profit or loss. 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 recognised in prior years.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(k) Financial assets (Continued)

(iv) Impairment of financial assets (Continued)

— For available-for-sale securities, the cumulative loss that has been recognised directly in equity is removed from equity and is recognised in profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment losses on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in equity.

— Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade and other receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(v) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or where appropriate, a shorter period.

(vi) Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(l) Financial liabilities and equity instrument issued by the group

(i) Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or equity in accordance with the substance of the contractual arrangement.

(ii) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

(iii) Warrants

The premium received on issue of warrants is included in warrant reserve under equity of the Company and the Group until the warrants expire when it is released directly to retained profits/(accumulated losses).

(iv) Financial guarantee contract liabilities

Financial guarantee contract liabilities of the company are measured initially at their fair value and are subsequently measured at the higher of:

— the amount of the obligation under the contract, as determined in accordance with accounting policy in note 3(o), or

— the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies in note 3(u).

(v) Financial liabilities

Financial liabilities, including bank borrowings, are initially measured at fair value, net of transaction costs.

Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

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

(vi) Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the group's obligations are discharged, cancelled or they expire.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. 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.

(n) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

(o) Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(p) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

(i) Current tax

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

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(p) Taxation (Continued)

(ii) Deferred tax

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly-controlled entities, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(q) Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates ("functional currency"). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Hong Kong dollar which is the functional currency of the company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency ("foreign currencies") are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognised in translation reserve and recognised in profit or loss on disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Hong Kong dollar using exchange rates prevailing at the balance sheet date. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

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

(r) Employees' benefits

i) Short term benefits

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(r) Employees' benefits (Continued)

ii) Pension obligations

Contributions to the Mandatory Provident Fund scheme as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are charged to profit or loss when incurred. The group has no further payment obligations once the contribution has been made.

The employees of the Group's subsidiary which operates in the People's Republic of China (the "PRC") are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the profit or loss as they become payable in accordance with the rules of the central pension scheme.

iii) Share-based payments

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

Fair value is measured using the Black-Scholes-Merton option pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

(s) Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

(t) Related parties

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(u) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances and excludes value added tax.

i) Revenue from the sale of products is recognised when the group entity has delivered products to the customer, the customer has accepted the products and collectibility of the related receivable is reasonably assured.

ii) Interest income is accrued on a time-apportioned basis by reference to the principal outstanding using the effective interest method.

(v) Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments

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

In determining whether an asset including goodwill is impaired or the event previously causing the impairment no longer exists, the group has to exercise judgment in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

Estimation uncertainty

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

Equity-settled share option expense

Equity-settled share option expense is subject to the limitations of the option pricing models adopted and the uncertainty in estimates used by management in the assumptions. Should the estimates including limited early exercise behaviour, expected interval and frequency of open exercise periods in the share option life and the relevant parameters of the share option model be changed, there would be material changes in the amount of share option benefits recognised in the income statement and equity-settled share option reserve.

Impairment of property, plant and equipment

If the circumstances indicate that the carrying values of property, plant and equipment may not be recoverable, the assets may be considered "impaired", and an impairment loss may be recognised in accordance with HKAS 36 "Impairment of assets". Under HKAS 36, these assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the net selling price and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sale volume, selling price and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sale volume, selling price and amount of operating costs. However, actual sale volume, selling price and operating costs may be different from assumptions which may require a material adjustment to the carrying amount of the assets affected.

Depreciation of property, plant and equipment

Property, plant and equipment is depreciated on a straight-line basis over their estimated useful lives, after taking into account the estimated residual values, if any. The group reviews the estimated useful lives and the estimated residual values, if any, of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives and residual values are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

Impairment loss for bad and doubtful debts

The group maintains an impairment loss for bad and doubtful debts for estimated losses resulting from the inability of the debtors to make required payments. The Group estimates future cash flows based on the ageing of the trade receivables balance, debtors' credit-worthiness, and historical write-off experience. If the financial condition of the debtors were to deteriorate, actual write-offs would be higher than estimated.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

Write down of inventories

The Group performs regular review of the carrying amounts of inventories with reference to aged inventories analysis, expected future consumption and management judgement. Based on this review, write down of inventories will be made when the carrying amount of the inventories decline below the estimated net realisable value. However, actual consumption may be different from estimation and profit or loss could be affected by differences in this estimation.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

5. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products they provide. Each of the Group's business segments represents a strategic business unit that offers products which are subject to risks and returns that are different from those of the other business segments. The business segments of the Group are businesses of woven wear, knitwear, sweaters and premium products.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

(a) Business segments

The following tables present revenue, results and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 March 2008 and 2007.

5. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

For the year ended 31 March 2008

	Woven wear $'000	Knitwear $'000	Sweaters $'000	Premium $'000	Consolidated total $'000
Segment revenue	44,823	27,294	39,221	9,212	120,550
Segment results	(480)	(200)	(3,381)	756	(3,305)
Unallocated corporate income					1,819
Unallocated corporate expenses					(7,766)
Finance costs					(2,085)
Share of profits less losses of associates					(670)
Share of loss of a jointly-controlled entity					(2,631)
Loss before taxation					(14,638)
Income tax					140
Loss for the year					(14,498)
Attributable to:					
Equity holders of the Company					(12,821)
Minority interests					(1,677)
					(14,498)

	Woven wear $'000	Knitwear $'000	Sweaters $'000	Premium $'000	Other $'000	Consolidated total $'000
Assets and liabilities:						
Segment assets	3,733	1,368	14,807	–	–	19,908
Unallocated assets	–	–	–	–	61,445	61,445
Total assets						81,353
Segment liabilities	424	179	12,246	–	–	12,849
Unallocated liabilities	–	–	–	–	20,331	20,331
Total liabilities						33,180
Other segment information:						
Deprecation	–	–	734	–	119	853
Amortisation	–	–	42	–	86	128
Impairment loss on inventories	89	66	1,507	–	–	1,662
Write-off of/impairment loss on trade receivables	85	316	10	–	–	411
Impairment loss on property, plant and equipment	–	–	697	–	–	697
Capital expenditure	–	–	21	–	315	336

5. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

For the year ended 31 March 2007

	Woven wear $'000	Knitwear $'000	Sweaters $'000	Premium $'000	Consolidated total $'000
Segment revenue	71,333	52,949	35,283	6,864	166,429
Segment results	1,236	452	(982)	1,039	1,745
Unallocated corporate expenses					(3,404)
Finance costs					(2,728)
Tax penalties and surcharges					(3,759)
Impairment loss on goodwill					(19,458)
Share of profits less losses of associates					(1,480)
Share of loss of a jointly-controlled entity					(2,439)
Loss before taxation					(31,523)
Income tax					(7,831)
Loss for the year					(39,354)
Attributable to:					
Equity holders of the Company					(38,684)
Minority interests					(670)
					(39,354)

	Woven wear $'000	Knitwear $'000	Sweaters $'000	Premium $'000	Other $'000	Consolidated total $'000
Assets and liabilities:						
Segment assets	10,065	2,421	15,779	25	–	28,290
Unallocated assets	–	–	–	–	46,263	46,263
Total assets						74,553
Segment liabilities	2,787	1,578	10,592	13	–	14,970
Unallocated liabilities	–	–	–	–	23,992	23,992
Total liabilities						38,962
Other segment information:						
Deprecation	–	575	675	–	202	1,452
Amortisation	–	–	162	–	86	248
Impairment loss on inventories	–	–	464	–	–	464
Impairment loss on trade receivables	–	–	70	–	284	354
Impairment loss on goodwill	–	–	–	–	19,458	19,458
Capital expenditure	–	6,996	892	–	54	7,942
Loss on disposal of property, plant and equipment	–	–	127	–	–	127

5. SEGMENT INFORMATION (Continued)

(b) Geographical segments

For the year ended 31 March 2008

	Chile $'000	**PRC $'000**	**Others $'000**	**Consolidated $'000**
Segment revenue	**68,579**	**25,820**	**26,151**	**120,550**
Other segment information:				
Segment assets	**4,947**	**23,961**	**—**	**28,908**
Unallocated assets	**—**	**—**	**52,445**	**52,445**
Total assets				**81,353**
Capital expenditure	**—**	**21**	**315**	**336**

For the year ended 31 March 2007

	Chile $'000	PRC $'000	Others $'000	Consolidated $'000
Segment revenue	93,322	24,492	48,615	166,429
Other segment information:				
Segment assets	7,035	14,588	—	21,623
Unallocated assets	—	—	52,930	52,930
Total assets				74,553
Capital expenditure	—	7,888	54	7,942

6. TURNOVER, OTHER REVENUE AND GAINS

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of the Group's turnover, other revenue and gains is as follows:

	2008 $'000	2007 $'000
Turnover:		
Sale of goods	**120,550**	166,429
Other revenue and gains:		
Interest income	**265**	44
Sale of scrap inventories, net	**–**	470
Sundry income	**85**	269
Net exchange gains	**–**	18
Gain on disposal of available-for-sale investments (including transfer from equity on disposal)	**1,536**	–
Net realised and unrealised gains on trading securities	**24**	–
	1,910	801

7. FINANCE COSTS

	2008 $'000	2007 $'000
Interest expense:		
Bank loans and overdrafts wholly repayable within five years	**607**	654
Import and export loans wholly repayable within five years	**463**	551
Amount due to a related party (note 37(b))	**–**	120
	1,070	1,325
Bank charges	**1,015**	1,403
	2,085	2,728

(Expressed in Hong Kong dollars)

8. LOSS BEFORE TAXATION

	2008 $'000	2007 $'000
Loss before taxation is arrived at after charging:—		
Employee benefit expenses (excluding directors' remuneration (note 9(a))):—		
Wages and salaries	**7,397**	3,881
Pension fund contributions	**706**	158
Equity-settled share option expense	**3,805**	281
	11,908	4,320
Depreciation (note 15)	**853**	1,452
Amortisation of leasehold land and land use rights (note 14)	**128**	248
Equity-settled share option expense to directors	**761**	126
Equity-settled share option expense to consultants	**—**	393
Auditor's remuneration	**638**	680
Minimum lease payments in respect of premises under operating leases	**348**	346
Loss on disposal of property, plant and equipment	**—**	127
Impairment loss on property, plant and equipment (note 15)	**697**	—
Net exchange losses	**21**	—
Cost of inventories	**100,388**	139,596
Impairment loss on inventories (included in cost of sales)	**1,662**	464

9. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' remuneration

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

Name of directors	Fees		Salaries and allowances		Pension fund contributions		Equity-settled share option expense		Total	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000	**2008 $'000**	2007 $'000	**2008 $'000**	2007 $'000	**2008 $'000**	2007 $'000
Executive directors										
Cheung Keng Ching	**–**	–	**1,186**	1,430	**12**	12	**–**	34	**1,198**	1,476
Chou Mei	**–**	–	**725**	1,170	**7**	12	**–**	34	**732**	1,216
Chan Ching Kee, William	**–**	–	**–**	115	**–**	2	**–**	–	**–**	117
Chung Kam Fung, Kennis	**–**	–	**–**	196	**–**	5	**–**	49	**–**	250
Li Wing Sang	**–**	–	**402**	–	**7**	–	**761**	–	**1,170**	–
	–	–	**2,313**	2,911	**26**	31	**761**	117	**3,100**	3,059
Independent non-executive directors										
Lo Siu Tong, Alfred	**12**	12	**–**	–	**–**	–	**–**	–	**12**	12
Wan Ngar Yin, David	**–**	78	**–**	–	**–**	–	**–**	9	**–**	87
Wong Lai Wah, Ada	**72**	72	**–**	–	**–**	–	**–**	–	**72**	72
Tam Tak Wah	**145**	–	**–**	–	**–**	–	**–**	–	**145**	–
	229	162	**–**	–	**–**	–	**–**	9	**229**	171
Total	**229**	162	**2,313**	2,911	**26**	31	**761**	126	**3,329**	3,230

9. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(a) Directors' remuneration (Continued)

During the year, a director was granted share options, in respect of his services to the Group, under the share option scheme of the Company, further details of which are set out in note 31 to the financial statements. The fair value of such options which has been expensed in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

During the year, no remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

During the year, two directors, Cheung Keng Ching and Chou Mei, agreed to partially waive their directors' remuneration by the aggregate amount of $1,020,000 (2007: $Nil). Except for the above, there was no other arrangement under which a director waived or agreed to waive any remuneration during the year.

(b) Five highest paid individuals

The five highest paid employees during the year included three (2007: two) directors, details of whose remuneration are set out in note (a) above. Details of the remuneration of the remaining two (2007: three) non-director, highest paid employees for the year are as follows:

	2008 **$'000**	2007 $'000
Salaries and other benefits	**1,287**	752
Pension fund contributions	**21**	32
	1,308	784

The number of non-director, highest paid individuals whose remuneration fell within the following band is as follows:

	2008	2007
Nil to $1,000,000	**2**	3

10. INCOME TAX

(i) Taxation in the consolidated income statement represents:

	2008 $'000	2007 $'000
Current year provision for Hong Kong profits tax	–	474
(Over)/under-provision in prior years	(140)	7,357
	(140)	7,831

Provision for Hong Kong profits tax is calculated at 17.5% on the estimated assessable profits for the year ended 31 March 2007. In the current year, no provision has been made for Hong Kong profits tax as the group companies sustained losses during the year ended 31 March 2008. Taxation for overseas subsidiaries is similarly charged at the appropriate current rates of taxation ruling in the relevant countries.

(ii) Taxation for the year can be reconciled to the accounting loss as follows:

For the year ended 31 March 2008

	Hong Kong $'000	PRC $'000	Total $'000
Loss before taxation	(7,843)	(6,795)	(14,638)
Tax calculated at the weighted average statutory tax rate	(1,373)	(2,106)	(3,479)
Tax effect of expenses not deductible for taxation purposes	962	–	962
Tax effect of income not taxable for taxation purposes	(498)	–	(498)
Profits and losses attributable to associates and a jointly-controlled entity	–	953	953
Over-provision in prior years	(140)	–	(140)
Tax effect of tax losses not recognised	909	1,153	2,062
Income tax for the year	(140)	–	(140)

10. INCOME TAX (Continued)

(ii) Taxation for the year can be reconciled to the accounting loss as follows:

For the year ended 31 March 2007

	Hong Kong $'000	PRC $'000	Total $'000
Loss before taxation	(26,080)	(5,443)	(31,523)
Tax calculated at the statutory tax rate	(4,564)	(1,797)	(6,361)
Tax effect of expenses not deductible for taxation purposes	4,272	—	4,272
Tax effect of income not taxable for taxation purposes	(3)	—	(3)
Profits and losses attributable to associates and a jointly-controlled entity	—	1,337	1,337
Under-provision in prior years	7,357	—	7,357
Tax effect of tax losses not recognised	769	460	1,229
Income tax for the year	7,831	—	7,831

At 31 March 2008, the Group has unused tax losses of $27,800,000 (2007: $22,300,000) available for offset against future profits and temporary differences of $4,831,000 (2007: $4,831,000). No deferred tax asset has been recognised as at 31 March 2007 and 2008 in respect of such losses and temporary differences due to the unpredictability of future profit streams of the respective group entities.

10. INCOME TAX (Continued)

(iii) Since December 2002, Rontex Holdings Limited ("RHL") and Ronco Trading Company Limited ("Ronco"), subsidiaries of the Company, had been queried by the Inland Revenue Department of the Hong Kong Special Administrative Region Government (the "IRD") in respect of sales and marketing support service expenses claimed by RHL and Ronco as deductible expenses in their profits tax computations. In prior years, the IRD raised queries with RHL and Ronco for the years of assessments 2000/2001, 2001/2002, 2002/2003 and 2003/2004.

During the year ended 31 March 2007, the IRD disallowed certain deduction of sales and marketing support services expenses of RHL and Ronco in their profits tax computations for the aforementioned years of assessment and raised additional taxes of $6,903,000 and $454,000 respectively. Moreover, tax penalties and surcharges of $3,559,000 and $200,000 were imposed by the IRD on RHL and Ronco respectively. The above amounts were agreed to be settled by instalments until fully settled in October 2007.

Pursuant to a deed of indemnity dated 25 October 2002 from Star Master International Limited, Cheung Keng Ching and Chou Mei, shareholders of the Company (collectively referred to as the "Indemnifiers"), who agreed to indemnify, on a joint and several basis, the Group against all additional taxation liabilities, penalties, surcharges and other relevant costs falling on any member of the Group in respect of any accounting periods ended on or before 31 March 2002, which amounted to $4,233,000. The indemnified amount of $4,233,000, obligated by the Indemnifiers, was accounted for as contributions from equity holders of the Company, and credited to capital reserve of the Group in prior year.

During the year ended 31 March 2007, the Indemnifiers had settled $1,743,000. Accordingly, as at 31 March 2007, the Group's remaining receivable from the Indemnifiers amounted to $2,490,000, which was unsecured, interest free and fully settled during the year. As at 31 March 2008, the tax penalty and surcharge payables had been fully settled by the Group to the IRD.

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

The consolidated loss from ordinary activities attributable to equity holders of the Company for the year ended 31 March 2008 includes a loss of $16,235,000 (2007: a loss of $65,673,000) which has been dealt with in the financial statements of the Company (note 30).

12. DIVIDEND

The board of directors do not recommend the payment of any dividend for the year ended 31 March 2008 (2007: $Nil).

13. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic loss per share is based on the loss for the year attributable to the ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the year.

The calculation of diluted loss per share amounts is based on the loss for the year attributable to the ordinary equity holders of the Company, adjusted to reflect the issue of share options and warrants. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic loss per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic loss per share are based on:

	2008 **$'000**	2007 $'000
Loss		
Loss attributable to the ordinary equity holders of the Company, used in the basic loss per share calculation	**12,821**	38,684

	Number of shares **2008**	 2007
Shares		
Weighted average number of ordinary shares in issue during the year for the purpose of basic loss per share:		
Number of issued ordinary shares at beginning of the year	**1,807,497,200**	1,629,497,200
Effect of shares issued on exercise of share options and warrants during the year	**182,250,333**	14,711,233
Weighted average number of ordinary shares at end of the year	**1,989,747,533**	1,644,208,433

Diluted loss per share for the years ended 31 March 2008 and 2007 has not been disclosed, as share options and warrants outstanding during the years had an anti-dilutive effect on the basic loss per share for these years.

14. LEASEHOLD LAND AND LAND USE RIGHTS

The Group

	Note	2008 $'000	2007 $'000
Cost:			
At beginning of year		**13,667**	13,509
Reclassification into property held for sale	16	**(5,962)**	—
Reclassification from property, plant and equipment	15	**—**	1,073
Additions		**16**	783
Reclassification of interest in a subsidiary into a jointly-controlled entity	35	**—**	(1,747)
Exchange realignments		**185**	49
At end of year		**7,906**	13,667
Accumulated amortisation:			
At beginning of year		**897**	783
Charge for the year	8	**128**	248
Reclassification into property held for sale	16	**(716)**	—
Reclassification of interest in a subsidiary into a jointly-controlled entity	35	**—**	(138)
Exchange realignments		**18**	4
At end of year		**327**	897
Carrying value:			
At 31 March		**7,579**	12,770
Current portion included in other receivables, deposits and prepayments		**49**	124
Non-current portion		**7,530**	12,646
		7,579	12,770

14. LEASEHOLD LAND AND LAND USE RIGHTS (Continued)

The Group's leasehold land and land use rights represent prepaid operating lease payments and their net carrying value is analysed as follows:

	2008 **$'000**	2007 $'000
Current portion:		
Located in Hong Kong, held under long-term leases	**7**	86
Located in the PRC, held under medium-term leases	**42**	38
	49	124
Non-current portion:		
Located in Hong Kong, held under long-term leases	**1,840**	10,944
Located in the PRC, held under medium-term leases	**5,690**	1,702
	7,530	12,646
	7,579	12,770

At 31 March 2008, certain of the Group's leasehold land and land use rights with an aggregate net carrying value of approximately $7,579,000 (2007: $11,030,000) were pledged to secure banking facilities granted to the Group (notes 27 and 36(a)).

15. PROPERTY, PLANT AND EQUIPMENT

The Group	Buildings $'000	Construction in progress $'000	Leasehold improvements $'000	Plant and machinery $'000	Furniture and fixtures $'000	Office equipment $'000	Motor vehicles $'000	Total $'000
At cost:								
At 1 April 2006	23,890	5,049	6,083	4,056	2,360	994	2,466	44,898
Additions	142	3,678	–	2,399	11	367	562	7,159
Reclassification into leasehold land and land use rights (note 14)	(1,073)	–	–	–	–	–	–	(1,073)
Disposals	–	–	–	(217)	–	–	–	(217)
Reclassification of interest in a subsidiary into a jointly–controlled entity (note 35)	(4,510)	(8,799)	(2,997)	(5,364)	(1,434)	(312)	(2,084)	(25,500)
Exchange realignments	360	72	60	94	25	2	36	649
At 31 March 2007 and 1 April 2007	18,809	–	3,146	968	962	1,051	980	25,916
Additions	–	–	234	–	11	75	–	320
Reclassification into property held for sale (note 16)	(5,963)	–	(127)	–	–	–	–	(6,090)
Exchange realignments	729	–	72	94	28	–	42	965
At 31 March 2008	**13,575**	**–**	**3,325**	**1,062**	**1,001**	**1,126**	**1,022**	**21,111**
Accumulated depreciation and impairment:								
At 1 April 2006	8,755	–	2,856	807	1,290	946	1,135	15,789
Charge for the year (note 8)	700	–	131	359	53	50	159	1,452
Written back on disposal	–	–	–	(35)	–	–	–	(35)
Reclassification of interest in a subsidiary into a jointly-controlled entity (note 35)	(949)	–	(550)	(903)	(533)	(33)	(560)	(3,528)
Exchange realignments	45	–	8	17	10	–	12	92
At 31 March 2007 and 1 April 2007	8,551	–	2,445	245	820	963	746	13,770
Charge for the year (note 8)	514	–	84	87	56	31	81	853
Impairment loss	–	–	–	697	–	–	–	697
Reclassification into property held for sale (note 16)	(4,004)	–	–	–	–	–	–	(4,004)
Exchange realignments	125	–	9	33	17	–	24	208
At 31 March 2008	**5,186**	**–**	**2,538**	**1,062**	**893**	**994**	**851**	**11,524**
Net carrying value:								
At 31 March 2008	**8,389**	**–**	**787**	**–**	**108**	**132**	**171**	**9,587**
At 31 March 2007	10,258	–	701	723	142	88	234	12,146

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

During the year, certain items of plant and machinery were under-utilised. As a result, the Group assessed the recoverable amounts of these machines. Based on this assessment, the carrying value of these items of plant and machinery was written down by approximately $697,000 (included in "cost of sales"). The recoverable amount of the relevant assets has been determined on the basis of their value in use with reference to the probable cash flows from these items of plant and machinery.

As at 31 March 2008, the Group's buildings with a carrying value of approximately $2,218,000 (2007: $10,258,000) were pledged to banks under fixed charges for banking facilities granted to the Group (notes 27 and 36(a)).

16. PROPERTY HELD FOR SALE

The Group

	Note	**2008** **$'000**	2007 $'000
Carrying value:			
At beginning of year		**–**	—
Reclassified from land use rights	14	**5,246**	—
Reclassified from property, plant and equipment	15	**2,086**	—
At end of year		**7,332**	—

On 22 January 2008, the Group entered into a provisional sale agreement to dispose of one of its properties for a cash consideration of $17,500,000. As at 31 March 2008, the Group received deposits in the amount of $8,750,000 from the independent purchaser, which was included in the Group's other payables, accrued expenses and deposits received as at 31 March 2008. The disposal was completed on 19 April 2008. As at 31 March 2008, the property comprising the above building and land use rights was classified as property held for sale under current assets of the Group. The property was located in Hong Kong and held under long term leases. Further details of the disposal of the property are disclosed in note 41(b).

As at 31 March 2008, the Group's property held for sale was pledged to a bank under fixed charge for banking facilities granted to the Group (notes 27 and 36(a)).

17. INTERESTS IN SUBSIDIARIES

	The Company	
	2008	2007
	$'000	$'000
Unlisted shares, at cost	**42,779**	42,779
Amounts due from subsidiaries	**72,216**	68,728
	114,995	111,507
Less: impairment loss on investment costs	**(7,212)**	(7,202)
impairment loss on amounts due from subsidiaries	**(65,088)**	(55,098)
	42,695	49,207
Amounts due to subsidiaries	**–**	(23,152)
	42,695	26,055

The amounts due from subsidiaries are unsecured, interest free and are not repayable within twelve months after the balance sheet date. The carrying amount of the amounts due from subsidiaries approximates their fair value and in substance represents the Company's interests in the subsidiaries in the form of quasi-equity loans.

The amounts due to subsidiaries are unsecured, interest free and have no fixed terms of repayment. The carrying amount of the amounts due to subsidiaries approximates their fair value.

An impairment loss on investment costs and amounts due from subsidiaries of $7,212,000 (2007: $7,202,000) and $65,088,000 (2007: $55,098,000) respectively was recognised as at 31 March 2008 because the related recoverable amounts of the investment costs and the balances due from subsidiaries with reference to the net assets values of the respective subsidiaries were estimated to be less than their carrying amounts. Accordingly, the carrying amounts of the related investment costs and amounts due therefrom are reduced to their recoverable amounts.

(Expressed in Hong Kong dollars)

17. INTERESTS IN SUBSIDIARIES (Continued)

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

Name of company	Place of incorporation/ establishment and operation	Particulars of issued and paid-up share capital/ registered capital	Percentage of equity attributable to the Company 2008	2007	Principal activities
Falcon Vision Limited	The British Virgin Islands	Ordinary US$1,000	**100**	100	Investment holding
Keen Choice Technology Limited	Hong Kong	Ordinary HK$10,000	**100**	100	Investment holding
Rontex Apparel Limited	Hong Kong	Ordinary HK$10,000	**100**	100	Trading of garment and premium products
Rontex Holdings Limited	Hong Kong	Ordinary HK$100,000	**100**	100	Trading of garment products
Ronco Trading Company Limited	Hong Kong	Ordinary HK$1,000,000	**100**	100	Trading of garment and premium products and investment holding
Take Luck Development Limited	Hong Kong	Ordinary HK$10,000	**100**	100	Property holding and investment holding
Wisefull International Limited ("Wisefull")	Hong Kong	Ordinary HK$10,000	**100**	100	Investment holding
Digital New Century Company Limited (note 1)	Hong Kong	Ordinary HK$100	**100**	—	Investment holding
Century Power (China) Limited (note 1)	Hong Kong	Ordinary HK$10,000	**100**	—	Investment holding
湖州朗迪毛衫有限公司 (Huzhou Ronco Sweater Co., Ltd.) (note 2)	The PRC	US$1,380,000	**52**	52	Manufacture and sale of garment products

Notes:

1. The subsidiaries were newly set up by the company during the current year.

2. Huzhou Ronco Sweater Co., Ltd. was established as a Sino-foreign equity joint venture in the PRC.

Except for Falcon Vision Limited, Rontex Apparel Ltd. and Digital New Century Company Limited, which are directly held by the Company, all other subsidiaries are indirectly held by the Company.

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

18. INTERESTS IN ASSOCIATES

	The Group	
	2008	2007
	$'000	$'000
Share of net assets	**14,670**	14,053
Advance to an associate	**–**	1,057
	14,670	15,110

Advance to the associate as at 31 March 2007 was unsecured, interest free and in substance represented the Group's interest in the associate in the form of a quasi-equity loan. The carrying amount of the advance to the associate approximated its fair value.

Particulars of the Group's associates, all of which are unlisted entities, are as follows:—

Name of company	Form of business structure	Place of establishment and operation	Percentage of equity interest attributable to the Company	Principal activities
北京朗迪服裝有限公司 (Beijing Rontex Garments Co., Ltd. ("Beijing Rontex"))	Corporate	PRC	44	Manufacture and sale of garment products
北京朗坤服裝有限公司 (Beijing Longkun Garments Co., Ltd. ("Beijing Longkun"))	Corporate	PRC	30	Manufacture and sale of garment products

In June 2007, the Group acquired an additional 4% equity interest in Beijing Rontex at a consideration of $455,000, and accordingly the Group's ownership of equity interest in Beijing Rontex increased from 40% to 44% during the year.

The financial statements of the above companies are not audited by Shu Lun Pan Horwath Hong Kong CPA Limited or any of its member firms.

18. INTERESTS IN ASSOCIATES (Continued)

Summarised financial information of the Group's associates is set out below:

	2008 $'000	2007 $'000
Turnover	**157,773**	117,760
Loss for the year	**(1,125)**	(3,108)
Loss attributable to the Group	**(670)**	(1,480)
Total assets	**136,510**	116,560
Total liabilities	**(84,979)**	(66,075)
Net assets	**51,531**	50,485
Net assets attributable to the Group	**14,670**	14,053

19. INTEREST IN A JOINTLY-CONTROLLED ENTITY

	The Group	
	2008 $'000	2007 $'000
Share of net assets	**–**	2,631

Particulars of the Group's jointly-controlled entity are as follows:—

Name of company	Form of business structure	Place of establishment and operation	Percentage of equity interest indirectly held by the company	Principal activity
Rontex Co., Ltd.	Corporate	PRC	51	Manufacture and sale of garment products

The financial statements of the above company is not audited by Shu Lun Pan Horwath Hong Kong CPA Limited or any of its member firms.

19. INTEREST IN A JOINTLY-CONTROLLED ENTITY (Continued)

The Group shares joint control over the financial and operating policy of this jointly-controlled entity notwithstanding that the Group has a 51% equity interest thereon.

The Group has not recognised its share of loss of Rontex Co., Ltd. in excess of the Group's interest in this jointly-controlled entity. Summarised financial information of the group's jointly-controlled entity is as follows:

	2008	2007
	$'000	$'000
Non-current assets	**16,166**	14,634
Current assets	**3,250**	7,964
Current liabilities	**(19,767)**	(19,967)
Non-current liabilities	**(17)**	—
Net (liabilities)/assets	**(368)**	2,631
Amount in excess of the Group's interest in the jointly-controlled entity	**368**	—
Net assets of the jointly-controlled entity attributable to the Group	**—**	2,631
Income	**14,114**	10,589
Expenses	**(17,249)**	(13,028)
Loss for the year	**(3,135)**	(2,439)
Amount in excess of the Group's interest in the jointly-controlled entity	**504**	—
Loss of the jointly-controlled entity attributable to the Group	**(2,631)**	(2,439)

During the year ended 31 March 2007, Rontex Co., Ltd., a 51%-owned subsidiary of the Company as at 31 March 2006 and 30 September 2006, became a jointly-controlled entity of the Group. Further details are set out in note 35 to the financial statements.

20. GOODWILL

	2008 $'000	2007 $'000
Carrying value:		
At beginning of year	–	19,458
Acquisition of a subsidiary	–	—
Impairment loss	–	(19,458)
At end of year	–	—

The goodwill arose from the acquisition of Wisefull in the year ended 31 March 2006. Wisefull is an investment holding company and holds 30% equity interest in Beijing Longkun.

The directors reassessed the recoverable amount of goodwill as at 31 March 2007 by reference to the valuation as at 31 March 2007 performed by BMI Appraisals Limited, an independent professionally qualified valuers. The recoverable amount of the cash generating unit ("CGU") of Wisefull was determined by the professional valuers based on the present value of the expected future revenue arising from the operation of the underlying assets of the CGU. These calculations resulted in a nil value-in-use amount on the value of goodwill.

The goodwill was therefore reduced to its recoverable amount through recognition of full impairment loss of $19,458,000 in the year ended 31 March 2007.

The directors believed that as competition in the textile industry in the PRC had continued to increase, the growth rate for Beijing Longkun was expected to be reduced, resulting in the significant impairment loss for the prior year.

Key assumption used in value-in-use calculation in 2007 were:

	%
Growth rate	10
Discount rate	11.12

The directors reassessed the carrying value of goodwill during the year and believe that any reasonable possible change in the key assumptions above on which the recoverable amount is based would not affect the conclusion that the carrying value of goodwill was fully impaired as at 31 March 2007.

21. AVAILABLE-FOR-SALE INVESTMENTS

	The Group	
	2008 $'000	2007 $'000
Listed equity securities — Hong Kong, at fair value	–	1,573

The investments as at 31 March 2007 included above represent investments in listed equity securities that offer the Group the opportunity for return through dividend income and fair value gains. They had no fixed maturity or coupon rate. The fair values of these securities were based on quoted market prices as at 31 March 2007. During the year ended 31 March 2008, all of the Group's available-for-sale investments were disposed of.

22. DEPOSITS AND DIRECT COSTS PAID FOR ACQUISITION OF A SUBSIDIARY

	The Group	
	2008	2007
	$'000	$'000
Deposits paid for acquisition of a subsidiary	**10,000**	—
Costs directly attributable to the acquisition	**2,071**	—
	12,071	—

As at 31 March 2008, the amount represented deposits paid and costs directly attributable to the acquisition of a 51% equity interest in DTV China Inc. The acquisition was subsequently completed on 25 April 2008. Further details are set out in note 41(c) to the financial statements.

23. TRADING SECURITIES

	The Group	
	2008	2007
	$'000	$'000
Listed equity securities — Hong Kong, at fair value	**278**	—

The balance represents investments in equity securities that are listed in Hong Kong, and are designated as financial assets at fair value through profit or loss. They are stated at fair value based on quoted market prices as at the balance sheet date.

24. INVENTORIES

	The Group	
	2008	2007
	$'000	$'000
Raw materials	**1,034**	1,552
Work in progress	**2,422**	1,065
Finished goods	**1,315**	808
	4,771	3,425
Less: impairment loss for obsolete inventories	**(2,126)**	(464)
	2,645	2,961

During the year, the Group carried out its regular reviews on the carrying amounts of inventories with reference to aged inventories analysis, expected future consumption and management judgment. As a result, the carrying values of certain inventories were determined to decline below their estimated net realisable values. Based on this assessment, the carrying value of inventories was written down by approximately $1,662,000 (2007: $464,000) (included in "cost of sales").

25. TRADE RECEIVABLES

	The Group	
	2008	2007
	$'000	$'000
Accounts receivable	**7,528**	14,755
Less: allowance for doubtful debts	**(77)**	(354)
	7,451	14,401

(i) The Group allows an average credit term of 60 to 90 days (2007: 60 to 90 days) to its trade customers, except for certain well-established customers having strong financial strength, good repayment history and high creditworthiness, where the terms are extended beyond 90 days.

(ii) The movements in the allowance for doubtful debts during the year, including both specific and collective loss components, are as follows:

	The Group	
	2008	2007
	$'000	$'000
At beginning of year	**354**	692
Impairment loss recognised	**—**	354
Uncollectible amounts written off	**(284)**	(692)
Exchange realignments	**7**	—
At end of year	**77**	354

At 31 March 2008, the Group's trade receivables of approximately $77,000 (2007: $354,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that none of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of $77,000 (2007: $354,000) were recognised. The Group does not hold any collateral over these balances.

Except for the above, no allowance has been made for estimated irrecoverable amounts from the sale of goods.

25. TRADE RECEIVABLES (Continued)

(iii) The ageing analysis of the Group's trade receivables as at the balance sheet date, based on invoice date, is as follows:

	The Group	
	2008	2007
	$'000	$'000
Within 30 days	**707**	2,278
31 to 60 days	**1,884**	6,828
61 to 90 days	**2,923**	4,071
Over 90 days	**2,014**	1,578
	7,528	14,755
Less: allowance for doubtful debts	**(77)**	(354)
	7,451	14,401

(iv) The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	The Group	
	2008	2007
	$'000	$'000
Neither past due nor impaired	**5,514**	13,177
Past due and not impaired	**1,937**	1,224
	7,451	14,401

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

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

26. CASH AND CASH EQUIVALENTS

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy financial institutions with no recent history of default. The carrying amounts of the cash and cash equivalents approximate their fair values.

	2008	2007
	$'000	$'000
The Group		
Cash and cash equivalents were denominated in:		
Renminbi ("RMB")	**690**	914
United States dollars ("US$")	**2,141**	1,247
HK$	**16,491**	3,265
Total	**19,322**	5,426
The Company		
Cash and cash equivalents were denominated in:		
HK$	**1,263**	3,232

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

27. INTEREST-BEARING BANK BORROWINGS, SECURED

The following bank borrowings are repayable on demand or within one year:

	The Group	
	2008	2007
	$'000	$'000
Bank loans	**6,882**	5,767
Import and export loans	**4,321**	8,835
Bank overdrafts	**–**	1,462
	11,203	16,064

27. INTEREST-BEARING BANK BORROWINGS, SECURED (Continued)

All the bank borrowings are floating-rate borrowings, thus exposing the Group to cash flow interest rate risk. The effective interest rates range from 4.84% to 7.9% (2007: 5.58% to 7.26%) per annum.

The Group's bank loans, import and export loans and overdrafts are denominated in RMB, US$ and HK$, respectively. The directors consider that the carrying amount of the bank borrowings approximates their fair value.

At 31 March 2008, the Group had available undrawn committed borrowing facilities of $18,179,000 (2007: $12,703,000) in respect of which all conditions precedent had been met.

The Group's bank borrowings are secured by the property held for sale, leasehold land and buildings held by the Group with carrying values of approximately $7,332,000 (2007: $Nil) (note 16), $7,579,000(2007: $11,030,000) (note 14) and $2,218,000(2007: $10,258,000) (note 15), respectively.

28. TRADE PAYABLES

The ageing analysis of trade payables of the Group at the balance sheet date, based on the invoice date, is as follows:

	The Group	
	2008	2007
	$'000	$'000
Within 30 days	**2,182**	1,161
31 to 60 days	**1,028**	1,358
61 to 90 days	**645**	427
Over 90 days	**1,011**	1,267
	4,866	4,213

The trade payables are interest free and normally settled on 90-day terms.

The Group considers that the carrying amount of the Group's trade payables approximates their fair value.

29. SHARE CAPITAL

	2008 $'000	2007 $'000
Authorised:		
10,000,000,000 ordinary shares of $0.01 each	**100,000**	100,000
Issued and fully paid:		
2,047,501,200 (2007: 1,807,497,200) ordinary shares of $ 0.01 each	**20,475**	18,075

A summary of the movements in the issued and fully paid share capital of the Company during the year is as follows:

	Number of shares		Nominal value	
	2008	2007	**2008 $'000**	2007 $'000
Ordinary shares of $0.01 each:				
Authorised	**10,000,000,000**	10,000,000,000	**100,000**	100,000
Issued and fully paid:				
At beginning of the year	**1,807,497,200**	1,629,497,200	**18,075**	16,295
Shares issued on exercise of warrants (note (i))	**170,000,000**	90,000,000	**1,700**	900
Shares issued on exercise of share options (note (ii))	**70,004,000**	88,000,000	**700**	880
At end of the year	**2,047,501,200**	1,807,497,200	**20,475**	18,075

All shares issued by the Company rank pari passu with the then existing shares in all respects.

Note:

(i) During the year ended 31 March 2008, 170,000,000 (2007: 90,000,000) new ordinary shares of par value $0.01 (2007: $0.01) each were issued at a subscription price of $0.043 (2007: $0.043) each on exercise of 170,000,000 (2007: 90,000,000) warrants with an aggregate consideration of $7,298,000 (2007: $3,870,000) (after issue expenses), of which $1,700,000 (2007: $900,000) was credited to share capital and the remaining balance of $5,598,000 (2007: $2,970,000) was credited to the share premium account. In addition, the related net premium of $1,501,000 (2007: $795,000) received on issue of warrants has been transferred from warrant reserve to the share premium account.

(ii) During the year ended 31 March 2008, 70,004,000 (2007: 88,000,000) new ordinary shares of par value $0.01 (2007: $0.01) each were issued at subscription prices ranging from $0.044 to $0.333 each on exercise of 70,004,000 (2007: 88,000,000) (note 31) share options at an aggregate consideration of $11,303,000 (2007: $3,872,000), of which $700,000 (2007: $880,000) was credited to share capital and the remaining balance of $10,603,000 (2007: $2,992,000) was credited to the share premium account. In addition, an amount attributable to the related share options of $257,000 (2007: $543,000) has been transferred from equity-settled share option reserve to the share premium account.

30. RESERVES

	Share premium $'000	Contributed surplus $'000 (note (a))	Equity-settled share option reserve $'000 (note (b)(i))	Warrant reserve $'000 (note (b)(ii))	(Accumulated losses)/ retained profits $'000	Total $'000
The Company						
At 1 April 2006	15,294	42,569	–	–	13,878	71,741
Premium received on issue of warrants (note 32)	–	–	–	2,296	–	2,296
Issue of shares on exercise of warrants	3,765	–	–	(795)	–	2,970
Issue of share options (note 31)	–	–	800	–	–	800
Issue of shares on exercise of share options	3,535	–	(543)	–	–	2,992
Loss for the year	–	–	–	–	(65,673)	(65,673)
At 31 March 2007	22,594	42,569	257	1,501	(51,795)	15,126
Premium received on issue of warrants (note 32)	–	–	–	3,688	–	3,688
Issue of shares on exercise of warrants	7,099	–	–	(1,501)	–	5,598
Issue of share options (note 31)	–	–	4,566	–	–	4,566
Issue of shares on exercise of share options	10,860	–	(257)	–	–	10,603
Loss for the year	–	–	–	–	(16,235)	(16,235)
At 31 March 2008	**40,553**	**42,569**	**4.566**	**3,688**	**(68,030)**	**23,346**

Note:

(a) At the balance sheet date, the contributed surplus of the Company represents the excess of the fair value of the subsidiaries acquired pursuant to the group reorganisation, over the nominal value of the shares of the Company issued in exchange therefor.

Under the Companies Law (2001 Second Revision) of the Cayman Islands, the contributed surplus account is distributable to the shareholders of the Company under certain circumstances.

(b) At the balance sheet date, the equity-settled share option reserve and warrant reserve of the Company represents (i) the fair value at the respective grant dates in respect of the outstanding share options of the Company; and (ii) premium received in respect of the outstanding warrants of the Company, respectively.

31. SHARE OPTION SCHEME

The Company operates a share option scheme (the “Scheme”) for the purpose of providing incentives or rewards to eligible persons for their contributions to the Group. Eligible persons of the Scheme include any full-time or part-time employees of the Company or any member of the Group, including any directors, advisors or consultants of the Group. The Scheme became effective upon the listing of the Company’s shares on the Stock Exchange on 8 November 2002, and unless otherwise cancelled or amended, will remain in force for a period of 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme must not exceed 30% of the shares in issue from time to time.

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

The offer of a grant of share options may be accepted for a period of 28 days from the date of the offer, upon payment of a nominal consideration of $1 in total by the grantee. The exercisable period of the share options granted is determined by the directors, which the share options must be exercised in any event not later than 10 years or a shorter period as specified, from the date of grant. The Scheme does not require a minimum period for which the share options must be held or a performance target which must be achieved before the share options can be exercised.

The exercise price of the share options granted is not recorded in the balance sheet of the Company nor the Group until such time as the options are vested. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercisable date are deleted from the register of outstanding options.

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

(Expressed in Hong Kong dollars)

31. SHARE OPTION SCHEME (Continued)

The following is the movement of share options outstanding under the Scheme during the year from 1 April 2007 to 31 March 2008:

Name or category of participant	At 01/04/2007	Granted during the year	Exercised during the year	At 31/03/2008	Date of grant of share options	Exercise period of share options	Adjusted exercise price of share options	Adjusted closing price of the Company's shares where applicable
	Number	Number	Number (note 29(ii))	Number			HK$ (note a)	HK$ (note b)
Directors								
Cheung Keng Ching	7,400,000	–	(7,400,000)	–	04/11/2003	04/11/2003 to 03/11/2008	0.3325	0.35
	5,500,000	–	(5,500,000)	–	20/01/2007	20/01/2007 to 19/01/2010	0.0440	N/A
Chou Mei	7,400,000	–	(7,400,000)	–	04/11/2003	04/11/2003 to 03/11/2008	0.3325	0.35
Li Wing Sang	–	19,560,000	–	19,560,000	10/09/2007	10/09/2007 to 09/09/2017	0.2226	N/A
Employees other than directors								
In aggregate	13,704,000	–	(13,704,000)	–	04/11/2003	04/11/2003 to 03/11/2008	0.3325	0.35
	–	97,800,000	–	97,800,000	10/09/2007	10/09/2007 to 09/09/2017	0.2226	N/A
Consultants								
In aggregate	36,000,000	–	(36,000,000)	–	20/01/2007	20/01/2007 to 19/01/2010	0.0440	N/A
	70,004,000	117,360,000	(70,004,000)	117,360,000				

Note:

a. The number of issuable shares and the exercise price of the share options are subject to adjustment in the case of capitalisation issue, rights issue, sub-division or consolidation of the Company's shares or reduction of capital of the Company. On 20 February 2004, an ordinary resolution was passed in an extraordinary general meeting in connection with the bonus issue of shares on the basis of three bonus shares for every one existing share. The exercise price before adjustment was $1.33 per share.

b. Before the adjustment for the bonus issue of shares on 20 February 2004, the closing price of the Company's share immediately before the grant date of the share options was $1.40 per share.

(Expressed in Hong Kong dollars)

31. SHARE OPTION SCHEME (Continued)

At 31 March 2008, the Company has 117,360,000 share options outstanding under the Scheme accounting for 5.7% of the Company's issued share capital. The exercise of the entire outstanding share options would, under the capital structure of the Company as at 31 March 2008, result in the issue of 117,360,000 additional ordinary shares of $0.01 each of the Company and additional share capital of $1,173,600 and share premium account of approximately $24,951,000 (before issue expense). In addition, an amount attributable to the related share options of $4,566,000 will be transferred from equity-settled share option reserve to the share premium account.

Valuation of share options

Based on a professional valuation report issued by BMI Appraisals Limited, independent professionally qualified valuers, the fair value of the share options granted during the year ended 31 March 2008 was estimated at $4,566,000 (2007: $800,000) (note 8) which was recognised as an equity-settled share option expense during the year.

The above fair value was estimated as at the date of grant, using a Black-Scholes-Merton option pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2008	2007
Exercise price of option	**0.2226**	0.0440
Spot price of shares	**0.2200**	0.0440
Expected volatility (%)	**83.78**	74.57
Risk-free interest rate (%)	**3.841**	3.795
Expected life of option (year)	**0.32**	0.24
Expected divdend yield (%)	**0.00**	0.00

The expected life of the options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

32. WARRANTS

During the prior year, the Company issued 260,000,000 unlisted warrants, of which 90,000,000 and 170,000,000 (note 29(i)) were fully converted into ordinary shares of the Company during the year ended 31 March 2007 and 2008, respectively. Each warrant was issued at a premium price of $0.01 each in registered form and entitles the holder thereof to subscribe for fully-paid new ordinary shares of the Company at the initial subscription price of $0.043 per share. The aggregate premium, net of issue expenses, of approximately $2,296,000 was credited to warrant reserve for the prior year.

On 13 November 2007, the company entered into a placing agreement with Enlighten Securities Limited, the placing agent, to procure no less than six placees to subscribe for an aggregate of 391,000,000 unlisted warrants (the "Warrants"), on a fully underwritten basis, at the issue price of $0.01 each in registered form and entitles the holder thereof to subscribe for fully-paid new ordinary shares of the Company at the initial subscription price of $0.21 per share, subject to adjustment from the date of issue, which was on 12 December 2007, to the date of expiry of two years from the date of issue, which is 11 December 2009 (both days inclusive in accordance with the terms of Warrants).

On 12 December 2007, 391,000,000 Warrants were issued and subscribed by independent investors at a premium price of $0.01 each and the aggregate premium, net of issue expense, of approximately $3,688,000 was received. The amount was credited to warrant reserve. The Warrants granted during the year have not been exercised.

33. OPERATING LEASE COMMITMENTS

The Group leases its office premises under operating lease arrangements, with leases negotiated for terms ranging from one to two years. None of the leases includes contingent rentals.

At 31 March 2008, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	The Group	
	2008	2007
	$'000	$'000
Within one year	**473**	—
In the second to fifth years, inclusive	**182**	—
	655	—

The Company did not have operating lease commitment as at 31 March 2007 and 2008.

34. CONTINGENT LIABILITIES

As at 31 March 2007 and 2008, there were contingent liabilities in respect:

	The Group	
	2008	2007
	$'000	$'000
Long service payments	**265**	204

The Group is liable to make long service payments upon the termination of employment of certain employees who have completed the required number of years of services and met the required circumstances under the Employment Ordinance. No provision has been made therefor in the financial statements as the directors are of the view that it is not probable that the amount will crystallise in the foreseeable future.

At 31 March 2008, the Company has given a financial guarantee to a bank for the purpose of obtaining bank facilities by certain subsidiaries. Based on a professional valuation report issued by RHL Appraisal Limited, independent professionally qualified valuers, the fair value of the financial guarantee during the year ended 31 March 2008 was estimated at $Nil (2007: $Nil).

35. RECLASSIFICATION OF INTEREST IN RONTEX CO., LTD. FROM A SUBSIDIARY INTO A JOINTLY-CONTROLLED ENTITY

As disclosed in note 19 to the financial statements, the Group accounted for the interest in Rontex Co., Ltd. as an interest in a jointly-controlled entity with effect from 1 October 2006. Accordingly, the Group ceased to consolidate its results, assets and liabilities as a subsidiary since that date. The net assets of Rontex Co., Ltd. as at 30 September 2006 were as follows:—

	Note	30 September 2006 $'000
Net assets reclassified:		
Land use rights	14	1,609
Property, plant and equipment	15	21,972
Inventories		2,342
Trade receivables		4,738
Other receivables		990
Cash and cash equivalents		4,504
Interest-bearing bank borrowings		(17,568)
Trade payables		(9,263)
Minority interests		(4,544)
		4,780
Reclassified as an interest in a jointly-controlled entity		(4,780)
		—
Analysis of the net cash outflow:		
Cash and cash equivalents		(4,504)

36. PLEDGE OF ASSETS

As at 31 March 2008, the Group's banking facilities were secured by the following:

(a) Pledge of certain of the Group's property held for sale, leasehold land and buildings with aggregate net carrying values of approximately $7,332,000 (2007: $Nil) (note 16), $7,579,000 (2007: $11,030,000) (note 14) and $2,218,000 (2007: $10,258,000) (note 15), respectively;

(b) Cross guarantees among the subsidiaries of the Company;

(c) Assignment of documentary credit issued in favour of a subsidiary;

(d) Corporate guarantee executed by a third party; and

(e) Corporate guarantee executed by the Company.

37. RELATED PARTY TRANSACTIONS

(a) During the year and in the ordinary course of business, the Group had the following material transaction with its jointly-controlled entity:

	2008	2007
	$'000	$'000
Purchase of goods	**–**	5,308

(b) As at 31 March 2008, the Group had aggregate amounts due to directors of approximately $4,277,000 (2007: $4,256,000). The amounts are unsecured, interest free and have no fixed terms of repayment. An amount of $1,000,000 due to the directors' close family member bore interest at a rate of 12% per annum which was fully repaid during the year ended 31 March 2007. Interest expense paid to this related party during the prior year amounted to approximately $120,000 (note 7).

(c) During the prior year, the Group enforced the tax indemnity of $4,233,000 from the Indemnifiers and there were amounts due from the Indemnifiers of approximately $2,490,000 as at 31 March 2007. The indemnifiers had fully settled this amount as at 31 March 2008, details of which are set out in note 10(iii) to the financial statements.

(d) Members of key management during the year comprised only of the executive directors whose remuneration is set out in note 9(a) to the financial statements.

38. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debts, which comprises the bank borrowings disclosed in note 27, cash and cash equivalents in note 26 and equity attributable to equity holders of the Company and comprising share capital and reserves as disclosed in the consolidated statement of changes in equity.

The Group's risk management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. The Group has a target gearing ratio of 20-40% determined as the proportion of net debt to equity. Based on the management's recommendations, the Group may increase its gearing ratio closer to such range through the issue of new debts and the payment of dividends.

The gearing ratio at the balance sheet date was as follows:

	2008	2007
	$'000	$'000
Debts	**11,203**	16,064
Cash and cash equivalents	**(19,322)**	(5,426)
Net debts	**N/A**	10,638
Equity	**48,173**	35,591
Net debts to equity ratio	**N/A**	29.9%

39. FINANCIAL RISK MANAGEMENT

The main risks arising from the Group's financial instruments in the normal course of the Group's business are credit risk, liquidity risk, interest rate risk, currency risk and price risk.

These risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

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

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customers' past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Normally, the Group does not obtain collateral from customers.

Investments are normally only in liquid securities quoted on a recognised stock exchange. Given their high credit standing, management does not expect any investment counterparty to fail to meet its obligations.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At the balance sheet date, the Group has a certain concentration of credit risk as 53.4% (2007: 33.7%) and 82.6% (2007: 79.8%) of the total trade receivables was due from the Group's largest debtor and the five largest debtors respectively within the trading of garments business segment.

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

(b) Liquidity risk

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

39. FINANCIAL RISK MANAGEMENT (Continued)

(c) Interest rate risk

The Group's cash flow interest-rate risk mainly arises from interest-bearing bank borrowings as disclosed in note 27 to the financial statements. Interest-bearing bank borrowings were issued at variable rates, which expose the Group to cash flow interest rate risk. The Group has not used any financial instruments to hedge potential fluctuations in interest rates.

The effective interest rates and terms of repayment of the Group's interests-bearing bank borrowings are disclosed in note 27 to the financial statements.

Sensitivity analysis

At 31 March 2008, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's loss after taxation and consolidated equity by approximately $112,000 (2007: $161,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for the financial instruments in existence at that date. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2007.

(d) Currency risk

The Group mainly operates in Hong Kong and the PRC with most of the transactions settled in Hong Kong dollars and RMB respectively and does not have significant exposure to risk resulting from changes in foreign currency exchange rates.

(e) Price risk

The Group is not exposed to any significant equity securities risk or commodity price risk.

(f) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 March 2008 and 2007.

39. FINANCIAL RISK MANAGEMENT (Continued)

(g) Fair values estimation

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments set out in note (f) above.

(i) Trading securities and available-for-sale investments

Fair value is based on quoted market prices at the balance sheet date without any deduction for transaction costs.

(ii) Interest-bearing bank borrowings

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

(iii) Financial guarantees

The fair value of financial guarantees issued is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials according to professional valuation report, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made.

40. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31 March 2008 and 2007 may be categorised as follows:

	2008	2007
	$'000	$'000
Financial assets		
Fair value through profit or loss		
— Held for trading	**278**	—
Loans and receivables (including cash and bank balances)	**26,857**	23,852
Available-for-sale investments	**–**	1,573
Financial liabilities		
Financial liabilities measured at amortised cost	**20,704**	26,121

41. SIGNIFICANT NON-ADJUSTING POST BALANCE SHEET EVENTS

(a) The controlling shareholder of the Company has granted an option over the shares it holds in the Company to the extent of 820,000,000 shares at an option premium of $20,000,000. The option was exercised in full at the aggregate exercise price of $45,000,000 on 2 July 2008, details of which are disclosed in the announcements of the Company dated 16 October 2007, 20 December 2007, 4 January 2008, 9 April 2008 and 2 July 2008.

(b) On 22 January 2008, Take Luck Development Limited, an indirect wholly owned subsidiary of the Company, entered into a provisional sale agreement with an independent third party for the disposal of its property at a cash consideration of $17,500,000. The disposal of property was subsequently completed on 19 April 2008.

(c) On 29 January 2008, Century Power (China) Limited, an indirect wholly owned subsidiary of the Company, entered into an agreement with DTV China Holdings Limited to acquire 51% of the issued share capital of DTV China Inc. at a consideration of $357,000,000 (the "Acquisition") as set out in the Company's circular dated 31 March 2008 and the announcement dated 24 April 2008. On 21 April 2008, a resolution was duly passed by the independent shareholders in an extraordinary general meeting and the acquisition was subsequently completed on 25 April 2008. Adjustment will be made to reflect the consideration at fair value in the year ending 31 March 2009. It is impractical to disclose the pro forma revenue and profit of the Group for the year had the Acquisition been effected at the beginning of the year because the relevant financial information of DTV China Inc. and its subsidiary was not yet available for the preparation of such pro forma financial information.

42. COMPARATIVE FIGURES

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

FIVE YEAR FINANCIAL SUMMARY

(Expressed in Hong Kong dollars)

The following is a summary of the published results and of the assets and liabilities of the Group for the five years ended 31 March 2008 prepared on the basis set out below.

Results

	For the years ended 31 March				
	2008	2007	2006	2005	2004
	$'000	$'000	$'000	$'000	$'000
Turnover	**120,550**	166,429	194,281	162,122	144,561
(Loss)/profit before taxation and minority interests	**(14,638)**	(31,523)	(38,607)	(7,428)	15,479
Income tax	**140**	(7,831)	—	(440)	(1,435)
(Loss)/profit after taxation and before minority interests	**(14,498)**	(39,354)	(38,607)	(7,868)	14,044
Minority interests	**1,677**	670	1,662	1,371	209
(Loss)/profit from ordinary activities attributable to equity holders of the Company	**(12,821)**	(38,684)	(36,945)	(6,497)	14,253

Assets and liabilities

	As at 31 March				
	2008	2007	2006	2005	2004
	$'000	$'000	$'000	$'000	$'000
Non-current assets	**43,858**	44,106	78,491	100,972	93,065
Current assets	**37,495**	30,447	23,575	33,979	38,840
Current liabilities	**(33,180)**	(38,962)	(39,018)	(32,315)	(19,111)
Non-current liabilities	**—**	—	—	(1,512)	(4,198)
Minority interests	**(1,001)**	(2,488)	(7,610)	(9,823)	(11,194)
Equity attributable to equity holders of the Company	**47,172**	33,103	55,438	91,301	97,402