ANNUAL REPORT 2008

2008

CLIMAX INTERNATIONAL COMPANY LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code : 439)

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

CHAN Hoi Ling *(Chairman)*
WONG Hin Shek *(Chief Executive Officer)*

Non-executive Directors

TSE On Kin
TSE On Po, Vincent

Independent Non-executive Directors

WONG Yun Kuen
LAU Man Tak
MAN Kwok Leung

COMPANY SECRETARY

CHU Kiu Fat

AUDIT COMMITTEE

LAU Man Tak *(Chairman)*
WONG Yun Kuen
MAN Kwok Leung

REMUNERATION COMMITTEE

LAU Man Tak *(Chairman)*
WONG Yun Kuen
MAN Kwok Leung

AUDITORS

SHINEWING (HK) CPA Limited

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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Festival Walk Tower
80 Tat Chee Avenue
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Hong Kong

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E-mail: info@climax-intl.com
Website: www.climax-intl.com
www.irasia.com/listco/climax/index.htm

REGISTRARS

Hong Kong

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

Bermuda

The Bank of Bermuda Limited
6 Front Street
Hamilton HM11
Bermuda

SOLICITORS

Kirkpatrick & Lockhart Preston Gates Ellis
Hastings & Co

PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited
DBS Bank (Hong Kong) Limited

STOCK CODE

439

Chairman's Statement

REVIEW AND FUTURE DEVELOPMENTS

With uncertainty in sentiment of customers and adverse operating environment for manufacturing business, the Group continued to encounter intensive competition during the year under review. Although the Group has proactively ceased all its major manufacturing operations in Shenzhen and leased back the related premises, certain one-off costs have been incurred in the course of the cessation which negatively affected the Group's results.

As it is expected that the unfavourable economic and operating environment of the Group will be continued, the Group will reduce its reliance on manufacturing activities and explore other business opportunities to drive the Group's long-term sustainable growth. During and after the year under review, the Group has conducted several fund raising activities, which have effectively strengthened the financial position and broadened the capital base of the Group. The Group will also re-deploy its operations and assets as well as realise certain under-utilised assets to make funds available for other business developments and investments.

ACKNOWLEDGEMENTS

I would like to take this opportunity to deliver my most sincere gratitude to the board members and management team for their devoted commitments during the year.

On behalf of the Group, I would also like to dedicate my special thanks to our bankers, investors, vendors and most importantly to our customers for their enduring trusts and supports.

With the commitments of all parties, we are on the mission in creating greater values to our shareholders, customers and employees in the future.

Chan Hoi Ling
Chairman

Hong Kong, 21 July 2008

Management Discussion and Analysis

PERFORMANCE REVIEW

For the year ended 31 March 2008 ("2008"), the Group's turnover was HK$167 million, decreased by 36% as comparing with HK$259 million for the year ended 31 March 2007 ("2007"). Notwithstanding the significant decrease in turnover in 2008, the gross profit margin slightly raised to 8% (2007: 7%) with loss attributable to equity holders of the Company reduced to HK$44 million (2007: HK$60 million loss).

The significant decrease in turnover in 2008 was largely due to the decrease in orders from customers in the United States of America that generally adopted a more cautious approach in placing orders and requested more accommodating pricing for their orders given the uncertainty in consumer sentiment as a result of the sub-prime mortgage tremors. The decrease in orders affected the paper products industry at large, as a result of which competition became more intensified. Simultaneously, the operating environment for the manufacturing business of the Group in the PRC has been increasingly difficult with the further raising in material costs and labour wages, introduction of the new PRC labour law as well as the ongoing appreciation of the Renminbi.

During 2008, the Group took cautious sales strategy by directing its resources to customers and products with better profit margin and in the meantime took efforts in reducing the Group's fixed costs and manufacturing overhead. The Group ceased all its manufacturing operations in Shenzhen and handed over the factory premises in June 2007 for the leaseback purpose as announced on 23 August 2006. In the course of cessation of the Shenzhen manufacturing operations, certain materials and equipment were written off, together with other extra costs of the cessation, which negatively affected the Group's results for 2008.

OUTLOOK

It is foreseeable that the intensive competition in the industry, the unfavourable economic environment and government policies for the Group's manufacturing operations in the PRC will be continuing, the Group will reduce its reliance on manufacturing activities and explore other business opportunities and propositions that will deliver long-term sustainable growth for the Group. To this end, the Group will re-deploy its operations and assets as well as realise certain under-utilised assets to make funds available for other business operations and investments when suitable opportunities arise.

SHARE CAPITAL

During 2008, the share capital of the Company had the following changes:

On 26 April 2007, 33,000,000 ordinary shares of HK$0.01 each at placing price of HK$0.171 each in the capital of the Company were issued pursuant to placing and subscription agreements in relation to placing of existing shares and subscription for new shares of the Company.

On 8 May 2007, 33,000,000 ordinary shares of HK$0.01 each at placing price of HK$0.180 each in the capital of the Company were issued pursuant to placing and subscription agreements in relation to placing of existing shares and subscription for new shares of the Company.

On 5 July 2007, 136,800,000 ordinary shares of HK$0.01 each at placing price of HK$0.260 each in the capital of the Company were issued pursuant to a placing and subscription agreement in relation to placing of existing shares and subscription for new shares of the Company.

As the Company announced on 6 June 2007, 24 August 2007 and 26 November 2007, the Company conditionally agreed to place, through Kingston Securities Limited (the "Placing Agent") on a best effort basis, a maximum of 273,600,000 ordinary shares of HK$0.01 each in the capital of the Company by two equal tranches. Completion of the tranche I placing took placed on 26 July 2007 that the Placing Agent has fully placed a total of 136,800,000 tranche I placing shares at placing price of HK$0.230 per placing share. Up to 24 November 2007, none of the tranche II placing shares have been placed and the tranche II placing agreement has expired and ceased thereafter.

After the balance sheet date, the following equity raising exercise had been conducted:

On 23 June 2008, 191,000,000 ordinary shares of HK$0.01 each in the capital of the Company were issued pursuant to a placing agreement in relation to placing of new shares of the Company at the placing price of HK$0.159 per placing share. The net proceeds of approximately HK$29 million from the placing is intended to be mainly used for general working capital of the Group.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2008, the Group shareholders' equity was HK$120 million (2007: HK$87 million), the current assets and current liabilities of the Group amounted to HK$106 million (2007: HK$130 million) and HK$54 million (2007: HK$132 million) respectively. The Group's working capital turned to HK$52 million net current assets (2007: HK$3 million net current liabilities).

During 2008, the Group recorded cash generated from operations of HK$18 million (2007: HK$1 million cash outflow) and the gearing ratio as of 31 March 2008, defined as the percentage of total interest bearing debt to net asset value, substantially reduced to 6% (2007: 75%).

Most of the Group's banking facilities are dominated in Hong Kong dollars with interest charged at certain percentage over the Hong Kong prime rate. Except for certain machinery financed by medium term finance leases, the Group pledges no assets to banks or financial institutions for the facilities.

As all borrowings are in Hong Kong dollars and the Group's businesses are carried out mainly in Hong Kong dollars and US dollars, foreign exchange risk is relatively low under the currency peg of Hong Kong dollar and US dollar.

INVESTMENT POSITION AND PLANNING

During 2008, the Group spent approximately HK$1.6 million (2007: HK$16.3 million) for the acquisition of property, plant and equipment and impairment losses of approximately HK$0.4 million (2007: Nil) were recognised in respect of machinery and equipment.

The leaseback of factory premises in Shenzhen as announced by the Company on 23 August 2006 has generated a stable income stream for the Group. During 2008, HK$3.6 million (2007: HK$1.2 million) was recognised as rental income.

During 2008, the Group has subscribed for convertible notes at principal amount of HK$13 million (the "CN") issued by a company listed in Hong Kong (the "CN Issuer") at a total consideration equal to the principal amount. Under the terms of the CN, the Group entitles to convert the CN at an initial conversion price of HK$0.58 per share into the ordinary shares of the CN Issuer. The maturity date of the CN is the date falling on the second anniversary of the date of issue of the CN. The interest of the CN is 1% per annum payable half yearly in arrears. As at the balance sheet date, the CN was valued at approximately HK$12.4 million.

During 2008, the Group recognised a further impairment loss of HK$3.5 million (2007: HK$6.0 million) in respect of its investment in Vevion Hong Kong Limited, a company engaged in the photo-finishing business and trading and sales of photographical and audio-visual products.

Save as disclosed above, The Group did not have any significant investment position in stocks, bonds and any other financial derivatives, and there are no acquisition or disposal of subsidiaries and associated company during 2008.

CHARGES ON THE GROUP'S ASSETS AND CONTINGENT LIABILITIES

As at 31 March 2008, approximately 13% (2007: 56%) of the Group's property, plant and equipment were pledged to financial institutions to secure the Group's obligation under finance leases.

As at 31 March 2008, the Group had no significant contingent liabilities (31 March 2007: Nil).

EMPLOYEES

As at 31 March 2008, the Group had 463 employees, with 39 staff in Hong Kong and 424 staff and workers in the Group's factories in mainland China. The Group provides competitive remuneration packages to employees with attractive discretionary bonus payable to those with outstanding performance and contribution to the Group.

Board of Directors and Senior Management

EXECUTIVE DIRECTORS

Ms. CHAN Hoi Ling, aged 34, joined the Group in June 2007 as an independent non-executive director of the Company and was re-designated as an executive director of the Company in May 2008. Ms. Chan was appointed as the chairman of the Company in June 2008. She graduated from the University of South Australia with a Bachelor Degree in Accountancy. She has extensive experiences in auditing and financial management. Ms. Chan is an associate member of the Hong Kong Institute of Certified Public Accountants and CPA Australia. Ms. Chan is currently an independent non-executive director of ProSticks International Holdings Limited.

Mr. WONG Hin Shek, aged 38, joined the Group in June 2007 as an executive director of the Company and was appointed as the chief executive officer of the Company in June 2008. He has over 14 years of experience in corporate finance, including mergers and acquisitions, initial public offerings and equity syndication. He is a responsible officer under the Securities and Futures Ordinance for type 6 regulated activity (advising on corporate finance). Mr. Wong holds a Master of Science (Financial Management) Degree from University of London in the United Kingdom and a Bachelor of Commerce Degree from University of Toronto in Canada. Mr. Wong is currently an executive director of Golden Resorts Group Limited and Sunny Global Holdings Limited. He was an executive director of Hong Kong Health Check and Laboratory Holdings Company Limited from March 2005 to March 2006.

NON-EXECUTIVE DIRECTORS

Mr. TSE On Kin, aged 46, joined the Group in September 2007. He has over 20 years of experience in corporate planning, operation, human resources and new markets development. Mr. Tse has a Bachelor Degree in Public Policy and Administration from York University in Canada. Mr. Tse is currently the chairman of New Times Group Holdings Limited and Kong Sun Holdings Limited and a non-executive director of China Sciences Conservational Power Limited. Mr. Tse was the former chairman and executive director of China Sciences Conservational Power Limited from March 2006 to March 2007, an executive director of Mexan Limited from March 2005 to July 2007 and the vice-chairman and chief executive officer of EPI (Holdings) Limited from August 2001 to September 2006. He is the younger brother of Mr. Tse On Po, Vincent.

Mr. TSE On Po, Vincent, aged 53, joined the Group in September 2007. He has over 30 years in commercial insurance field and over 7 years in management of private equity funds. He was an independent non-executive director of New Times Group Holdings Limited from December 2005 to October 2006. He is the elder brother of Mr. Tse On Kin.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. WONG Yun Kuen, aged 50, joined the Group in June 2007. He received his Ph.D. Degree from Harvard University, and was a "Distinguished Visiting Scholar" in finance at the Wharton School of the University of Pennsylvania. He has worked in financial industries in the United States and Hong Kong for more than 10 years, and has considerable experience in Corporate Finance, Investment and Derivative Products. He is a member of Hong Kong Securities Institute. Dr. Wong is also an executive director of UBA Investments Limited, and an independent non-executive director of Grand Field Group Holdings Limited, Harmony Asset Limited, Bauhaus International (Holdings) Limited, Challenger Group Holdings Limited, China Yunnan Tin Minerals Group Company Limited, Superb Summit International Timber Company Limited, Kong Sun Holdings Limited, ProSticks International Holdings Limited and Golden Resorts Group Limited. Dr. Wong was also an independent non-executive director of Apex Capital Limited, formerly named Haywood Investment Limited.

Board of Directors and Senior Management

Mr. LAU Man Tak, aged 38, joined the Group in March 2008. He graduated from Hong Kong Polytechnic University with a Bachelor Degree in Accountancy. Mr. Lau has more than 15 years of finance, accounting and auditing experiences. Mr. Lau is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and an associate member of the Hong Kong Institute of Certified Public Accountants. He is also a member of the Hong Kong Securities Institute. Mr. Lau is currently an executive director of Warderly International Holdings Limited and an independent non-executive director of Golden Resorts Group Limited. Mr. Lau was also a former executive director of Solartech International Holdings Limited from 2002 to 2007, Hua Yi Copper Holdings Limited from 2004 to 2007 and Premium Land Limited from 2001 to 2005 and an independent non-executive director of Hong Kong Health Check and Laboratory Holdings Company Limited from 2003 to 2006.

Mr. MAN Kwok Leung, aged 62, joined the Group in May 2008. He is a solicitor of the High Court of Hong Kong and a civil celebrant of marriages. Mr. Man has extensive experience in the legal practice. He had been appointed by Xinhua News Agency as a district advisor from 1995 to 1997. He is currently appointed as a director of Apleichau Kai Fong Primary School, the deputy chairman of Apleichau Kai Fong Welfare Association, the secretary of Apleichau Promotion of Tourism Association and the honorary legal advisor of Junior Police Officers' Association.

SENIOR MANAGEMENT

Mr. KAN Shiu Cheong, Frederick — Chairman of Climax Marketing Company Limited

Mr. Kan, aged 60, was appointed as an executive director of the Company from January 2001 to March 2008 and commenced his current appointment in April 2008. Mr. Kan is a merchant with over 30 years of experience particularly in the area of manufacturing of electrical appliances.

Mr. CHAN Hoi Lam — Chief Executive Officer of Climax Marketing Company Limited

Mr. Chan, aged 45, was appointed as an executive director of the Company from January 2001 to March 2008 and commenced his current appointment in April 2008. He holds a Bachelor's Degree in Business Administration from the Chinese University of Hong Kong and also a Master's Degree in Business Administration from the City University of Hong Kong. He has over 10 years of experience in the commercial and investment banking field and has been actively involved in the corporate finance and debt restructuring of a number of listed companies. He is the younger brother of Mr. Chan Yim.

Mr. WONG King Leung, Frankie — Senior Vice President of OEM Sales

Mr. Wong, aged 40, is responsible for the sales and marketing of the Group's OEM products. He joined the Group in March 1992 and has 15 years of experience in sales and marketing management. He graduated from the Hong Kong Polytechnic University and holds a Master of Science Degree in Manufacturing Systems Engineering from the University of Warwick, UK.

Mr. CHAN Yim — Chief Operation Officer

Mr. Chan, aged 53, is responsible for the production planning and plant operation of the Group. He joined the Group in July 2004 and has over 30 years of experience in manufacturing industry. He is the elder brother of Mr. Chan Hoi Lam.

Board of Directors and Senior Management

Mr. CHU Kiu Fat — Financial Controller and Company Secretary

Mr. Chu, aged 41, joined the Group in September 2006 and has over 10 years of experience in financial management and corporate secretarial practice. He holds a Bachelor's Degree in Accountancy from the Hong Kong Polytechnic University and is an associate member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in England and Wales, the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom.

Mr. CHIU Wai Chung — Head of Human Resources

Mr. Chiu, aged 35, is responsible for the human resources, training and development of the Group. He joined the Group in September 2006 and has over 10 years of experience in human resources and training management. He holds a Master Degree in Human Resources and Training Management from the University of Leicester in UK, a Postgraduate Diploma in Accounting from the Monash University in Australia and a Bachelor Degree in Chemistry. He is also a member of the Hong Kong Institute of Human Resource Management and the committee member of China Interest Group for the Hong Kong Institute of Human Resource Management.

Ms. HUNG Siu Fung, Amy — Head of Administration

Ms. Hung, aged 45, joined the Group in September 1992. She is responsible for the administration of the Group in both Hong Kong and mainland China.

Corporate Governance Report

The Company is committed to maintain a high standard of corporate governance within a sensible framework with an emphasis on the principles of transparency, accountability and independence. The board of directors of the Company (the "Board") believes that effective corporate governance practices are essential to enhance shareholders' value and safeguarding shareholders' interests.

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles of and complied with the applicable code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the "CG Code") during the year ended 31 March 2008, otherwise considered reasons are given below:

THE BOARD

The Board is responsible for directing the strategic objectives of the Company and overseeing the management of the business. The Board has delegated the day-to-day responsibility to the management under the instruction/ supervision of the Chief Executive Officer and various Board committees.

The composition of the Board during the year and up to the date of this report is set out as follows:

Executive Directors:	Ms. Chan Hoi Ling *(Chairman)* (appointed on 26 June 2007) Mr. Wong Hin Shek *(Chief Executive Officer)* (appointed on 18 June 2007) Mr. Chan Hoi Lam (resigned on 26 March 2008) Ms. Chan Siu Mun (appointed on 18 June 2007 and resigned on 13 May 2008) Mr. Jiang Hai Qing (retired on 25 January 2008) Mr. Kan Shiu Cheong, Frederick (resigned on 26 March 2008) Ms. Lo Miu Sheung, Betty (appointed on 26 June 2007 and retired on 25 January 2008) Mr. Yau Kang Nam (retired on 25 January 2008)
Non-executive Directors ("NEDs"):	Mr. Tse On Kin (appointed on 6 September 2007) Mr. Tse On Po, Vincent (appointed on 6 September 2007)
Independent Non-executive Directors ("INEDs"):	Mr. Ng Sui Keung (resigned on 27 March 2008) Professor Lai Kin Keung (resigned on 27 March 2008) Mr. Lau Man Tak (appointed on 27 March 2008) Dr. Wong Yun Kuen (appointed on 26 June 2007) Mr. Yueh Yung Hsin (resigned on 27 March 2008) Mr. Man Kwok Leung (appointed on 13 May 2008)

Biographical details of the directors of the Company (the "Director(s)") as at the date of this report are set out in the "Board of Directors and Senior Management" section on pages 7 to 9.

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group. During the year, sixteen Board meetings were held and attendance of each Director at the Board meetings is set out as follows:

	Number of Board meetings attended/ eligible to attend
Executive Directors	
Ms. Chan Hoi Ling *(Chairman)* (appointed on 26 June 2007)	6/14
Mr. Wong Hin Shek *(Chief Executive Officer)* (appointed on 18 June 2007)	7/14
Mr. Chan Hoi Lam (resigned on 26 March 2008)	13/15
Ms. Chan Siu Mun (appointed on 18 June 2007 and resigned on 13 May 2008)	11/14
Mr. Jiang Hai Qing (retired on 25 January 2008)	12/15
Mr. Kan Shiu Cheong, Frederick (resigned on 26 March 2008)	14/15
Ms. Lo Miu Sheung, Betty (appointed on 26 June 2007 and retired on 25 January 2008)	0/13
Mr. Yau Kang Nam (retired on 25 January 2008)	8/15
NEDs	
Mr. Tse On Kin (appointed on 6 September 2007)	5/12
Mr. Tse On Po, Vincent (appointed on 6 September 2007)	0/12
INEDs	
Mr. Ng Sui Keung (resigned on 27 March 2008)	8/16
Professor Lai Kin Keung (resigned on 27 March 2008)	10/16
Mr. Lau Man Tak (appointed on 27 March 2008)	0/0
Dr. Wong Yun Kuen (appointed on 26 June 2007)	6/14
Mr. Yueh Yung Hsin (resigned on 27 March 2008)	9/16
Mr. Man Kwok Leung (appointed on 13 May 2008)	0/0

APPOINTMENT OF NON-EXECUTIVE DIRECTORS

The Company has specified the terms of appointments for non-executive Directors. The terms of appointments of the non-executive Directors appointed during the year including, Mr. Tse On Po, Vincent and Mr. Tse On Kin as NEDs and Dr. Wong Yun Kuen and Ms. Chan Hoi Ling as INEDs were first determined on 28 December 2007. The terms of appointments of Mr. Ng Sui Keung, Professor Lai Kin Keung and Mr. Yueh Yung Hsin as INEDs were re-determined on 28 December 2007. The terms of appointments of Mr. Lau Man Tak and Mr. Man Kwok Leung, two INEDs appointed on 27 March 2008 and 13 May 2008 respectively were determined on their dates of appointments. None of the NEDs or INEDs have entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation. Moreover, they are also subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the bye-laws of the Company.

NOMINATION OF DIRECTORS

The Board has established and adopted a written nomination procedure (the "Nomination Procedure") specifying the process and criteria for the selection and recommendation of candidates for directorship of the Company. The executive Directors shall, based on those criteria as set out in the Nomination Procedure (such as appropriate experience, personal skills, time commitment, etc), identify and recommend proposed candidate(s) to the Board for approval of an appointment.

During the year, the Board has reviewed its composition and the proposed changes of Directors.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of the chairman and the chief executive officer of the Company are separate to reinforce their respective independence and accountability. The chairman of the Company is Ms. Chan Hoi Ling who is primarily responsible for the leadership of the Board, while the chief executive officer of the Company is Mr. Wong Hin Shek, who is responsible for the Group's overall operation and to execute the strategies formulated by the Board. Their responsibilities are clearly segregated and have been set out in writing and approved by the Board. The positions of chairman and chief executive officer were vacant from 27 March 2007 to 17 June 2008.

BOARD COMMITTEES

The Board has established two committees, namely the remuneration committee and audit committee. Each of which has specific written terms of reference that are available on the Company's website.

Remuneration Committee

The remuneration committee was established in May 2002 and currently comprises three INEDs. The committee is chaired by Mr. Lau Man Tak with Dr. Wong Yun Kuen and Mr. Man Kwok Leung as members.

The major roles and functions of the remuneration committee are to consider and recommend to the Board the Group's remuneration policy and structure and to review and determine the remuneration of the executive Directors and senior management.

During the year, the remuneration committee passed ten written resolutions (which were signed by all members of the Committee in appointed when the written resolutions passed) in considering and approving of canceling the payment of discretionary bonuses, fixing the specific terms of appointment and directors' fee of NEDs and INEDs, terminating and amending the Directors' employment agreements, also reviewing the composition of the remuneration committee as well.

The remuneration of Directors and senior management is determined with reference to the performance and profitability of the Group as well as the prevailing market conditions. Directors and employees also participate in bonus arrangements determined in accordance with the performance of the Group and the individual's performance.

Audit Committee

The audit committee was established in July 1999 and currently comprises three INEDs. The committee is chaired by Mr. Lau Man Tak with Dr. Wong Yun Kuen and Mr. Man Kwok Leung as members.

The major roles and functions of the audit committee are to oversee the relationship with the external auditors, review the Group's interim and annual financial statements, monitor the Group's financial reporting practices and internal control systems.

During the year, six committee meetings were held and the attendance of each member is set out as follows:

	Number of committee meetings attended/ eligible to attend
Committee members	
Mr. Lau Man Tak *(Chairman)* (appointed on 27 March 2008)	0/0
Ms. Chan Hoi Ling (appointed as a committee member on 27 March 2008 and resigned on 13 May 2008)	0/0
Dr. Wong Yun Kuen (appointed as a committee member on 27 March 2008)	0/0
Mr. Man Kwok Leung (appointed on 13 May 2008)	0/0
Mr. Ng Sui Keung (resigned on 27 March 2008)	6/6
Professor Lai Kin Keung (resigned on 27 March 2008)	6/6
Mr. Yueh Yung Hsin (resigned on 27 March 2008)	6/6

During the year, the Audit Committee discussed and reviewed the financial reporting matters including the interim and annual financial statements before submission to the Board, reviewed the management letter points from the external auditors in relation to the audit of the Group and discussed the non-audit services provided by the external auditors.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following specific enquiry by the Company, that they had complied with the required standard set out in the Model Code throughout the year.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities to prepare, with the support from accounting department, the financial statements for each financial year which give a true and fair view. The Directors consider that in preparing the financial statements, the Group uses appropriate accounting policies that are consistently applied, makes judgments and estimates that are prudent, fair and reasonable and that all applicable accounting standards are followed. The Directors are also responsible for ensuring that the Group keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group, for safeguarding the assets of the Group and takes reasonable steps for the prevention and detection of fraud and other irregularities.

EXTERNAL AUDITORS' REMUNERATION AND REPORTING RESPONSIBILITIES

For the year, the remuneration in respect of the services rendered by the Group's external auditors is set out as follows:

Services rendered for the Group	SHINEWING (HK) CPA Limited	Others	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*
Audit services	780	81	861
Non-audit services (including taxation services, professional services rendered in relation to agreed upon procedures)	100	38	138
Total:	880	119	999

The statement of the Company's external auditors regarding their reporting responsibilities is set out in the Independent Auditor's Report on pages 22 to 23.

COMPLIANCE WITH THE CG CODE

The Company has fully complied with the applicable code provisions of the CG Code during the year with deviation from the code provision A.4.1 of the CG Code.

Under the code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election. The terms of appointments of the non-executive Directors appointed during the year including, Mr. Tse On Po, Vincent and Mr. Tse On Kin as non-executive directors and Dr. Wong Yun Kuen and Ms. Chan Hoi Ling as independent non-executive directors have not been determined from their respective dates of appointments until 28 December 2007, the date that their terms of appointment were first determined.

INTERNAL CONTROLS

The Board is committed to implement a sound and effective internal control system to safeguard the shareholders' investment and the Company's assets.

For the year, the Board has appointed Lo and Kwong C.P.A. Company Limited to conduct a review of the effectiveness of the system of internal control of the Company and its subsidiaries (the "Review"). The Review covered all material controls, including financial, operational and compliance controls and risk management functions. The Board has reviewed the Review report and will implement certain of the recommendations in the Review report.

Lo and Kwong C.P.A. Company Limited has also been appointed as the internal auditors of the Group to monitor the internal controls of the Group on a regular basis pursuant to the recommendations of the Company's independent accountant as stated in the announcement of the Company dated 12 March 2008.

COMMUNICATION WITH SHAREHOLDERS

The Board recognises the importance of good communication with shareholders. Information in relation to the Group is disseminated to shareholders in a timely manner through a number of formal channels, which include interim and annual reports, announcements and circulars. Such published documents together with the latest corporate information are also made available on the Company's website.

Shareholders are encouraged to attend all general meetings of the Company, such as the annual general meeting for which at least 21 clear days' notice is given and at which the Chairman and Directors are available to answer questions on the Group's business.

CORPORATE GOVERNANCE ENHANCEMENT

Enhancing corporate governance is not simply a matter of applying and complying with the CG Code of the Stock Exchange but about promoting and developing an ethical and healthy corporate culture. We will continue to review and, where appropriate, improve our current practices on the basis of our experience, regulatory changes and developments. Any suggestions and recommendations from our shareholders are also welcome and will take into account in the ongoing enhancement of our transparency.

On behalf of the Board

Chan Hoi Ling
Chairman

Hong Kong, 21 July 2008

Report of the Directors

The directors of the Company (the "Director(s)") present their annual report and the audited financial statements for the year ended 31 March 2008.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 36 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's five largest suppliers accounted for 27% of the Group's total purchases. The largest supplier accounted for 7% of the Group's total purchases.

During the year, the Group's five largest customers accounted for 48% of the Group's total sales. The largest customer accounted for 18% of the Group's total sales.

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2008 are set out in the consolidated income statement on page 24.

The Directors do not recommend the payment of any dividend in respect of the year ended 31 March 2008 (2007: Nil).

FINANCIAL SUMMARY

A financial summary of the Group is set out on pages 76.

SHARE CAPITAL

Details of movements in the Company's share capital are set out in note 28 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

DIRECTORS AND SERVICE CONTRACTS

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

Executive Directors:

CHAN Hoi Ling *(Chairman)*	(appointed on 26 June 2007)
WONG Hin Shek *(Chief Executive Officer)*	(appointed on 18 June 2007)
CHAN Hoi Lam	(resigned on 26 March 2008)
CHAN Siu Mun	(appointed on 18 June 2007 and resigned on 13 May 2008)
JIANG Hai Qing	(retired on 25 January 2008)
KAN Shiu Cheong, Frederick	(resigned on 26 March 2008)
LO Miu Sheung, Betty	(appointed on 26 June 2007 and retired on 25 January 2008)
YAU Kang Nam	(retired on 25 January 2008)

Non-executive Directors ("NEDs"):

TSE On Kin	(appointed on 6 September 2007)
TSE On Po, Vincent	(appointed on 6 September 2007)

Independent Non-executive Directors ("INEDs"):

NG Sui Keung	(resigned on 27 March 2008)
LAI Kin Keung	(resigned on 27 March 2008)
LAU Man Tak	(appointed on 27 March 2008)
WONG Yun Kuen	(appointed on 26 June 2007)
YUEH Yung Hsin	(resigned on 27 March 2008)
MAN Kwok Leung	(appointed on 13 May 2008)

The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules"). The Company considers that all of the independent non-executive Directors are independent.

In accordance with Bye-law 86(2) of the Company's Bye-laws, Mr. Lau Man Tak and Mr. Man Kwok Leung will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

In accordance with Bye-law 87 of the Company's Bye-laws, Dr. Wong Yun Kuen will retire by rotation at the forthcoming annual general meeting and, being eligible, offer himself for re-election.

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance, 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, either directly or indirectly, subsisted during or at the end of the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2008, as recorded in the register maintained by the Company pursuant to section 352 of the Securities and Futures Ordinance ("SFO"), no interests or short positions were held or deemed or taken to be held under Part XV of the SFO by any Director or their respective associates in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Part XV of the SFO or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") or which were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO.

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

As at 31 March 2008, the following persons (other than the Directors) had interests in the shares of the Company as recorded in the register maintained by the Company pursuant to section 336 of the SFO:

		Number of shares or underlying shares held			
Name of shareholders	Capacity	Interest in shares held	Interest in underlying shares held	Total interest	Percentage of the issued share capital
Chan Hoi Lam	Beneficial owner	177,941,696	2,587,726	180,529,422	18.85%
Kingston Finance Limited	Person having a security interest in shares	177,941,696	–	177,941,696	18.58%
Chu Yuet Wah	Interest of corporation controlled by the substantial shareholder	177,941,696	–	177,941,696	18.58%
Ma Siu Fong	Interest of corporation controlled by the substantial shareholder	177,941,696	–	177,941,696	18.58%

Save as disclosed above, as at 31 March 2008, the Company had not been notified of any other person who had an interest or short position in the shares or underlying shares of the Company as recorded in the register maintained by the Company pursuant to section 336 of the SFO.

SHARE OPTION SCHEME

On 29 August 2002, the Company adopted a share option scheme (the "Scheme") which complies with the new requirements of Chapter 17 of the Listing Rules effective on 1 September 2001. During the year ended 31 March 2008, 6,180,000 options were granted under the Scheme.

Details of the movements in the options under the Scheme during the year were as follows:

Category or name of participant	Date of grant (Notes 1&2)	Exercise period (Note 1)	Original exercise price per share HK$	Adjusted exercise price per share (Note 4) HK$	Adjusted exercise price per share (Note 5) HK$	Number of share options: Outstanding at 1.4.2007	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.3.2008	Weighted average closing price (Note 3) HK$
Directors											
Kan Shiu Cheong, Frederick	20.9.2005	20.9.2005 to 19.9.2008	0.0244	0.4880	0.4190	2,587,726	–	–	–	2,587,726	–
Chan Hoi Lam	20.9.2005	20.9.2005 to 19.9.2008	0.0244	0.4880	0.4190	2,587,726	–	–	–	2,587,726	–
						5,175,452	–	–	–	*5,175,452*	
Employees											
In aggregate	26.4.2005	26.4.2005 to 25.4.2008	0.0322	0.6440	0.5530	2,554,970	–	–	–	2,554,970	–
	30.4.2007	30.4.2007 to 29.4.2010	0.2084			–	6,180,000	–	–	6,180,000	–
						2,554,970	6,180,000	–	–	8,734,970	
						7,730,422	6,180,000	–	–	13,910,422	

Notes:

(1) All dates are shown day/month/year.

(2) The vesting period of the options is from the date of grant until the commencement of the exercise period.

(3) The weighted average closing price of the Company's shares immediately before the dates on which the options were exercised.

(4) The reorganisation of share capital of the Company was approved by shareholders on 10 April 2006 and became effective on 11 April 2006. Pursuant to the terms of the Scheme, the exercise price and number of shares that can be subscribed for under the Scheme are required to be adjusted upon the capital reorganisation becoming effective.

(5) An Open Offer was completed on 15 March 2007. Pursuant to the terms of the Scheme, the exercise price and number of shares that can be subscribed for pursuant to the Scheme are required to be adjusted upon the completion of the Open Offer.

Save as disclosed above, none of the Directors or their spouses and children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

CONTINUING CONNECTED TRANSACTION AND CONNECTED TRANSACTIONS

Pursuant to the supply agreement (the "Supply Agreement") dated 30 May 2006 entered into between Climax Paper Converters, Limited ("Climax Paper"), a wholly-owned subsidiary of the Company, as the seller with Easyfil (Hong Kong) Company Limited ("Easyfil HK") as the buyer relating to the ongoing supply and sales of notebooks, photo albums, gift items and other stationery to Easyfil HK, a wholly-owned subsidiary of Fullman Corporation Limited which is in turn wholly-owned by Mr. Chan Hoi Lam, a Director resigned on 26 March 2008 ("Mr. Chan").

The term of the Supply Agreement is two years commencing on 1 April 2005 until 31 March 2007, subject to earlier express rights of termination. On 31 March 2007, Climax Paper entered into a supplemental agreement with Easyfil HK, pursuant to which the term of the Supply Agreement is extended to 31 March 2010. As it is expected that the aggregate consideration for the paper products supplied to Easyfil HK, on an annual basis, is less than HK$1,000,000 and each of the relevant percentage ratios under the Listing Rules is less than 2.5%. Accordingly, the supply of paper products to Easyfil HK represents a continuing connected transaction but is exempted from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules. During the year, Climax Paper sold goods to Easyfil HK amounting to approximately HK$21,000 (2007: HK$876,000), which constitutes a continuing connected transaction but is exempted from the reporting, announcement and independent shareholders' approval requirements in accordance with the Listing Rules (de minimis exemption from disclosure).

During the year, Climax Paper sold goods to Vevion Hong Kong Limited, a company in which Mr. Chan has a controlling interest ("Vevion"), amounting to approximately HK$75,200 (2007: HK$26,000).

On 27 April 2006, the Company entered into a rental agreement with Vevion for renting the office premises from Vevion for a term of seventy-two months commencing on 1 July 2006. During the year, the Company paid rent and management fee amounting to approximately HK$468,000 and HK$121,000 (2007: HK$267,000 and HK$Nil) to Vevion.

During the year, Easyfil Supplies Company Limited ("ESCL"), a wholly-owned subsidiary of the Company, paid out compensation of HK$419,000 to Vevion as full and final settlement of the unfulfilled obligation of ESCL under the sales and purchase agreement entered into with Vevion dated 31 March 2005.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws although there are no restrictions against such rights under the laws in Bermuda.

CORPORATE GOVERNANCE

Principal corporate governance practice as adopted by the Company are set out in the Corporate Governance Report on pages 10 to 15.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained sufficient public float as required under the Listing Rules.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events are set out in note 38 to the consolidated financial statements.

AUDITORS

The consolidated financial statements for the year have been audited by Messrs. SHINEWING (HK) CPA Limited, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

A resolution will be submitted to the forthcoming annual general meeting to re-appoint Messrs. SHINEWING (HK) CPA Limited as auditors of the Company.

On behalf of the Board

Chan Hoi Ling
Chairman

Hong Kong, 21 July 2008

Independent Auditor's Report

信永中和
ShineWing

SHINEWING (HK) CPA Limited
16/F., United Centre
95 Queensway, Hong Kong

TO THE SHAREHOLDERS OF CLIMAX INTERNATIONAL COMPANY LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Climax International Company Limited (the "Company") and its subsidiaries (collectively referred as the "Group") set out on pages 24 to 75, which comprise the consolidated balance sheet as at 31 March 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated 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 the consolidated 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 consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, 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 consolidated financial statements are free from material misstatement.

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

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

OPINION

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

SHINEWING (HK) CPA Limited
Certified Public Accountants
Pang Wai Hang
Practicing Certificate Number: P05044

Hong Kong
21 July 2008

Consolidated Income Statement

For the year ended 31 March 2008

	NOTES	**2008** *HK$'000*	2007 *HK$'000*
Turnover	7	**167,321**	258,910
Cost of sales		**(153,241)**	(240,913)
Gross profit		**14,080**	17,997
Other income	8	**9,801**	10,176
Selling and distribution expenses		**(10,720)**	(16,127)
Administrative expenses		**(47,096)**	(59,903)
Impairment loss recognised in respect of available-for-sale investments	17	**(3,500)**	(6,000)
Impairment loss on property, plant and equipment	15	**(446)**	—
Decrease in fair value of financial assets at fair value through profit or loss		**(643)**	—
Finance costs	9	**(2,852)**	(5,854)
Loss before taxation		**(41,376)**	(59,711)
Income tax expenses	12	**(2,232)**	—
Loss for the year attributable to equity holders of the Company	10	**(43,608)**	(59,711)
Loss per share — basic (in Hong Kong cents)	14	**(4.82)**	(17.72)

Consolidated Balance Sheet

As at 31 March 2008

	NOTES	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment	15	**32,665**	63,852
Prepayments	16	**24,071**	26,311
Available-for-sale investments	17	**—**	3,500
Financial assets at fair value through profit or loss	18	**12,357**	—
		69,093	93,663
Current assets			
Inventories	19	**15,160**	51,087
Trade receivables	20	**8,766**	39,937
Deposits, prepayments and other receivables	21	**24,795**	20,975
Amount due from a related company	22	**—**	—
Deposits in other financial institution	23	**53,697**	—
Bank balances and cash	23	**3,226**	17,594
		105,644	129,593
Current liabilities			
Trade and other payables	24	**45,596**	70,316
Amounts due to directors	25	**161**	1,130
Tax payables		**2,232**	—
Obligations under finance leases			
— amount due within one year	26	**1,794**	9,146
Short-term bank borrowings	27	**3,898**	51,904
		53,681	132,496
Net current assets/(liabilities)		**51,963**	(2,903)
Total assets less current liabilities		**121,056**	90,760
Non-current liability			
Obligations under finance leases			
— amount due after one year	26	**951**	4,183
		120,105	86,577
Capital and reserves			
Share capital	28	**9,576**	6,180
Reserves		**110,528**	80,396
Total equity attributable to equity holders of the Company		**120,104**	86,576
Minority interests		**1**	1
		120,105	86,577

The consolidated financial statements on pages 24 to 75 were approved and authorised for issue by the Board of Directors on 21 July 2008 and are signed on its behalf by :

Director *Director*

Consolidated Statement of Changes in Equity

For the year ended 31 March 2008

	Attributable to equity holders of the Company									
	Share capital	Share premium	Translation reserve	Share option reserve	Capital reserve	Contributed surplus	Accumulated profits (losses)	Total	Minority interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Note a)	*HK$'000* (Note b)	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2006	59,310	(396)	(442)	1,392	17,900	47,297	(14,725)	110,336	1	110,337
Exchange differences on translation of foreign operations recognised directly in equity	–	–	577	–	–	–	–	577	–	577
Loss for the year	–	–	–	–	–	–	(59,711)	(59,711)	–	(59,711)
Total expense recognised for the year	–	–	577	–	–	–	(59,711)	(59,134)	–	(59,134)
Capital reduction	(56,644)	–	–	–	–	56,644	–	–	–	–
Issue of new shares upon exercise of share options	315	189	–	–	–	–	–	504	–	504
Issue of new shares upon placing	390	7,800	–	–	–	–	–	8,190	–	8,190
Transactions costs attributable to issue of new shares upon placing	–	(290)	–	–	–	–	–	(290)	–	(290)
Issue of new shares upon open offer	2,809	25,284	–	–	–	–	–	28,093	–	28,093
Transaction costs attributable to issue of new shares upon open offer	–	(1,123)	–	–	–	–	–	(1,123)	–	(1,123)
At 31 March 2007 and 1 April 2007	6,180	31,464	135	1,392	17,900	103,941	(74,436)	86,576	1	86,577
Exchange differences on translation of foreign operations recognised directly in equity	–	–	974	–	–	–	–	974	–	974
Loss for the year	–	–	–	–	–	–	(43,608)	(43,608)	–	(43,608)
Total expense recognised for the year	–	–	974	–	–	–	(43,608)	(42,634)	–	(42,634)
Issue of new shares upon placing	3,396	75,219	–	–	–	–	–	78,615	–	78,615
Transactions costs attributable to issue of new shares upon placing	–	(3,128)	–	–	–	–	–	(3,128)	–	(3,128)
Recognition of equity – settled share based payment	–	–	–	675	–	–	–	675	–	675
At 31 March 2008	9,576	103,555	1,109	2,067	17,900	103,941	(118,044)	120,104	1	120,105

Note:

(a) The balance of capital reserve represents the capital reserve arising from the group restructuring which took place in 1992.

(b) The balance of contributed surplus arose as a result of the Company's capital reduction exercises which took place in the financial years of 2003 and 2006.

Consolidated Cash Flow Statement

For the year ended 31 March 2008

	2008 HK$'000	2007 HK$'000
OPERATING ACTIVITIES		
Loss before taxation	(41,376)	(59,711)
Adjustments for:		
Release of non-current prepayments	2,240	2,239
Depreciation of property, plant and equipment	9,259	9,692
Impairment loss recognised in respect of available-for-sale investments	3,500	6,000
Decrease in fair value of financial assets at fair value through profit or loss	643	–
Impairment on property, plant and equipment	446	–
Interest income	(1,409)	(97)
Interest expenses	2,852	5,854
Net loss on disposal of property, plant and equipment	3,710	3,485
Gain on disposal of investment held for trading	(60)	–
(Reversal of) allowance for inventories included in cost of sales	(435)	4,131
Share-based payment	675	–
Allowance for bad and doubtful debts	1,383	3,557
Recovery of bad and doubtful debts	–	(1,241)
Operating cash flows before movements in working capital	(18,572)	(26,091)
Decrease in inventories	36,362	19,698
Decrease/(increase) in trade receivables	29,788	(13,295)
Increase/(decrease) in deposits, prepayments and other receivables	(3,820)	643
(Decrease)/increase in trade and other payables	(24,720)	22,221
Decrease in amounts due to directors	(969)	(3,070)
Decrease in bills payable	–	(692)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	18,069	(586)
INVESTING ACTIVITIES		
Interest received	1,409	97
Purchase of property, plant and equipment	(1,575)	(10,308)
Purchase of investment held for trading	(369)	–
Proceeds from disposal of investment held for trading	429	–
Proceeds from disposal of property, plant and equipment	20,008	4,050
Acquisition of financial assets at fair value through profit or loss	(13,000)	–
Repayment from a related company	–	3,360
NET CASH FROM (USED IN) INVESTING ACTIVITIES	6,902	(2,801)

Consolidated Cash Flow Statement

For the year ended 31 March 2008

	2008	2007
	HK$'000	*HK$'000*
FINANCING ACTIVITIES		
Net cash used in repayment of trust receipt, import loans, export loans and discounted bills	(33,941)	(3,369)
Principal repayment for obligations under finance leases	(10,584)	(10,212)
Interest on bank borrowings	(2,310)	(4,677)
Finance leases charges paid	(542)	(1,177)
New bank loans raised	—	5,000
Repayment of bank loans	(5,000)	(3,328)
Issue of new shares for upon exercise of share options	—	504
Issue of new shares upon placing	78,615	8,190
Issue of new shares upon open offer	—	28,093
Transaction costs attributable to issue of new shares	(3,128)	(1,413)
NET CASH FROM FINANCING ACTIVITIES	23,110	17,611
NET INCREASE IN CASH AND CASH EQUIVALENTS	48,081	14,224
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	6,606	(8,097)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	313	479
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by	55,000	6,606
Bank balances and cash	3,226	17,594
Deposits in other financial institution	53,697	—
Bank overdrafts	(1,923)	(10,988)
	55,000	6,606

1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability with its shares listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information section to the annual report.

The Company is an investment holding company. Its subsidiaries are principally engaged in the design, development, production and marketing of paper products, including photo albums, gift items and stationery.

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning on 1 April 2007.

Hong Kong Accounting Standard ("HKAS") 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) — Interpretation ("Int") 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) — Int 8	Scope of HKFRS 2
HK(IFRIC) — Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) — Int 10	Interim Financial Reporting and Impairment
HK(IFRIC) — Int 11	HKFRS 2 — Group and Treasury Share Transactions

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

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

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32 & 1 (Amendment)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKFRS 2 (Amendment)	Share-based Payment — Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC) — Int 12	Service Concession Arrangements[3]
HK(IFRIC) — Int 13	Customer Loyalty Programmes[4]
HK(IFRIC) — Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[3]

1 Effective for annual periods beginning on or after 1 January 2009.
2 Effective for annual periods beginning on or after 1 July 2009.
3 Effective for annual periods beginning on or after 1 January 2008.
4 Effective for annual periods beginning on or after 1 July 2008.

The directors of the Company anticipate that the application of these standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured in fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 March each year. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

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

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets 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.

Revenue recognition

Revenue is measured at fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from sales of goods is recognised when goods are delivered and/or title has been passed with reference to the sales contract/shipping terms.

Interest income from a financial asset including financial assets at fair value through profit or loss is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial assets to that asset's net carrying amount.

Rentals in respect of properties under operating leases, where substantially all the risks and rewards of ownership of assets have not been transferred to the lessee, are recognised over the lease term of the respective tenancy on a straight–line basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

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

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method.

Assets held under finance leases are depreciated over their estimated useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Financial instruments

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

Financial assets

The Group's financial assets are classified into loans and receivables, financial assets at fair value through profit or loss ("FVTPL") and available-for-sale investments. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

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

Income is recognised on an effective interest basis for debt instruments including those financial assets designated as at FVTPL, of which interest income is included in net gains or losses.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade receivables, deposits and other receivables, deposits in other financial institution and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial asset below).

Financial assets at fair value through profit or loss

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

At each balance sheet date subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Available-for-sale investments

Available-for-sale are non-derivatives that are either designated or not classified as any of the other categories (set out above). At each balance sheet date subsequent to initial recognition, available-for-sale investments are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss (see accounting policy on impairment loss on financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

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

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment 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.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets *(Continued)*

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

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

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

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

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity

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

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are mainly other financial liabilities. The accounting policies adopted in respect of other financial liabilities and equity instruments are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Effective interest method

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.

Interest expense is recognised on an effective interest basis other than those financial liabilities designated as at fair value through profit or loss, of which the interest expense is included in net gains or losses.

Other Financial Liabilities

Other financial liabilities including trade and other payables, amounts due to directors, bank borrowings and obligations under finance leases are subsequently measured at amortised cost using the effective interest method.

Equity instruments

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

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts in the scope of HKAS 39 are accounted for as financial liabilities. A financial guarantee contract is recognised initially at its fair value plus transactions costs that are directly attributable to the acquisition or issue of the financial guarantee contract, except when such contract is recognised at fair value through profit or loss. Subsequent to initial recognition, the Group measures the financial guarantee contract at higher of: (i) the amount determined in accordance with HKAS 37 "Provision, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 "Revenue".

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition

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

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

Share based payments transactions

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the Black-Scholes pricing model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is expensed on a straight-line over the vesting period, taking into account the probability that the option will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to capital reserve. On vesting date, the amount recognised as an expenses is adjusted to reflect actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that related to market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expiries (when it is released directly to retained profits).

When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained earnings.

Borrowing costs

All borrowing costs are recognised as and included in finance costs in the consolidated income statement in the period in which they are incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment losses

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 the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, 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 in prior years. A reversal of an impairment loss is recognised as an income immediately.

Taxation

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

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

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which 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.

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Retirement benefits costs

Payments to the state-managed retirement benefit schemes in the People's Republic of China (the "PRC") and the Mandatory Provident Fund Scheme in Hong Kong are charged as expenses when employees have rendered service entitling them to the contributions.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Allowances for bad and doubtful debts

Allowances for estimated irrecoverable amounts are recognised in profit and loss when there is objective evidence that the receivables are not recoverable.

In making the judgment, management considered detailed procedures have been in place to monitor this risk as a significant proportion of the Group's majority of working capital is devoted to trade receivables. In determining whether allowance for bad and doubtful debts is required, the Group takes into consideration the ageing status, likelihood of collection. Specific provision is only made for trade receivables that are unlikely to be collected.

Useful lives and impairment assessment of property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses. The estimation of useful lives affects the level of annual depreciation expense recorded. Property, plant and equipment are evaluated for possible impairment on a specific asset basis or in groups of similar assets, as applicable. This process requires management's estimate of future cash flows generated by each asset or group of assets. For any instance where this evaluation process indicates impairment, the relevant asset's carrying amount is written down to the recoverable amount and the amount of the write-down is charged against the results of operations.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Estimated impairment on available-for-sale investments

Management reviews the recoverability of the Group's available-for-sale investments with reference to current market environment whenever events or changes in circumstances indicate that the carrying amounts of the assets exceed their corresponding recoverable amounts. Appropriate impairment for estimated irrecoverable amounts are recognised in profit and loss when there is objective evidence that the asset is impaired.

In determining whether impairment on available-for-sale investments is required, the Group takes into consideration the current market environment and the present value of future cash flow expected to receive. Impairment is recognised based on the higher of estimated future cash flow and estimated market value. An impairment loss of HK$3,500,000 was recognised accordingly for the year ended 31 March 2008.

Allowance for inventories

The management of the Group reviews the aging analysis of inventories at each balance sheet date, and writes down the value of obsolete and slow-moving inventory items identified that are no longer suitable for trade. The management estimates the net realisable value for finished goods based primarily on the latest invoice prices and current market conditions.

5. CAPITAL RISK MANAGEMENT

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

The directors of the Company consider the Group's capital to comprise equity, which includes share capital and reserves, borrowings and bank balances and cash and will conduct review to balance its overall capital structure periodically.

In order to maintain or adjust the capital structure, the Group may issue new shares or/and share options. The directors of the Company will also consider the raise of long-term borrowings as second resource of capital when investment opportunities arise and the return of such investments will justify the cost of debts from the borrowings.

The directors of the Company also endeavor to ensure the steady and reliable cash flow from the normal business operation. The Group's overall strategy remains unchanged from prior year.

6. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2008	2007
	HK$'000	*HK$'000*
Financial assets		
Designated at fair value through profit or loss	**12,357**	–
Loan and receivables (including cash and cash equivalents)	**83,082**	71,371
Available-for-sale investments	**–**	3,500
Financial liabilities		
Amortised cost	**38,384**	110,252

b. Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, deposits and other receivables, deposits in other financial institution, bank balances and cash, trade and other payables, amounts due to directors, obligations under finance leases and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 March 2008 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. The Group is exposed to concentration risk as a significant portion of its business are derived from its largest customers. As at 31 March 2008, trade receivables of HK$4,114,000 (2007: HK$16,935,000) were contributed by the top five customers of the Group. The Group limits its exposure to credit risk by prudently selecting customers. The Group also continually evaluates the credit risk of its customers to ensure appropriateness of the amount of credit granted. Credit is extended to customers based on the evaluation of individual customer's financial conditions and collateral in the form of cash deposits or letter of credit, which are usually required from new customers. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Currency risk

Certain trade receivables and trade payables of the Group are denominated in foreign currencies which expose the Group to currency risk. The Group did not have a foreign currency hedging policy as at the balance sheet date. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

At the balance sheet date, the carrying amounts of the Group's foreign currency denominated financial assets and liabilities, translated into HK$ at the respective closing rates, are as follows:

	2008			2007		
	Financial assets	**Financial liabilities**	**Net exposure**	Financial assets	Financial liabilities	Net exposure
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
USD	**6,690**	**97**	**6,593**	29,115	1,775	27,340
RMB	**984**	**11,902**	**(10,918)**	4,700	4,156	544
EUR	**—**	**52**	**(52)**	–	52	(52)
AUD	**—**	**185**	**(185)**	–	154	(154)
CAD	**—**	**7**	**(7)**	–	7	(7)

The Group is mainly exposed to USD, RMB, EUR, AUD and CAD. The following table details the Group's sensitivity analysis. The analysis assumes a 5 % increase and decrease in USD, RMB, EUR, AUD and CAD against the HK$, with all other variables held constant. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates until the next balance sheet date. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. The sensitivity analysis includes external loans where the denomination of the loans is in a currency other than the currency of the lender or the borrower. A positive number below indicates an increase in profit after taxation and accumulated profits where HK$ strengthens 5% against the above currency. For a 5% weakening of HK$ against the above currency, there would be an equal and opposite impact on the profit after taxation and accumulated profits, and the balances below would be negative.

	USD Impact		RMB Impact		EUR Impact		AUD Impact		CAD Impact		Total Impact	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Profit after taxation	**(330)**	(1,367)	**546**	(27)	**3**	3	**9**	8	**—**	–	**228**	(1,383)

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Interest rate risk

The Group's cash flow interest rate risk primarily relates to variable-rate bank loans (see note 27 for details of these borrowings), variable-rate deposits in other financial institution and variable rate obligation and finance lease (see note 26 for details of the finance lease).

The Group's fair value interest rate risk relates primarily to the variable-rate obligations under finance leases.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's interest rate risk is mainly concentrated on the fluctuation of market interest rate arising from the Group's borrowings.

The Group currently does not have any interest rate risk hedging policy. However, the management monitors interest rate risk exposure and will consider hedging significant risk exposure should the need arise.

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. For variable-rate bank borrowings, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year and the assumed change in interest rate exists throughout the year. A 100 basis point increase or decrease in market rate is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the 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 the year ended 31 March 2007.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's profit after taxation for the year ended 31st March 2008 and accumulated profits as at 31st March 2008 would increase or decrease by approximately HK$243,000 (2007: increase or decrease by approximately HK$275,000).

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk

Internally generated cash flow and bank loans are the general sources of funds to finance the operations of the Group. Majority of the Group's banking lines are subject to variable interests rate and are renewable annually. The Group's liquidity risk management includes making available standby banking facilities and diversifying the funding sources. The Group regularly reviews its major funding positions to ensure it has adequate financial resources in meeting its financial obligations.

As at 31 March 2008, the Group's financial liabilities have contractual maturities which are summarised below:

31 March 2008

	Within 1 year	More than 1 year	After two but within five years	Total Undiscounted cash flows	Carrying amount at 31/3/2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade and other payables	31,580	—	—	31,580	31,580
Amounts due to directors	161	—	—	161	161
Obligations under finance leases	1,920	934	67	2,921	2,745
Bank borrowings	3,933	—	—	3,933	3,898
	37,594	934	67	38,595	38,384

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk *(Continued)*

This compares to the maturity of the Group's financial liabilities in the previous reporting year as follows:

31 March 2007

	Within 1 year	More than 1 year	After two but within five years	Total Undiscounted cash flows	Carrying amount at 31/3/2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade and other payables	43,889	–	–	43,889	43,889
Amount due to directors	1,130	–	–	1,130	1,130
Obligations under finance leases	9,680	3,002	1,417	14,099	13,329
Bank borrowings	52,564	–	–	52,564	51,904
	107,263	3,002	1,417	111,682	110,252

The above contractual maturities reflect the undiscounted cash flows, which may differ to the carrying values of the liabilities at the balance sheet date.

Fair value

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing model based on discounted cash flow analysis using the relevant prevailing market rates.

The directors of the Company consider that the carry amounts of financial assets and financial liabilities reported in the consolidated balance sheet approximate their fair values.

7. TURNOVER AND SEGMENT INFORMATION

Turnover represents the net amounts received and receivable for goods sold by the Group to outside customers, less discounts and sales related taxes.

Business segments

The Group's operation is regarded as a single business segment, being manufacturing and trading of OEM paper products.

Geographical segments

The Group's operations are located in Mainland China and Hong Kong. The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods:

	Turnover by geographical market Year ended 31 March	
	2008	2007
	HK$'000	*HK$'000*
United States of America	**78,890**	152,292
Europe	**51,398**	61,029
Asia-Pacific (excluding Hong Kong)	**25,136**	33,382
Hong Kong	**1,157**	3,322
Others	**10,740**	8,885
	167,321	258,910

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment, analysed by the geographical areas in which the assets are located:

	Carrying amount of segment assets As at 31 March		Additions to property, plant and equipment Year ended 31 March	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Mainland China	**92,068**	162,030	**1,218**	13,810
Hong Kong	**75,978**	36,864	**357**	2,482
Others	**6,691**	24,362	**—**	–
	174,737	223,256	**1,575**	16,292

8. OTHER INCOME

	2008	2007
	HK$'000	*HK$'000*
Other income consisted of:		
Claims received	—	120
Recovery of bad and doubtful debt	—	1,241
Gain on disposal of property, plant and equipment	—	828
Interest income	**1,409**	97
Rental income, gross	**3,551**	1,166
Scrap sales	**3,729**	6,461
Gain on disposal of investment held for trading	**60**	—
Others	**1,052**	263
	9,801	10,176

9. FINANCE COSTS

	2008	2007
	HK$'000	*HK$'000*
Interest on:		
— bank borrowings wholly repayable within five years	**2,310**	4,677
— obligations under finance leases	**542**	1,177
Total finance costs	**2,852**	5,854

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

	2008	2007
	HK$'000	*HK$'000*
Loss for the year attributable to equity holders of the Company has been arrived at after charging/(crediting):		
Directors' emoluments (note 11)	**5,249**	3,741
Other staff costs	**32,064**	46,117
Share-based payment	**675**	—
Retirement benefit scheme contributions for staff	**1,151**	4,457
Severance payments to workers	**603**	331
Forfeited contributions utilised to offset employers' contributions	**(441)**	(34)
Total staff costs	**39,301**	54,612
Allowance for bad and doubtful debts	**1,383**	3,557
(Reversal of) allowance for inventories	**(435)**	4,131
Auditors' remuneration	**861**	2,490
Release of non-current prepayments	**2,240**	2,239
Cost of inventories recognised as expenses	**153,241**	240,913
Depreciation on:		
own assets	**6,187**	6,079
assets held under finance leases	**3,072**	3,613
Net loss on disposal of property, plant and equipment	**3,710**	3,485
Minimum lease payment in respect of		
— rented premises	**9,764**	8,076
— hire of equipment	**130**	130
Net exchange loss	**2,075**	1,732
and after crediting:		
Rental income, net of outgoings of HK$2,240,000 (2007: HK$1,103,000)	**1,311**	63

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(i) Directors' emoluments

The emoluments paid or payable to each of the 15 (2007: 7) directors were as follows:

	Fees	Salaries and other benefits	Discretionary bonuses	Retirement benefit scheme contributions	Share-based payment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 March 2008						
Executive directors:						
Kan Shiu Cheong, Frederick (Note 1)	–	900	–	9	–	909
Chan Hoi Lam (Note 1)	–	900	2,000	9	–	2,909
Yau Kang Nam (Note 2)	–	320	–	4	–	324
Jiang Hai Qing (Note 2)	–	638	–	11	–	649
Wong Hin Shek (Note 3)	–	–	–	–	–	–
Chan Siu Mun (Note 3)	–	–	–	–	–	–
Lo Miu Sheung, Betty (Note 2 and 6)	–	–	–	–	–	–
	–	2,758	2,000	33	–	4,791
Non-executive directors:						
Tse On Po, Vincent (Note 4)	34	–	–	–	–	34
Tse On Kin (Note 4)	34	–	–	–	–	34
	68	–	–	–	–	68
Independent non-executive directors:						
Ng Sui Keung (Note 5)	99	–	–	–	–	99
Lai Kin Keung (Note 5)	99	–	–	–	–	99
Yueh Yung Hsin (Note 5)	99	–	–	–	–	99
Wong Yun Kuen (Note 6)	46	–	–	–	–	46
Chan Hoi Ling (Note 6)	46	–	–	–	–	46
Lau Man Tak (Note 7)	1	–	–	–	–	1
	390	–	–	–	–	390
	458	2,758	2,000	33	–	5,249

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(i) Directors' emoluments *(Continued)*

	Fees	Salaries and other benefits	Discretionary bonuses	Retirement benefit scheme contributions	Share-based payment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 March 2007						
Executive directors:						
Kan Shiu Cheong, Frederick	–	600	150	6	–	756
Chan Hoi Lam	–	800	150	6	–	956
Yau Kang Nam	–	960	–	3	–	963
Jiang Hai Qing	–	696	58	12	–	766
	–	3,056	358	27	–	3,441
Independent non-executive directors:						
Ng Sui Keung	100	–	–	–	–	100
Lai Kin Keung	100	–	–	–	–	100
Yueh Yung Hsin	100	–	–	–	–	100
	300	–	–	–	–	300
	300	3,056	358	27	–	3,741

During the year ended 31 March 2008, one (2007: two) director waived emoluments of HK$462,000 (2007: HK$1,200,000).

Notes:

(1) Resigned on 26 March 2008.
(2) Retired on 25 January 2008.
(3) Appointed on 18 June 2007.
(4) Appointed on 6 September 2007.
(5) Resigned on 27 March 2008.
(6) Appointed on 26 June 2007.
(7) Appointed on 27 March 2008.

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(ii) Employees' emoluments

The five highest paid individuals of the Group for the year included three (2007: three) executive directors, details of whose emoluments are set out in (i) above. The emolument of the remaining two (2007: two) highest paid employees, not being directors of the Company, are as follows:

	2008	2007
	HK$'000	*HK$'000*
Salaries and other benefits	**2,004**	1,918
Discretionary bonuses	**30**	273
Retirement benefit scheme contributions	**24**	24
	2,058	2,215

Emoluments of these employees were within the following band:

	Number of employee(s)	
	2008	2007
HK$1,000,001 to HK$1,500,000	**2**	2

No emoluments have been paid by the Group to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the two years ended 31 March 2008 and 2007.

12. INCOME TAX EXPENSES

	2008	2007
	HK$'000	*HK$'000*
Current tax:		
Hong Kong Profits Tax	**443**	–
PRC Enterprise Income Tax	**1,789**	–
	2,232	–

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for the year.

Tax arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The applicable income tax rate for subsidiaries operating in the PRC is 33% (25% effective from 1 January 2008) (2007: 33%).

No provision for both Hong Kong Profits Tax and PRC Income Tax has been provided for the year ended 31 March 2007 as the Group did not have any assessable profits for both jurisdictions in that year.

12. INCOME TAX EXPENSE *(Continued)*

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

	2008	2007
	HK$'000	*HK$'000*
Loss before taxation	**(41,376)**	(59,711)
Tax at Hong Kong Profits Tax rate at 17.5% (2007: 17.5%)	**(7,241)**	(10,449)
Tax effect of expenses not deductible for tax purpose	**8,134**	3,441
Tax effect of income not taxable for tax purpose	**(611)**	(876)
Tax effect of tax losses not recognised	**1,475**	7,731
Tax effect of utilisation tax loss not previously recognised	**(275)**	–
Effect of different tax rates of subsidiaries operating in the PRC	**750**	153
	2,232	–

On 16 March 2007, the Enterprise Income Tax Law (the "new EIT law") was passed at the Fifth Session of the Tenth National People's Congress of the PRC. The new EIT law has been effective from 1 January 2008, and the "Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises" and "Provisional Regulations of the PRC on Enterprise Income Tax" both of which the Group was originally subjected to will be abrogated simultaneously. The new EIT law introduced a wide range of changes which include, but are not limited to the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%.

13. DIVIDEND

No dividend was paid or proposed during the year ended 31 March 2008, nor has any dividend been proposed since the balance sheet date (2007: Nil).

14. LOSS PER SHARE — BASIC

The calculation of the basic loss per share is computed based on the following data:

	2008	2007
	HK$'000	*HK$'000*
Loss:		
Loss for the year attributable to equity holders of the Company for the purposes of basic loss per share	**(43,608)**	(59,711)

	2008	2007
Number of shares:		
Weighted average number of shares for the purpose of basic loss per share	**905,231,626**	336,912,036

No diluted loss per share has been presented because the exercise prices of the Company's outstanding share options were higher than the average market price of shares for both years.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Furniture and fixtures	Machinery and equipment	Motor vehicles	Moulds	Office equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST							
At 1 April 2006	7,596	7,603	183,769	3,560	1,208	8,645	212,381
Currency realignment	–	22	349	37	–	21	429
Additions	–	5,214	10,479	–	–	599	16,292
Disposals	(7,596)	(2,730)	(22,827)	–	–	(1,743)	(34,896)
At 31 March 2007 and 1 April 2007	**–**	**10,109**	**171,770**	**3,597**	**1,208**	**7,522**	**194,206**
Currency realignment	**–**	**566**	**1,011**	**107**	**–**	**68**	**1,752**
Additions	**–**	**598**	**613**	**337**	**–**	**27**	**1,575**
Disposals	**–**	**–**	**(73,458)**	**(1,870)**	**(1,208)**	**(43)**	**(76,579)**
At 31 March 2008	**–**	**11,273**	**99,936**	**2,171**	**–**	**7,574**	**120,954**
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
At 1 April 2006	2,974	4,040	129,547	2,424	1,208	7,499	147,692
Currency realignment	–	12	297	11	–	11	331
Provided for the year	309	797	7,846	319	–	421	9,692
Eliminated on disposals	(3,283)	(2,715)	(19,621)	–	–	(1,742)	(27,361)
At 31 March 2007 and 1 April 2007	**–**	**2,134**	**118,069**	**2,754**	**1,208**	**6,189**	**130,354**
Currency realignment	**–**	**97**	**894**	**52**	**–**	**48**	**1,091**
Provided for the year	**–**	**1,665**	**6,767**	**282**	**–**	**545**	**9,259**
Impairment loss recognised during the year	**–**	**–**	**446**	**–**	**–**	**–**	**446**
Eliminated on disposals	**–**	**–**	**(49,879)**	**(1,731)**	**(1,208)**	**(43)**	**(52,861)**
At 31 March 2008	**–**	**3,896**	**76,297**	**1,357**	**–**	**6,739**	**88,289**
CARRYING VALUES							
At 31 March 2008	**–**	**7,377**	**23,639**	**814**	**–**	**835**	**32,665**
At 31 March 2007	–	7,975	53,701	843	–	1,333	63,852

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment are depreciated over their estimated useful lives, using the straight-line method, at the following rates per annum:

Leasehold improvements	4% – 5%
Furniture and fixtures	8% – 33%
Machinery and equipment	8% – 14%
Motor vehicles	20%
Moulds	20%
Office equipment	10% - 20%

The carrying amount of machinery and equipment includes an amount of approximately HK$4,392,000 (2007: HK$35,828,000) in respect of assets held under finance leases.

During the year, the directors conducted a review of the Group's property, plant and equipment and determined that a number of those assets were impaired, due to physical damage. Accordingly, impairment losses of approximately HK$446,000 have been recognised in respect of machinery and equipment.

16. PREPAYMENTS

	2008	2007
	HK$'000	*HK$'000*
Amount to be utilised within one year	**2,240**	2,239
Amount to be utilised after one year	**24,071**	26,311
	26,311	28,550
Less: Amount to be utilised within one year included in deposits, prepayments and other receivables	**(2,240)**	(2,239)
	24,071	26,311

Prepayments represent the amounts advanced by the Group to a third party (the "Landlord") for the construction of production and related facilities (the "Baoan Factory") in Baoan, the PRC. Pursuant to the original and supplementary agreements signed between a subsidiary of the Company and the Landlord, the Group is entitled to use the production and related facilities for a term of 30 years up to 31 December 2019 free of charge as consideration for the settlement of the advances. The amount charged to the income statement as consideration for the settlement for the year was approximately HK$2,240,000 (2007: HK$2,239,000).

The Group relocated its production lines from the Baoan Factory to Dongguan, the PRC and in August 2006, the Group entered into an agreement with the Landlord to lease back the Baoan Factory to the Landlord in two phases for terms commencing on 1 September 2006 and 1 June 2007 respectively until 31 December 2019. For the year ended 31 March 2008, the Group recorded a gross rental income of HK$3,551,000 (2007: HK$1,166,000).

17. AVAILABLE-FOR-SALE INVESTMENTS

	2008	2007
	HK$'000	*HK$'000*
Unlisted equity securities, at cost	**9,500**	9,500
Less: Impairment loss recognised	**(9,500)**	(6,000)
	–	3,500

The above investments represent unlisted equity investments in Vevion Hong Kong Limited ("Vevion") , a company incorporated in Hong Kong, in which the Company acquired 1,900,000 shares or 8.26% of the equity interests in 2006. They are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that fair values cannot be measured reliably.

During the year ended 31 March 2007, an impairment loss of HK$6,000,000 was recognised by reference to the estimated recoverable amount of the investments. Valuation has been conducted by RHL Appraisal Limited, a qualified valuer not connected with the Group, for the purpose of assessing the recoverable amounts. Such valuation has been carried out using cash flow projections based on financial budgets approved by management and applying the discounted cash flow technique.

The directors reviewed the estimated recoverable amount of the investment at 31 March 2008. In view of the continuing operating losses of considerable amount according to the latest management account of Vevion, the director resolved to make a further impairment of HK$3,500,000. Such impairment loss has been charged to the consolidated income statement for the year ended 31 March 2008.

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

During the year, the Group subscribed for convertible note at principal amount of HK$13 million issued by Wai Yuen Tong Medicine Holdings Limited (the "CN") which is listed in Hong Kong ("the CN issuer") at a total consideration equal to the principal amount. The Group has designated this convertible note as financial assets at fair value through profit or loss.

The details of the convertible notes outstanding as at 31 March 2008 are set out below:

Date of issue	3 August 2007
Aggregate principal amount	HK$13,000,000
Coupon rate	1 percent per annum
Conversion price	HK$0.58
Conversion period	3 August 2007 to 2 August 2009
Collaterals	Nil
Maturity date	2 August 2009

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

As at 31 March 2008, the CN was valued at HK$12,357,000, which is determined by reference to the valuation report issued by RHL Appraisal Limited, an independent qualified professional valuer not connected to the Group.

A decrease in fair value of HK$643,000 is recognised in the consolidated income statement.

The fair value of the CN at the balance sheet date was calculated using the market value basis. The inputs into the models were as follows:

	2008
Stock price	HK$0.207
Exercise price	HK$0.58
Volatilities	82.70%
Dividend yield	0%
Risk free Rate	Hong Kong Exchange Fund Bills & Notes as at 31 March 2008
Credit Spread (1.333 years)	485b.p.

In case of early redemption, at any time after the six months of the issuance of the CN, the CN issuer shall be entitled at its discretion by giving not less than 30 days notice to the holders of the CN to redeem all (but not some only) outstanding CN.

In case of redemption on maturity, 100% of the principal amount with any accrued and unpaid interest will be repaid.

19. INVENTORIES

	2008 ***HK$'000***	2007 *HK$'000*
Raw materials	**9,135**	33,576
Work in progress	**4,925**	11,323
Finished goods	**1,100**	6,188
	15,160	51,087

20. TRADE RECEIVABLES

Trade receivables consisted of:

	2008 *HK$'000*	2007 *HK$'000*
Trade receivables	**13,500**	44,795
Less: Allowance for bad and doubtful debts	**(4,734)**	(4,858)
	8,766	39,937

The Group's trade receivables comprise:

	2008 *HK$'000*	2007 *HK$'000*
Trade receivables from outsider	**8,766**	37,969
Related companies (Note)	**—**	1,968
	8,766	39,937

Note: The amounts represent trade receivables from Easyfil (Hong Kong) Limited ("Easyfil") and Vevion, companies in which Mr. Chan Hoi Lam, a director of the Company's subsidiary, has a controlling interest. The balances were unsecured, interest free and repayable on demand.

The aged analysis of trade receivables net of allowance for bad and doubtful debts at the balance sheet date is as follow:

	2008 *HK$'000*	2007 *HK$'000*
0–30 days	**4,249**	28,034
31–60 days	**1,694**	1,188
61–90 days	**897**	1,188
91–120 days	**447**	826
Over 120 days	**1,479**	8,701
	8,766	39,937

The Group allows a credit period of 30-120 days (2007: 30-120 days) to its customers.

Included in the Group's trade receivables balance are receivables with aggregate carrying amount of approximately HK$4,178,000 (2007: HK$18,757,000) which are past due but not impaired at the reporting date for which the Group has not provided for impairment loss.

20. TRADE RECEIVABLES *(Continued)*

Aging of trade receivables which are past due but not impaired:

	2008	2007
	HK$'000	*HK$'000*
0 – 30 days	**1,565**	6,854
31 – 60 days	**636**	1,188
61 – 90 days	**151**	1,188
91 – 120 days	**347**	826
Over 120 days	**1,479**	8,701
	4,178	18,757

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

Trade 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.

Movement in the allowance for bad and doubtful debts:

	2008	2007
	HK$'000	*HK$'000*
Balance at beginning of the year	**4,858**	2,542
Impairment loss recognised on receivables	**1,383**	3,557
Bad debts written off	**(1,507)**	—
Impairment loss reversed	**—**	(1,241)
Balance at end of the year	**4,734**	4,858

21. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2008 *HK$'000*	2007 *HK$'000*
Deposits and other receivables	**21,574**	18,015
Prepayments	**3,221**	2,960
	24,795	20,975

22. AMOUNT DUE FROM A RELATED COMPANY

Name of related party	Relationship	2008 *HK$'000*	2007 *HK$'000*
Vevion	Controlled by a director of the Company resigned on 26 March 2008	**–**	–
Maximum amount outstanding during the year		**160**	3,757

The above balance was unsecured, interest free and repayable on demand.

23. CASH AND CASH EQUIVALENTS

Bank balances and cash

Bank balances and cash comprise bank balances carry interest at prevailing market rates.

At the balance sheet date, bank balances and cash were substantially denominated in Hong Kong dollars.

Deposits in other financial institution

The amount is unsecured and carries interest at prevailing market rates.

24. TRADE AND OTHER PAYABLES

	2008 *HK$'000*	2007 *HK$'000*
Trade payables	**30,233**	43,889
Other payables	**1,347**	–
Accruals	**14,016**	26,427
	45,596	70,316

Aging analysis of trade payables is as follows:

	2008 *HK$'000*	2007 *HK$'000*
0–30 days	**4,854**	18,407
31–60 days	**2,909**	4,599
61–90 days	**2,753**	4,283
91–120 days	**2,745**	5,060
Over 120 days	**16,972**	11,540
	30,233	43,889

25. AMOUNTS DUE TO DIRECTORS

	2008 *HK$'000*	2007 *HK$'000*
Directors:		
Mr. Chan Hoi Lam	**–**	270
Mr. Yau Kang Nam	**–**	560
Independent non-executive directors:		
Mr. Chan Hoi Ling	**46**	–
Mr. Wong Yun Kuen	**46**	–
Mr. Lau Man Tak	**1**	–
Mr. Ng Sui Keung	–	100
Prof. Lai Kin Keung	–	100
Mr. Yueh Yung Hsin	–	100
Non-executive directors:		
Mr. Tse On Po	**34**	–
Mr. Tse On Kin	**34**	–
	161	1,130

The amounts are unsecured, non-interest bearing and repayable on demand.

26. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum leases payments	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The obligations under finance leases are repayable within the periods as follows:				
Within one year	**1,920**	9,680	**1,794**	9,146
In more than one year but not more than two years	**934**	3,002	**885**	2,813
In more than two years but less than three years	**67**	1,350	**66**	1,304
In more than three years but less than four years	**—**	67	**—**	66
	2,921	14,099	**2,745**	13,329
Less: Future finance charges	**(176)**	(770)	**N/A**	N/A
Present value of lease obligations	**2,745**	13,329	**2,745**	13,329
Less: Amount due within one year shown under current liabilities			**(1,794)**	(9,146)
Amount due after one year			**951**	4,183

It is the Group's policy to lease certain of its machinery and equipment under finance leases. The average lease term is 3 to 4 years. Interest rates are either fixed at the contract date or variable with reference to the prevailing market rates. For the year ended 31 March 2008, the average effective borrowing rate (which was also equal to contracted interest rates) ranged from 6.63% to 10.5% (2007: 6.6% to 7.1%). All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessors' charge over the leased assets.

27. SHORT-TERM BANK BORROWINGS

	2008	2007
	HK$'000	*HK$'000*
Export loans (note a)	**1,470**	18,108
Discounted bills	**—**	4,135
Trust receipts and import loans (note a)	**505**	13,673
Short-term bank loans (note b)	**—**	5,000
Bank overdrafts (note c)	**1,923**	10,988
	3,898	51,904

Notes:

a. Export loans, trust receipts and import loans carry a variable interest rate ranging from 4.28% to 5.19% (2007: 6.4% to 7.4%) per annum.

b. Short-term bank loans carry a variable interest rate ranging from 7.25% to 9% (2007: 5% to 6%) per annum.

c. Bank overdrafts carry a variable interest rate ranging from 7.25% to 9% (2007: 5% to 6%) per annum.

All the above bank borrowings were granted to the subsidiaries of the Company by banks and are guaranteed by the Company.

28. SHARE CAPITAL

	Notes	**Number of shares**	**Par value per ordinary share**	**Share capital**
			HK$	*HK$'000*
Authorised:				
At 1 April 2006, 31 March 2007 and 31 March 2008		10,000,000,000	0.01	100,000
Issued and fully paid:				
At 1 April 2006		5,930,985,107		59,310
Issue of new shares upon exercise of share options	(a)	31,500,000	0.01	315
Capital reduction	(b)	(5,664,360,852)	0.01	(56,644)
Issue of new shares upon placing	(c)	39,000,000	0.01	390
Issue of new shares upon open offer	(d)	280,936,879	0.01	2,809
At 31 March 2007		618,061,134		6,180
Issue of new shares upon placing	(e)	339,600,000	0.01	3,396
At 31 March 2008		957,661,134		9,576

28. SHARE CAPITAL *(Continued)*

Notes:

(a) On 7 April 2006, the Company issued 31,500,000 shares at exercise price of HK$0.016 each upon exercise of share options.

(b) On 11 April 2006, the Company undertook the following capital reorganisation:

(i) every twenty shares of par value of HK$0.01 each in the issued ordinary share capital of the Company had been consolidated into one consolidation share (the "Consolidation Share") of par value of HK$0.20;

(ii) the paid up capital of each Consolidation Share in issue cancelled to the extent of HK$0.19 on the nominal value of HK$0.20 of each Consolidation Share so as to form one reorganised share of par value of HK$0.01 each; and

(iii) the credit arising from the capital reorganisation was transferred to the contributed surplus account of the Company.

(c) On 26 July 2006, the Company allotted 39,000,000 new shares to Mr. Chan Hoi Lam (Mr. Chan), an existing substantial shareholder and director of the Company who resigned on 26 March 2008, at a price of HK$0.21 per share pursuant to a subscription agreement upon a successful placing by Mr. Chan of the same number of existing shares of the Company held by Mr. Chan with an underwritten arrangement.

(d) On 15 March 2007, the Company issued 280,936,879 new shares as a result of an open offer (the "Open Offer Shares") with underwriting arrangement on the basis of five Open Offer Shares for every six existing shares at HK$0.10 per Open Offer Share.

(e) (i) On 26 April 2007, 33,000,000 ordinary shares of HK$0.01 each at price of HK$0.171 each in the capital of the Company were issued pursuant to placing and subscription agreements in relation to the placing of existing shares and subscription for new shares of the Company.

(ii) On 8 May 2007, 33,000,000 ordinary shares of HK$0.01 each at price of HK$0.180 each in the capital of the Company were issued pursuant to placing and subscription agreements in relation to the placing of existing shares and subscription for new shares of the Company.

(iii) On 5 July 2007, 136,800,000 ordinary shares of HK$0.01 each at price of HK$0.26 each in the capital of the Company were issued pursuant to a placing and subscription agreements in relation to the placing of existing shares and subscription for new shares of the Company.

(iv) As the Company announced on 6 June 2007, 24 August 2007 and 26 November 2007, the Company conditionally agreed to place, through Kingston Securities Limited (the "Placing Agent") on a best effort basis, a maximum of 273,600,000 ordinary shares of HK$0.01 each in the capital of the Company by two equal tranches. Completion of the tranche 1 placing took placed on 26 July 2007 that the Placing Agent has fully placed a total of 136,800,000 tranche 1 placing shares at HK$0.23 per placing share. Up to 24 November 2007, none of the tranche II placing shares have been placed and the tranche II placing agreement has expired and ceased thereafter.

29. MAJOR NON-CASH TRANSACTION

For the year ended 31 March 2007, certain subsidiaries of the Group entered into finance lease arrangements of HK$5,984,000 in respect of property, plant and equipment with capital value at the inception of the lease of HK$9,264,000.

30. SHARE OPTIONS

On 29 August 2002, the Company adopted a share option scheme (the "Scheme") which complies with the new requirements of Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") effective 1 September 2001.

During the year ended 31 March 2008, 6,180,000 (2007: Nil) options were granted under the Scheme to employees of the Group.

The fair value of the share options granted during the year at date of grant is HK$0.109293 each.

The fair values of the share options granted during the year were calculated using the Black-Scholes pricing model. The inputs into model were as follows:

Weighted average share price	HK$0.2084
Weighted average exercise price	HK$0.2084
Expected volatility	66.17%
Expected life	3
Risk free rate	3.994%
Expected dividend yield	N/A

The volatility measured at the standard deviation of expected share price returns in based on statistical analysis of weekly annualised volatility of the underlying stock.

The Group recognised the total expenses of approximately HK$675,000 for the year ended 31 March 2008 (2007: HK$Nil) in relation to share options granted by the Company.

30. SHARE OPTIONS *(Continued)*

The details of the movements in the number of options outstanding during the year which have been granted under the Scheme are as follows:

Year ended 31 March 2008

Category or name of participant	Date of grant (Notes 1&2)	Exercise period (Note 1)	Exercise price per share HK$	Number of share options: Outstanding at 1.4.2007	Granted during the year	Outstanding at 31.3.2008
Directors						
Kan Shiu Cheong, Frederick (Note a)	20.9.2005	20.9.2005 to 19.9.2008	0.4190	2,587,726	–	2,587,726
Chan Hoi Lam (Note a)	20.9.2005	20.9.2005 to 19.9.2008	0.4190	2,587,726	–	2,587,726
				5,175,452	–	5,175,452
Employees						
In aggregate	26.4.2005	26.4.2005 to 25.4.2008	0.5330	2,554,970	–	2,554,970
	30.4.2007	30.4.2007 to 29.4.2010	0.2084	–	6,180,000	6,180,000
				2,554,970	6,180,000	8,734,970
Total				7,730,422	6,180,000	13,910,422

Note: (a) Resigned on 26 March 2008.

30. SHARE OPTIONS *(Continued)*

Year ended 31 March 2007

Category or name of participant	Date of grant	Exercise period	Previous exercise price per share	Adjusted exercise price per share	Adjusted exercise price per share	Number of share options: Outstanding at 1.4.2007	Exercised during the year	Lapsed during the year	Adjusted during the year	Adjusted during the year	Outstanding at 31.3.2007	Weighted average closing price
	(Notes 1&2)	(Note 1)		(Note 4)	(Note 5)				(Note 4)	(Note 5)		(Note 3)
			HK$	*HK$*	*HK$*							*HK$*
Directors												
Kan Shiu Cheong, Frederick (Note 1)	20.9.2005	20.9.2005 to 19.9.2008	0.0244	0.4880	0.4190	44,437,500	–	–	(42,215,625)	365,851	2,587,726	–
Chan Hoi Lam (Note 1)	3.4.2003	3.4.2003 to 2.4.2006	0.0160	–	–	31,500,000	(31,500,000)	–	–	–	–	0.0140
	20.9.2005	20.9.2005 to 19.9.2008	0.0244	0.4880	0.4190	44,437,500	–	–	(42,215,625)	365,851	2,587,726	–
Jiang Hai Qing	3.4.2003	3.4.2003 to 2.4.2006	0.0160	–	–	11,250,000	–	(11,250,000)	–	–	–	–
						131,625,000	(31,500,000)	(11,250,000)	(84,431,250)	731,702	5,175,452	
Employees												
In aggregate	3.4.2003	3.4.2003 to 2.4.2006	0.0160	–	–	23,062,500	–	(23,062,500)	–	–	–	–
	26.4.2005	26.4.2005 to 25.4.2008	0.0322	0.6440	0.5330	43,875,000	–	–	(41,681,250)	361,220	2,554,970	–
						66,937,500	–	(23,062,500)	(41,681,250)	361,220	2,554,970	
Total						198,562,500	(31,500,000)	(34,312,500)	(126,112,500)	1,092,922	7,730,422	

30. SHARE OPTIONS *(Continued)*

Notes:

(1) All dates are shown day/month/year.

(2) The vesting period of the options is from the date of grant until the commencement of the exercise period.

(3) The weighted average closing price of the Company's shares immediately before the dates on which the options were exercised.

(4) The reorganisation of share capital of the Company was approved by shareholders on 10 April 2006 and became effective on 11 April 2006. Pursuant to the terms of the Scheme, the exercise price and number of shares that can be subscribed for under the Scheme are required to be adjusted upon the capital reorganisation becoming effective.

(5) An Open Offer was completed on 15 March 2007. Pursuant to the terms of the Scheme, the exercise price and number of shares that can be subscribed for under the Scheme are required to be adjusted upon the completion of the Open Offer.

During the year ended 31 March 2007, the closing prices of the Company's shares upon the dates of exercise of options under the Scheme ranged from HK$0.110 to HK$0.305.

31. DEFERRED TAXATION

The following are the major deferred tax (liabilities) and assets recognised and the movements thereon during the current and previous year:

	Accelerated tax depreciation *HK$'000*	Tax losses *HK$'000*	Total *HK$'000*
At 1 April 2006	(1,364)	1,364	–
(Charge) credit to consolidated income statement for the year	(645)	645	–
At 31 March 2007	(2,009)	2,009	–
(Charge) credit to consolidated income statement for the year	1,968	(1,968)	–
At 31 March 2008	(41)	41	–

At 31 March 2008, the Group has unused tax losses of approximately HK$183,607,000 (2007: HK$176,748,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$234,000 (2007: HK$11,480,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$183,373,000 (2007: HK$165,268,000) due to the unpredictability of future profit streams. The recognised tax losses may be carried forward indefinitely.

32. CAPITAL COMMITMENTS

	2008 ***HK$'000***	2007 *HK$'000*
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**13,695**	4,882
Capital expenditure in respect of construction contracts contracted for but not provided in the consolidated financial statements	**902**	848
	14,597	5,730

33. OPERATING LEASE COMMITMENTS

The Group as lessee

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises and hire of equipment which fall due as follows:

	Rented premises		Hire of equipment	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**11,071**	11,861	**130**	130
In the second to fifth year inclusive	**41,472**	47,554	**194**	324
Over five years	**12,148**	20,157	**—**	—
	64,691	79,572	**324**	454

Operating lease payments for rented premises represent rentals payable by the Group for its office premises and factories. Leases for rented premises and hire of equipment are negotiated for an average term from one to ten years. The lease payments are fixed and no arrangements have been entered into for contingent rental.

The Group as lessor

As explained in note 16, the Group leased back the Baoan Factory, which the Group had the right of usage up to 31 December 2019, back to the Landloard. At the balance sheet date, the Group had contracted for the following future minimum lease payments receivable in respect of the Baoan Factory.

	Rented premises	
	2008	2007
	HK$'000	*HK$'000*
Within one year	**5,052**	2,854
In the second to fifth year inclusive	**20,208**	15,446
Over five years	**26,671**	29,616
	51,931	47,916

34. RETIREMENT BENEFIT SCHEME

Hong Kong

A retirement plan has been established for all eligible employees of the Group in Hong Kong starting from 1 January 1996. Eligible employees enjoy a defined contribution scheme to which the employees and the Group contribute 5% and 5-10% of monthly salary respectively. Employees under the defined contribution scheme are entitled to 100% of the employers' contribution and the accrued interest upon retirement or leaving the Group after completing ten years of service counting from the date of joining the Group, or at a reduced scale of between 30% and 90% after completing three to nine years of service counting from the date of joining the Group. From 1 December 2000 onwards, staff in Hong Kong are required to join the new Mandatory Provident Fund Scheme (the "MPF Scheme"). Contributions to the MPF Scheme are made in accordance with the statutory limits prescribed by the Mandatory Provident Fund Ordinance.

The aggregate employers' contributions, net of forfeited contributions, amounted to:

	2008	2007
	HK$'000	*HK$'000*
Employers' contributions under defined contribution schemes	**397**	2,226
Less: Forfeited contributions utilised to offset employers' contributions to the defined contribution scheme	**(441)**	(34)
	(44)	2,192

At 31 March 2008 and 2007, forfeited contributions arising from employees leaving the scheme before becoming fully vested and which are available to reduce the contributions payable by the Group in the future is Nil.

Mainland China

The Group also participates in a defined contribution retirement scheme organised by the government in Mainland China. All employees of the Group in Mainland China are entitled to an annual pension equal to a fixed portion of their individual final basic salaries at their retirement date. The Group is required to contribute a specified percentage of the payroll of its employees to the retirement scheme. The total contribution incurred in connection with the scheme for the year ended 31 March 2008 was approximately HK$754,000 (2007: HK$1,987,000). No forfeited contributions may be used by the employers to reduce the existing level of contributions.

35. RELATED PARTY TRANSACTIONS

Other than the details as disclosed elsewhere in the financial statements, during the year the Group entered into the following related party transactions:

i) the Group sold goods, amounting approximately HK$21,000 and HK$75,200 (2007: HK$876,000 and HK$26,000), to Easyfil and Vevion respectively, in which Mr. Chan Hoi Lam, the director of the Company's subsidiary, has a beneficial interest.

ii) the Group paid rent and building management fee, amounting approximately HK$468,000 and HK$121,000 (2007: HK$267,000 and HK$ Nil), to Vevion, in which Mr. Chan Hoi Lam, the director of the Company's subsidiary, has a controlling interest.

iii) the Group paid compensation for breach of contract in respect of disposal of a branch office in Beijing of HK$419,000, to Vevion, in which Mr. Chan Hoi Lam, the director of the Company's subsidiary, has a controlling interest.

The remuneration of key management of the Group are set out in note 11.

36. PRINCIPAL SUBSIDIARIES

Name of subsidiary	Place of incorporation/ registration and operation	Issued and fully paid share/registered capital	Percentage of nominal value of issued share/ registered capital held indirectly by the Company %	Principal activities
Climax Management Company Limited	Hong Kong	HK$2	100	Provision of management services
Climax Paper Converters, Limited	Hong Kong	Ordinary HK$100,000 Deferred (Note) HK$20,000,000	100	Manufacture and distribution of paper products
英發紙品製造(東莞)有限公司* Climax Paper Products Manufacturing (Dongguan) Co., Ltd.	PRC	HK$47,630,000**/ HK$68,000,000	100	Manufacture and distribution of paper products
Shiu's Investments Limited	British Virgin Islands/PRC	US$1	100	Manufacture and distribution of paper products
New Able Investments Limited	British Virgin Islands	US$1	100	Investment holding
Climax Marketing Company Limited	Hong Kong	HK$2	100	Provision of marketing services for the Group/Outsourcing manufacturing and sales of goods.

Note: These deferred shares practically carry no right to dividends or to receive notice or to attend or vote at any general meeting of this subsidiary or to participate in any distribution on winding up.

* wholly foreign-owned enterprise

** The subsidiary was increased its registered capital from HK$37,000,000 to HK$68,000,000 during the year.

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

None of the subsidiaries had any debt securities outstanding at 31 March 2008 or at any time during the year.

37. BALANCE SHEET INFORMATION OF THE COMPANY

	2008 *HK$'000*	2007 *HK$'000*
Non-current assets		
Property, plant and equipment	**1,481**	1,757
Investments in subsidiaries	**75,988**	119,441
	77,469	121,198
Current assets		
Amounts due from subsidiaries	**146,779**	65,472
Deposits, prepayments and other receivables	**2,565**	2,687
Bank balances	**5**	4,798
	149,349	72,957
Current liabilities		
Trade and other payables	**2,482**	1,531
Amount due to a director	**161**	860
Amounts due to subsidiaries	**98,308**	98,309
Financial guarantee liabilities	**5,762**	6,878
	106,713	107,578
Net current assets/(liabilities)	**42,636**	(34,621)
Net assets	**120,105**	86,577
Capital and reserves		
Share capital	**9,577**	6,180
Reserves	**110,528**	80,397
Total equity attributable to equity holders of the Company	**120,105**	86,577

At 31 March 2008, the Company's reserves available for distribution to shareholders consisted of contributed surplus of HK$103,941,000 (2007: HK$103,941,000) and accumulated losses of HK$99,034,000 (2007: accumulated losses of HK$56,399,000).

38. POST BALANCE SHEET EVENTS

On 23 June 2008, 191,000,000 ordinary shares of HK$0.01 each in the capital of the Company were issued pursuant to a placing agreement in relation to the placing of new shares of the Company at the price of HK$0.159 per placing share. The net proceeds of approximately HK$29 million from the placing is intended to be mainly used for general working capital of the Group.

Financial Summary

For the year ended 31 March 2008

CONSOLIDATED RESULTS

	Year ended 31 March				
	2008	2007	2006	2005	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	**167,321**	258,910	267,176	311,341	382,470
(Loss)/profit before taxation	**(41,376)**	(59,711)	(23,762)	3,550	3,714
Taxation	**(2,232)**	–	–	–	–
(Loss)/profit for the year	**(43,608)**	(59,711)	(23,762)	3,550	3,714
Attributable to:					
Equity holders of the Company	**(43,608)**	(59,711)	(23,762)	3,550	3,714
Minority interests	**–**	–	–	–	–
(Loss)/profit for the year attributable to equity holders of the Company	**(43,608)**	(59,711)	(23,762)	3,550	3,714

CONSOLIDATED BALANCE SHEET

	As at 31 March				
	2008	2007	2006	2005	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Property, plant and equipment	**32,665**	63,852	64,689	69,477	65,562
Prepayments	**24,071**	26,311	28,550	30,789	33,028
Available-for-sale investments	**–**	3,500	9,500	–	–
Financial assets at fair value through profit or loss	**12,357**	–	–	–	–
Net current assets/(liabilities)	**51,963**	(2,903)	16,038	33,082	28,512
	121,056	90,760	118,777	133,348	127,102
Share capital	**9,576**	6,180	59,310	39,416	39,015
Reserves	**110,528**	80,396	51,026	74,254	70,434
Total equity attributable to equity holders of the company	**120,104**	86,576	110,336	113,670	109,449
Minority interests	**1**	1	1	1	1
Obligations under finance leases	**951**	4,183	8,440	16,349	17,652
Bank borrowings	**–**	–	–	3,328	–
	121,056	90,760	118,777	133,348	127,102