



SOUTHEAST ASIA PROPERTIES & FINANCE LIMITED

Stock code:252

ANNUAL REPORT
2007/08

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Directors

Mr. Chan Man Hon, Eric
 Mr. Luis Chua
 Mr. Nelson Junior Chua*
 Mr. Rene Siy Chua
 Miss Vivian Chua*
 Mr. Se Ying Kin**
 Mr. Jimmy Siy Tiong
 Mr. Siy Yap
 Mr. Tsai Han Yung

Independent Non-Executive Directors

Mr. Chan Siu Ting
 Mr. James L. Kwok
 Mr. Wong Shek Keung

AUDIT COMMITTEE

Mr. Chan Siu Ting *(Chairman)*
 Mr. Chan Man Hon, Eric
 Mr. James L. Kwok
 Mr. Tsai Han Yung
 Mr. Wong Shek Keung

REMUNERATION COMMITTEE

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

PRINCIPAL BANKERS

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

SOLICITORS

Vincent T. K. Cheung, Yap & Co.

AUDITORS

K. L. Young & Co.

QUALIFIED ACCOUNTANT

Mr. Lui Man Sang
 (Resigned on 27th October, 2007)
 Ms. Li Wai Man
 (Appointed on 27th October, 2007)

COMPANY SECRETARY

Ms. Woo Siu Ping, Dilys

REGISTERED OFFICE

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

SHARE REGISTRAR

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

STOCK CODE

252

* Appointed on 15th April, 2008

** Redesignated from the post of Executive Director to Non-Executive Director on 1st April, 2008

DIRECTORS AND SENIOR MANAGEMENT PROFILE

EXECUTIVE DIRECTORS

Mr. Chua Nai Tuen, aged 56, was appointed as an Executive Director and Managing Director in 1973 and was further appointed Chairman of the Company in 2000. Mr. Chua is responsible for the formulation and execution of the Group's overall strategic planning, business development and seeking business opportunities for the Group. He is the Chairman and Managing Director of Nan Sing Plastics Limited and he is also a Director of other companies in the Group. He has over 30 years' experience in finance, property investment, property development, manufacturing and trading of plastics packaging materials and hotel business.

Mr. Chua Nai King, aged 58, was appointed as an Executive Director in 1972 and was further appointed Deputy Chairman of the Company in 2000. He is also a Director of other companies in the Group. He has over 30 years' experience in finance, property investment, property development and hotel business.

Mr. Gilson Chua, aged 28, was appointed as an Executive Director of the Company on 15th April, 2008. He joined the Group in 2002. He is the director and Deputy General Manager of Nan Sing Plastics Limited and he is also the director of other company in the Group. He graduated from the University of Warwick in United Kingdom and obtained a Bachelor's degree in Computer and Business Studies.

NON-EXECUTIVE DIRECTORS

Mr. Chan Man Hon, Eric, aged 51, was appointed as a Non-executive Director of the Company in 1994 and was further appointed as a member of the Audit Committee and Remuneration Committee in 2001 and 2005 respectively. Mr. Chan is a practising solicitor in Hong Kong. He obtained a Bachelor of Laws degree from the University of Hong Kong and was admitted as a solicitor in Hong Kong in 1981. He was further admitted as a solicitor in England and Australia in 1984 and 1985 respectively. He is the consultant of Vincent T. K. Cheung, Yap & Co.

Mr. Luis Chua, aged 55, was appointed as a Non-executive Director of the Company in 1978. Mr. Chua is a Director of Standard Appliances Corporation, a company incorporated in the Philippines.

Mr. Nelson Junior Chua, aged 30, was appointed as a Non-executive Director of the Company on 15th April, 2008. Mr. Chua has about 8 years' experience in financial information analysis and research field. He graduated from the Queen Mary & Westfield College of London University in United Kingdom and obtained a Bachelor's degree in Molecular Biology. He is a Regional Research Manager of a multinational firm which designs, develops and markets a suite of technologically advanced software, communications and analytical products to the investment banking industry.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

NON-EXECUTIVE DIRECTORS (Cont'd)

Mr. Rene Siy Chua, aged 50, was appointed as a Non-executive Director of the Company in 2000. Mr. Chua is the General Manager of Mindanao Textile Corporation, a company incorporated in the Philippines.

Miss Vivian Chua, aged 28, was appointed as a Non-executive Director of the Company on 15th April, 2008. Miss Chua joined the Group in 2005. She is a Marketing and Planning Analyst of Nan Sing Plastics Limited. She graduated from The University of British Columbia in Canada and obtained a Bachelor's degree in Commerce.

Mr. Se Ying Kin, aged 66, was appointed as an Executive Director in 1973 and was redesignated as a Non-executive Director of the Company on 1st April, 2008. Mr. Se was responsible for the Group's property investment and development business prior to his redesignation. He is also a Director of other companies in the Group. He graduated from University College of London University in United Kingdom and obtained a Bachelor's degree (Honours) in Electrical and Electronic Engineering. He has over 30 years' experience in property investment, property development, manufacturing and trading of plastics packaging materials and hotel business.

Mr. Jimmy Siy Tiong, aged 72, was appointed as a Non-executive Director of the Company in 1978. Mr. Siy was the former President of Philippine Sanyo Inc., a company incorporated in the Philippines.

Mr. Siy Yap, aged 75, was appointed as a Non-executive Director of the Company in 1978. Mr. Siy is the Chairman of Standard Appliances Corporation, a company incorporated in the Philippines.

Mr. Tsai Han Yung, aged 42, was appointed as a Non-executive Director of the Company in 2000 and was further appointed as a member of the Audit Committee in 2001. Mr. Tsai holds management positions in certain companies in Taiwan.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Siu Ting, aged 56, was appointed as an Independent Non-executive Director of the Company and Chairman of the Audit Committee in 2006. Mr. Chan has been practising as a certified public accountant in Hong Kong for over 10 years. He is a fellow member of The Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants. He is currently a director of Wong Chan Lau C.P.A. Company Limited, Certified Public Accountants (Practising).

DIRECTORS AND SENIOR MANAGEMENT PROFILE

INDEPENDENT NON-EXECUTIVE DIRECTORS (Cont'd)

Mr. James L. Kwok, aged 56, was appointed as an Independent Non-executive Director of the Company in 1994 and was further appointed as a member of the Audit Committee and Chairman of the Remuneration Committee in 2001 and 2005 respectively. Mr. Kwok obtained a MBA degree from the Wharton School, University of Pennsylvania. He started his career in banking and had held the position of manager of the Asian portfolios of a major American bank in Hong Kong. For the past two decades, he held a management position in a group of private companies in Hong Kong and North America which were involved in general trading, property investment and garment business.

Mr. Wong Shek Keung, aged 65, was appointed as an Independent Non-executive Director of the Company and a member of the Audit Committee and Remuneration Committee in 2005. Mr. Wong has over 30 years' extensive experience in banking, finance and administration. He had held a senior position of a reputable French bank's Hong Kong Branch and had been an advisor to the Chairman of a down manufacturing company in China.

SENIOR MANAGEMENT

Mr. Chan Yu Hung, aged 47, is the Director and General Manager of Nan Sing Plastics Limited. He is also a Director of other companies in the Group. Mr. Chan joined the Group in 2004 and is responsible for the Group's manufacturing and trading business of plastics packaging materials.

Mr. Choy Tin Woo, Johnnie, aged 53, is the Executive Director and Responsible Officer of Stockwell Securities Limited. He is also a Director of other companies in the Group. Mr. Choy joined the Group in 1976 and is responsible for the Group's securities and commodities dealings.

Mr. Fu Ka Tsang, aged 50, is the General Manager of the Company and he is also a Director of other companies in the Group. Mr. Fu joined the Group in 1995 and is responsible for the Group's property investment and development business.

Ms. Li Wai Man, Jenny, aged 41, is the Financial Controller of the Company. Ms. Li is a fellow member of The Association of Chartered Certified Accountants and associate member of the Hong Kong Institute of Certified Public Accountants and holds a MBA degree granted by the Open University of Hong Kong. She began her career in one of the Big 4 accounting firms in Hong Kong and has over 10 years of accounting and financial management experience in telecommunication, electronic manufacturing and information technology industries. Prior to joining the Group in 2007, Ms. Li had held managerial positions in several reputable private companies, sizable listed companies and multinational corporations. She is responsible for all accounting and finance operations of the Group.

Messrs. Chua Nai Tuen, Chua Nai King, Jimmy Siy Tiong, Luis Chua, Rene Siy Chua and Tsai Han Yung are brothers and they are brothers-in-law of Mr. Se Ying Kin. Both Mr. Gilson Chua and Mr. Nelson Junior Chua are the sons of Mr. Chua Nai Tuen and Miss Vivian Chua is the daughter of Mr. Chua Nai King. Save as disclosed, the directors and senior management do not have any relationships as set out in Rule 12 of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to submit to the Shareholders the Annual Report of the Group for the year ended 31st March, 2008.

RESULTS

During the year, the Group's profits attributable to Shareholders was HK\$35,838,669 (2006/2007: HK\$36,502,978). Earnings per share was 18.1 cents (2006/2007: 18.5 cents). Turnover was HK\$402,458,138 (2006/2007: HK\$340,807,836).

During the year, the Group's profit before taxation was HK\$46,031,626 (2006/2007: HK\$46,094,026). Given below is an analysis of the profit from operations of the Group's principal activities:

| | 2008 | 2007 |
|--|---------------------|--------------|
| | HK\$ | HK\$ |
| Property investments and development/hotel | 6,427,516 | 1,129,922 |
| Manufacturing and trading of plastic packaging materials | 500,864 | 13,192,783 |
| Stock broking and finance | 28,405,266 | 17,178,625 |
| Revaluation surplus of investment properties | 27,025,561 | 27,696,798 |
| | <hr/> | <hr/> |
| Profit from operations | 62,359,207 | 59,198,128 |
| Finance costs | (16,859,954) | (13,324,695) |
| Share of profit of associated companies | 532,373 | 220,593 |
| | <hr/> | <hr/> |
| Profit before taxation | 46,031,626 | 46,094,026 |
| | <hr/> <hr/> | <hr/> <hr/> |

DIVIDENDS

No interim dividend was paid during the year (2006/2007: Nil). The Directors now recommend for the adoption at the Annual General Meeting to be held on Friday, 29th August, 2008 the payment on 5th September, 2008 of a final dividend of 3.5 cents per share (2006/2007: 3.0 cents per share) in respect of the financial year ended 31st March, 2008 to Shareholders on record as at 29th August, 2008, absorbing a total amount of HK\$6,917,873 (2006/2007: HK\$5,929,605).

CHAIRMAN'S STATEMENT

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

During the year, the economy of Hong Kong sustained a robust growth momentum. Underpinned by strong financial activities and exports, the domestic economy had a year of brightening performance. The labour market continued to see notable improvement, with unemployment rate reaching a 10-year low. Escalating household wealth, coupled with improving job security and better asset market performance bolstered consumption spending. This, along with upbeat tourists' spending, rendered support to the retail sector. The local office demand was also propelled by the sustained economic upturn. The rent for office and shop premises continuously and substantially increased.

The Group's properties for lease include the shops on the Ground Floor of Hotel Benito and office unit in Silvercord at Tsimshatsui, the residential property at Essex Road, Kowloon Tong, the whole block of Nan Sing Industrial Building at Kwai Chung, office/warehouse units in Kwai Tak Industrial Centre at Kwai Chung and office units in Chao Shan Building at Shenzhen. During the year, all leasing properties had been let and brought a steady rental income to the Group. During the year, the rental income amounted to HK\$13.99 million, representing an increase of 27.4% from that of last year.

The Group, through an associated company, owns 20% interest in the shopping mall situated at the Ground floor of Ming Yue Hua Yuan Futian District, Shenzhen with an area of over two thousand square meters. The whole shopping mall has been reserved for leasing purpose. During the year, the associated company had made its best endeavour to look for new tenants. It has managed to lease out one big unit after the current year end and it is expected that the rental income made by the associated company will be increased in the next year.

During the year, the government of Zhangmutou, Dongguan had repurchased a portion of land located within the area of Donggang Nan Sing Factory and thus the Group had recorded a profit on sale of land in the amount of HK\$6.3 million.

Hotel

The soft opening of Hotel Benito, which is now erected in the site of former Dragon House in Tsimshatsui had been carried out in November, 2007. Owing to its prime location, coupled with finest design and reasonable price, our guests have given us good comments. The Group will strive to nurture good customers relationship in order to establish a group of loyal and regular customers who may also introduce new customers to us. Since the hotel's business is still at the beginning stage, we have not yet built up the hotel's reputation and our staff entails time to get fused and developed. The occupancy rate and our service standard still needs to be improved.

CHAIRMAN'S STATEMENT

The hotel now has about 20 staff. During the period from soft opening to 31st March, 2008, the hotel had brought a rental and service fee income amounting to HK\$3.72 million to the Group.

Manufacturing and Distribution of Plastic Packaging Materials

During this year, this business recorded an operating profit before finance cost of HK\$0.5 million (2006/2007: HK\$13.19 million). Turnover amounted to HK\$337.07 million, an increase of 9.5% over that of last year.

Under the adverse effects of the substantial rise in oil prices, the resin prices continuously soared during the year. Owing to the decreasing difference between the resin prices in Europe/US and that in Asia, our sales orders volume in Europe/US during this year had been greatly reduced. Besides, macroeconomic measures, the decrease in export tax refund rate, the uncertainties such as the Reminbi appreciation, inflation in Mainland China, inadequate power supply and the new labour laws had all continuously increased the production costs. As a result, the gross profit of this business during the year decreased 4.6% from the same period last year. The operational difficulties we suffered this year were the severest one that we had ever met. Nevertheless, the Group will try to offset the adverse effects brought by the contracted markets by optimizing the production flow, controlling production costs, increasing products' quality and expanding China market.

Facing the strong competition in Japan market, the purchasing orders made by the joint venture company formed with our Japanese partner remained unsteady in the second half of the year and the results of this business had been contracted. Again, because of the decreasing difference in resin prices between North America and that of Asian countries, coupled with the adverse effect of the US subprime mortgage fallout on its economy, the results of the business of the associate company formed with our US partner will still need to be improved in the coming year.

Stock broking

During the year, the stock broking business recorded an operating profit before finance costs of HK\$28.4 million (2006/2007: HK\$17.18 million), representing a high increase of 65.3% over the same period last year.

During the year, this business benefited from the large number of IPOs and the resultant increase in turnover. Hang Seng index closed at 19,800 in April, 2007 and increased to 31,856 in October, 2007. Owing to the uncertainties brought by the macroeconomic measures, US subprime worries, sharp volatility in financial market, the market sentiment of the local stock market was adversely affected. Hang Seng index decreased to 22,849 throughout the period from November, 2007 to the end of March, 2008. Nevertheless, the commission and the interest earned from our margin clients had been substantially increased and operating profit of this business had reached record high during the year.

CHAIRMAN'S STATEMENT

Liquidity and Financial Resources

The Group takes a consistent capital management strategy, providing adequate liquidity to meet the requirement of the Group's developments and operations and monitors its capital on the basis of net debt to equity ratio.

At the year end date, the Group's bank borrowings decreased from HK\$295.89 million of the last year end date to HK\$243.63 million of this year, in which the short term borrowings amounted to HK\$183.81 million (31/3/2007: HK\$247.67 million) and long term borrowings amounted to HK\$59.82 million (31/3/2007: HK\$48.22 million). The Group's current year net debt to equity ratio was 46% (2007: 64%), calculated on the basis of the Group's net borrowings (after bank balances and cash) over Shareholders' funds. The decrease in bank borrowings and the net debt to equity ratio during the year was attributable mainly to the reduction of short term IPO loan borrowed by the clients of our stock brokerage business through us.

To minimize exposure on foreign exchange fluctuations, the Group's borrowings are primarily denominated in Hong Kong dollars and United States dollars. Foreign currency risk exposure on other foreign currencies is normally covered by forward exchange contracts. The Group has no significant exposure to foreign exchange rate fluctuations.

Capital Structure

As at 31st March, 2008, the Group's Shareholders' funds amounted to HK\$504.68 million (2006/2007: HK\$448.91 million). The Group's consolidated net assets per share as at the year end date was HK\$2.5.

Pledge of Assets

Details of pledge of assets are set out in note 38 to the financial statements on page 99.

Contingent Liabilities

Details of contingent liabilities are set out in note 39 to the financial statements on page 100.

Employees

The Group had about 900 employees as at 31st March, 2008. Employees were remunerated according to nature of the job and market trend.

Retirement Scheme

The Group had joined a Mandatory Provident Fund Scheme to conform with the requirements as stipulated in the Mandatory Provident Schemes Ordinance. Details of the scheme are set out in note 35 to the financial statements on page 98.

CHAIRMAN'S STATEMENT

OUTLOOK

Looking ahead in the coming year, apart from greater turbulence due to the fallout from the US subprime predicament, the lackluster US economy is likely to continue to affect the global economy. In the Mainland, economic growth has moderated following its continuing structural reforms and macroeconomic measures. Stubborn inflationary pressure and continued economic uncertainties would remain worrying in the short term. However, in the long term, positive growth trends are expected to continue given the Mainland's good economic fundamentals and huge market potential. On the back of the Mainland's sustained economic growth, Hong Kong's economy will continue to remain steady.

Underpinned by strong rental reversion, the Group expects that the rental income from our leasing properties will be increased in the next year. Besides, owing to the active support in local tourism by both the local and central government, the management looks to the business of Hotel Benito with confidence and optimism.

High volatility in financial market and worries of a recession in both US and Japan plus the threat of an overheating China economy may continue to dampen investment sentiment in the local stock market. We believe that the results of our stock brokerage business in the coming year will become less satisfactory.

Despite the unprecedented operational difficulties in the business of plastics packaging materials, the Group will on the one hand look for new sales networks, in particular, the China market and exploit new products. On the other hand, we will renew machinery and equipment, optimize the production flow, increase production efficiency and rationalize the business structure with an aim to reduce direct production costs.

APPRECIATION

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

Chua Nai Tuen

Chairman

Hong Kong, 18th July, 2008

CORPORATE GOVERNANCE REPORT

(A) CORPORATE GOVERNANCE PRACTICES

During the financial year ended 31st March 2008, all those principles as set out in the Code on Corporate Governance Practices in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) of The Stock Exchange of Hong Kong Limited (the “Code”) were applied by the Company, and the relevant Code provisions were met by the Company, with the exception of two deviations as set out under sections (D) and (E) below. The application of the relevant principles and the reasons for the abovementioned deviations from the Code provisions are stated in the following sections.

(B) DIRECTORS’ SECURITIES TRANSACTIONS

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

(C) BOARD OF DIRECTORS**(i) Composition of the Board, number of Board meetings and Directors’ attendance**

The Board comprises fifteen Directors as at the date of this report. Mr. Se Ying Kin was redesignated from the post of Executive Director to Non-executive Director of the Company on 1st April, 2008. On 15th April, 2008, Mr. Gilson Chua was appointed as an Executive Director and Mr. Nelson Junior Chua and Miss Vivian Chua were appointed as Non-executive Directors of the Company respectively. Biographical details of Directors, relationship among Directors are disclosed in “Directors and Senior Management Profile” of the Annual Report. The Company’s Board has a balance of skills and experience and a balanced composition of executive and non-executive directors. Four full board meetings were held during the year. Senior management executives may, from time to time, be invited to attend the board meetings for making presentation and/or answering any queries that may be raised by the Board. The composition of the Board and attendance of the Directors are set out below:

| Directors | Attendance at Meetings |
|---------------------------------------|-------------------------------|
| <i>Chairman and Managing Director</i> | |
| Mr. Chua Nai Tuen | 4 |
| <i>Deputy Chairman</i> | |
| Mr. Chua Nai King | 4 |
| <i>Executive Director</i> | |
| Mr. Se Ying Kin | 4 |

CORPORATE GOVERNANCE REPORT

| Directors | Attendance at Meetings |
|--|-------------------------------|
| <i>Non-executive Directors</i> | |
| Mr. Chan Man Hon, Eric | 4 |
| Mr. Luis Chua | 1 |
| Mr. Rene Siy Chua | 0 |
| Mr. Jimmy Siy Tiong | 1 |
| Mr. Siy Yap | 1 |
| Mr. Tsai Han Yung | 1 |
| <i>Independent Non-executive Directors</i> | |
| Mr. Chan Siu Ting | 4 |
| Mr. James L. Kwok | 4 |
| Mr. Wong Shek Keung | 2 |

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

(ii) Operation of the Board

The Company is headed by an effective Board which takes decisions objectively in the interests of the Company. The Company's management has closely monitored changes to regulations that affect its corporate affairs and businesses and changes to accounting standards, and adopted an appropriate reporting format in its interim report, annual report and other documents to present a balanced, clear and comprehensible assessment of the Group's performance, position and prospects. Where these changes are pertinent to the Company or Directors' disclosure obligations, the Directors are briefed during Board Meetings to keep them abreast of their responsibilities and of the conduct, business activities and development of the Group. Newly appointed Directors receive information on their legal and other responsibilities as a Director and the role of the Board. The Company has also provided appropriate information in a timely manner to the Directors to enable them to make an informed decision and to discharge their duties and responsibilities as Directors of the Company. Decisions on important matters, including those affecting the Group's strategic policies, major investments and funding decisions are specifically reserved to the Board whereas decisions on the Group's general operations are delegated to the management.

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

CORPORATE GOVERNANCE REPORT

(D) CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

(E) NON-EXECUTIVE DIRECTORS

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

(F) REMUNERATION OF DIRECTORS

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

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

| Members | Attendance at Meeting |
|---------------------------------------|------------------------------|
| Mr. James L. Kwok (<i>Chairman</i>) | 1 |
| Mr. Chan Man Hon, Eric | 1 |
| Mr. Wong Shek Keung | 0 |

CORPORATE GOVERNANCE REPORT

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

(G) NOMINATION OF DIRECTORS

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

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

(H) AUDITORS' REMUNERATION

The fees in relation to the audit and non-audit services provided by external auditors of the Company for the financial year ended 31st March, 2008 amounted to HK\$735,138 and HK\$100,000 respectively.

(I) AUDIT COMMITTEE

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

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

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

| Members | Attendance at Meeting |
|---------------------------------------|------------------------------|
| Mr. Chan Siu Ting (<i>Chairman</i>) | 4 |
| Mr. Chan Man Hon, Eric | 3 |
| Mr. James L. Kwok | 3 |
| Mr. Tsai Han Yung | 1 |
| Mr. Wong Shek Keung | 2 |

CORPORATE GOVERNANCE REPORT

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

- (i) to make recommendations to the Board on the appointment, reappointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of that auditors;
- (ii) to review and monitor the external auditors’ independence and objectivity and the effectiveness of the audit process in accordance with applicable standard. The audit committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
- (iii) To review the Company’s annual report and accounts, half-year report and quarterly reports before submission to the Board, the committee should focus particularly on:
 - (a) any changes in accounting policies and practices;
 - (b) major judgmental areas;
 - (c) significant adjustments resulting from audit;
 - (d) the going concern assumptions and any qualifications;
 - (e) compliance with accounting standards; and
 - (f) compliance with the Listing Rules and other legal requirements in relation to financial reporting;
- (iv) to discuss problems and reservations arising from the audits, and any matters the external auditor may wish to discuss; and
- (v) to review the audit programme, and ensure co-ordination with external auditors, of the internal audit function.

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

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

CORPORATE GOVERNANCE REPORT

(J) DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors are responsible for overseeing the preparation of accounts for the financial year ended 31st March, 2008, which give a true and fair view of the affairs and results of the Company and of the Group and in compliance with requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules.

In preparing the accounts for the financial year ended 31st March, 2008:

- (i) appropriate accounting policies are selected, applied consistently and in accordance with the Hong Kong Financial Reporting Standards;
- (ii) prudent and reasonable judgments and estimates are made; and
- (iii) the reasons for any significant departure from applicable accounting standards are stated, if applicable.

(K) REVIEW OF INTERNAL CONTROL

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

A review of the effectiveness of the Group's internal control system and procedures covering all controls, including financial, operational and compliance and risk management, was conducted by the Audit Committee and subsequently reported to the Board during the year. Based on the result of the review, in respect of the year ended 31st March, 2008, the Directors considered that the internal control system and procedures of the Group were effective and adequate.

Chua Nai Tuen

Chairman and Managing Director

Hong Kong, 18th July, 2008

REPORT OF THE DIRECTORS

The Directors submit their report and the audited financial statements for the year ended 31st March, 2008.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and property investment and those of its subsidiaries are shown in note 42 to the financial statements on pages 102 to 103.

Further information on the segmental details is provided in note 5 of the financial statements on pages 69 to 70.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31st March, 2008 are set out in note 42 to the financial statements on pages 102 to 103.

RESULTS & APPROPRIATIONS

The results of the Group for the year ended 31st March, 2008 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 27 to 105.

DIVIDENDS

No interim dividend was paid during the year. The Directors have recommended for adoption at the Annual General Meeting to be held on Friday, 29th August, 2008 the payment of a final dividend of 3.5 cents per share in respect of the financial year ended 31st March, 2008 on 5th September 2008 to Shareholders on record as at 29th August, 2008. This recommendation has been disclosed in the financial statements.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 108.

RESERVES

Movements in reserves during the year are set out in note 32 to the financial statements on pages 94 and 95.

REPORT OF THE DIRECTORS

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment during the year are set out in note 16 to the financial statements on pages 80 to 82.

BANK LOANS AND OVERDRAFTS

Particulars of all bank loans and overdrafts of the Group at 31st March, 2008 repayable on demand or within a period not exceeding one year and those which fall due for repayment after a period of one year are set out in note 28 to the financial statements on page 90.

MAJOR CUSTOMERS AND SUPPLIERS

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

| | |
|--|-----|
| Percentage of purchases attributable to the Group's largest supplier | 27% |
| Percentage of purchases attributable to the Group's five largest suppliers | 64% |
| Percentage of sales attributable to the Group's largest customer | 15% |
| Percentage of sales attributable to the Group's five largest customers | 38% |

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

REPORT OF THE DIRECTORS

DIRECTORS

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

Executive Directors:

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

Non-executive Directors:

Mr. Chan Man Hon, Eric
 Mr. Luis Chua
 Mr. Nelson Junior Chua*
 Mr. Rene Siy Chua
 Miss Vivian Chua*
 Mr. Se Ying Kin**
 Mr. Jimmy Siy Tiong
 Mr. Siy Yap
 Mr. Tsai Han Yung

Independent Non-executive Directors:

Mr. Chan Siu Ting
 Mr. James L. Kwok
 Mr. Wong Shek Keung

* Appointed on 15th April, 2008

** Redesignated from the post of Executive Director to Non-executive Director on 1st April, 2008.

In accordance with Article 107(A) of the Company's Articles of Association, Messrs. Chua Nai Tuen, Jimmy Siy Tiong, Chan Man Hon, Eric and Wong Shek Keung shall retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election. In accordance with Article 98 of the Company's Articles of Association, Mr. Gilson Chua, Mr. Nelson Junior Chua and Miss Vivian Chua shall also retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

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

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

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 31st March, 2008, Directors of the Company had the following beneficial interests, all being long positions, in the share capitals of the Company, the subsidiaries and associate companies of the Company:

| | Number of shares held | | | | % of the Issued Share Capital |
|---|-----------------------|------------------|--------------------------|---------------------------|-------------------------------|
| | Personal Interests | Family Interests | Corporate Interests | Other Interests | |
| (a) The Company | | | | | |
| (Ordinary shares of HK\$1.00 per share) | | | | | |
| Chua Nai Tuen | 2,002,475 | – | 76,735,495 (Note (i)) | – | 39.84 |
| Chua Nai King | 6,941,593 | – | 2,558,514 (Note (i)) | 15,373,050 (Note (ii)) | 12.58 |
| Se Ying Kin | 54,903 | 5,655,085 | – | – | 2.89 |
| Siy Yap | 990,018 | 847,000 | – | – | 0.93 |
| Jimmy Siy Tiong | 6,390,796 | – | – | – | 3.23 |
| Luis Chua | 8,696,754 | – | – | – | 4.40 |
| Rene Siy Chua | 8,696,754 | 2,000 | – | – | 4.40 |
| Tsai Han Yung | 4,512,754 | – | – | – | 2.28 |
| (b) Nan Sing Plastics Limited | | | | | |
| (Ordinary shares of HK\$100.00 each) | | | | | |
| Chua Nai Tuen | – | 6,965 | – | – | 4.64 |
| (c) Titan Dragon Properties Corporation | | | | | |
| (Capital stock of Philippines Peso 1,000.00 each) | | | | | |
| Chua Nai Tuen | 4,000 | 13,600 | 4,000 (Note (i)) | – | 27.00 |
| Rene Siy Chua | 3,200 | – | – | – | 4.00 |

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

(ii) The shares regarding 'Other Interests' against the name of Mr. Chua Nai King represented an interest comprised in trust properties in which Mr. Chua was taken, under provisions in Part XV of the SFO which are applicable to a director or chief executive of a listed company, to be interested.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN SHARE CAPITAL (Cont'd)

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

- (a) there were no interests, both long and short positions, held as at 31st March, 2008 by any of the Directors or Chief Executive of the Company in shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), and
- (b) there existed during the financial year no rights to subscribe for shares, underlying shares or debentures of the Company which were held by any of the Directors or Chief Executive of the Company or any of their spouses or children under 18 years of age nor had there been any exercises during the financial year of any such rights by any of them.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

Given below are the names of all parties, other than persons who are Directors of the Company, which were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital of the Company and the respective relevant numbers of shares in which they were, and/or were deemed to be, interested as at 31st March, 2008 as recorded in the register kept by the Company under section 336 of the SFO:

| | No. of Ordinary Shares held | % of the Issued Share Capital |
|--|--|--|
| J & N International Limited ("J & N") | 48,306,189 | 24.44 |
| Sonliet Investment Company Limited ("Sonliet") | 28,429,306 | 14.38 |
| HSBC International Trustee Limited ("HSBC") | 15,373,050 | 7.77 |

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

All the interests stated above represented long positions and as at 31st March, 2008, there were no short positions recorded in the said register.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN CONTRACTS

During the year, consultancy fees of HK\$3,309,323 were paid by the Group to Sonliet Investment Company Limited (“Sonliet”), Rolling Development Limited (“Rolling”), Tonwell Investment Company (Hong Kong) Limited (“Tonwell”) and Holytex Investment Company Limited (“Holytex”) of which Mr. Chua Nai Tuen was the director of Sonliet, Mr. Chua Nai King was the director of Rolling and Tonwell respectively and Mr. Se Ying Kin was the manager of Holytex. The consultancy fees are part of the aforesaid directors’ remuneration and have been disclosed in note 11 to the financial statements on pages 75 to 77.

A tenancy agreement was made on normal commercial terms during the year in connection with the leasing of a premises owned by a company controlled by Mr. Chua Nai Tuen to the Company’s subsidiary at an annual rent of HK\$696,000 for the operation of plastic bags business. Furthermore, an unsecured financial assistance was made by a company in which Mr. Chua Nai Tuen had controlling interest to the Company on normal commercial terms. Details of which are set out in note 27 to the financial statements on page 89.

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

MANAGEMENT CONTRACTS

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

PURCHASE, SALE OR REDEMPTION OF SHARES

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

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors as at the date of this report, the Company has maintained the prescribed public float under the Listing Rules throughout the year ended 31st March, 2008.

REPORT OF THE DIRECTORS

AUDITORS

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

On behalf of the Board

Chua Nai Tuen

Managing Director

Hong Kong, 18th July, 2008

REPORT OF THE INDEPENDENT AUDITOR

**To the shareholders of
Southeast Asia Properties & Finance Limited**
(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Southeast Asia Properties & Finance Limited (the “Company”) set out on pages 27 to 105, which comprise the consolidated and company balance sheets as at 31st 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 FINANCIAL STATEMENTS

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

AUDITOR’S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of the report.

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

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

REPORT OF THE INDEPENDENT AUDITOR

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

OPINION

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

K.L. Young & Company

Certified Public Accountants

Hong Kong, 18th July, 2008

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2008

| | <i>Notes</i> | 2008 HK\$ | 2007 HK\$ (Restated) |
|--|--------------|----------------------|----------------------------|
| TURNOVER | 6 | 402,458,138 | 340,807,836 |
| COST OF SALES | | (316,642,675) | (263,133,587) |
| GROSS PROFIT | | 85,815,463 | 77,674,249 |
| OTHER REVENUES | 7 | 19,100,132 | 17,636,430 |
| FAIR VALUE CHANGES ON INVESTMENT PROPERTIES | | 27,025,561 | 27,696,798 |
| DISTRIBUTION EXPENSES | | (14,510,746) | (14,059,077) |
| ADMINISTRATIVE EXPENSES | | (51,030,870) | (47,830,517) |
| OTHER OPERATING EXPENSES | | (4,040,333) | (1,919,755) |
| PROFIT FROM OPERATIONS | 8 | 62,359,207 | 59,198,128 |
| FINANCE COSTS | 9 | (16,859,954) | (13,324,695) |
| SHARE OF PROFIT OF ASSOCIATES | | 532,373 | 220,593 |
| PROFIT BEFORE TAXATION | | 46,031,626 | 46,094,026 |
| TAXATION | 10 | (10,469,041) | (8,753,416) |
| PROFIT FOR THE YEAR | | 35,562,585 | 37,340,610 |
| PROFIT (LOSS) ATTRIBUTABLE TO: | | | |
| SHAREHOLDERS OF THE COMPANY | 12 | 35,838,669 | 36,502,978 |
| MINORITY INTEREST | | (276,084) | 837,632 |
| | | 35,562,585 | 37,340,610 |
| PROPOSED DIVIDENDS | 13 | 6,917,873 | 5,929,605 |
| EARNINGS PER SHARE | 14 | 18.1 cents | 18.5 cents |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2008

| | PROPERTY | | EXCHANGE RESERVE | RETAINED PROFITS | PROPOSED DIVIDEND | MINORITY INTERESTS | AVAILABLE- FOR-SALE SECURITIES | TOTAL |
|---|--------------------|------------------------|---------------------|---------------------|----------------------|-----------------------|--------------------------------------|--------------------|
| | SHARE CAPITAL | REVALUATION RESERVE | | | | | REVALUATION RESERVE | |
| | HK\$ | HK\$ | | | | | HK\$ | |
| AT 1 APRIL 2007, AS RESTATED | 197,653,500 | 2,555,496 | 13,185,121 | 229,584,193 | 5,929,605 | 15,567,920 | - | 464,475,835 |
| 2007 FINAL DIVIDENDS PAYMENT | - | - | - | - | (5,929,605) | - | - | (5,929,605) |
| EXCHANGE DIFFERENCE ARISING FROM CONSOLIDATION | - | - | 25,758,252 | - | - | 41,838 | - | 25,800,090 |
| SHARE OF RESERVES IN ASSOCIATES | - | - | 150,996 | - | - | - | - | 150,996 |
| CHANGE IN FAIR VALUE | - | - | - | - | - | - | (43,246) | (43,246) |
| PROFIT (LOSS) FOR THE YEAR | - | - | - | 35,838,669 | - | (276,084) | - | 35,562,585 |
| DIVIDEND PAID TO MINORITY INTERESTS | - | - | - | - | - | (1,335,493) | - | (1,335,493) |
| PROPOSED DIVIDENDS | - | - | - | (6,917,873) | 6,917,873 | - | - | - |
| AT 31 MARCH 2008 | 197,653,500 | 2,555,496 | 39,094,369 | 258,504,989 | 6,917,873 | 13,998,181 | (43,246) | 518,681,162 |
| AT 1 APRIL 2006, AS PREVIOUSLY REPORTED | 197,653,500 | 2,555,496 | 2,388,610 | 184,108,031 | 5,929,605 | 14,727,113 | - | 407,362,355 |
| PRIOR YEAR ADJUSTMENT | - | - | - | 14,902,790 | - | - | - | 14,902,790 |
| AT 1 APRIL 2006, AS RESTATED | 197,653,500 | 2,555,496 | 2,388,610 | 199,010,821 | 5,929,605 | 14,727,113 | - | 422,265,145 |
| 2006 FINAL DIVIDENDS PAYMENT | - | - | - | - | (5,929,605) | - | - | (5,929,605) |
| EXCHANGE DIFFERENCE ARISING FROM CONSOLIDATION | - | - | 10,735,504 | - | - | 3,175 | - | 10,738,679 |
| SHARE OF RESERVES IN ASSOCIATES | - | - | 61,007 | - | - | - | - | 61,007 |
| PROFIT FOR THE YEAR, AS RESTATED | - | - | - | 36,502,977 | - | 837,632 | - | 37,340,609 |
| PROPOSED DIVIDENDS | - | - | - | (5,929,605) | 5,929,605 | - | - | - |
| AT 31 MARCH 2007, AS RESTATED | 197,653,500 | 2,555,496 | 13,185,121 | 229,584,193 | 5,929,605 | 15,567,920 | - | 464,475,835 |

CONSOLIDATED BALANCE SHEET

As at 31st March, 2008

| | <i>Notes</i> | 2008 HK\$ | 2007 HK\$ (Restated) |
|---|--------------|----------------------------|----------------------------|
| NON-CURRENT ASSETS | | | |
| INVESTMENT PROPERTIES | 15 | 296,314,744 | 269,289,183 |
| PROPERTY, PLANT & EQUIPMENT | 16 | 193,659,841 | 178,099,502 |
| LEASEHOLD LAND AND LAND USE RIGHTS | 17 | 44,678,134 | 47,476,510 |
| INTERESTS IN ASSOCIATES | 19 | 70,612,548 | 56,863,464 |
| AVAILABLE-FOR-SALE FINANCIAL ASSETS | 20 | 22,909,711 | 8,546,989 |
| INTANGIBLE ASSETS | 21 | 3,702,706 | 2,702,706 |
| OTHER ASSETS | | 1,200,000 | 800,000 |
| | | 633,077,684 | 563,778,354 |
| CURRENT ASSETS | | | |
| INVENTORIES | 22 | 81,535,208 | 71,136,631 |
| TRADING PROPERTIES | | 440,765 | 440,765 |
| TRADE AND OTHER RECEIVABLES | 23 | 898,096,929 | 442,987,683 |
| FINANCIAL ASSETS AT FAIR VALUE THROUGH INCOME STATEMENT | 24 | 14,189,024 | 13,673,227 |
| DEPOSITS AND PREPAYMENTS | | 1,989,233 | 3,351,190 |
| TAX PREPAID | | 526,209 | 89,239 |
| TIME DEPOSITS | 25 | 7,880,000 | 9,858,153 |
| TRUST ACCOUNTS OF SHARES DEALING CLIENTS | | 97,849,674 | 24,612,160 |
| CASH AND BANK BALANCES | | 13,316,746 | 6,873,174 |
| | | 1,115,823,788 | 573,022,222 |
| CURRENT LIABILITIES | | | |
| TRADE AND OTHER PAYABLES | 26 | 937,161,386 | 334,647,897 |
| AMOUNTS DUE TO RELATED COMPANY | 27 | 12,776,240 | 15,797,669 |
| BANK LOANS AND OVERDRAFTS | 28 | 183,809,849 | 247,667,460 |
| AMOUNTS DUE TO ASSOCIATES | | 451,046 | 1,028,087 |
| FINANCIAL LIABILITIES AT FAIR VALUE THROUGH INCOME STATEMENT | 29 | 4,427,756 | – |
| TAXATION | | 2,857,378 | 1,000,761 |
| | | 1,141,483,655 | 600,141,874 |
| NET CURRENT LIABILITIES | | (25,659,867) | (27,119,652) |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 607,417,817 | 536,658,702 |

CONSOLIDATED BALANCE SHEET

As at 31st March, 2008

| | <i>Notes</i> | 2008 HK\$ | 2007 HK\$ (Restated) |
|--------------------------------|--------------|---------------------------|----------------------------|
| NON-CURRENT LIABILITIES | | | |
| LONG TERM BORROWINGS | 28 | 59,824,800 | 48,224,887 |
| DEFERRED TAXATION | 30 | 28,911,855 | 23,957,979 |
| | | <u>88,736,655</u> | <u>72,182,866</u> |
| | | <u>518,681,162</u> | <u>464,475,836</u> |
| CAPITAL AND RESERVES | | | |
| SHARE CAPITAL | 31 | 197,653,500 | 197,653,500 |
| RESERVES | 32 | 300,111,608 | 245,324,811 |
| PROPOSED DIVIDENDS | | 6,917,873 | 5,929,605 |
| | | <u>504,682,981</u> | <u>448,907,916</u> |
| SHAREHOLDERS' FUNDS | | 504,682,981 | 448,907,916 |
| MINORITY INTERESTS | | <u>13,998,181</u> | <u>15,567,920</u> |
| TOTAL EQUITY | | <u>518,681,162</u> | <u>464,475,836</u> |

CHUA NAI TUEN
DIRECTOR

CHUA NAI KING
DIRECTOR

The accompanying note on pages 35 to 105 form an integral part of the financial statements.

COMPANY BALANCE SHEET

As at 31st March, 2008

| | <i>Notes</i> | 2008 HK\$ | 2007 HK\$ |
|--|--------------|----------------------------|--------------|
| NON-CURRENT ASSETS | | | |
| INVESTMENT PROPERTIES | 15 | 1,241,744 | 909,183 |
| PROPERTY, PLANT & EQUIPMENT | 16 | 1,233,261 | 1,564,556 |
| INTERESTS IN SUBSIDIARIES | 18 | 263,933,172 | 268,089,722 |
| INTERESTS IN ASSOCIATES | 19 | 23,789,754 | 22,231,554 |
| AVAILABLE-FOR-SALE FINANCIAL ASSETS | 20 | 6,475,889 | 6,475,889 |
| | | 296,673,820 | 299,270,904 |
| CURRENT ASSETS | | | |
| TRADE AND OTHER RECEIVABLES | | 81,563 | 87,818 |
| DEPOSITS AND PREPAYMENTS | | 648,699 | 542,501 |
| PROFITS TAX PREPAID | | – | 73,022 |
| CASH AND BANK BALANCES | | 741,293 | 861,202 |
| | | 1,471,555 | 1,564,543 |
| CURRENT LIABILITIES | | | |
| TRADE AND OTHER PAYABLES | | 5,023,665 | 4,328,356 |
| AMOUNTS DUE TO RELATED COMPANY | 27 | 12,776,240 | 15,797,669 |
| BANK LOANS AND OVERDRAFTS | 28 | 12,400,540 | 2,743,523 |
| AMOUNTS DUE TO ASSOCIATES | | 451,046 | 1,028,087 |
| AMOUNTS DUE TO SUBSIDIARIES | | 8,742,411 | 12,414,089 |
| | | 39,393,902 | 36,311,724 |
| NET CURRENT LIABILITIES | | (37,922,347) | (34,747,181) |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 258,751,473 | 264,523,723 |

COMPANY BALANCE SHEET

As at 31st March, 2008

| | <i>Notes</i> | 2008 HK\$ | 2007 HK\$ |
|--------------------------------|--------------|---------------------------|--------------------|
| NON-CURRENT LIABILITIES | | | |
| LONG TERM BORROWINGS | 28 | 2,200,000 | 4,600,000 |
| DEFERRED TAX LIABILITIES | 30 | – | 200,045 |
| | | <u>2,200,000</u> | <u>4,800,045</u> |
| | | <u>256,551,473</u> | <u>259,723,678</u> |
| CAPITAL AND RESERVES | | | |
| SHARE CAPITAL | 31 | 197,653,500 | 197,653,500 |
| RESERVES | 32 | 51,980,100 | 56,140,573 |
| PROPOSED DIVIDENDS | | <u>6,917,873</u> | <u>5,929,605</u> |
| SHAREHOLDERS' FUNDS | | <u>256,551,473</u> | <u>259,723,678</u> |

CHUA NAI TUEN
DIRECTOR

CHUA NAI KING
DIRECTOR

The accompanying note on pages 35 to 105 form an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st March, 2008

| | <i>Notes</i> | 2008 HK\$ | 2007 HK\$ |
|---|--------------|----------------------------|--------------|
| CASH INFLOW (OUTFLOW) FROM OPERATIONS | | | |
| | 34 | 98,134,702 | (50,594,083) |
| Interest received | | 12,362,847 | 7,949,164 |
| Interest paid | | (16,224,892) | (12,437,987) |
| Dividend paid | | (5,536,080) | (5,634,495) |
| Profits tax refunded | | 89,239 | 172,471 |
| Profits tax paid | | (4,184,758) | (4,472,981) |
| | | <hr/> | <hr/> |
| NET CASH INFLOW (OUTFLOW) FROM OPERATIONS | | 84,641,058 | (65,017,911) |
| | | <hr/> | <hr/> |
| INVESTING ACTIVITIES | | | |
| Purchase of property, plant & equipment | | (19,471,125) | (36,527,518) |
| Proceeds from disposal of property, plant & equipment | | 1,844,388 | 55,082 |
| Dividends received from financial assets at fair value through income statement | | 1,589,989 | 317,166 |
| Loans to associates | | (5,272,847) | (2,721,199) |
| Proceeds from sale of land use rights | | 8,253,968 | 3,601,474 |
| Payment for acquiring intangible assets | | (1,000,000) | (420,000) |
| Increase of other assets | | (400,000) | (150,000) |
| Purchase of available-for-sale financial assets | | (13,854,272) | (2,071,100) |
| Purchase of financial assets at fair value through income statement | | (7,038,748) | (11,902,718) |
| Proceeds from sales of financial assets at fair value through income statement | | 7,373,317 | 11,508,653 |
| | | <hr/> | <hr/> |
| NET CASH OUTFLOW FROM INVESTING ACTIVITIES | | (27,975,330) | (38,310,160) |
| | | <hr/> | <hr/> |

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st March, 2008

| <i>Notes</i> | 2008 HK\$ | 2007 HK\$ |
|--|----------------------------|-----------------|
| FINANCING | | |
| New bank loans | 3,840,154,478 | 1,234,246,951 |
| Repayment of bank loans | (3,891,603,443) | (1,135,981,360) |
| Other finance cost paid | (797,552) | (867,216) |
| (Decrease) Increase in advance from associates | (577,041) | 499,162 |
| | <hr/> | <hr/> |
| NET CASH (OUTFLOW) INFLOW FROM FINANCING | (52,823,558) | 97,897,537 |
| | <hr/> | <hr/> |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 3,842,170 | (5,430,534) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | 1,831,414 | 6,361,550 |
| EFFECT OF FOREIGN EXCHANGE RATE CHANGES | 3,410,135 | 900,398 |
| | <hr/> | <hr/> |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | 9,083,719 | 1,831,414 |
| | <hr/> <hr/> | <hr/> <hr/> |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | |
| CASH AND BANK BALANCE | 13,316,746 | 6,873,174 |
| BANK OVERDRAFTS | (4,233,027) | (5,041,760) |
| | <hr/> | <hr/> |
| | 9,083,719 | 1,831,414 |
| | <hr/> <hr/> | <hr/> <hr/> |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

I. GENERAL INFORMATION

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) which is a collective term that includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”), and Interpretations (“Ints”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and applicable disclosure provisions of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The consolidated financial statements have been prepared on historical cost basis, except for certain properties and financial instruments, which are measured at fair values.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

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

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

In the current year, the Group and the Company have adopted for the first time all new standards, amendments to standards and interpretations (new/revised HKFRSs) issued by the HKICPA that are effective for the accounting period on or after 1st January 2007.

The adoption of the new/revised HKFRSs did not have a material impact 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.

However, in compliance with HKFRS 7 “Financial instruments: Disclosures” and the amendment to HKAS 1 “Presentation of financial statements: Capital disclosures”, there have been some additional disclosures provided as follows:

As a result of the adoption of HKFRS 7 the financial statements include expanded disclosure about the significance of the Group’s financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32 “Financial instruments: Disclosure and presentation”. These disclosures are provided throughout these financial statements, in particular in note 3 on page 56-67.

The amendment to HKAS 1 requires additional disclosure about the level of capital and the Group’s objectives, policies and processes for managing capital. These new disclosures are set out in note 33 on page 95-96.

Both HKFRS 7 and the amendment to HKAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

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

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

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

| | |
|---------------------|---|
| HKAS 1 (Revised) | Presentation of financial statements ¹ |
| HKAS 23 (Revised) | Borrowing Costs ¹ |
| HKAS 27 (Revised) | Consolidated and Separate Financial Statements ² |
| HKFRS 3 (Revised) | Business Combination ² |
| HKFRS 8 | Operating Segments ¹ |
| HK (IFRIC) – Int 13 | Customer Loyalty Programmes ³ |

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

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

³ Effective for annual periods beginning on or after 1st July 2008

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

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

2.4 Consolidation

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

(a) *Subsidiaries*

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

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

2.4 Consolidation (Cont'd)

(b) Associates

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

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

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

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

2.5 Segment reporting

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

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

2.5 Segment reporting (Cont'd)

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

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

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

2.6 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in HK dollars, which is the Company's functional and presentation currency.

(b) *Transactions and balances*

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

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

2.6 Foreign currency translation (Cont'd)

(c) *Group companies*

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

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) all resulting exchange differences are recognised as a separate component of equity.

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

2.7 Property, plant and equipment

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

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

2.7 Property, plant and equipment (Cont'd)

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

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

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

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

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

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

2.8 Leasehold land and land use rights

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

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

2.9 Intangible assets

(a) *Goodwill*

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

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

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

(b) *Trading rights*

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

(c) *Membership*

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

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

2.10 Investment properties

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

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

2.11 Impairment of non-financial assets

i. Impairment of investments in equity securities and other receivables

Investment in equity securities (other than investments in subsidiaries, associates and jointly controlled entities) and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale financial assets are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised as follows:

- For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the finance asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses arising on equity securities are not reversed (including those provided during the interim financial reporting).
- For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets) where the effect of discounting is material.

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

- For available-for-sale financial assets, the cumulative loss that has been recognised directly in equity is removed from equity and is recognised in the consolidated income statement. The amount of the cumulative loss that is recognised in the consolidated income statement is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in the consolidated income statement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

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

2.11 Impairment of non-financial assets (Cont'd)

i. Impairment of investments in equity securities and other receivables (Cont'd)

Impairment losses recognised in the consolidated income statement in respect of available-for-sale equity investments are not reversed through the consolidated income statement. Any subsequent increase in the fair value of such assets is recognised directly in available-for-sale securities revaluation reserves in equity.

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

ii. Impairment of other assets

The carrying amounts of non-current assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount is estimated.

– Recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

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

2.11 Impairment of non-financial assets (Cont'd)

ii. *Impairment of other assets (Cont'd)*

– Recognition of impairment losses

An impairment loss is recognised as an expense in the consolidated income statement whenever the carrying amount exceeds the recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on pro rata basis except that the carrying value of an asset will be reduced below its individual fair value less costs sell, or value in use, if determinable.

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed (including those provided during the interim financial reporting).

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

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

2.12 Financial assets

Other assets, trade and other receivables, deposits and prepayments, time deposits, trust accounts of shares dealing clients, and cash and bank balances are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment loss of bad and doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment loss of bad and doubtful debts.

Investments in equity securities are initially stated at cost, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variable include only data from observable markets. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as trading securities. Any attributable transaction costs are recognised in the consolidated income statement as incurred. At each balance sheet date the fair value is re-measured, with any resultant gain or loss being recognised in the consolidated income statement.

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are classified as available-for-sale financial assets and recognised in the balance sheet at cost less impairment losses.

Investments in securities which do not fall into any of the above categories are classified as available-for-sale financial assets and recognised at fair value at each balance sheet date, with any resultant gain or loss being recognised directly in the available-for-sale securities revaluation reserve in equity, except foreign exchange gains or losses resulting from changes in the amortised cost of monetary items which are recognised directly in the consolidated income statement. When these investments are derecognised or impaired, the cumulative gain or loss previously recognised directly in the available-for-sale securities revaluation reserve in equity is recognised in the consolidated income statement.

Investments in equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

The accounting policy for forward exchange contracts is outlined in note 2.26.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

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

2.13 Trading properties

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

2.14 Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises direct materials, direct labour cost and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less further costs expected to completion and costs to be incurred in selling and distribution.

2.15 Income Tax

- i. Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the consolidated income statement except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.
- ii. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.
- iii. Deferred tax assets and liabilities arise from deductible and taxable temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax bases respectively. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may be capable to support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences. However, the taxable temporary differences to be reversed should be related to the same taxing authority and the same taxing entity from which the deductible temporary differences arise.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

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

2.15 Income Tax (Cont'd)

iii. (Cont'd)

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit provided that they are not part of a business combination.

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

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

- iv. Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if, the Group has the legally enforceable right to set off current tax assets against current tax liabilities.

2.16 Employee benefits

(a) *Discretionary bonus*

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

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

2.16 Employee benefits (Cont'd)

(b) Retirement benefit costs

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

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

2.17 Provisions

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

2.18 Contingent liabilities

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

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

2.19 Recognition of revenue

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

2.20 Capitalisation of borrowing costs

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

2.21 Operating leases

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

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

2.22 Dividends

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

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

2.23 Financial guarantees issued

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

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note (2.17) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortization.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

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

2.24 Cash and cash equivalents

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

2.25 Financial liabilities

Trade and other payables, amounts due to related company and amounts due to associates are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

Interest-bearing borrowings are initially recognised at fair value less transaction costs. Subsequent to initial recognition, the interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in the consolidated income statement over the period of the borrowings together with any interest and fees payable using the effective interest method.

The accounting policy for equity accumulators is outlined in note 2.27.

2.26 Forward exchange contracts

Forward exchange contracts are recognised initially at fair value. When the forward exchange contracts are exercised, relevant gain or loss is immediately charged to income statement in the period in which they arise. At each balance sheet date the fair value is re-measured. Forward exchange contracts are carried as financial assets at fair value through income statement when the fair value is positive and as financial liabilities at fair value through income statement when the fair value is negative.

Any gain or loss from change in fair value is recognised directly to income statement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

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

2.27 Equity Accumulators

Equity Accumulators are recognised initially at fair value on the date on which the contracts are entered into and are subsequently re-measured at their fair value at each balance sheet date. Equity Accumulators are carried as financial assets at fair value through income statement when the fair values are positive and as financial liabilities at fair value through income statement when the fair values are negative.

Any gains or losses arising from changes in fair value are recognised directly in income statement.

2.28 Related parties

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

3. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group's financial assets are classified in the following categories:

| Group | Loans and | Available-for- | Fair value | Total |
|---|----------------------|-------------------|-------------------|----------------------|
| | receivables | sale financial | through profit | |
| | HK\$ | assets | or loss (held | HK\$ |
| | | HK\$ | for trading) | HK\$ |
| 2008 | | | | |
| Available-for-sale financial assets | – | 22,909,711 | – | 22,909,711 |
| Other assets | 1,200,000 | – | – | 1,200,000 |
| Trade and other receivables | 898,096,929 | – | – | 898,096,929 |
| Financial assets at fair value through income statement | – | – | 14,189,024 | 14,189,024 |
| Deposits and prepayments | 1,989,233 | – | – | 1,989,233 |
| Time Deposits | 7,880,000 | – | – | 7,880,000 |
| Trust accounts of shares dealing clients | 97,849,674 | – | – | 97,849,674 |
| Cash and Bank Balances | 13,316,746 | – | – | 13,316,746 |
| | <u>1,020,332,582</u> | <u>22,909,711</u> | <u>14,189,024</u> | <u>1,057,431,317</u> |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

3. FINANCIAL INSTRUMENTS (Cont'd)**Financial risk management objectives and policies (Cont'd)**

The Group's financial assets are classified in the following categories:

| Group | Loans and receivables HK\$ | Available-for- sale financial assets HK\$ | Fair value through profit or loss (held for trading) HK\$ | Total HK\$ |
|--|----------------------------------|--|---|--------------------|
| 2007 | | | | |
| Available-for-sale financial assets | – | 8,546,989 | – | 8,546,989 |
| Other assets | 800,000 | – | – | 800,000 |
| Trade and other receivables | 442,987,683 | – | – | 442,987,683 |
| Financial assets at fair value through income statement | – | – | 13,673,227 | 13,673,227 |
| Deposits and prepayments | 3,351,190 | – | – | 3,351,190 |
| Time Deposits | 9,858,153 | – | – | 9,858,153 |
| Trust accounts of shares dealing clients | 24,612,160 | – | – | 24,612,160 |
| Cash and Bank Balances | 6,873,174 | – | – | 6,873,174 |
| | <u>488,482,360</u> | <u>8,546,989</u> | <u>13,673,227</u> | <u>510,702,576</u> |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

3. FINANCIAL INSTRUMENTS (Cont'd)**Financial risk management objectives and policies (Cont'd)**

The Company's financial assets are classified in the following categories:

| Company | Loans and receivables HK\$ | Available-for- sale financial assets HK\$ | Fair value through profit or loss (held for trading) HK\$ | Total HK\$ |
|-------------------------------------|----------------------------------|--|---|------------------|
| 2008 | | | | |
| Available-for-sale financial assets | – | 6,475,889 | – | 6,475,889 |
| Trade and other receivables | 81,563 | – | – | 81,563 |
| Deposits and prepayments | 648,699 | – | – | 648,699 |
| Cash and Bank Balances | 741,293 | – | – | 741,293 |
| | <u>1,471,555</u> | <u>6,475,889</u> | <u>–</u> | <u>7,947,444</u> |
| 2007 | | | | |
| Available-for-sale financial assets | – | 6,475,889 | – | 6,475,889 |
| Trade and other receivables | 87,818 | – | – | 87,818 |
| Deposits and prepayments | 542,501 | – | – | 542,501 |
| Cash and Bank Balances | 861,202 | – | – | 861,202 |
| | <u>1,491,521</u> | <u>6,475,889</u> | <u>–</u> | <u>7,967,410</u> |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

3. FINANCIAL INSTRUMENTS (Cont'd)**Financial risk management objectives and policies (Cont'd)**

The Group's financial liabilities are classified in the following categories:

| Group | Financial liabilities at amortised cost HK\$ | Fair value through profit or loss (held for trading) HK\$ | Total HK\$ |
|--|---|--|----------------------|
| 2008 | | | |
| Trade and other payables | 937,161,386 | – | 937,161,386 |
| Amounts due to related company | 12,776,240 | – | 12,776,240 |
| Amounts due to associates | 451,046 | – | 451,046 |
| Borrowings | 243,634,649 | – | 243,634,649 |
| Financial liabilities at fair value through income statement | – | 4,427,756 | 4,427,756 |
| | <u>1,194,023,321</u> | <u>4,427,756</u> | <u>1,198,451,077</u> |
| 2007 | | | |
| Trade and other payables | 334,647,897 | – | 334,647,897 |
| Amounts due to related company | 15,797,669 | – | 15,797,669 |
| Amounts due to associates | 1,028,087 | – | 1,028,087 |
| Borrowings | 295,892,347 | – | 295,892,347 |
| | <u>647,366,000</u> | <u>–</u> | <u>647,366,000</u> |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

3. FINANCIAL INSTRUMENTS (Cont'd)**Financial risk management objectives and policies (Cont'd)**

The Company's financial assets are classified in the following categories:

| Company | Financial liabilities at amortised cost HK\$ | Fair value through profit or loss (held for trading) HK\$ | Total HK\$ |
|--------------------------------|---|--|-------------------|
| 2008 | | | |
| Trade and other payables | 5,023,665 | – | 5,023,665 |
| Amounts due to related company | 12,776,240 | – | 12,776,240 |
| Amounts due to associates | 451,046 | – | 451,046 |
| Amounts due to subsidiaries | 8,742,411 | – | 8,742,411 |
| Borrowings | 14,600,540 | – | 14,600,540 |
| | <u>41,593,902</u> | <u>–</u> | <u>41,593,902</u> |
| 2007 | | | |
| Trade and other payables | 4,328,356 | – | 4,328,356 |
| Amounts due to related company | 15,797,669 | – | 15,797,669 |
| Amounts due to associates | 1,028,087 | – | 1,028,087 |
| Amounts due to subsidiaries | 12,414,089 | – | 12,414,089 |
| Borrowings | 7,343,523 | – | 7,343,523 |
| | <u>40,911,724</u> | <u>–</u> | <u>40,911,724</u> |

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

3. FINANCIAL INSTRUMENTS (Cont'd)**Financial risk management objectives and policies (Cont'd)***Market Risk**i) Currency Risk*

The Group is exposed to currency risk mainly arise from sales and purchases, trade receivables and trade payables denominated in currencies other than the Group's functional currency. The currencies giving rise to this risk are mainly United State Dollars ("USD") and Reminbi ("RMB").

Since HK dollars is pegged to US dollars, there is no significant exposure expected on US dollars transactions and balances.

The Group uses forward exchange contracts to hedge its currency risk in RMB. All of the forward exchange contracts have maturities of less than one year after the balance sheet date.

At 31st March 2008, the Group had forward exchange contracts hedging forecast transactions with a net fair value of HK\$381,799 recognised as financial assets at fair value through income statement.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the reporting date are as follows:

| | 2008 | | 2007 | |
|-----------------------------|-------------|--------------|-------------|--------------|
| | USD | RMB | USD | RMB |
| <i>Assets</i> | | | | |
| Trade and Other Receivables | 3,707,291 | 18,632,436 | 4,122,186 | 8,425,119 |
| Cash and Bank Balances | 40,628 | 9,751,989 | 26,465 | 2,388,729 |
| <i>Liabilities</i> | | | | |
| Trade and Other Payables | (2,642,683) | (20,054,756) | (1,751,832) | (17,862,014) |
| Overall net exposure | 1,105,236 | 8,329,669 | 2,396,819 | (7,048,166) |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

3. FINANCIAL INSTRUMENTS (Cont'd)

Financial risk management objectives and policies (Cont'd)

Market Risk (Cont'd)

i) Currency Risk (Cont'd)

Sensitivity analysis

The sensitivity analysis below has been determined assuming a 10% increase/decrease in HKD against RMB had occurred at the balance sheet date with all other variables held constant and had been applied to the exposure to currency risk for the relevant financial instruments in existence at that date. The change in foreign exchange rate represents management's assessment of a reasonably possible change in foreign exchange rate at that date over the period until the next annual balance sheet date.

| | 2008 | 2007 |
|-------------------------------|------------------|-----------|
| | HK\$'000 | HK\$'000 |
| Increase/(Decrease) in equity | 923/(923) | (712)/712 |

Results of the analysis as presented above represent the effect on the Group's equity with RMB translated into HKD at closing rate at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

3. FINANCIAL INSTRUMENTS (Cont'd)**Financial risk management objectives and policies (Cont'd)***Market Risk (Cont'd)**ii. Interest Rate Risk*

The Group has exposure on cash flow interest risk, which is mainly arising from its variable-rate borrowings. The Group currently does not have an interest rate hedging policy. However, the management monitors its interest cost by obtaining adequate banking facilities, diversifying the funding sources and repay the corresponding borrowings when it has surplus funds.

The carrying amounts of the Group's variable-rate borrowings at the reporting date are as follows:

| | 2008 HK\$'000 | 2007 HK\$'000 |
|---------------------------------|--------------------------------|------------------|
| Bank Loans and Overdrafts | 183,809 | 247,667 |
| Long Term Borrowings | 59,824 | 48,224 |
| Variable-rate borrowings | 243,633 | 295,891 |

Sensitivity analysis

The sensitivity analysis below presents the effects on the Group's post-tax profit for the year as a result of change in interest expense on variable-rate borrowings. The analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. The change in interest rate represents management's assessment of a reasonably possible change in interest rates at the date over the period until the next annual balance sheet date.

| | 2008 HK\$'000 | 2007 HK\$'000 |
|---|--------------------------------|------------------|
| If interest rates were 0.5% higher | | |
| Decrease in Post-tax profit for the year | (1,005) | (1,221) |
| If interest rates were 0.5% lower | | |
| Increase in Post-tax profit for the year | 1,005 | 1,221 |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

3. FINANCIAL INSTRUMENTS (Cont'd)

Financial risk management objectives and policies (Cont'd)

Market Risk (Cont'd)

iii. Price Risk

The Group is exposed to equity price risk arising from equity investments classified as available-for-sale financial assets and financial assets at fair value through income statement. The management manages the exposure by maintaining a portfolio of securities with different risk and monitors the performance regularly.

Sensitivity analysis

The sensitivity analysis below presents the effects on the Group's post-tax profit for the year and equity as a result of change in equity price, assuming the change had occurred at the balance date and had been applied to the exposure to equity price risk for the relevant financial instruments in existence at that date. The changes in equity price represent management's assessment of a reasonably possible change in equity price at that date over the period until the next annual balance sheet date.

| | 2008 | 2007 | 2008 | 2007 |
|---|-------------------|---------------|----------------------|-----------|
| | Effect on | Effect on | Effect on | Effect on |
| | post-tax | post-tax | equity | equity |
| | profit for | profit for | HK\$'000 | HK\$'000 |
| | the year | the year | | |
| | HK\$'000 | HK\$'000 | | |
| 10% increase/(decrease) in market price of listed equity securities | 929/(929) | 1,128/(1,128) | 1,436/(1,436) | – |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

3. FINANCIAL INSTRUMENTS (Cont'd)

Financial risk management objectives and policies (Cont'd)

Credit Risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31st March 2008 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet.

Certain subsidiaries of the Group suffer concentration of credit risk on trade receivables, cash clients and margin clients arising from the ten largest customers or clients for respective receivables.

In order to minimize the credit risk, the management of the Group has delegated a team responsible for determination and review of credit limit and payment term on each individual customer and client. Based on different credit risk exposure of different businesses under the Group, cash deposit, collateral and payment by letter of credit are required from relevant customers and clients to ensure the recoverability of trade debts. In this regard, the Directors of the Company consider that the Group's credit risk is significantly reduced.

Liquidity Risk

The Group is exposed to liquidity risk on financial liabilities. The management of the Group adopts a prudent policy to maintain a sufficient level of cash and cash equivalent and financial assets to meet continuous operational need. Various banking facilities and credit lines have also been arranged with different banks in order to fund any liquidity requirements in the short term.

In November 2007, SAP Realty Company Limited ("SAR"), a wholly owned subsidiary of the Group entered into two equity accumulator contracts with Hang Seng Bank Limited. According to the terms of each contract, SAR shall purchase a minimum of 400 shares or a maximum of 800 shares of HSBC Holdings plc (Stock Code: 0005 HK) on each Hong Kong Stock Exchange's trading day for a period of one year. The exercise prices under the two contracts are HK\$128.04 per share and HK\$120.8592 per share respectively.

As at 31st March 2008, the equity accumulator contracts are included in current liabilities as financial liabilities at fair value through income statement with a fair value of HK\$1,881,448 and the maximum outstanding contractual liabilities for purchase HSBC shares within one year is HK\$32,854,694.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

3. FINANCIAL INSTRUMENTS (Cont'd)

Financial risk management objectives and policies (Cont'd)

Liquidity Risk (Cont'd)

The remaining contractual maturities at the balance sheet date of the Group's non-derivative financial liabilities are as follows:

| | Carrying amount at year end HK\$'000 | Total undiscounted cash flows HK\$'000 | Within 1 year or on demand HK\$'000 | More than 1 year but less than 2 years HK\$'000 | More than 2 year but less than 5 years HK\$'000 | Over 5 years HK\$'000 |
|--------------------------------|---|---|--|--|--|--------------------------|
| 2008 | | | | | | |
| Trade and other payables | 937,161 | 937,161 | 937,161 | - | - | - |
| Amounts due to related company | 12,776 | 12,776 | 12,776 | - | - | - |
| Amounts due to associates | 451 | 451 | 451 | - | - | - |
| Borrowings | 243,635 | 249,825 | 186,897 | 21,391 | 37,918 | 3,618 |
| | <u>1,194,023</u> | <u>1,200,213</u> | <u>1,137,285</u> | <u>21,391</u> | <u>37,918</u> | <u>3,618</u> |
| 2007 | | | | | | |
| Trade and other payables | 334,647 | 334,647 | 334,647 | - | - | - |
| Amounts due to related company | 15,797 | 15,797 | 15,797 | - | - | - |
| Amounts due to associates | 1,028 | 1,028 | 1,028 | - | - | - |
| Borrowings | 295,892 | 300,033 | 247,091 | 20,946 | 26,093 | 5,901 |
| | <u>647,364</u> | <u>651,505</u> | <u>598,563</u> | <u>20,946</u> | <u>26,093</u> | <u>5,901</u> |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

3. FINANCIAL INSTRUMENTS (Cont'd)

Financial risk management objectives and policies (Cont'd)

Fair Value Estimation

The fair values of financial assets and financial liabilities are determined as follows:

a) *Listed Equity Securities*

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

b) *Forward Exchange Contracts*

Fair value is based on mark-to-market value at the balance sheet date provided by the counterparty institutions.

c) *Equity Accumulators*

Fair value is based on mark-to-market value at the balance date provided by the counterparty institution.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Allowance for bad and doubtful debts

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

Profits taxes

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

Useful lives of property, plant and equipment

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

5. SEGMENT INFORMATION

I) Business Segment

| | Property development and investment/hotel | | Manufacturing and trading of plastic packing material | | Stock broking and finance | | Eliminations | | Consolidated | |
|---|--|----------------------------|---|----------------------------|------------------------------|----------------------------|--------------------|----------------------------|----------------------|----------------------------|
| | 2008 HK\$ | 2007 HK\$ (Restated) | 2008 HK\$ | 2007 HK\$ (Restated) | 2008 HK\$ | 2007 HK\$ (Restated) | 2008 HK\$ | 2007 HK\$ (Restated) | 2008 HK\$ | 2007 HK\$ (Restated) |
| Turnover | | | | | | | | | | |
| External sales | 17,715,874 | 10,975,853 | 337,078,384 | 307,954,847 | 47,663,880 | 21,877,136 | - | - | 402,458,138 | 340,807,836 |
| Inter-segment sales | 4,865,561 | 3,445,580 | - | - | - | - | (4,865,561) | (3,445,580) | - | - |
| Total revenue | 22,581,435 | 14,421,433 | 337,078,384 | 307,954,847 | 47,663,880 | 21,877,136 | (4,865,561) | (3,445,580) | 402,458,138 | 340,807,836 |
| Operation result | 6,427,516 | 1,129,922 | 500,864 | 13,192,783 | 28,405,266 | 17,178,625 | | | 35,333,646 | 31,501,330 |
| Fair value changes on investment properties | 27,025,561 | 27,696,798 | - | - | - | - | | | 27,025,561 | 27,696,798 |
| Segment result | 33,453,077 | 28,826,720 | 500,864 | 13,192,783 | 28,405,266 | 17,178,625 | | | 62,359,207 | 59,198,128 |
| Finance costs | | | | | | | | | (16,859,954) | (13,324,695) |
| Share of (loss) profit of associates | 3,797,003 | 802,168 | (3,264,630) | (581,575) | - | - | | | 532,373 | 220,593 |
| Profit before taxation | | | | | | | | | 46,031,626 | 46,094,026 |
| Taxation | (5,350,937) | (2,314,320) | (582,421) | (4,001,382) | (4,535,683) | (2,437,714) | | | (10,469,041) | (8,753,416) |
| Profit after taxation | | | | | | | | | 35,562,585 | 37,340,610 |
| Minority interests | (11,613) | (14,563) | 321,074 | (761,081) | (33,377) | (61,988) | | | 276,084 | (837,632) |
| Profit attributable to shareholders | | | | | | | | | 35,838,669 | 36,502,978 |
| Segment assets | 320,614,556 | 301,764,962 | 377,948,160 | 330,736,501 | 956,816,497 | 438,888,660 | | | 1,655,379,213 | 1,071,390,123 |
| Interest in associates | 58,232,708 | 46,793,246 | 12,379,840 | 10,070,218 | - | - | | | 70,612,548 | 56,863,464 |
| Unallocated corporate assets | | | | | | | | | 22,909,711 | 8,546,989 |
| Total assets | 378,847,264 | 348,558,208 | 390,328,000 | 340,806,719 | 956,816,497 | 438,888,660 | | | 1,748,901,472 | 1,136,800,576 |
| Segment liabilities | 48,413,781 | 44,024,881 | 63,481,840 | 46,589,206 | 874,690,040 | 285,818,306 | | | 986,585,661 | 376,432,393 |
| Unallocated liabilities | | | | | | | | | 243,634,649 | 295,892,347 |
| Consolidated total liabilities | | | | | | | | | 1,230,220,310 | 672,324,740 |
| Minority interests | 293,786 | 282,173 | 13,474,863 | 13,754,100 | 229,532 | 1,531,647 | | | 13,998,181 | 15,567,920 |
| Depreciation for the year | 3,358,000 | 2,254,358 | 9,404,025 | 8,656,745 | 507,459 | 200,389 | | | 13,269,484 | 11,111,492 |
| Amortisation of leasehold land and land use rights | 710,937 | 774,594 | 248,234 | 253,582 | - | - | | | 959,171 | 1,028,176 |
| Capital expenditure incurred during the year | 9,266,800 | 23,250,824 | 8,619,923 | 13,052,279 | 1,584,402 | 224,415 | | | 19,471,125 | 36,527,518 |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

5. SEGMENT INFORMATION (Cont'd)

II) Geographical Segment

| | Turnover | |
|----------------|--------------------|--------------------|
| | 2008 HK\$ | 2007 HK\$ |
| Hong Kong | 86,726,325 | 47,928,882 |
| Mainland China | 18,093,765 | 13,954,354 |
| North America | 77,955,967 | 84,774,732 |
| Europe | 40,937,187 | 36,783,346 |
| Australia | 46,112,381 | 50,806,631 |
| Asia | 131,500,094 | 105,493,442 |
| Other | 1,132,419 | 1,066,449 |
| | 402,458,138 | 340,807,836 |

| | Carrying amount of Segment assets | | Additions to Property, Plant and Equipment | |
|----------------|--------------------------------------|----------------------|---|-------------------|
| | 2008 HK\$ | 2007 HK\$ | 2008 HK\$ | 2007 HK\$ |
| Hong Kong | 1,334,034,699 | 807,507,436 | 10,930,420 | 7,131,726 |
| Mainland China | 288,646,602 | 229,921,243 | 8,540,705 | 29,395,792 |
| North America | 10,681,194 | 11,097,485 | - | - |
| Europe | 6,010,311 | 3,900,427 | - | - |
| Australia | 6,620,336 | 10,648,668 | - | - |
| Asia | 9,386,071 | 8,314,864 | - | - |
| | 1,655,379,213 | 1,071,390,123 | 19,471,125 | 36,527,518 |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

6. TURNOVER

Turnover comprises the aggregate of gross invoiced values of goods sold less discounts and returns, gross rental income, brokerage commission, hotel income, gains on foreign exchange dealings and dividend income.

| | 2008 HK\$ | 2007 HK\$ |
|---|----------------------------|--------------------|
| Sale of goods | 337,078,385 | 307,954,847 |
| Gross rental income | 13,991,927 | 10,975,853 |
| Brokerage commission | 45,665,130 | 21,023,662 |
| Underwriting commission | 88,000 | – |
| Hotel income | 3,723,947 | – |
| Gains on foreign exchange dealings | 320,760 | 536,308 |
| Dividend income from listed equity securities | 1,589,989 | 317,166 |
| | <u>402,458,138</u> | <u>340,807,836</u> |

7. OTHER REVENUES

| | 2008 HK\$ | 2007 HK\$ |
|---|----------------------------|-------------------|
| Interest income | 12,300,016 | 7,964,859 |
| Other income | 4,057,610 | 2,065,565 |
| Gain on disposal of land use right | 6,301,277 | 2,500,569 |
| Consultancy & management fee | 280,800 | 280,800 |
| Impairment loss on trade and other receivables written back | 121,978 | – |
| Change in fair value of equity accumulators | (1,881,448) | – |
| Net gain (loss) on disposal of trading securities | 334,570 | (394,065) |
| Change in fair value of trading securities | (2,414,671) | 5,218,702 |
| | <u>19,100,132</u> | <u>17,636,430</u> |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

8. PROFIT FROM OPERATIONS

| | 2008 HK\$ | 2007 HK\$ |
|---|--------------|--------------|
| Profit from operations is arrived at after charging: | | |
| Auditors' remuneration | 735,138 | 709,360 |
| Cost of inventories sold | 262,324,037 | 225,272,175 |
| Loss on disposal of property, plant and equipment | 176,889 | 25,716 |
| Impairment loss on trade and other receivables | 3,311,412 | 191,894 |
| Staff costs (including directors' remuneration) | 41,792,219 | 39,955,447 |
| Salaries, wages and allowance | 35,899,971 | 35,391,819 |
| Benefits | 4,838,282 | 3,163,842 |
| Defined contribution plans | 735,802 | 697,043 |
| Severance payment | 318,164 | 702,743 |
| Operating lease rental in respect of land and buildings | 1,495,768 | 1,479,855 |
| Depreciation | 13,269,484 | 11,111,492 |
| Amortisation of leasehold land and land use rights | 959,171 | 1,028,176 |
| Exchange loss | 666,458 | 1,001,206 |
| and after crediting: | | |
| Change in fair value of forward exchange contracts | 227,705 | – |
| Realised gain on forward exchange contracts | 204,885 | – |
| Net rental income | 13,584,367 | 10,655,179 |
| Gross rental income from investment properties | 13,991,927 | 10,975,853 |
| Less: outgoings | (407,560) | (320,674) |

9. FINANCE COSTS

| | 2008 HK\$ | 2007 HK\$ |
|---|-------------------|-------------------|
| Interest on: | | |
| Bank loans and overdrafts wholly repayable: | | |
| within five years | 13,761,853 | 10,209,315 |
| over five years | 754,827 | 834,968 |
| Other borrowings | 1,545,722 | 1,413,196 |
| Bank charges | 797,552 | 867,216 |
| | <u>16,859,954</u> | <u>13,324,695</u> |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

10. TAXATION

| | 2008 HK\$ | 2007 HK\$ (Restated) |
|---|----------------------------|----------------------------|
| The amount of taxation in the consolidated income statement represents: | | |
| Current tax-Hong Kong profits tax | | |
| Tax for the year | 5,348,575 | 3,421,071 |
| Benefit of previously unrecognised tax losses | (45,771) | (718,001) |
| Under-provision in prior year | – | 21,834 |
| | <u>5,302,804</u> | <u>2,724,904</u> |
| Current tax-Overseas taxation | | |
| Tax for the year | 212,362 | 558,500 |
| Under-provision in prior year | – | 875 |
| | <u>212,362</u> | <u>559,375</u> |
| Deferred tax | | |
| Origination and reversal of temporary differences | 499,213 | 554,737 |
| Change in fair value of investment properties | 4,729,473 | 5,533,341 |
| Benefit of current year's tax loss recognised | (390,398) | (288,454) |
| Benefit of previously unrecognised tax losses now recognised | – | (330,487) |
| Reversal of tax losses previously recognised | 115,587 | – |
| | <u>4,953,875</u> | <u>5,469,137</u> |
| Total charge for taxation | <u>10,469,041</u> | <u>8,753,416</u> |
| Effective tax rate | <u>22.7%</u> | <u>19.0%</u> |
| Reconciliation between taxation charge and accounting profit at applicable tax rates: | | |
| Profit before taxation | <u>46,031,626</u> | <u>46,094,026</u> |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

10. TAXATION (Cont'd)

| | 2008 HK\$ | 2007 HK\$ (Restated) |
|---|----------------------------|----------------------------|
| Notional tax on profit before taxation, calculated at Hong Kong profits tax rate of 17.5% | 8,055,534 | 8,066,455 |
| Tax effect of: | | |
| Different tax rates in other tax jurisdiction | (649,413) | 71,355 |
| Non-deductible expenses | 4,249,232 | 1,701,613 |
| Non-taxable revenue | (2,646,308) | (689,106) |
| Current year's tax loss not recognised | 1,230,599 | 669,907 |
| Previous tax losses utilized in current year | (45,771) | (718,001) |
| Recognition of previously unrecognised tax losses | – | (330,487) |
| Net under (over) provision in prior years | 159,581 | (17,961) |
| Origination and reversal of unrecognised temporary differences | – | (359) |
| Reversal of tax losses previously recognised | 115,587 | – |
| Actual charge for taxation | 10,469,041 | 8,753,416 |

Hong Kong Profits tax has been provided at the rate of 17.5% (2007: 17.5%) on the estimated assessable profits arising in Hong Kong for the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the businesses operate.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

II. DIRECTORS' AND EMPLOYEES' REMUNERATION

The remuneration of every Director for the year ended 31st March 2008 is set out below:

| Name of Directors | Salary and | Director | MPF | Total |
|--|------------------|----------------|---------------|------------------|
| | other benefits | fee | contribution | |
| | HK\$ | HK\$ | HK\$ | HK\$ |
| | <i>Note</i> | | | |
| <i>Executive Director</i> | | | | |
| Chua Nai Tuen | 2,457,475 | 40,000 | 13,126 | 2,510,601 |
| Chua Nai King | 967,287 | 30,000 | – | 997,287 |
| Se Ying Kin | 2,176,436 | 30,000 | – | 2,206,436 |
| <i>Non-executive Directors</i> | | | | |
| Siy Yap | – | 30,000 | – | 30,000 |
| Jimmy Siy Tiong | – | 30,000 | – | 30,000 |
| Luis Chua | – | 30,000 | – | 30,000 |
| Rene Siy Chua | – | 30,000 | – | 30,000 |
| Tsai Han Yung | – | 30,000 | – | 30,000 |
| Chan Man Hon, Eric | – | 30,000 | – | 30,000 |
| <i>Independent Non-executive Directors</i> | | | | |
| Chan Siu Ting | | | | |
| (Appointed on 16/10/06) | – | 30,000 | – | 30,000 |
| James L. Kwok | – | 30,000 | – | 30,000 |
| Wong Shek Keung | – | 30,000 | – | 30,000 |
| | <u>5,601,198</u> | <u>370,000</u> | <u>13,126</u> | <u>5,984,324</u> |

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

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

Five highest paid employees

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

| | 2008 HK\$ | 2007 HK\$ |
|----------------------------------|------------------|------------------|
| Salaries and other allowances | 1,205,033 | 1,050,000 |
| Consultancy fee | – | 267,750 |
| MPF contribution | 40,145 | 52,500 |
| Bonus | 35,000 | 457,714 |
| Director's Fee from subsidiaries | – | 10,000 |
| | <u>1,280,178</u> | <u>1,837,964</u> |

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

| | 2008 Number of employees | 2007 Number of employees |
|-------------------------------|--------------------------------|--------------------------------|
| Nil – HK\$1,000,000 | 2 | 1 |
| HK\$1,000,001 – HK\$1,500,000 | – | 1 |
| | <u>2</u> | <u>2</u> |

12. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

| | 2008 HK\$ | 2007 HK\$ (Restated) |
|---|-------------------|----------------------------|
| Dealt with in the financial statements of the Company | 2,757,400 | 683,923 |
| Retained by subsidiaries | 32,548,896 | 35,598,462 |
| Retained by associates | 532,373 | 220,593 |
| | <u>35,838,669</u> | <u>36,502,978</u> |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

13. PROPOSED DIVIDENDS

| | 2008 | 2007 |
|---|------------------|-----------|
| | HK\$ | HK\$ |
| Proposed final dividend of HK3.5 cents per share (2007: HK3.0 cents) | 6,917,873 | 5,929,605 |

14. EARNINGS PER SHARE

The calculation of the earnings per share is based on the profit attributable to shareholders of HK\$35,838,669 (2007: HK\$36,502,978) and ordinary shares in issue of 197,653,500 shares.

15. INVESTMENT PROPERTIES**Group**

| | Medium term lease in Hong Kong HK\$ | Medium term lease in the Mainland China HK\$ | Total HK\$ |
|----------------------------|--|---|-----------------------|
| Valuation | | | |
| At 1st April, 2006 | 240,727,000 | 865,385 | 241,592,385 |
| Fair value gain | 27,653,000 | 43,798 | 27,696,798 |
| | <u>268,380,000</u> | <u>909,183</u> | <u>269,289,183</u> |
| At 31st March, 2007 | 268,380,000 | 909,183 | 269,289,183 |
| Fair value gain | 26,693,000 | 332,561 | 27,025,561 |
| | <u>295,073,000</u> | <u>1,241,744</u> | <u>296,314,744</u> |
| At 31st March, 2008 | 295,073,000 | 1,241,744 | 296,314,744 |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

15. INVESTMENT PROPERTIES (Cont'd)

Company

| | Medium term lease in the Mainland China HK\$ | Total HK\$ |
|----------------------------|---|-------------------------|
| Valuation | | |
| At 1st April, 2006 | 865,385 | 865,385 |
| Fair value gain | 43,798 | 43,798 |
| | <u>909,183</u> | <u>909,183</u> |
| At 31st March, 2007 | 909,183 | 909,183 |
| | <u>909,183</u> | <u>909,183</u> |
| At 1st April, 2007 | 909,183 | 909,183 |
| Fair value gain | 332,561 | 332,561 |
| | <u>1,241,744</u> | <u>1,241,744</u> |
| At 31st March, 2008 | <u>1,241,744</u> | <u>1,241,744</u> |

Investment properties were revalued at their open market value at 31st March, 2008. The revaluation was carried out by K.T. Liu Surveyors Limited, an independent valuer.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

16. PROPERTY, PLANT AND EQUIPMENT

Group

| | Buildings | | Construction in progress | Plant and Machinery | Furniture, fixtures & equipment | Motor vehicles | Total |
|---------------------------------|---|---|-----------------------------|------------------------|---------------------------------------|-------------------|--------------------|
| | Medium term lease in Hong Kong | Medium term lease in the Mainland China | | | | | |
| | HK\$ | HK\$ | HK\$ | HK\$ | HK\$ | HK\$ | HK\$ |
| Cost | | | | | | | |
| At 1st April, 2007 | 31,522,942 | 70,723,771 | 25,470,212 | 121,063,323 | 21,234,608 | 8,400,734 | 278,415,590 |
| Additions | – | 2,752,434 | 7,431,968 | 3,602,286 | 4,771,239 | 913,198 | 19,471,125 |
| Transfer | 21,620,041 | 986,691 | (25,439,255) | 31,561 | 2,800,962 | – | – |
| Disposals | (629,550) | – | – | (1,757,643) | (803,324) | (1,941,857) | (5,132,374) |
| Exchange realignments | – | 6,900,645 | 659,909 | 8,998,830 | 496,589 | 427,065 | 17,483,038 |
| At 31st March, 2008 | 52,513,433 | 81,363,541 | 8,122,834 | 131,938,357 | 28,500,074 | 7,799,140 | 310,237,379 |
| Accumulated depreciation | | | | | | | |
| At 1st April, 2007 | 5,387,460 | 18,013,028 | – | 61,080,001 | 10,468,565 | 5,367,034 | 100,316,088 |
| Charge for the year | 1,207,631 | 1,838,370 | – | 6,378,276 | 3,076,622 | 768,584 | 13,269,483 |
| Written back on disposals | (231,544) | – | – | (1,506,998) | (627,016) | (1,749,773) | (4,115,331) |
| Exchange realignments | – | 1,859,684 | – | 4,660,446 | 281,127 | 306,041 | 7,107,298 |
| As 31st March, 2008 | 6,363,547 | 21,711,082 | – | 70,611,725 | 13,199,298 | 4,691,886 | 116,577,538 |
| Net book value as at | | | | | | | |
| At 31st March, 2008 | 46,149,886 | 59,652,459 | 8,122,834 | 61,326,632 | 15,300,776 | 3,107,254 | 193,659,841 |
| Net book value as at | | | | | | | |
| At 31st March, 2007 | 26,135,482 | 52,710,743 | 25,470,212 | 59,983,322 | 10,766,043 | 3,033,700 | 178,099,502 |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

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

Group

| | Buildings | | | | | | | Total HK\$ |
|--|---|---|-------------------------------------|--------------------------------|---|---------------------------|--------------------|---------------|
| | Medium term lease in Hong Kong HK\$ | Medium term lease in the Mainland China HK\$ | Construction in progress HK\$ | Plant and Machinery HK\$ | Furniture, fixtures & equipment HK\$ | Motor vehicles HK\$ | | |
| Cost | | | | | | | | |
| At 1st April, 2006 | 31,522,942 | 63,081,010 | 8,167,260 | 107,156,352 | 15,792,928 | 8,136,756 | 233,857,248 | |
| Additions | – | 484,281 | 20,962,091 | 9,119,396 | 5,170,968 | 790,782 | 36,527,518 | |
| Transfer | – | 3,914,896 | (4,079,094) | 94,592 | 69,606 | – | – | |
| Disposals | – | – | – | (20,537) | (27,631) | (734,433) | (782,601) | |
| Exchange realignments | – | 3,243,584 | 419,955 | 4,713,520 | 228,737 | 207,629 | 8,813,425 | |
| At 31st March, 2007 | 31,522,942 | 70,723,771 | 25,470,212 | 121,063,323 | 21,234,608 | 8,400,734 | 278,415,590 | |
| Accumulated depreciation | | | | | | | | |
| At 1st April, 2006 | 4,166,736 | 15,933,218 | – | 51,941,823 | 9,012,191 | 5,143,775 | 86,197,743 | |
| Charge for the year | 1,220,724 | 1,228,153 | – | 6,541,903 | 1,343,923 | 776,789 | 11,111,492 | |
| Written back on disposals | – | – | – | (2,054) | (5,849) | (693,676) | (701,579) | |
| Exchange realignments | – | 851,657 | – | 2,598,329 | 118,300 | 140,146 | 3,708,432 | |
| At 31st March, 2007 | 5,387,460 | 18,013,028 | – | 61,080,001 | 10,468,565 | 5,367,034 | 100,316,088 | |
| Net book value as at 31st March, 2007 | 26,135,482 | 52,710,743 | 25,470,212 | 59,983,322 | 10,766,043 | 3,033,700 | 178,099,502 | |
| Net book value as at 31st March, 2006 | 27,356,206 | 47,147,792 | 8,167,260 | 55,214,529 | 6,780,737 | 2,992,981 | 147,659,505 | |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

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

Company

| | Furniture, fixtures & equipment HK\$ | Motor vehicles HK\$ | Total HK\$ |
|---------------------------------|---|---------------------------|------------------|
| Cost | | | |
| At 1st April, 2007 | 2,981,948 | 2,935,864 | 5,917,812 |
| Additions | 87,764 | – | 87,764 |
| Disposals | (10,000) | (1,598,662) | (1,608,662) |
| | <u>3,059,712</u> | <u>1,337,202</u> | <u>4,396,914</u> |
| At 31st March, 2008 | <u>3,059,712</u> | <u>1,337,202</u> | <u>4,396,914</u> |
| Accumulated depreciation | | | |
| At 1st April, 2007 | 2,518,339 | 1,834,917 | 4,353,256 |
| Charge for the year | 109,047 | 140,498 | 249,545 |
| Written back on disposals | (4,780) | (1,434,368) | (1,439,148) |
| | <u>2,622,606</u> | <u>541,047</u> | <u>3,163,653</u> |
| At 31st March, 2008 | <u>2,622,606</u> | <u>541,047</u> | <u>3,163,653</u> |
| Net book value as at | | | |
| 31st March, 2008 | <u>437,106</u> | <u>796,155</u> | <u>1,233,261</u> |
| Cost | | | |
| At 1st April, 2006 | 2,958,523 | 2,935,864 | 5,894,387 |
| Additions | 23,425 | – | 23,425 |
| Disposals | – | – | – |
| | <u>2,981,948</u> | <u>2,935,864</u> | <u>5,917,812</u> |
| At 31st March, 2007 | <u>2,981,948</u> | <u>2,935,864</u> | <u>5,917,812</u> |
| Accumulated depreciation | | | |
| At 1st April, 2006 | 2,406,399 | 1,640,633 | 4,047,032 |
| Charge for the year | 111,940 | 194,284 | 306,224 |
| Written back on disposals | – | – | – |
| | <u>2,518,339</u> | <u>1,834,917</u> | <u>4,353,256</u> |
| At 31st March, 2007 | <u>2,518,339</u> | <u>1,834,917</u> | <u>4,353,256</u> |
| Net book value as at | | | |
| 31st March, 2007 | <u>463,609</u> | <u>1,100,947</u> | <u>1,564,556</u> |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

17. LEASEHOLD LAND AND LAND USE RIGHTS

Group

HK\$

Cost

| | |
|--------------------------|-------------------|
| At 1st April, 2007 | 57,676,453 |
| Disposals | (3,842,409) |
| Exchange alignment | 1,403,220 |
| At 31st March, 2008 | <u>55,237,264</u> |
| At 1st April, 2006 | 58,597,940 |
| Disposal | (1,333,003) |
| Exchange alignment | 411,516 |
| At 31st March, 2007 | <u>57,676,453</u> |
| Amortisation | |
| At 1st April, 2007 | 10,199,943 |
| Charge for the year | 959,171 |
| Written back on disposal | (876,725) |
| Exchange alignment | 276,741 |
| At 31st March, 2008 | <u>10,559,130</u> |
| At 1st April, 2006 | 9,335,442 |
| Charge for the year | 1,028,176 |
| Written back on disposal | (232,098) |
| Exchange alignment | 68,423 |
| At 31st March, 2007 | <u>10,199,943</u> |
| Net book value at | |
| 31st March, 2008 | <u>44,678,134</u> |
| 31st March, 2007 | <u>47,476,510</u> |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

18. INTERESTS IN SUBSIDIARIES

Company

| | 2008 | 2007 |
|--------------------------------------|--------------------|-------------|
| | HK\$ | HK\$ |
| Unlisted shares, at cost | 47,064,774 | 37,064,774 |
| Amounts due from subsidiaries | 269,542,093 | 283,233,719 |
| | 316,606,867 | 320,298,493 |
| Impairment loss | | |
| At the beginning of the year | 52,208,771 | 52,743,157 |
| (Written back) Provided for the year | 464,924 | (534,386) |
| Carrying amount | 52,673,695 | 52,208,771 |
| | 263,933,172 | 268,089,722 |

Details of the Company's principal subsidiaries at 31st March, 2008 are set out in note 42 to the financial statements.

The amounts due from subsidiaries are unsecured and will not be demanded for repayment in foreseeable future. At 31st March, 2008, an amount of HK\$170,734,625 (2007: HK\$185,516,922) bears interest at Hong Kong dollar prime rate, quoted by Standard Chartered Bank (Hong Kong) Limited, minus 2% to 3.25% and the remaining balance is interest free.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

19. INTERESTS IN ASSOCIATES

| | 2008 | 2007 |
|--|-------------------|-------------|
| | HK\$ | HK\$ |
| Group | | |
| Share of net assets at 1st April | 27,232,058 | 24,889,153 |
| Share of associates' results | | |
| – profit before taxation | 532,373 | 220,593 |
| Other equity movements | 150,996 | 61,007 |
| Exchange gain arising from consolidation | 6,234,668 | 2,061,305 |
| | <hr/> | <hr/> |
| Share of net assets at 31st March | 34,150,095 | 27,232,058 |
| Amounts due from associates | 36,462,453 | 29,631,406 |
| | <hr/> | <hr/> |
| | 70,612,548 | 56,863,464 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Investment at cost | 18,562,601 | 18,562,601 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Company | | |
| Investment at cost | 13,921,154 | 13,921,154 |
| Amounts due from associates | 9,868,600 | 8,310,400 |
| | <hr/> | <hr/> |
| | 23,789,754 | 22,231,554 |
| | <hr/> <hr/> | <hr/> <hr/> |

Details of the Group's associates at 31st March, 2008 are set out in note 43 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

19. INTERESTS IN ASSOCIATES (Cont'd)

Summary financial information on associates

| | At 31st March, 2008 | | | | |
|----------------------------|---------------------|----------------------|-------------------|-------------------|------------------|
| | Assets | Liabilities | Equity | Revenue | Profit |
| | HK\$ | HK\$ | HK\$ | HK\$ | HK\$ |
| 100 per cent | 204,343,048 | (141,982,821) | 62,360,227 | 35,919,469 | 2,477,811 |
| Group's effective interest | 90,505,564 | (56,355,469) | 34,150,095 | 16,944,743 | 532,373 |
| | <u>294,848,612</u> | <u>(198,338,290)</u> | <u>96,510,322</u> | <u>52,864,212</u> | <u>3,010,184</u> |
| | At 31st March, 2007 | | | | |
| | Assets | Liabilities | Equity | Revenue | Profit |
| | HK\$ | HK\$ | HK\$ | HK\$ | HK\$ |
| 100 per cent | 175,149,302 | (128,109,970) | 47,039,332 | 42,437,640 | 1,027,181 |
| Group's effective interest | 76,763,781 | (49,531,722) | 27,232,058 | 20,047,999 | 220,593 |
| | <u>251,913,083</u> | <u>(177,641,692)</u> | <u>74,271,390</u> | <u>62,485,639</u> | <u>1,247,774</u> |

20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | Group | | Company | |
|----------------------------------|-------------------|--------------|------------------|--------------|
| | 2008 HK\$ | 2007 HK\$ | 2008 HK\$ | 2007 HK\$ |
| Equity securities at cost: | | | | |
| Unlisted in Hong Kong | 5,400,649 | 5,400,649 | 3,664,649 | 3,664,649 |
| Unlisted outside Hong Kong | 3,146,340 | 3,146,340 | 2,811,240 | 2,811,240 |
| | <u>8,546,989</u> | 8,546,989 | <u>6,475,889</u> | 6,475,889 |
| Equity securities at fair value: | | | | |
| Listed in Hong Kong | 14,362,722 | — | — | — |
| | <u>14,362,722</u> | — | <u>—</u> | — |
| | <u>22,909,711</u> | 8,546,989 | <u>6,475,889</u> | 6,475,889 |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

21. INTANGIBLE ASSETS

Group

| | Stock Exchange trading rights HK\$ | Futures Exchange trading right HK\$ | Membership of The Chinese Gold & Silver Exchange Society HK\$ | Club Membership HK\$ | Total HK\$ |
|---------------------|---|--|--|----------------------------|------------------|
| At 1st April, 2007 | 1,220,001 | 201,205 | 300,000 | 981,500 | 2,702,706 |
| Addition | 1,000,000 | – | – | – | 1,000,000 |
| At 31st March, 2008 | <u>2,220,001</u> | <u>201,205</u> | <u>300,000</u> | <u>981,500</u> | <u>3,702,706</u> |
| At 1st April, 2006 | 800,001 | 201,205 | 300,000 | 981,500 | 2,282,706 |
| Addition | 420,000 | – | – | – | 420,000 |
| At 31st March, 2007 | <u>1,220,001</u> | <u>201,205</u> | <u>300,000</u> | <u>981,500</u> | <u>2,702,706</u> |

22. INVENTORIES

Group

| | 2008 HK\$ | 2007 HK\$ |
|------------------|-------------------|-------------------|
| Raw materials | 54,654,773 | 48,500,768 |
| Work in progress | 5,255,592 | 4,045,266 |
| Finished goods | 21,624,843 | 18,590,597 |
| | <u>81,535,208</u> | <u>71,136,631</u> |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

23. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 30 days to 90 days to its trade customers.

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

Group

| | 2008 | 2007 |
|-----------------|--------------------|-------------|
| | HK\$ | HK\$ |
| 0-1 month | 869,220,597 | 416,326,338 |
| 2-3 months | 6,086,748 | 13,010,359 |
| Over 3 months | 28,841,842 | 16,513,810 |
| | 904,149,187 | 445,850,507 |
| Impairment loss | (6,052,258) | (2,862,824) |
| | 898,096,929 | 442,987,683 |

As at 31st March, 2008, 99% (2007: 99%) of the Group's trade and other receivables were not impaired, of which 97.5% (2007: 97%) was either not past due or less than two months past due and 4.7% (2007: 12.7%) secured by client's collateral.

Based on past experience of the Group, it is determined that no impairment allowance is necessary in respect of these balances as these are considered to be fully recoverable.

The balance and the movement of the allowance for bad and doubtful debts as at 31st March, 2008 and 31st March, 2007 is not significant.

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH INCOME STATEMENT**Group**

| | 2008 | 2007 |
|----------------------------|-------------------|------------|
| | HK\$ | HK\$ |
| Trading securities | 11,260,917 | 13,673,227 |
| Forward exchange contracts | 2,928,107 | — |
| | 14,189,024 | 13,673,227 |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

25. TIME DEPOSITS**Group**

| | 2008 HK\$ | 2007 HK\$ |
|-----------------------------------|----------------------------|------------------|
| Short term bank deposits | | |
| – secured time deposits | 6,100,000 | 8,858,153 |
| – secured certificate of deposits | 1,000,000 | 1,000,000 |
| – unsecured time deposits | 780,000 | – |
| | <u>7,880,000</u> | <u>9,858,153</u> |

The certificate of deposits bear interest at a fixed rate of 2.8% p.a. with maturity in September 2009 and is extendable for two years at banker's option. The amounts represent deposits pledged to banks to secure short term banking facilities granted to the Group and are therefore classified as current assets.

The effective annual interest rates on time deposits ranged from 1.62% to 3.36% (2007: 3.26% to 3.75%) and these deposits have maturity ranged from 50 days to 167 days.

26. TRADE AND OTHER PAYABLES

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

Group

| | 2008 HK\$ | 2007 HK\$ |
|---------------|----------------------------|--------------------|
| 0-1 month | 912,241,119 | 301,779,887 |
| 2-3 months | 2,874,817 | 3,934,136 |
| Over 3 months | 22,045,450 | 28,933,874 |
| | <u>937,161,386</u> | <u>334,647,897</u> |

27. AMOUNTS DUE TO RELATED COMPANY

The amounts due was unsecured and had no fixed repayment terms. At 31st March, 2008 an amount of HK\$14,500,000 (2007: HK\$17,500,000) was charged interest at Hong Kong dollar prime rate, quoted by Standard Chartered Bank (Hong Kong) Limited, minus 2% and the amount of HK\$1,723,760 (2007: 1,702,331) due from related company was interest free.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

28. BORROWINGS

| | Group | | Company | |
|--|--------------------|---------------|-------------------|--------------|
| | 2008 HK\$ | 2007 HK\$ | 2008 HK\$ | 2007 HK\$ |
| Secured bank overdrafts | 4,233,027 | 5,041,760 | 540 | – |
| Secured bank loans | 225,848,697 | 263,855,508 | 14,600,000 | 7,343,523 |
| Unsecured bank loans | 13,552,925 | 26,995,079 | – | – |
| | 243,634,649 | 295,892,347 | 14,600,540 | 7,343,523 |
| Bank loans and overdrafts repayable: | | | | |
| Within one year | 183,809,849 | 247,667,460 | 12,400,540 | 2,743,523 |
| More than one year but not exceeding two years | 50,366,751 | 30,566,747 | 2,200,000 | 2,400,000 |
| More than two years but not exceeding five years | 5,958,049 | 12,158,140 | – | 2,200,000 |
| Over five years | 3,500,000 | 5,500,000 | – | – |
| | 243,634,649 | 295,892,347 | 14,600,540 | 7,343,523 |
| Portion due within one year included under current liabilities | (183,809,849) | (247,667,460) | (12,400,540) | (2,743,523) |
| Portion due after one year | 59,824,800 | 48,224,887 | 2,200,000 | 4,600,000 |

The effective annual interest rate at 31st March 2008 ranged from 2.58% to 6.71% (2007: 5.02% to 6.86%).

29. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH INCOME STATEMENT

| | 2008 HK\$ | 2007 HK\$ |
|----------------------------|------------------|--------------|
| Equity accumulators | 1,881,448 | – |
| Forward exchange contracts | 2,546,308 | – |
| | 4,427,756 | – |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

30. DEFERRED TAXATION

Group

a. *Deferred tax assets and liabilities recognised*

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

| | Depreciation allowance in excess of related depreciation HK\$ | Revaluation of investment properties HK\$ | Future benefit of tax losses HK\$ | Others HK\$ | Total HK\$ |
|---|--|--|--|------------------|----------------------------|
| At 1st April, 2007 | | | | | |
| As previously reported | 3,604,058 | 37,535,582 | (1,384,046) | 1,026,046 | 40,781,640 |
| Prior year adjustment: | | | | | |
| Credited to reserve | – | (16,823,660) | – | – | (16,823,660) |
| As restated | 3,604,058 | 20,711,922 | (1,384,046) | 1,026,046 | 23,957,980 |
| Charged (Credited) to income statement | 925,595 | 4,729,473 | (274,811) | (426,382) | 4,953,875 |
| At 31st March, 2008 | <u>4,529,653</u> | <u>25,441,395</u> | <u>(1,658,857)</u> | <u>599,664</u> | <u>28,911,855</u> |
| At 1st April, 2006 | | | | | |
| As previously reported | 3,159,579 | 30,767,773 | (765,105) | 229,386 | 33,391,633 |
| Prior year adjustment: | | | | | |
| Credited to reserve | – | (14,902,790) | – | – | (14,902,790) |
| As restated | 3,159,579 | 15,864,983 | (765,105) | 229,386 | 18,488,843 |
| Charged (Credited) to income statement | 444,479 | 4,846,939 | (618,941) | 796,660 | 5,469,137 |
| At 31st March, 2007, as restated | <u>3,604,058</u> | <u>20,711,922</u> | <u>(1,384,046)</u> | <u>1,026,046</u> | <u>23,957,980</u> |
| | | | 2008 HK\$ | | 2007 HK\$ (Restated) |
| Net deferred tax liabilities recognised on the balance sheet | | | <u>28,911,855</u> | | <u>23,957,980</u> |
| Net deferred tax assets recognised on the balance sheet | | | <u>–</u> | | <u>–</u> |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

30. DEFERRED TAXATION (Cont'd)*b. Deferred tax asset unrecognised*

Deferred tax asset has not been recognised in respect of the following item:

| | 2008 HK\$ | 2007 HK\$ |
|------------|----------------------------|-------------------------|
| Tax losses | <u><u>1,836,827</u></u> | <u><u>1,048,209</u></u> |

The tax losses do not expire under current tax legislation.

Company*a. Deferred tax liabilities recognised*

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

| | Depreciation allowance in excess of related depreciation HK\$ | Future benefit of tax losses HK\$ | Total HK\$ |
|---|---|---|-----------------------|
| At 1st April, 2007 | 200,045 | – | 200,045 |
| Credited to income statement | <u>(34,939)</u> | <u>(165,106)</u> | <u>(200,045)</u> |
| At 31st March, 2008 | <u><u>165,106</u></u> | <u><u>–</u></u> | <u><u>–</u></u> |
| At 1st April, 2006 | 249,523 | – | 249,523 |
| Charged (Credited) to income statement | <u>(49,478)</u> | <u>–</u> | <u>(49,478)</u> |
| At 31st March, 2007 | <u><u>200,045</u></u> | <u><u>–</u></u> | <u><u>200,045</u></u> |
| | 2008 HK\$ | | 2007 HK\$ |
| Net deferred tax liabilities recognised on the balance sheet | <u><u>–</u></u> | | <u><u>200,045</u></u> |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

30. DEFERRED TAXATION (Cont'd)*b. Deferred tax assets unrecognised*

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

| | 2008 HK\$ | 2007 HK\$ |
|------------|----------------------------|----------------|
| Tax losses | <u>363,689</u> | <u>128,957</u> |

The tax losses do not expire under current tax legislation.

31. SHARE CAPITAL

| | 2008 HK\$ | 2007 HK\$ |
|---|----------------------------|--------------------|
| Authorized: 200,000,000 shares of HK\$1.00 each | <u>200,000,000</u> | <u>200,000,000</u> |
| Issued and fully paid: 197,653,500 shares of HK\$1.00 each | <u>197,653,500</u> | <u>197,653,500</u> |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

32. RESERVES

| | AVAILABLE FOR-SALES SECURITIES | PROPERTY | EXCHANGE RESERVE | RETAINED PROFITS | TOTAL |
|--|--------------------------------------|------------------------|---------------------|---------------------|--------------------|
| | REVALUATION RESERVE | REVALUATION RESERVE | | | |
| | HK\$ | HK\$ | HK\$ | HK\$ | HK\$ |
| Group | | | | | |
| AT 1ST APRIL 2007, AS RESTATED | – | 2,555,496 | 13,185,121 | 229,584,194 | 245,324,811 |
| EXCHANGE DIFFERENCE ARISING FROM CONSOLIDATION | – | – | 25,758,251 | – | 25,758,251 |
| CHANGE IN FAIR VALUE SHARE OF RESERVES IN ASSOCIATES | (43,246) | – | – | – | (43,246) |
| PROFIT FOR THE YEAR | – | – | 150,996 | – | 150,996 |
| PROPOSED DIVIDENDS | – | – | – | (6,917,873) | (6,917,873) |
| | <u>–</u> | <u>2,555,496</u> | <u>13,185,121</u> | <u>229,584,194</u> | <u>245,324,811</u> |
| AT 31ST MARCH 2008 | <u>(43,246)</u> | <u>2,555,496</u> | <u>39,094,368</u> | <u>258,504,990</u> | <u>300,111,608</u> |
| Attributable to: | | | | | |
| Company and subsidiaries | (43,246) | 2,555,496 | 39,067,832 | 236,442,648 | 278,022,730 |
| Associates | – | – | 150,996 | 22,062,341 | 22,213,337 |
| | <u>(43,246)</u> | <u>2,555,496</u> | <u>39,218,828</u> | <u>258,504,989</u> | <u>300,236,067</u> |
| AT 1ST APRIL 2006, AS PREVIOUSLY REPORTED | – | 2,555,496 | 2,388,610 | 184,108,031 | 189,052,137 |
| PRIOR YEAR ADJUSTMENT | – | – | – | 14,902,790 | 14,902,790 |
| | <u>–</u> | <u>2,555,496</u> | <u>2,388,610</u> | <u>199,010,821</u> | <u>203,954,927</u> |
| AT 1ST APRIL 2006, AS RESTATED | – | 2,555,496 | 2,388,610 | 199,010,821 | 203,954,927 |
| EXCHANGE DIFFERENCE ARISING FROM CONSOLIDATION | – | – | 10,735,504 | – | 10,735,504 |
| SHARE OF RESERVES IN ASSOCIATES | – | – | 61,007 | – | 61,007 |
| PROFIT FOR THE YEAR, AS RESTATED | – | – | – | 36,502,978 | 36,502,978 |
| PROPOSED DIVIDENDS | – | – | – | (5,929,605) | (5,929,605) |
| | <u>–</u> | <u>2,555,496</u> | <u>13,185,121</u> | <u>229,584,194</u> | <u>245,324,811</u> |
| AT 31ST MARCH 2007, AS RESTATED | <u>–</u> | <u>2,555,496</u> | <u>13,185,121</u> | <u>229,584,194</u> | <u>245,324,811</u> |
| Attributable to: | | | | | |
| Company and subsidiaries | – | 2,555,496 | 13,124,114 | 231,424,485 | 247,104,095 |
| Associates | – | – | 61,007 | (1,840,291) | (1,779,284) |
| | <u>–</u> | <u>2,555,496</u> | <u>13,185,121</u> | <u>229,584,194</u> | <u>245,324,811</u> |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

32. RESERVES (Cont'd)

| | RETAINED PROFITS HK\$ |
|---------------------|--------------------------------------|
| Company | |
| AT 1ST APRIL 2007 | 56,140,573 |
| PROFIT FOR THE YEAR | 2,757,400 |
| PROPOSED DIVIDENDS | (6,917,873) |
| | <hr/> |
| AT 31ST MARCH 2008 | 51,980,100 |
| | <hr/> <hr/> |
| AT 1ST APRIL 2006 | 61,386,255 |
| PROFIT FOR THE YEAR | 683,923 |
| PROPOSED DIVIDENDS | (5,929,605) |
| | <hr/> |
| AT 31ST MARCH 2007 | 56,140,573 |
| | <hr/> <hr/> |

Reserves of the Company available for distribution to shareholders amount to HK\$58,897,973 (2007: HK\$62,070,178).

33. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares and raise or repay debts. No changes were made in the objectives, policies or processes during the years ended 31st March 2008 and 31st March 2007.

Consistently, the Group monitors capital on the basis of net debt to equity ratio calculated on the basis of the Group's net bank borrowing (after cash and bank balances) over shareholders' funds. The Group's policy is to keep the net debt to equity ratio at a reasonable level.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

33. CAPITAL MANAGEMENT (Cont'd)

The net debt to equity ratio at 31st March 2008 and 2007 was as follows:

| | The Group | |
|---------------------------------|------------------|------------------|
| | 2008 HK\$'000 | 2007 HK\$'000 |
| Total Bank Borrowings | 243,635 | 295,892 |
| Less: | | |
| Cash and Bank Balances | 13,316 | 6,873 |
| Net debt | 230,319 | 289,019 |
| Shareholders' fund | 504,682 | 448,907 |
| Net debt to equity ratio | 45.6% | 64.3% |

The decrease in the net debt to equity ratio during 2007/2008 was mainly due to the reduction of short term IPO loan borrowed by the Group for on-lending to the clients of our stock brokerage business.

The Group is subject to some bank loans covenants and certain subsidiaries of the Group are regulated entities under Securities and Future Commission ("SFC") of Hong Kong or The Chinese Gold & Silver Exchange Society, thus subject to the respective minimum capital requirements.

On 12th November 2007, Stockwell Securities Limited, a regulated subsidiary of the Group, had a shortfall of HK\$2.7 million in required liquid capital caused by the haircut impact arising from the substantial purchase transaction by a rolling balance cash client, which is also a registered institution of SFC and the case was rectified on next day after receiving the settlement from that client. Remedial measures have been taken by management to prevent the re-occurrence of similar incidents in the future by enhancing internal control procedures on monitoring trading limits, clients' transactions and liquid capital position, and increasing issued share capital.

Except for the above single incident, the Group has complied with all externally imposed capital requirements for both 2007/2008 and 2006/2007.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

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

| | Group | |
|--|----------------------|---------------|
| | 2008 | 2007 |
| | HK\$ | HK\$ |
| Profit before taxation | 46,031,626 | 46,094,026 |
| Change in fair value of trading securities | 2,414,671 | (5,218,702) |
| Change in fair value of equity accumulators | 1,881,448 | – |
| Fair value changes on investment properties | (27,025,561) | (27,696,798) |
| Change in fair value of forward exchange contracts | (227,705) | – |
| Net bad debts provision and write off | 3,189,434 | – |
| Share of profit of associates | (532,373) | (220,593) |
| Dividend income | (1,589,989) | (317,166) |
| Interest income | (12,300,016) | (7,964,859) |
| Foreign exchange loss | 666,458 | 1,001,206 |
| Finance costs | 16,859,954 | 13,324,695 |
| Depreciation | 13,269,484 | 11,111,492 |
| Amortisation of leasehold land and land use rights | 959,171 | 1,028,176 |
| Gain on disposal of land use rights | (6,301,277) | (2,500,569) |
| Loss on disposal of property, plant & equipment | 176,889 | 25,716 |
| Net (gain) loss on disposal of trading securities | (334,570) | 394,065 |
| | <hr/> | <hr/> |
| Operating profit before working capital changes | 37,137,644 | 29,060,689 |
| | <hr/> | <hr/> |
| Increase in inventories | (10,398,577) | (19,989,484) |
| Decrease in time deposits | 1,978,153 | 4,415,359 |
| Increase in clients' trust money | (73,237,514) | (22,101,094) |
| Increase in trade and other receivables | (458,361,511) | (249,050,908) |
| Decrease in deposits and prepayments | 1,361,957 | 2,805,784 |
| Decrease in amount due to related company | (3,021,429) | (215) |
| Increase in trade and other payables | 602,675,979 | 204,265,786 |
| | <hr/> | <hr/> |
| CASH INFLOW (OUTFLOW) FROM OPERATION | 98,134,702 | (50,594,083) |
| | <hr/> <hr/> | <hr/> <hr/> |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

35. RETIREMENT BENEFIT COSTS

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

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

Group

| | 2008 | 2007 |
|---|-----------------------|----------------|
| | HK\$ | HK\$ |
| Gross employer's contributions | 740,407 | 697,043 |
| Less: Forfeited contributions utilised to offset employer's contribution for the year | (4,605) | – |
| | <u>735,802</u> | <u>697,043</u> |
| Net employer's contribution charged to income statement | <u>735,802</u> | <u>697,043</u> |

36. COMMITMENTS

As at 31st March 2008, the Group had commitments under non-cancellable operating leases in respect of land and buildings to make payment in the following periods as follows:

Group

| | 2008 | 2007 |
|---|-------------------------|------------------|
| | HK\$ | HK\$ |
| Within one year | 1,440,702 | 983,786 |
| More than one year but not exceeding five years | 2,966,988 | 2,803,125 |
| Over five years | 1,227,355 | 1,923,355 |
| | <u>5,635,045</u> | <u>5,710,266</u> |
| | <u>5,635,045</u> | <u>5,710,266</u> |

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

37. FUTURE MINIMUM LEASE PAYMENTS RECEIVABLE

As at 31st March 2008, the total future minimum lease payments receivable under non-cancellable operating leases are analysed as follows:

| | Group | | Company | |
|--|-------------------|--------------|----------------|--------------|
| | 2008 HK\$ | 2007 HK\$ | 2008 HK\$ | 2007 HK\$ |
| Within one year | 9,491,565 | 11,077,667 | 306,001 | 263,663 |
| More than one year but not exceeding five years | 7,356,845 | 8,946,258 | 409,110 | 651,581 |
| Total | 16,848,410 | 20,023,925 | 715,111 | 915,244 |

38. PLEDGE OF ASSETS

At 31st March, 2008, the Group had the following assets pledged to banks to secure general banking facilities granted to the Group:

- (i) the Group's investment properties and leasehold land with a total carrying value of approximately HK\$215,408,200 (2007: HK\$196,523,793) together with assignments of sales proceeds, insurance proceeds, rental income, revenues and all other income generated from the relevant properties;
- (ii) the Group's hotel buildings and leasehold land with a total carrying value of approximately HK\$35,981,449 (2007: HK\$15,159,272);
- (iii) the Group's owner occupied properties and leasehold land with a total carrying value of approximately HK\$40,844,000 (2007: HK\$41,944,000);
- (iv) Time deposits of HK\$7,100,000 (2007: HK\$9,858,153);
- (v) Financial assets at fair value through income statement of HK\$6,650,500 (2007: HK\$13,575,400); and
- (vi) Margin clients' Hong Kong listed shares of HK\$Nil (2007: HK\$35,154,557).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

39. CONTINGENT LIABILITIES

| | Group | | Company | |
|--|------------------|--------------|--------------------|--------------|
| | 2008 HK\$ | 2007 HK\$ | 2008 HK\$ | 2007 HK\$ |
| a. Financial guarantees issued to banks in favour of – subsidiaries | – | – | 224,856,008 | 288,548,823 |
| Guarantees issued by bank in favour of – subsidiaries | 3,530,000 | 3,296,500 | 3,530,000 | 3,296,500 |
| – associates | 1,058,000 | 948,000 | 1,058,000 | 948,000 |
| Financial guarantees issued to trade creditors in favour of subsidiaries | – | – | 8,405,261 | 5,196,672 |

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

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

- b. The Company had unsettled tax dispute regarding the deductibility of interest expenses incurred in the year 2000/2001.
- c. During the year, the constructor for the hotel renovation works claimed against SAP Realty Company Limited (“SAR”), a wholly owned subsidiary of the Group for an overdue balance of approximately HK\$5,009,115. However, SAR has made a counter claim to that constructor for the amount overpaid to him of about HK\$5,459,314, having taken into account the cost and the expenses incurred by SAR to rectify the defect in the works and the loss and damage caused by the constructor’s failure to complete the works on time. Up to the date of this report, the outcome of the proceedings is still uncertain. As the directors considered it is premature and not practical to draw a conclusion of the outcome of the claims and that the ultimate liability, if any, will not have a material adverse impact on the Group’s financial position, no provision was made as of 31st March 2008.

40. CAPITAL COMMITMENTS

Group

| | 2008 HK\$ | 2007 HK\$ |
|---|--------------|--------------|
| Contracted for but not provided in the financial statements in respect of plant expansion project and building re-development project | – | 13,558,000 |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

41. RELATED PARTIES TRANSACTIONS

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

| | 2008 HK\$ | 2007 HK\$ |
|---|----------------------------|--------------|
| (a) Income received from associates of the Group: | | |
| – consultancy and management fee | 280,800 | 280,800 |
| – interest income | 898,338 | 752,809 |
| – sales of finished goods | 7,934,486 | 7,231,142 |
| – sales of raw materials | 4,842,439 | 10,019,084 |
| – sharing of production overheads | 562,111 | 363,277 |
| (b) Payment to an associate of the Group: | | |
| – purchase of raw materials & production material | 158,360 | 326,778 |
| – commission | 162,584 | 159,126 |
| (c) Payment to a company in which the Chairman of the Group has controlling interest | | |
| – rental expenses | 696,000 | 622,710 |
| (d) Interest payment to related companies in which the Chairman of the Group has controlling interest | 925,842 | 1,080,359 |
| (e) In addition to the Directors' and employees' remuneration as disclosed in note 11, remuneration of the other key management personnel was disclosed as follows: | | |
| Short-term employee benefits | 1,504,745 | 1,935,096 |
| MPF contribution | 43,460 | 44,145 |
| Long service payments | – | 387,436 |
| (f) Remuneration paid to close family members of key management personnel | 1,459,684 | 953,575 |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

42. PRINCIPAL SUBSIDIARIES

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

(a) Paid up capital up to 31st March, 2008 amounted to HK\$152,175,718.

(b) Paid up capital up to 31st March, 2008 amounted to HK\$14,151,600.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

42. PRINCIPAL SUBSIDIARIES (Cont'd)

| Name of Company | Place of incorporation/ operation | Nominal value of issued ordinary share capital/ registered capital | Percentage of equity interest held by | | Principal activities |
|--|---|---|---------------------------------------|-------|-------------------------------------|
| | | | Company | Group | |
| Nanryo Super Plastics (Hong Kong) Limited | Hong Kong | HK\$19,500,000 | – | 71.5 | Trading of plastic products |
| Nan Sing Plastics International Limited | British Virgin Islands/ Mainland China | US\$10 | – | 95 | Provision of consultancy services |
| Southeast Asia Properties & Finance (China) Limited | Hong Kong/ Mainland China | HK\$2 | 100 | 100 | Property investment and development |
| Southeast Asia Properties & Finance (Nominees) Limited | Hong Kong | HK\$10,000 | 100 | 100 | Nominees service |
| SAP Realty Company Limited | Hong Kong | HK\$100 | 100 | 100 | Property investment |
| Stockwell Securities Limited | Hong Kong | HK\$30,000,000 | 100 | 100 | Stock broking |
| Tanpar Company Limited | Hong Kong | HK\$3 | – | 95 | Trading and nominee |
| Top Epoch Limited | Hong Kong | HK\$1 | 100 | 100 | Property investment |
| Tsen Hsin Industrial Company Limited | Hong Kong | HK\$400,000 | – | 95 | Property investment |

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

43. ASSOCIATES

| Name of Company | Place of incorporation/ operation | Particulars of issued ordinary share capital/ registered capital | Business Structure | Percentage of equity interest held by | | Principal activities |
|-------------------------------------|---|---|--------------------|---------------------------------------|-------|------------------------------------|
| | | | | Company | Group | |
| Redi Bag USA LLC | USA | N/A | partnership | - | 47.7 | Trading of plastics products |
| Wisestar Holdings Limited | Hong Kong | 2 ordinary shares of HK\$1 each | company | - | 47.7 | Trading of plastics products |
| Dongguan Wisestar Plastics Limited | Mainland China | HK\$8,000,000* | company | - | 47.7 | Manufacturing of plastics products |
| Ongoing Investments Limited | British Virgin Islands/ Mainland China | 100 ordinary shares of US\$1 each | company | - | 20 | Property investment |
| Sequin Development Limited | British Virgin Islands/ Mainland China | 100 ordinary shares of US\$1 each | company | - | 20 | Property investment |
| Titan Dragon Properties Corporation | Philippines | 80,000 ordinary shares of Peso 1,000 each | company | 30 | 49 | Property investment |

* The registered capital was reduced from HK\$20,000,000 to HK\$8,000,000 during the year, of which HK\$5,500,950 has been paid up up to the balance sheet date.

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

44. PRIOR YEAR ADJUSTMENTS

Prior year adjustments represented the elimination in the consolidated financial statements of deferred tax liability provided in company level on the fair value changes of properties leased to intra-group companies. As a result of these adjustments, the retained profits brought forward at 1st April 2007 and 1st April 2006 are increased by HK\$16,823,660 and HK\$14,902,790 respectively and the profit after taxation for the year ended 31st March 2007 by HK\$1,920,870. Comparative figures for all previous years presented were also restated.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2008

45. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation in addition to those which have been restated as a result of the prior year adjustment.

46. APPROVAL AND AUTHORIZATION FOR ISSUE OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised by the Board of Directors on 18th July, 2008.

LIST OF PROPERTIES

As at 31st March, 2008

I. PROPERTIES HELD FOR INVESTMENT

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

2. TRADING PROPERTIES

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

LIST OF PROPERTIES

As at 31st March, 2008

3. PROPERTIES HELD FOR DEVELOPMENT

| | Location | Approximate Site Area (sq.m.) | Use | Group's Interest |
|-----|---|--|----------------------------|-----------------------------|
| (1) | Nan Shan Development Zhangmutou Dongguan PRC | 104,788 | Industrial | 100% |
| (2) | Nan Sing Building Town centre Zhangmutou Dongguan PRC | 1,350 | Residential/ Commercial | 100% |

Note: Development plans are under consideration.

4. PROPERTIES HELD FOR SELF USE

| | Location | Use | Category of lease |
|-----|---|-----------------|------------------------------|
| (1) | 7-7B Cameron Road, Tsimshatsui, Kowloon. | Hotel operation | Medium term lease |
| (2) | Room 407-410, 4/F, Tower2, Silvercord, 30 Canton Road, Tsimshatsui, Kowloon. | Commercial | Medium term lease |
| (3) | 24, Essex Crescent, Kowloon Tong, Kowloon. | Residential | Medium term lease |
| (4) | Nan Sing Industrial Estate, Nan Shan Development, Zhangmutou, Dongguan, PRC | Industrial | Medium term lease |
| (5) | Flat B4, 19/F., 32-34, Hong Keung Street, San Po Kong, Kowloon. | Residential | Medium term lease |
| (6) | Car Park Space No. 20 on G/F., Kwai Tak Industrial Centre, Kwai Chung, N. T. | Carpark | Medium term lease |

FIVE YEARS FINANCIAL SUMMARY

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

| | 2008 HK\$ | 2007 HK\$ (Restated) | 2006 HK\$ (Restated) | 2005 HK\$ | 2004 HK\$ |
|--------------------------------------|------------------------|----------------------------|----------------------------|---------------|---------------|
| RESULTS | | | | | |
| Turnover | 402,458,138 | 340,807,836 | 338,046,877 | 269,010,159 | 207,702,804 |
| Profit attributable to shareholders | 35,838,669 | 36,502,978 | 51,049,306 | 4,233,648 | 22,513,900 |
| ASSETS AND LIABILITIES | | | | | |
| Investment properties | 296,314,744 | 269,289,183 | 241,592,385 | 255,812,893 | 275,566,365 |
| Property, plant and equipment | 193,659,841 | 178,099,502 | 147,659,505 | 128,344,489 | 71,488,058 |
| Leasehold land and land use rights | 44,678,134 | 47,476,510 | 49,262,498 | 45,540,327 | – |
| Properties under development | – | – | – | – | 12,219,558 |
| Interests in associates | 70,612,548 | 56,863,464 | 51,799,360 | 19,536,834 | 29,737,735 |
| Available-for-sales financial assets | 22,909,711 | 8,546,989 | 6,475,889 | 6,475,889 | 6,475,889 |
| Other non-current assets | 4,902,706 | 3,502,706 | 2,932,706 | 7,053,757 | 6,329,202 |
| Current assets | 1,115,823,788 | 573,022,222 | 285,469,296 | 258,674,966 | 331,597,919 |
| Liabilities | (1,230,220,310) | (672,324,741) | (362,926,494) | (338,070,992) | (298,789,180) |
| Minority interests | (13,998,181) | (15,567,920) | (14,727,113) | (11,876,331) | (11,970,595) |
| Shareholders' equity | 504,682,981 | 448,907,915 | 407,538,033 | 371,491,832 | 422,654,951 |
| EARNINGS PER SHARE | | | | | |
| | 18.1 cents | 18.5 cents | 25.8 cents | 2.1 cents | 11.4 cents |
| DIVIDENDS PER SHARE | | | | | |
| | 3.5 cents | 3.0 cents | 3.0 cents | 1.5 cents | 5.0 cents |

Figures for 2007 and 2006 were restated as a result of the prior year adjustments as set out in note 44.