中國置業投資控股有限公司 *

CHINA PROPERTIES INVESTMENT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 736

ANNUAL REPORT 2008

* For identification purposes only

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CORPORATE INFORMATION

Board of Directors

Executive Directors

Zhao Qing Ji *(Chairman)*
Au Tat On

Independent Non-Executive Directors

Yeung Yuen Hei
Chan Mei Bo, Mabel
Wang Dong

Qualified Accountant and Company Secretary

Yip Yuk Sing

Authorised Representatives

Zhao Qing Ji
Yip Yuk Sing

Auditors

CCIF CPA Limited

Principal Bankers

ICBC (Asia)

Registered Office

Clarendon House
Church Street
Hamilton HM11
Bermuda

Head Office and Principal Place of Business

Room 2001, 20/F
Lippo Centre, Tower Two
89 Queensway
Hong Kong

Hong Kong Share Registrar and Transfer Office

Tricor Secretaries Limited
26/F Tesbury Centre,
28 Queen’s Road East
Hong Kong

Website

http://www.736.com.hk

Legal Adviser

Michael Li & Co.

Stock code

736

CHAIRMAN'S STATEMENT

I am pleased to present the annual results of China Properties Investment Holdings Limited (the "company") and its subsidiaries (the "group") for the year ended 31 March 2008 to the shareholders.

FINANCIAL RESULTS

The group's turnover was approximately HK$18.7 million for the year ended 31 March 2008 (2007: approximately HK$5.7 million), representing an increase of approximately 231% compared with last year. The loss for the year was approximately HK$28.8 million and the basic loss per share was HK2.26 cents. The loss for the year was mainly due to the share-based payment by grant of share options to certain employees during the year. The participants of the share option scheme are the key managerial staff who are responsible for the management, business development and strategic planning of the group. The share options granted to them will serve as an incentive for their continuing commitment and contribution to the group in the future.

BUSINESS AND OPERATION REVIEW

The group continued to focus on the properties investment business for the year. During the year, the group acquired two commercial properties in Shanghai with total consideration of approximately HK$131.8 million. As at 31 March 2008, the aggregate gross floor area of the investment properties being held by the group was approximately 10,736 square meters, representing an increase of approximately 91% compared with last year and the average occupancy rates were 100% for the year. All of the investment properties are leased to third parties under operating leases with lease terms ranging from two years to twelve years. The rental income generated from the investment properties amounted to approximately HK$2.1 million per month that provides a stable source of income to the group. In addition, the tenancy shall be subject to upward rental adjustments periodically which enhance the group's revenue growth. The acquisition of the new investment properties during the year also enhances the property portfolio of the group.

Following the acquisition of commercial properties in Shanghai, the company has further diversified its property portfolio in the mainland China. In order to better reflect the core business and long term expansion strategy of the group, the company's name changed to its current name during the year.

During the year, the company conducted an equity fund raising activity by means of open offer. Net proceeds of the open offer were approximately HK$207 million. It is in the interests of the company and its shareholders as a whole to raise equity capital to strengthen the group's financial position and enlarge its capital base, and to finance the interest bearing borrowings by equity.

CHAIRMAN'S STATEMENT

PROSPECTS

Although the macro economic austerity policies of the mainland China have recently cooled down the overheated property market, we believe that it provided a foundation for the continuous and healthy development of economy in the long run. As the government's regulatory policy is aimed at stabilizing the residential property market, its impact on the group's business, which is focusing on investment in commercial properties, is relatively less significant. In addition, the group's investment properties were located in the fast developing area or city centre of Shanghai which also enhanced its market values.

Looking ahead, we are still optimistic about the property market in the mainland China which is benefited from the continuous economic growth and higher per capita income. The group will continue to focus on the investment properties business which will provide steady revenue growth. On other hand, the group will actively explore other investment opportunities which may be outside the property sector, so as to sustain the long term business growth and to capture a reasonable return to the shareholders of the company.

GRATITUDE

Taking this opportunity, I would like to thank all shareholders and business partners for their continuous supports. I also thank for my fellow directors and staff members for their dedication and contribution to the group during the year.

ZHAO QING JI
CHAIRMAN

Hong Kong, 22 July 2008

BIOGRAPHICAL DETAILS OF DIRECTORS

Executive Directors

Mr. Zhao Qing Ji, aged 35, was appointed as Chairman of the company in January 2007 and an executive director and Chief Executive Officer of the company in November 2006. Mr. Zhao graduated at Peking University with a bachelor's degree in economics in 1998. He has extensive experience in corporate management, merger and acquisition, corporate restructuring, investment management, finance and initial public offering in the People's Republic of China ("PRC"). Prior to joining the company, Mr. Zhao was the Vice President of Peking University Resource group, responsible for management of investments in property development projects and investment properties.

Mr. Au Tat On, aged 52, was appointed as an executive director of the company in May 2006. Mr. Au received a bachelor's degree in business administration from Chu Hai College in 1989 and has nearly 28 years of experience in banking operations and financing.

Independent non-executive Directors

Mr. Yeung Yuen Hei, aged 44, was appointed as an independent non-executive director of the company in August 2005. Mr. Yeung is a solicitor practising in Hong Kong. He holds a bachelor of laws degree from the University of London and a postgraduate certificate in laws from the University of Hong Kong. Mr. Yeung is a partner of Y.H. Yeung and Associates, Solicitors and Mr. Yueng serves as honorary legal adviser to the Parent Teacher Association of Kwong Ming School – PM session, a sport association and an association on building management consultation in Yuen Long district.

Ms. Chan Mei Bo, Mabel, aged 36, was appointed as an independent non-executive director in June 2007. Ms. Chan is the sole proprietor of Mabel Chan & Co, Certified Public Accountants. She has extensive experience in professional accounting in Hong Kong and in the PRC. She holds a Bachelor of Arts (Hons) in Accountancy degree from the City University of Hong Kong and a Master degree of Business Administration from the Hong Kong University of Science and Technology. Ms. Chan was qualified as a practicing and fellow member of the Association of Chartered Certified Accountants in 1996 and also qualified as a practicing Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants in 1998. She was also qualified as an associate of the Institute of Chartered Accountants in England & Wales in 2007. She is currently the President of the Association of Women Accountants (Hong Kong) Limited; Honorary Secretary and the Council Member of the Society of Chinese Accountants and Auditors; Member of the Taxation Institute of Hong Kong; Honorary Treasurer of the Hong Kong Professionals Advancement Association and a member of the Hong Kong Institute of Directors.

Mr. Wang Dong, aged 35, was appointed as an independent non-executive director of the company in November 2007. Mr. Wang is a certified public accountant in the PRC. He has extensive experience in financial and business management. He is currently a senior partner of Reanda Certified Public Accountants Co., Limited. Mr. Wang holds a master degree of business administration from the School of Management, Harbin Institute of Technology.

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Results

Continuing operation – Properties investment business

For the year under review, the group's turnover was approximately HK$18.7 million (2007: approximately HK$5.7 million), representing an increase of approximately 231% compared with last year. The increase in turnover was mainly due to the increase in rental income through acquisition of investment properties in Shanghai during the second half of 2007 and 2008 respectively.

The audited loss for the year was approximately HK$28.8 million and the loss per share was HK2.26 cents (2007: earnings per share HK1.55 cents). The loss for the year was mainly due to the share-based payment by granting of share options to certain executive directors and key employees under the share option scheme of the company during the year. The fair value of the share options granted as at the date of grant was approximately HK$61.1 million which was recognized as expenses for the year under the requirements of HKFRS 2. However, there was no cash outlay from the company for granting these share options. The finance cost of the group for the year amounted to approximately HK$6 million which was incurred for the bank loans under the security of two investment properties in Shanghai.

Meanwhile, the group has elected the fair value model for investment properties under the HKAS 40 for the year. As at 31 March 2008, the investment properties of the group were revalued at approximately HK$470.7 million by Castores Magi (Hong Kong) Limited, an independent professional valuer. The group recorded a gain on fair value change of investment properties, amounted to approximately HK$34.4 million in its income statement for the year.

In addition, the income tax rate in the mainland China has been changed from 33% to 25% with effect from 1 January 2008. As a result, the deferred tax liabilities arising from revaluation of properties of the group was reduced by approximately HK$15.6 million for the year which helped to relieve the overall losses of the group.

Discontinued operation

As the group ceased its electronic consumer products and snap off blade cutters businesses since last financial year, it has no effect on the operating results of the group for the year under review.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The group entered into three sale and purchase agreements with three independent third parties on 10 July 2007 for the acquisition of three commercial properties in Shanghai. The total consideration payable by the company for the acquisitions was approximately HK$160 million in aggregate. Details of such acquisitions were set out in the circular of the company dated 14 August 2007. Among the three properties, the acquisition of the property comprising two office floors on Levels 14 and 15 of Yun Hai Building located at No. 1329 and 1331, Huai Hai Zhong Road, Xuhui District, Shanghai, the PRC was terminated due to one of the conditions as specified in the relevant sales and purchase agreement cannot be fulfilled. Such termination will not have any material adverse effects on the business or financial position of the group and the group will continue to explore other suitable investment opportunities. Details of the termination were disclosed in the announcement of the company dated 2 July 2008. Whereas the acquisition of the other two properties were completed during the year under review.

As at 31 March 2008, the aggregate gross floor area of the investment properties being held by the group was approximately 10,736 square meters, representing an increase of approximately 91% compared with last year. The investment properties of the group were located in fast developing area or city centre of Shanghai and the average occupancy rates were 100% for the year. The investment properties are leased to third parties under operating leases with lease terms ranging from two years to twelve years. The rental income generated from the investment properties amounted to approximately HK$2.1 million per month. The increase in investment properties will not only expand the property portfolio of the group, but will also provides a stable source of rental income to the group in the future.

Liquidity and Financial Resources

As at 31 March 2008, the group's net current assets were approximately HK$35.4 million (2007: approximately HK$2 million), including cash and bank balance of approximately HK$25 million (2007: approximately HK$5.8 million).

The group had borrowings of approximately HK$109.4 million as at 31 March 2008 (2007: approximately HK$162.5 million, being the amount due to an independent third party). All of the borrowings were bank loans under security, of which 4.6% were due within one year from balance sheet date, 5.1% were due more than one year but not exceeding two years, 23% were due more than two years but not exceeding five years and 67.3% were due more than five years. The gearing ratio, defined as the percentage of total bank borrowings to total equity, was approximately 32% (2007: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Investment Position and Planning

Save as the investment properties disclosed in the Business Review above, the group did not have any significant investment position in stocks, bonds and other financial derivatives as at 31 March 2008.

Foreign Exchange Exposure

As most of the group's assets and liabilities are denominated in Renminbi and the liabilities of the group are well covered by its assets, the group does not have any significant exposure to foreign exchange fluctuation.

Capital Structure

Save as disclosed in the note 31 to the financial statement, there was no other changes in capital structure of the company for the year ended 31 March 2008.

Charges on Group's Assets

As at 31 March 2008, the group's investment properties with a value of approximately HK$305.1 million were pledged to secure general banking facilities granted to Shanghai Xiang Chen Hang Place The Industry Co. Limited, the wholly-owned subsidiary of the group.

Contingent Liabilities

As at 31 March 2008, the group did not have any material contingent liability (2007: Nil).

Acquisition and Disposal of Subsidiaries

There was no material acquisitions and disposals of subsidiaries and affiliated companies of the group during the year ended 31 March 2008.

Employees

As at 31 March 2008, the group had 42 employees (2007: 31). The remuneration was determined with reference to statutory minimum wages, market terms and the performance, qualification and experience of individual employees. The group provides contributory provident fund and insurance scheme to the employees. Share option scheme and incentive schemes are adopted to encourage personal commitment of employees.

REPORT OF THE DIRECTORS

The directors (the "director") of the company herein present their report and the audited financial statements of the company and the group for the year ended 31 March 2008.

PRINCIPAL ACTIVITIES

The principal activity of the company is investment holding. The principal activities of its subsidiaries are set out in note 19 to the financial statements.

RESULTS AND DIVIDENDS

The results of the group for the year ended 31 March 2008 are set out in the consolidated income statement on page 25.

The directors do not recommend the payment of any dividends in respect of the year.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 116. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment of the company and property, plant and equipment, and investment properties of the group during the year are set out in notes 16 and 17 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the company's share capital and share options during the year, together with the reasons therefor, are set out in notes 31 and 32 to the financial statements respectively.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the company's bye-laws or the laws of Bermuda, which would oblige the company to offer new shares on a pro rata basis to existing shareholders.

REPORT OF THE DIRECTORS

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the company, nor any of its subsidiaries purchased, redeemed or sold any of the company's listed securities during the year ended 31 March 2008.

RESERVES

Details of movements in the reserves of the company and the group during the year are set out in note 33 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 March 2008, the aggregate amount of reserves available for distribution to equity shareholders of the company was approximately HK$186.2 million subject to the restriction on the share premium account.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, turnover attributable to the group's five largest customers accounted for 91% of the total turnover for the year and turnover attributable to the largest customer included therein amounted to 28%. Purchases from the group's five largest suppliers accounted for 100% of the total purchases for the year and purchases from the largest supplier included therein amounted to 97%.

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

REPORT OF THE DIRECTORS

DIRECTORS

The directors of the company during the year were:

Executive Directors:

Zhao Qing Ji *(Chairman)*
Au Tat On
Lu Xiao Dong *(Resigned on 28 February 2008)*
Wong Siu Keung, Joe *(Resigned on 1 July 2007)*

Independent non-executive Directors:

Yeung Yuen Hei
Chan Mei Bo, Mabel *(Appointed on 1 June 2007)*
Wang Dong *(Appointed on 1 November 2007)*
Yeung King Wah *(Resigned on 1 June 2007)*
Cheng Kwok Hing, Andy *(Resigned on 1 November 2007)*

In accordance with the company's bye-law 87(1), Mr. Yeung Yuen Hei will retire by rotation and, being eligible, will offer himself for re-election at the forthcoming annual general meeting.

In accordance with the company's bye-law 86(2), Ms. Chan Mei Bo, Mabel and Mr. Wang Dong appointed by the board during the year, shall hold office until the forthcoming annual general meeting and, being eligible, offer themselves for re-election at the meeting.

Each of the independent non-executive directors has fixed term of office for three years from the day of appointment and will be subject to the general requirement of retirement by rotation under the bye-laws of the company.

The company has received the annual written confirmation from each of the independent non-executive directors of the company of their independence to the company. The company considers that all of the independent non-executive directors are independent in accordance with the guidelines set out in the Listing Rules.

REPORT OF THE DIRECTORS

DIRECTORS' BIOGRAPHIES

Biographical details of the directors are set out on page 5 of this annual report.

DIRECTORS' REMUNERATION

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the company's board of directors with reference to the directors' duties, responsibilities and performance and the results of the group.

DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the company which is not determinable by the company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN CONTRACTS

None of the directors had interests in any contract of significance subsisting during or at the financial year ended 31 March 2008 in relation to the business of the group taken as a whole.

DIRECTORS' INTEREST AND SHORT POSITIONS IN SHARES

As at 31 March 2008, the interests and short positions of the directors of the company in the share capital of the company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code were as follows:

Long positions in shares of the company

Name of director	Capacity of shares held	No. of shares held	Percentage of issued share capital
Zhao Qing Ji *(Note)*	Interest of a controlled corporation	562,630,358	31.9%

Note: The interest was held by Profit Key Group Limited ("Profit Key"), a company wholly owned by Mr. Zhao Qing Ji.

Save as disclosed above, as at 31 March 2008, none of directors had registered an interest or short position in the shares of the company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the share option scheme in note 32 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES

As at 31 March 2008, so far as was known to the directors of the company, the following parties being directly or indirectly interested or deemed to be interested in 5% or more of the issued share capital of the company, were recorded in the register kept by the company under section 336 of the SFO:

Long positions in shares of the company

Name	Capacity of shares held	No. of shares held	Percentage of issued share capital
Profit Key *(Note 1)*	Beneficial owner	562,630,358	31.90%
Xu Dong	Beneficial owner	126,725,000	7.18%
Xie Hong Miao	Beneficial owner	95,825,000	5.43%

Note 1: Profit Key is wholly owned by Mr. Zhao Qing Ji who is the director of the company.

Save as disclosed above, as at 31 March 2008, no other interest or short position in the share of the company were recorded in register required to be kept under section 336 of the SFO.

CONNECTED TRANSACTIONS

Significant related party transactions entered into by the group during the year ended 31 March 2008, which do not constitute connected transactions under the Listing Rules, are disclosed in note 38 to the financial statements.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the group are set out in note 40 to the financial statements.

PUBLIC FLOAT

Based on information that is publicly available to the company and within the knowledge of directors of the company, the company maintained a sufficient public float throughout the year ended 31 March 2008.

REPORT OF THE DIRECTORS

AUDITORS

The financial statements for the year ended 31 March 2008 were audited by CCIF CPA Limited. A resolution will be submitted to the forthcoming annual general meeting to re-appoint CCIF CPA Limited as auditors of the company.

ON BEHALF OF THE BOARD

Zhao Qing Ji
CHAIRMAN

Hong Kong, 22 July 2008

CORPORATE GOVERNANCE REPORT

In view of the corporate governance practices, the company has adopted a set of clear guidelines to explain its policies, practices and procedures which aim at meeting our shareholders' expectations. The company has committed to maintain a high standard of corporate governance based on the principles of the code provisions set out in the Code of Corporate Governance Practice (the "CG Code") in Appendix 14 of the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The company recognizes the maintenance of good corporate governance practices is essential to the growth of the company. In the opinion of the directors, the company had complied with the CG Code throughout the year ended 31 March 2008, except for the code provision A.2.1. Detail of the deviation is set out in the relevant section below.

BOARD OF DIRECTORS

Composition

The board of directors (the "board") of the company comprises of five directors, including two executive directors and three independent non-executive directors. Details of the board composition are set out in the "Report of the Directors" of this annual report.

The board formulates overall strategies and policies of the group. It also ensures the availability of adequate capital and managerial resources to implement the strategies adopted, the adequacy of systems of financial and internal controls and the conduct of business in conformity with applicable laws and regulations. Decisions requiring the board's approval include, among others, all matters of objective and strategic importance, corporate governance practices, changes in board members, major transactions and investment commitments, annual budget, all policy matters etc. The day-to-day management, administration and operation of the company are delegated to senior management which is accountable to the board for the implementation of the group's overall strategies and coordination of overall business operations.

The board members are fully committed to their roles and have always acted, individually and collectively, in the best interests of the company and its shareholders at all times. To the best knowledge of the company, there is no financial, business, family or other relevant relationship amongst directors. Biographical details of the directors are set out from page 5 under the section headed "Biographical details of the Directors" of this annual report.

During the year ended 31 March 2008, the board held 25 regular and special board meetings. The attendance of each member at the board meetings is set out below:

CORPORATE GOVERNANCE REPORT

Name of Directors	Number of meetings attended/Total
Executive Directors:	
Zhao Qing Ji *(Chairman)*	22/25
Au Tat On	25/25
Lu Xiao Dong *(Resigned on 28 February 2008)*	22/25
Wong Siu Keung, Joe *(Resigned on 1 July 2007)*	6/25
Independent non-executive Directors:	
Yeung Yuen Hei	15/25
Chan Mei Bo, Mabel *(Appointed on 1 June 2007)*	14/25
Wang Dong *(Appointed on 1 November 2007)*	3/25
Cheng Kwok Hing, Andy *(Resigned on 1 November 2007)*	13/25
Yeung King Wah *(Resigned on 1 June 2007)*	1/25

Chairman

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The role of the chairman of the board has been performed by Mr Zhao Qing Ji who also acts as the chief executive officer during the year. The board considered that the non-segregation would not result in considerable concentration of power in one person and has the advantage of a strong and consistent leadership which is conducive to making and implementing decisions quickly and consistently.

The chairman of the group takes the lead in formulating overall strategies and policies of the group which include compliance with good corporate governance practices and to facilitate active contribution of directors in board activities. He also ensures that all directors are properly briefed on issues arising at board meetings and have received adequate, complete and reliable information in a timely manner with the assistance of the company secretary.

Executive Directors

The executive directors are responsible for running the group and executing the strategies adopted by the board. They lead the group's management team in accordance with the directions set by the board and are responsible for ensuring that proper internal control system is in place and the group's business conforms to applicable laws and regulations.

CORPORATE GOVERNANCE REPORT

Independent Non-executive Directors

The independent non-executive directors serve the important function of ensuring and monitoring the basis for an effective corporate governance framework. Their participations provide adequate checks and balances to safeguard the interests of the group and its shareholders. The board consists of three independent non-executive directors and one of them have appropriate professional qualifications or accounting or related financial management expertise. The company has received from each of the independent non-executive directors a confirmation of independence for the year pursuant to the Listing Rules. On this basis, the company considers all such directors to be independent.

Audit Committee

The company has established an audit committee which currently comprises three independent non-executive directors. The functions of the audit committee are:

- to make recommendations to the board concerning the appointment, reappointment, retention, evaluation and termination of compensation and overseeing the work of the company's independent auditor;
- to approve all non-audit services to be provided by the company's independent auditor;
- to approve the remuneration and terms of engagement of the company's independent auditor;
- to review the relationships between the company and the independent auditor;
- to approve the hiring of any employee or former employee of the company's independent auditor who was a member of the audit team during the preceding two years;
- to review the company's annual and interim financial statements, accounting policies and practices, the effectiveness of the company's disclosure controls and procedures and developments in financial reporting practices and requirements;
- to review the company's risk assessment and management policies;
- to review the adequacy and effectiveness of the company's legal and regulatory compliance procedures;

- to obtain and review reports from management and the independent auditor regarding compliance with applicable legal and regulatory requirements; and

- to perform the duties as set out in code provision C.3.3 of the CG Code.

During the year, the audit committee held 2 meetings, details of attendance are set out below:

Members	**Number of meetings attended/Total**
Yeung Yuen Hei	1/2
Chan Mei Bo, Mabel *(Appointed on 1 June 2007)*	1/2
Wang Dong *(Appointed on 1 November 2007)*	1/2
Cheng Kwok Hing, Andy *(Resigned on 1 November 2007)*	1/2
Yeung King Wah *(Resigned on 1 June 2007)*	1/2

The audit committee during the year in conjunction with auditors has reviewed the internal controls, interim and annual results of the group and its other duties (if relevant) in the CG Code.

The board has not taken any different view from that of the audit committee regarding selection, appointment, resignation or dismissal of external auditors.

Remuneration and Nomination Committee

The remuneration and nomination committee have been established by the board. The remuneration and nomination committee currently comprises three independent non-executive directors. The functions of remuneration and nomination committees are:

- to recommend to the board on the company's policies and structure for the remuneration of the directors and senior management of the group;

- to determine the remuneration packages of all executive directors and senior management;

- to review and approve performance-based remuneration; and

- to review and approve the compensation payable to executive directors and senior management in connection with any loss or termination of office or appointment.

CORPORATE GOVERNANCE REPORT

In addition, the remuneration and nomination committee as a whole is responsible for reviewing the board composition, developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the appointment and succession planning of directors and assessing the independence of independent non-executive directors. Where vacancies exist, the remuneration and nomination committee will carry out the selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, the company's needs and other relevant statutory requirements and regulations.

For the avoidance of doubt, the directors and their associates do not participate in decisions making relating to their own remuneration.

During the year, the remuneration and nomination Committee held 5 meetings, details of attendance are set out below:

Members	**Number of meetings attended/Total**
Yeung Yuen Hei	1/5
Chan Mei Bo, Mabel *(Appointed on 1 June 2007)*	4/5
Wang Dong *(Appointed on 1 November 2007)*	1/5
Cheng Kwok Hing, Andy *(Resigned on 1 November 2007)*	4/5
Yeung King Wah *(Resigned on 1 June 2007)*	1/5

DIRECTORS' SECURITIES TRANSACTION

The company has adopted the Model Code for Securities Transactions by Directors (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors.

The company had also made specific enquiry of all directors and the company was not aware of any non-compliance with the required standard as set out in the Model Code.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The directors acknowledge their responsibility for preparing all information and representations contained in the financial statements of the group for the year. The directors consider that the financial statements have been prepared in conformity with the generally accepted accounting standards in Hong Kong, and reflect amounts that are based on the best estimates and reasonable, informed and prudent judgment of the board and management with an appropriate consideration to materiality. The directors, having made appropriate enquiries, are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the company's ability to continue as a going concern. Accordingly, the directors have prepared the financial statements of the company on a going concern basis.

The statement of the auditors of the company regarding their responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 23 and 24 of this annual report.

Internal Controls

It is the responsibility of the board to ensure that the group maintains sound and effective internal controls to safeguard the shareholders' investments and the group's assets.

The board, with the assistance of RSM Nelson Wheeler Consulting Limited, assessed the effectiveness of the group's internal control system of major subsidiary of the group during the year ended 31 March 2008. No material issue but areas for improvement had been identified and appropriate measures had been taken.

CORPORATE GOVERNANCE REPORT

Auditors' Remuneration

An analysis of the remuneration of the company's auditors, CCIF CPA Limited, for the year is set out as follows:

Services rendered	**Fee paid/payable Approximately** *HK$*
Audit services (2007: approximately HK$421,600)	430,000
Non-audit services (2007: approximately HK$1,186,000)	700,000
Taxation services (2007: Nil)	–
Other services (2007: Nil)	–
Total:	1,130,000

COMMUNICATION WITH SHAREHOLDERS

The Company endeavours to develop and maintain continuing relationships and effective communications with its shareholders and investors. To facilitate and enhance the relationships and communication, the company has established, including but not limited to, the following various channels:

1. annual general meeting provides a forum for shareholders of the company to raise comments and exchange views with the board. The chairman and the directors are available at annual general meetings to address shareholders' queries;

2. separate resolutions are proposed at general meetings on each substantially separate issue and procedures for demanding a poll in general meetings are included in circulars to the shareholders to facilitate the enforcement of shareholders' rights;

3. interim and annual results are announced as early as possible so that the shareholders are kept informed of the group's performance and operations; and

4. corporate website www.736.com.hk contains extensive information and updates on the company's business developments and operations, financial information and other information.

INDEPENDENT AUDITOR'S REPORT

CCIF
CCIF CPA LIMITED
20/F Sunning Plaza
10 Hysan Avenue
Causeway Bay Hong Kong

TO THE SHAREHOLDERS OF
CHINA PROPERTIES INVESTMENT HOLDINGS LIMITED
(FORMERLY KNOWN AS NORTHERN INTERNATIONAL HOLDINGS LIMITED)
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of China Properties Investment Holdings Limited (formerly known as Northern International Holdings Limited) (the "company") set out on pages 25 to 115, which comprise the consolidated and company balance sheets as at 31 March 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

INDEPENDENT AUDITOR'S REPORT

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 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

Opinion

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

CCIF CPA Limited
Certified Public Accountants
Hong Kong, 22 July 2008

Betty P.C. Tse
Practising Certificate Number P03024

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2008

	Note	2008 HK$	2007 HK$
Continuing operations			
Turnover	7	**18,743,981**	5,658,580
Direct outgoings		**(2,522,807)**	(706,935)
		16,221,174	4,951,645
Valuation gains on investment properties	17	**34,357,895**	15,145,560
Other revenue	7	**1,418,121**	177,275
Other net income	7	**–**	12,495,110
Administrative expenses		**(20,889,500)**	(18,101,445)
Equity settled share-based payment expenses	32	**(61,139,425)**	–
Other operating expenses		**(154,839)**	(4,680)
(Loss)/profit from operations	9	**(30,186,574)**	14,663,465
Finance costs	10	**(6,013,651)**	–
(Loss)/profit before taxation		**(36,200,225)**	14,663,465
Income tax	13	**7,424,031**	(4,728,240)
(Loss)/profit for the year from continuing operations		**(28,776,194)**	9,935,225
Discontinued operations			
Loss for the year from discontinued operations	8	**–**	(28,551,269)
Loss for the year		**(28,776,194)**	(18,616,044)
Attributable to:			
Equity shareholders of the company	14	**(28,776,194)**	(18,616,044)
(Loss)/earnings per share (2007: restated)	15		
From continuing and discontinued operations			
– Basic		**HK(2.26) cents**	HK(2.90) cents
– Diluted		**N/A**	N/A
From continuing operations			
– Basic		**HK(2.26) cents**	HK1.55 cents
– Diluted		**N/A**	HK1.55 cents

The notes on pages 32 to 115 form an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 March 2008

	Note	2008 HK$	2007 HK$
Non-current assets			
Property, plant and equipment	16	**1,497,580**	886,616
Investment properties	17	**470,733,000**	258,784,000
Interests in leasehold land held for own use under operating leases	18	**–**	–
		472,230,580	259,670,616
Current assets			
Trade and other receivables	20	**19,996,963**	2,155,325
Amount due from a director	22	**14,777**	–
Trading securities	21	**192,480**	–
Cash and cash equivalents	23	**24,993,481**	5,801,798
		45,197,701	7,957,123
Current liabilities			
Other payables and accruals		**4,793,481**	5,462,168
Amount due to directors	24	**–**	35,102
Interest-bearing borrowings	26	**5,024,475**	–
Tax payable	28	**–**	419,619
		9,817,956	5,916,889
Net current assets		**35,379,745**	2,040,234
Total assets less current liabilities		**507,610,325**	261,710,850
Non-current liabilities			
Interest-bearing borrowings	26	**104,397,425**	–
Other payable	25	**–**	2,751,624
Long-term payable	27	**–**	162,504,072
Deferred tax liabilities	29	**60,838,764**	60,515,002
		165,236,189	225,770,698
NET ASSETS		**342,374,136**	35,940,152

CONSOLIDATED BALANCE SHEET

As at 31 March 2008

	Note	**2008** *HK$*	2007 *HK$*
CAPITAL AND RESERVES			
Share capital	31	**17,636,982**	83,878,577
Reserves	33	**324,737,154**	(47,938,425)
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY		**342,374,136**	35,940,152

Approved and authorised for issue by the board of directors on 22 July 2008.

On behalf of the board

Zhao Qing Ji
Director

Au Tat On
Director

The notes on pages 32 to 115 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year ended 31 March 2008

	Share capital HK$	Share premium HK$	Building revaluation reserve HK$	Special reserve HK$	Contributed surplus reserve HK$	Employee share-based compensation reserve HK$	Exchange fluctuation reserve HK$	(Accumulated losses)/ Retained profits HK$	Total HK$
At 1 April 2006	58,299,577	26,743,439	546,396	(11,152,801)	–	–	(457,315)	(59,649,516)	14,329,780
Issue of new shares *(note 31(c))*	11,600,000	1,740,000	–	–	–	–	–	–	13,340,000
Issue of new shares *(note 31(d))*	13,979,000	12,581,100	–	–	–	–	–	–	26,560,100
Share issuance expense	–	(153,465)	–	–	–	–	–	–	(153,465)
Exchange realignment	–	–	–	–	–	–	(93,436)	–	(93,436)
Reversal of deferred tax on disposal of properties	–	–	115,902	–	–	–	–	–	115,902
Disposal of properties *(note 17(c))*	–	–	(662,298)	–	–	–	–	662,298	–
Disposal of foreign operations	–	–	–	–	–	–	457,315	–	457,315
Loss for the year	–	–	–	–	–	–	–	(18,616,044)	(18,616,044)
At 31 March 2007	83,878,577	40,911,074	–	(11,152,801)	–	–	(93,436)	(77,603,262)	35,940,152
At 1 April 2007	83,878,577	40,911,074	–	(11,152,801)	–	–	(93,436)	(77,603,262)	35,940,152
Capital reorganisation *(note 31(a))*	(79,684,648)	(40,911,074)	–	–	20,867,880	–	–	99,727,842	–
Issue of new shares by open offer *(note 31(e))*	12,581,787	201,308,585	–	–	–	–	–	–	213,890,372
Share issuance expense	–	(6,327,049)	–	–	–	–	–	–	(6,327,049)
Exercise of share options *(note 31(f))*	22,516	147,484	–	–	–	–	–	–	170,000
Issue of new shares *(note 31(g))*	838,750	35,227,500	–	–	–	–	–	–	36,066,250
Equity settled share-based transactions	–	–	–	–	–	61,139,425	–	–	61,139,425
Options forfeited during the year	–	–	–	–	–	(9,285,168)	–	9,285,168	–
Exchange realignment	–	–	–	–	–	–	30,271,180	–	30,271,180
Loss for the year	–	–	–	–	–	–	–	(28,776,194)	(28,776,194)
At 31 March 2008	17,636,982	230,356,520	–	(11,152,801)	20,867,880	51,854,257	30,177,744	2,633,554	342,374,136
Reserves retained by the company and subsidiaries									
At 31 March 2008	17,636,982	230,356,520	–	(11,152,801)	20,867,880	51,854,257	30,177,744	2,633,554	342,374,136
At 31 March 2007	83,878,577	40,911,074	–	(11,152,801)	–	–	(93,436)	(77,603,262)	35,940,152

The notes on pages 32 to 115 form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the Year ended 31 March 2008

	Note	2008 HK$	2007 HK$
Operating activities			
(Loss)/profit before taxation			
From continuing operations		**(36,200,225)**	14,663,465
From discontinued operations		**–**	(28,551,269)
Adjustments for:			
Amortisation of land lease premium		**–**	74,070
Finance costs		**6,013,651**	1,927,130
Interest income on bank deposits		**(834,509)**	(173,067)
Depreciation		**325,834**	1,373,552
Gain on disposal of property, plant and equipment		**–**	(9,089,307)
Valuation gains on investment properties		**(34,357,895)**	(15,145,560)
Unrealised losses on trading securities		**154,839**	–
Equity settled share-based payment expenses		**61,139,425**	–
Surplus on revaluation of buildings		**–**	(100,000)
Negative goodwill	34(a)	**–**	(3,405,803)
Gain on disposal of subsidiaries	34(b)	**–**	(2,440,813)
Loss on disposal of property, plant and equipment		**–**	5,507,581
Write down of inventories		**–**	5,191,601
Foreign exchange gain/(loss), net		**996,973**	(118,266)
Operating loss before changes in working capital		**(2,761,907)**	(30,286,686)
Decrease in inventories		**–**	1,837,320
Decrease in trade and other receivables		**(2,406,638)**	(649,268)
Increase in amount due from a director		**(14,777)**	–
Decrease in trade payables		**–**	(4,435,945)
Decrease in other payables and accruals		**(668,687)**	(2,854,437)
Decrease in amount due to directors		**(35,102)**	(1,422,743)
Cash used in operations		**(5,887,111)**	(37,811,759)
Tax refund/(paid)		**18,809**	(294,213)
Net cash used in operating activities		**(5,868,302)**	(38,105,972)

CONSOLIDATED CASH FLOW STATEMENT

For the Year ended 31 March 2008

	Note	2008 HK$	2007 HK$
Investing activities			
Deposit paid for the purchase of investment properties		**(15,435,000)**	–
Purchase of investment properties		**(131,818,943)**	–
Purchase of plant and equipment		**(823,320)**	(672,507)
Interest received		**834,509**	173,067
Acquisition of trading securities		**(347,319)**	–
Cash outflow from acquisition of subsidiaries	34(a)	**–**	(17,215,220)
Cash outflow from disposal of subsidiaries	34(b)	**–**	(1,302,167)
Net proceeds from disposal of investment properties		**–**	73,529,412
Increase in pledged deposits		**–**	(1,000,000)
Net cash (used in)/generated from investing activities		**(147,590,073)**	53,512,585
Financing activities			
Proceeds from issue of shares		**213,890,372**	39,900,100
Inception of a bank loan		**101,750,102**	–
Repayment of bank loans		**(2,035,002)**	(32,558,256)
Exercise of share option		**170,000**	–
Repayment of other payable	25	**(2,751,624)**	–
Repayment of long-term payable		**(126,437,822)**	–
Capital element of finance lease rentals paid		**–**	(667,789)
Interest element of finance lease rentals paid		**–**	(52,653)
Interest paid		**(6,013,651)**	(1,874,477)
Share issuance expense		**(6,327,049)**	(153,465)
Repayment of loan from a related party		**–**	(13,882,280)
Net cash generated from/(used in) financing activities		**172,245,326**	(9,288,820)
Net increase in cash and cash equivalents		**18,786,951**	6,117,793
Cash and cash equivalents, at beginning of year		**5,801,798**	(315,995)
Effect of foreign exchange rate changes, net		**404,732**	–
Cash and cash equivalents, at end of year	23	**24,993,481**	5,801,798

The notes on pages 32 to 115 form an integral part of these financial statements.

BALANCE SHEET

As at 31 March 2008

	Note	2008 HK$	2007 HK$
Non-current assets			
Plant and equipment	16	**1,533**	3,109
Interests in subsidiaries	19	**240,920,126**	183,681,072
		240,921,659	183,684,181
Current assets			
Deposits, prepayments and other receivables	20	**168,000**	1,651
Amount due from a director	22	**14,777**	–
Trading securities	21	**192,480**	–
Cash and cash equivalents	23	**14,955,983**	2,393,424
		15,331,240	2,395,075
Current liabilities			
Other payables and accruals		**573,589**	1,525,425
Amount due to directors	24	**–**	35,102
		573,589	1,560,527
Net current assets		**14,757,651**	834,548
Total assets less current liabilities		**255,679,310**	184,518,729
Non-current liabilities			
Long-term payable	27	**–**	162,504,072
NET ASSETS		**255,679,310**	22,014,657
CAPITAL AND RESERVES			
Share capital	31	**17,636,982**	83,878,577
Reserves	33	**238,042,328**	(61,863,920)
SHAREHOLDERS' EQUITY		**255,679,310**	22,014,657

Approved and authorised for issue by the board of directors on 22 July 2008.

On behalf of the board

Zhao Qing Ji
Director

Au Tat On
Director

The notes on pages 32 to 115 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2008

1. CORPORATE INFORMATION

The company was incorporated in Bermuda with limited liability under the Companies Act (1981) of Bermuda and is listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The company is an investment holding company. The principal activities of its subsidiaries are set out in note 19 to the financial statements. The company by passing of a special resolution by the shareholders of the company at the special general meeting of the company held on 28 November 2007, changed its name from “Northern International Holdings Limited” to “China Properties Investment Holdings Limited” with effect from 28 November 2007.

2. STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. A summary of the significant accounting policies adopted by the group is set out in note 3.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for current accounting period of the group and the company. Note 4 provides information on the changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the group for the current and prior accounting periods reflected in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2008

3. SIGNIFICANT ACCOUNTING POLICIES

a) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 March 2008 comprise the company and its subsidiaries (together referred to as the "group").

The measurement basis used in the preparation of the financial statements is the historical cost basis except that investment properties and trading securities are stated at their fair value as explained in the accounting policies set in notes 3(e) and 3(c) respectively below.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of HKFRSs that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 5.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2008

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) SUBSIDIARIES

Subsidiaries are entities controlled by the group. Control exists when the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

In the company's balance sheet, investments in subsidiaries are stated at cost less impairment losses (see note 3(g)).

c) OTHER INVESTMENTS IN EQUITY SECURITIES

The group's and the company's policies for investments in equity securities, other than investments in subsidiaries are as follows:

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 variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification.

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At each balance sheet date the fair value is remeasured, with a resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in note 3(m)(iii) and (iv).

Investments are recognised/derecognised on the date the group commits to purchase/sell the investments or they expire.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2008

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) PROPERTY, PLANT AND EQUIPMENT

Properties held for own use are stated in the balance sheet at their revalued amount, being their fair value at the date of the revaluation less any subsequent accumulated depreciation.

Revaluations are performed with sufficient regularity to ensure that the carrying amount of these assets does not differ materially from that which would be determined using fair values at the balance sheet date.

Other items of property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 3(g)).

Changes arising on the revaluation of properties held for own use are generally dealt with in reserves. The only exceptions are as follows:

– when a deficit arises on revaluation, it will be charged to profit or loss to the extent that it exceeds the amount held in the reserve in respect of that same asset immediately prior to the revaluation; and

– when a surplus arises on revaluation, it will be credited to profit or loss to the extent that a deficit on revaluation in respect of that same asset had previously been charged to profit or loss.

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 asset has been placed into operations is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditures are charged to profit or loss in the period incurred.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained profits.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2008

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) PROPERTY, PLANT AND EQUIPMENT (Continued)

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

– Buildings situated on leasehold land	2% or over the lease terms, whichever is shorter
– Leasehold improvements	20%
– Plant and machinery	20% – 25%
– Furniture and equipment	20%
– Motor vehicles	20% – 25%

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

e) INVESTMENT PROPERTIES

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation.

Investment properties are stated in the balance sheet at fair value. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 3(m)(i).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) OPERATING LEASE CHARGES

Where the group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property.

g) IMPAIRMENT OF ASSETS

i) Impairment of investments in equity securities and other receivables

Investments in equity securities (other than investments in subsidiaries – see note 3(b)) and other current and non-current receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtors; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2008

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) IMPAIRMENT OF ASSETS (Continued)

i) Impairment of investments in equity securities and other receivables (Continued)

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 financial assets 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 for equity securities are not reversed.

– 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. The assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) IMPAIRMENT OF ASSETS (Continued)

i) Impairment of investments in equity securities and other receivables (Continued)

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors 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 directly are recognised in profit or loss.

ii) Impairment of other assets

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

– property, plant and equipment;

– investments in subsidiaries (except for those classified as being held for sale); and

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of 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 the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e., a cash-generating unit).

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2008

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) IMPAIRMENT OF ASSETS (Continued)

ii) Impairment of other assets (Continued)

– Recognition of impairment losses

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

– 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.

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 profit or loss in the year in which the reversals are recognised.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2008

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) IMPAIRMENT OF ASSETS (Continued)

iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the group is required to prepare an interim financial report in compliance with HKSA 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year.

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

h) TRADE AND OTHER RECEIVABLES

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment losses for 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 impairment losses for bad and doubtful debts (see note 3 (g)).

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2008

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) CASH AND CASH EQUIVALENTS

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

j) OTHER PAYABLES

Other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

k) INTEREST-BEARING BORROWINGS

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

l) INCOME TAX

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2008

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

l) INCOME TAX (Continued)

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2008

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

l) INCOME TAX (Continued)

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

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

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

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

– in the case of current tax assets and liabilities, the company or the group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

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

  – the same taxable entity; or

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2008

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

m) REVENUE RECOGNITION

Provided it is probable that the economic benefits will flow to the group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the profit or loss as follows:

i) Rental income receivable under operating leases is recognised in the profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentive granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

ii) Property management services income is recognised when the services are provided.

iii) Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

iv) Interest income is recognised as it accrues using the effective interest method.

n) TRANSLATION OF FOREIGN CURRENCIES

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised directly in equity.

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2008

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

n) TRANSLATION OF FOREIGN CURRENCIES (Continued)

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity.

On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is included in the calculation of the profit or loss on disposal.

o) BORROWING COSTS

All borrowing costs are recognised as and included in finance costs in the profit or loss in the period in which they are incurred.

p) DISCONTINUED OPERATIONS

A discontinued operation is a component of the group's business, the operations and cash flows of which can be clearly distinguished from the rest of the group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discounted operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs when the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the income statement, which comprises:

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

p) DISCONTINUED OPERATIONS (Continued)

– the post-tax profit or loss of the discounted operation; and

– the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

q) RELATED PARTIES

For the purpose of these financial statements, parties are 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 member of key management personnel of the group or the group's parent, or a close family member of such an individual, 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 of the group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2008

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

r) EMPLOYEE BENEFITS

i) Short-term employee benefits and contributions to defined contribution retirement plans

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

ii) Share-based payments

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

r) EMPLOYEE BENEFITS (Continued)

ii) Share-based payments (Continued)

Share options granted to employees on or before 7 November 2002

The financial impact of share options granted is not recorded in the consolidated financial statements until such time as the options are exercised, and no charge is recognised in the consolidated income statement in respect of the value of options granted. Upon the exercised of the share options, the resulting shares issued are recorded as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the share is recorded as share premium. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

iii) Termination benefits

Termination benefits are recognised when, and only when, the group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2008

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

s) SEGMENT REPORTING

A segment is a distinguishable component of the group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the group's internal financial reporting system, the group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables, property, plant and equipment and investment properties. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2008

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

t) FINANCIAL GUARANTEES ISSUED, PROVISIONS AND CONTINGENT LIABILITIES

i) 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 profit or loss 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 3(t)(ii) if and when (1) it becomes probable that the holder of the guarantee will call upon the group under the guarantee, and (2) the amount of that claims 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 amortisation.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2008

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

t) FINANCIAL GUARANTEES ISSUED, PROVISIONS AND CONTINGENT LIABILITIES (Continued)

ii) Other provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2008

4. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new and revised HKFRSs and interpretations that are first effective or available for early adoption for the current accounting period of the group and the company.

There have been no significant changes to the accounting policies applied in these financial statements for the years presented as a result of these developments. However, as a result of the adoption of 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 37.

The amendment to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the group's and the company's objectives, policies and processes for managing capital. These new disclosures are set out in note 33(e).

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 instruments.

The group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 43).

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2008

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of receivables

The group maintains impairment loss for doubtful accounts based upon evaluation of the recoverability of the accounts receivables and other receivables at each balance sheet date. The estimates are based on the ageing of the accounts receivable and other receivables balances and the historical write-off experience, net of recoveries. If the financial condition of the debtors were to deteriorate, additional impairment may be required.

6. SEGMENT INFORMATION

Segment information is presented in respect of the group's business and geographical segments. Business segment information is chosen as the primary format because this is more relevant to the group's internal financial reporting.

The group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services provided.

Summary details of the business segments are as follows:

i) the properties investment segment comprises rental of investment properties and property management services;

ii) the snap off blade cutters segment manufactures and sells snap off blade cutters; and

iii) the electronic consumer products segment manufactures and sells electronic consumer products.

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

During the financial year 2007, the group disposed of its snap off blade cutters and electronic consumer products business.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2008

6. SEGMENT INFORMATION (Continued)

a) Business segments

The following tables present revenue, profit and certain assets, liabilities and expenditure information of the group's business segments.

The group

	For the year ended 31 March 2008				
	Continuing operations	Discontinued operation			
	Properties investment	Snap off blade cutters	Electronic consumer products	Total	Consolidated
	HK$	HK$	HK$	HK$	HK$
Revenue					
External sales	18,743,981	–	–	–	18,743,981
Results					
Segment results	41,058,337	–	–	–	41,058,337
Interest income	834,509			–	834,509
Unallocated income	621			–	621
Unallocated corporate expenses	(72,080,041)			–	(72,080,041)
Loss from operations	(30,186,574)			–	(30,186,574)
Finance costs	(6,013,651)			–	(6,013,651)
Loss before taxation	(36,200,225)			–	(36,200,225)
Income tax	7,424,031			–	7,424,031
Loss from ordinary activities attributable to shareholders	(28,776,194)			–	(28,776,194)

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2008

6. SEGMENT INFORMATION (Continued)

a) Business segments (Continued)

The group (Continued)

	For the year ended 31 March 2007				
	Continuing operations	Discontinued operations			
	Properties investment	Snap off blade cutters	Electronic consumer products	Total	Consolidated
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Revenue					
External sales	5,658,580	46,028,732	7,182,220	53,210,952	58,869,532
Results					
Segment results	15,121,549	(9,595,786)	(19,495,856)	(29,091,642)	(13,970,093)
Interest income	146,377			26,690	173,067
Unallocated income	3,405,808			2,440,813	5,846,621
Unallocated corporate expenses	(4,010,269)			–	(4,010,269)
Profit/(loss) from operations	14,663,465			(26,624,139)	(11,960,674)
Finance costs	–			(1,927,130)	(1,927,130)
Profit/(loss) before taxation	14,663,465			(28,551,269)	(13,887,804)
Income tax	(4,728,240)			–	(4,728,240)
Profit/(loss) from ordinary activities attributable to shareholders	9,935,225			(28,551,269)	(18,616,044)

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2008

6. SEGMENT INFORMATION (Continued)

a) Business segments (Continued)

The group (Continued)

	For the year ended 31 March 2008			
	Continuing operations	Discontinued operations		
	Properties investment	Snap off blade cutters	Electronic consumer products	Consolidated
	HK$	*HK$*	*HK$*	*HK$*
Segment assets	502,095,504	–	–	502,095,504
Unallocated corporate assets				15,332,777
Consolidated total assets				517,428,281
Segment liabilities	174,480,557	–	–	174,480,557
Unallocated corporate liabilities				573,588
Consolidated total liabilities				175,054,145
Other segment information:				
Capital expenditure	132,642,263	–	–	132,642,263
Depreciation	325,834	–	–	325,834
Fair value adjustments of investment properties recognised directly in profit or loss	34,357,895	–	–	34,357,895

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2008

6. SEGMENT INFORMATION (Continued)

a) Business segments (Continued)

The group (Continued)

	For the year ended 31 March 2007			
	Continuing operations	Discontinued operations		
	Properties investment *HK$*	Snap off blade cutters *HK$*	Electronic consumer products *HK$*	Consolidated *HK$*
Segment assets	265,229,553	–	–	265,229,553
Unallocated corporate assets				2,398,186
Consolidated total assets				267,627,739
Segment liabilities	67,769,249	–	–	67,769,249
Unallocated corporate liabilities				163,918,338
Consolidated total liabilities				231,687,587
Other segment information:				
Capital expenditure	499,735	162,970	9,802	672,507
Depreciation	208,668	526,111	635,492	1,370,271
Unallocated depreciation				3,281
				1,373,552
Loss on disposal of plant and equipment	–	–	5,507,581	5,507,581
Write down of inventories	–	–	5,191,601	5,191,601
Revaluation surplus of buildings recognised directly in profit or loss	–	100,000	–	100,000
Fair value adjustments of investment properties recognised directly in profit or loss	15,145,560	–	–	15,145,560

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2008

6. SEGMENT INFORMATION (Continued)

b) Geographical segments

All segment assets, liabilities and capital expenditure are located in the mainland China and therefore no geographical segments are presented, except for the segment revenue. Segment revenue is presented based on the geographical location of customers.

An analysis of the group's revenue by geographical segment, as determined by the location of the customers operations, is as follows:

The group

	31 March 2008		
	Continuing operations	**Discontinued operations**	**Total**
	HK$	***HK$***	***HK$***
Turnover			
Hong Kong	**–**	**–**	**–**
Mainland China	**18,743,981**	**–**	**18,743,981**
Europe	**–**	**–**	**–**
North America	**–**	**–**	**–**
East Asia	**–**	**–**	**–**
Others *	**–**	**–**	**–**
	18,743,981	**–**	**18,743,981**

	31 March 2007		
	Continuing operations	Discontinued operations	Total
	HK$	HK$	HK$
Turnover			
Hong Kong	182,600	8,473,557	8,656,157
Mainland China	5,475,980	5,853,731	11,329,711
Europe	–	17,677,827	17,677,827
North America	–	7,575,531	7,575,531
East Asia	–	11,184,258	11,184,258
Others *	–	2,446,048	2,446,048
	5,658,580	53,210,952	58,869,532

* *including Brazil and Canada etc.*

7. TURNOVER, OTHER REVENUE AND NET INCOME

Turnover represents gross rental income, property management services income, net invoiced value of good sold, after allowances for returns and trade discounts and after elimination of all intra-group transactions.

	2008	2007
	HK$	*HK$*
Turnover		
Gross rental income	**16,992,158**	5,658,580
Property management services income	**1,751,823**	–
Sales of snap off blade cutters	**–**	46,028,732
Sale of electronic consumer products	**–**	7,182,220
	18,743,981	58,869,532
Attributable to continuing operations	**18,743,981**	5,658,580
Attributable to discontinued operations	**–**	53,210,952
	18,743,981	58,869,532

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2008

7. TURNOVER, OTHER REVENUE AND NET INCOME (Continued)

Other revenue

	Continuing operations		Discontinued operations		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007
	HK$	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
Interest income on bank deposits	**834,509**	146,377	**–**	26,690	**834,509**	173,067
Total interest income on financial assets not at fair value through profit or loss	**834,509**	146,377	**–**	26,690	**834,509**	173,067
Sundry income	**583,612**	30,898	**–**	1,767,528	**583,612**	1,798,426
	1,418,121	177,275	**–**	1,794,218	**1,418,121**	1,971,493

Other net income

	Continuing operations		Discontinued operations		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007
	HK$	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
Surplus on revaluation of buildings	**–**	–	**–**	100,000	**–**	100,000
Gain on disposal of subsidiaries	**–**	–	**–**	2,440,813	**–**	2,440,813
Net gain on disposal of property, plant and equipment	**–**	9,089,307	**–**	–	**–**	9,089,307
Negative goodwill *(note 34(a))	**–**	3,405,803	**–**	–	**–**	3,405,803
	–	12,495,110	**–**	2,540,813	**–**	15,035,923

* the amount represented the excess of the fair value of assets and liabilities of the subsidiaries acquired at the 28 November 2006, completion date of the transaction, and the total consideration HK$110,000,000 agreed between the company and vendor on 21 August 2006.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2008

8. LOSS FOR THE YEAR FROM DISCONTINUED OPERATIONS

On 7 February 2007, the company entered into a sale and purchase agreement, pursuant to which the company agreed to dispose of the entire issued share capital of Asian Field Holdings Corp. and its subsidiaries ("Asian Field group") and the right of and benefits in the sale loan from Mr. Chong Sing Yuen, an ex-director of the company, for a consideration of HK$2. The sale loan represents the shareholder loan as at 31 March 2007 after netting off of the amount capitalised (Note 34(b)(ii)).

The disposal was completed on 31 March 2007. The details of transaction have been disclosed in the company's circular dated 6 March 2007.

The results of the discontinued operations for the year ended 31 March 2007, which have been included in the consolidated income statement, were as follows:

	2008	2007
	HK$	*HK$*
Turnover		
Sales of snap off blade cutters	–	46,028,732
Sale of electronic consumer products	–	7,182,220
	–	53,210,952
Cost of sales	–	(52,863,856)
Gross profit	–	347,096
Other revenue	–	1,794,218
Other net income	–	100,000
Distribution costs	–	(4,984,297)
Administrative expenses	–	(20,511,551)
Other operating expenses	–	(5,810,418)
Loss from operations	–	(29,064,952)
Finance costs	–	(1,927,130)
Gain on disposal of operation	–	2,440,813
Loss before taxation	–	(28,551,269)
Income tax	–	–
Loss for the year	–	(28,551,269)

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2008

8. LOSS FOR THE YEAR FROM DISCONTINUED OPERATIONS (Continued)

The carrying amounts of assets and liabilities of the discontinued operations as at the date of disposal were as follows:

	As at the date of disposal
	HK$
Total assets	23,874,169
Total liabilities	(88,881,349)

The cash flows from the discontinued operations for the year ended 31 March 2007, were as follows:

	2008	2007
	HK$	*HK$*
Net cash used in operating activities	–	(34,847,050)
Net cash used in investing activities	–	(2,448,249)
Net cash used in financing activities	–	(35,530,455)

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2008

9. (LOSS)/PROFIT FROM OPERATIONS

(Loss)/profit from operations was arrived at after charging/(crediting):

	Continuing operations		Discontinued operations		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007
	HK$	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
Auditor's remuneration	**430,000**	426,100	**–**	–	**430,000**	426,100
Cost of inventories	**–**	–	**–**	52,863,856	**–**	52,863,856
Staff costs (including directors' remuneration)						
– Wages, salaries and other benefits	**7,685,728**	9,851,815	**–**	7,936,595	**7,685,728**	17,788,410
– Pensions scheme contribution	**84,918**	55,080	**–**	840,789	**84,918**	895,869
– Equity settled share-based payment expenses *(note 32)*	**61,139,425**	–	**–**	–	**61,139,425**	–
	68,910,071	9,906,895	**–**	8,777,384	**68,910,071**	18,684,279
Depreciation	**325,834**	211,949	**–**	1,161,603	**325,834**	1,373,552
Amortisation of land lease premium	**–**	–	**–**	74,070	**–**	74,070
Exchange loss/(gain), net	**558,090**	101	**–**	(450,752)	**558,090**	(450,651)
Minimum lease payments under operating leases for motor vehicles	**–**	–	**–**	197,500	**–**	197,500
Loss on disposal of plant and equipment	**–**	–	**–**	5,507,581*	–	5,507,581
Write down of inventories	**–**	–	**–**	5,191,601*	–	5,191,601

* In June 2006, the group terminated the operations of electronic consumer products due to continuously under performance. Loss on disposal of plant and equipment and write down of inventories relating to this operations were recognised in the profit or loss accordingly.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

10. FINANCE COSTS

	Continuing operations		Discontinued operations		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007
	HK$	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
Interest expenses on bank loans, overdrafts and other loans wholly repayable within five years	**–**	–	**–**	1,874,477	**–**	1,874,477
Interest expenses on bank loans wholly repayable after five years	**6,013,651**	–	**–**	–	**6,013,651**	–
Finance charges on obligations under finance leases	**–**	–	**–**	52,653	**–**	52,653
Total interest expenses on financial liabilities not at fair value through profit or loss	**6,013,651**	–	**–**	1,927,130	**6,013,651**	1,927,130

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

11. DIRECTORS' REMUNERATION

The aggregate amounts of the directors' remuneration, disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance, are as follows:

	2008						
	Fees	Salaries and other benefits	Compensation for loss of office	Retirement scheme contributions	Sub-total	Share-based payments (note)	Total
	HK$	HK$	HK$	HK$	HK$	HK$	HK$
Executive directors							
Zhao Qing Ji	–	2,076,314	–	12,000	2,088,314	14,713,583	16,801,897
Lu Xiao Dong (resigned on 28 February 2008)	–	662,195	–	12,000	674,195	4,642,584	5,316,779
Au Tat On	–	268,500	–	9,750	278,250	4,642,584	4,920,834
Wong Siu Keung, Joe (resigned on 1 July 2007)	–	141,652	–	3,000	144,652	–	144,652
	–	3,148,661	–	36,750	3,185,411	23,998,751	27,184,162
Independent non-executive directors							
Chan Mei Bo (appointed on 1 June 2007)	100,000	–	–	–	100,000	–	100,000
Wang Dong (appointed on 1 November 2007)	41,667	–	–	–	41,667	–	41,667
Yeung King Wah (resigned on 1 June 2007)	24,137	–	–	–	24,137	–	24,137
Cheng Kwok Hing, Andy (resigned on 1 November 2007)	17,500	–	–	–	17,500	–	17,500
Yeung Yuen Hei	60,000	–	–	–	60,000	–	60,000
	243,304	–	–	–	243,304	–	243,304
Total	243,304	3,148,661	–	36,750	3,428,715	23,998,751	27,427,466

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

11. DIRECTORS' REMUNERATION (Continued)

	2007						
	Fees	Salaries and other benefits	Compensation for loss of office	Retirement scheme contributions	Sub-total	Share-based payments *(note)*	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Executive directors							
Chong Sing Yuen (resigned on 7 January 2007)	–	11,543,956	–	15,000	11,558,956	–	11,558,956
Zhao Qing Ji (appointed on 30 November 2006)	–	248,207	–	4,103	252,310	–	252,310
Lu Xiao Dong (appointed on 12 May 2006)	–	156,452	–	7,823	164,275	–	164,275
Au Tat On (appointed on 12 May 2006)	–	141,452	–	7,073	148,525	–	148,525
Wong Siu Keung, Joe	–	534,258	–	12,688	546,946	–	546,946
Chong Chun Kwok, Piggy (resigned on 12 May 2006)	–	66,998	–	2,443	69,441	–	69,441
Chong Chun Hing (resigned on 12 May 2006)	–	–	–	–	–	–	–
Chu Kiu Fat (resigned on 20 April 2006)	–	–	–	–	–	–	–
	–	12,691,323	–	49,130	12,740,453	–	12,740,453
Independent non-executive directors							
Chan Ping Yim (resigned on 26 May 2006)	1,774	–	–	–	1,774	–	1,774
Yeung King Wah (appointed on 26 May 2006)	107,963	–	–	–	107,963	–	107,963
Cheng Kwok Hing, Andy	30,000	–	–	–	30,000	–	30,000
Yeung Yuen Hei	60,000	–	–	–	60,000	–	60,000
	199,737	–	–	–	199,737	–	199,737
Total	199,737	12,691,323	–	49,130	12,940,190	–	12,940,190

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

11. DIRECTORS' REMUNERATION (Continued)

Note:

These represent the estimated value of share options granted to the directors under the company's share option scheme. The value of these share options is measured according to the group's accounting policies for share-based payment transactions as set out in note 3(r)(ii).

The options of 17,635,000 granted to Mr. Lu Xiao Dong were forfeited as he resigned as director of the company on 28 February 2008. The fair value of the options granted to him amounting to HK$4,642,584 was transferred from employee share-based compensation reserve to retained profits.

12. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2007: two) are directors whose emoluments are disclosed in note 11. The aggregate of the emoluments in respect of the other two (2007: three) individuals are as follows:

	2008	2007
	HK$	*HK$*
Salaries, allowances and benefits in kind	**1,738,855**	1,664,822
Retirement scheme contributions	**24,000**	29,000
	1,762,855	1,693,822
Share-based payments *(note)*	**9,285,168**	–
	11,048,023	1,693,822

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

12. INDIVIDUALS WITH HIGHEST EMOLUMENTS (Continued)

Note:

These represent the estimated value of share options granted to the employees under the company's share option scheme. The value of these share options is measured according to the group's accounting policies for share-based payment transactions as set out in note 3(r)(ii).

The options of 17,635,000 granted to an employee (one of the other two individuals) were forfeited as he resigned during the year. The fair value of the options granted to him amounting to HK$4,642,584 was transferred from employee share-based compensation reserve to retained profits.

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph "Share option scheme" in the directors' report and note 32.

The remuneration of the two (2007: three) individuals with highest emoluments including share-based payments are within the following bands:

	Number of individuals	
	2008	2007
HK$Nil – HK$1,000,000	**–**	2
HK$1,000,001 – HK$2,000,000	**–**	1
HK$5,000,001 – HK$6,000,000	**1**	–
HK$6,000,001 – HK$7,000,000	**1**	–
	2	3

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

13. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) No provision for Hong Kong profits tax has been provided for the year as the group had no estimated assessable profits for the year (2007: Nil).

Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

	The group	
	2008	2007
	HK$	*HK$*
Current tax		
Hong Kong	**–**	–
Mainland China – over-provision in prior years	**(462,491)**	–
	(462,491)	–
Deferred tax *(note 29)*	**(6,961,540)**	4,728,240
Tax (credit)/expense	**(7,424,031)**	4,728,240
Tax (credit)/expense for continuing operations	**(7,424,031)**	4,728,240
Tax (credit)/expense for discontinued operations	**–**	–
	(7,424,031)	4,728,240

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

13. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (Continued)

(b) On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of mainland China ("New Tax Law") which took effect on 1 January 2008. Mainland China income tax rate is unified to 25% for all enterprises.

The State Council of mainland China passed an implementation guidance note ("Implementation Guidance") on 26 December 2007, which sets out details of how existing preferential income tax rate will be adjusted to the standard rate of 25%.

The enactment of the New Tax Law is not expected to have any financial effect on the amounts accrued in the consolidated balance sheet in respect of current tax payable. The carrying amount of deferred tax liabilities changed resulted from the change in the tax rate (see note 29).

Further under the New Tax Law, from 1 January 2008, non-resident enterprises without an establishment or place of business in mainland China or which have an establishment or place of business in mainland China but whose relevant income is not effectively connected with the establishment or place of business in mainland China, will be subject to withholding tax at the rate of 10% (unless reduced by treaty) on various types of passive income such as dividends derived from sources within mainland China. As certain of the group's foreign-invested enterprises are directly held by a Hong Kong incorporated subsidiary, a rate of 5% is applicable to the calculation of this withholding tax. The group has already assessed the impact of the New Tax Law regarding this withholding tax and considered that the New Tax Law would not have a significant impact on the results of operations and financial position of the group as at 31 March 2008.

According to the notice Caishui [2008] No. 1 released by the Ministry of Finance and the State Administration of Taxation, distributions of the pre-2008 retained profits of a foreign-invested enterprise to a foreign investor in 2008 or after are exempt from corporate income tax. Accordingly, the retained profits as at 31 March 2008 in the group's foreign-invested enterprise's books and accounts will not be subject to 5% or 10% withholding tax on future distributions.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

13. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (Continued)

(c) Reconciliation between tax expense and accounting loss at applicable tax rate:

The group

	2008	2007
	HK$	*HK$*
Loss before taxation	**(36,200,225)**	(13,887,804)
Notional tax on loss before taxation, calculated at the tax rate applicable to profits in the jurisdictions concerned	**(3,418,114)**	(1,052,031)
Tax effect of changes in mainland China income tax rate	**(15,551,014)**	–
Tax effect of non-taxable income	**(1,595,809)**	(375,221)
Tax effect of non-deductible expenses	**11,086,521**	981,468
Tax effect of unused tax losses not recognised	**2,516,644**	5,173,504
Over-provision in prior years	**(462,491)**	–
Others	**232**	520
Actual tax (credit)/expense	**(7,424,031)**	4,728,240
Tax (credit)/expense for continuing operations	**(7,424,031)**	4,728,240
Tax (credit)/expense for discontinued operations	**–**	–
	(7,424,031)	4,728,240

14. LOSS ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated loss attributable to equity shareholders of the company includes a loss of approximately HK$71,274,345 (2007: HK$62,619,123) which has been dealt with in the financial statements of the company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

15. (LOSS)/EARNINGS PER SHARE

The calculation of basic and diluted (loss)/earnings per share is based on the following data:

	2008	2007
	HK$	*HK$*
(Loss)/earnings for the purpose of basic (loss)/earnings per share (attributable to equity shareholders of the company)		
From continuing operations	**(28,776,194)**	9,935,225
From discontinued operations	**–**	(28,551,269)
	(28,776,194)	(18,616,044)

	2008	2007 (restated)
Number of ordinary shares		
Weighted average number of ordinary shares at 31 March, for basic (loss)/earnings per share	**1,272,604,619**	641,815,366
Deemed issue of ordinary shares under the company's share option scheme for nominal consideration	**N/A**	501,544
Weighted average number of ordinary shares at 31 March for diluted (loss)/earnings per share	**N/A**	642,316,910

The weighted average number of ordinary shares for the purpose of calculating basic loss per share for the year ended 31 March 2008 has accounted for the effect of issuance of new shares pursuant to the open offer which was completed in August 2007. The corresponding weighted average number of ordinary shares of 2007 has been retrospectively adjusted to reflect the said open offer.

Diluted loss per share for continuing and discontinued operations for the years ended 31 March 2008 and 2007 and diluted loss per share for continuing operations for the year ended 31 March 2008 have not been disclosed as the impact of the potential ordinary shares was anti-dilutive.

The calculation of diluted earnings per share for continuing operations for the year ended 31 March 2007 is based on the earnings attributable to equity shareholders of HK$9,935,225 and the weighted average number of 642,316,910 ordinary shares after adjusting for the effects of all dilutive potential shares under the company's share option scheme.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

16. PROPERTY, PLANT AND EQUIPMENT

The group

	Buildings held for own use carried at fair value	Leasehold improvements	Plant and machinery	Furniture and equipment	Motor vehicles	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Cost or valuation						
At 1 April 2006	24,268,000	8,757,892	36,839,095	10,788,906	1,394,896	82,048,789
Acquisition of subsidiaries	–	35,720	–	208,761	352,360	596,841
Surplus on revaluation	100,000	–	–	–	–	100,000
Disposal of subsidiaries	(1,720,000)	–	(10,841,943)	(619,066)	–	(13,181,009)
Additions	–	–	172,772	17,798	481,937	672,507
Transfer to investment properties	(1,048,000)	–	–	–	–	(1,048,000)
Disposal	(21,600,000)	(8,272,342)	(26,938,471)	(10,034,278)	(1,335,596)	(68,180,687)
Exchange realignment	–	9,615	768,547	–	13,503	791,665
At 31 March 2007	–	530,885	–	362,121	907,100	1,800,106
Analysis of cost or revaluation						
At cost	–	530,885	–	362,121	907,100	1,800,106
At valuation	–	–	–	–	–	–
	–	530,885	–	362,121	907,100	1,800,106
At 1 April 2007	–	530,885	–	362,121	907,100	1,800,106
Additions	–	–	–	211,635	611,685	823,320
Disposal	–	(495,167)	–	–	–	(495,167)
Exchange realignment	–	1,611	–	122,731	92,652	216,994
At 31 March 2008	–	37,329	–	696,487	1,611,437	2,345,253
Analysis of cost or revaluation						
At cost	–	37,329	–	696,487	1,611,437	2,345,253
At valuation	–	–	–	–	–	–
	–	37,329	–	696,487	1,611,437	2,345,253

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

The group (Continued)

	Buildings held for own use carried at fair value	Leasehold improvements	Plant and machinery	Furniture and equipment	Motor vehicles	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Accumulated depreciation						
At 1 April 2006	–	6,520,614	32,270,623	10,690,233	1,394,896	50,876,366
Charge for the year	–	211,695	861,811	109,556	190,490	1,373,552
Disposal	–	(6,246,479)	(23,456,754)	(10,034,278)	(1,335,595)	(41,073,106)
Disposal of subsidiaries	–	–	(10,419,399)	(610,760)	–	(11,030,159)
Exchange realignment	–	9,615	743,719	–	13,503	766,837
At 31 March 2007	–	495,445	–	154,751	263,294	913,490
At 1 April 2007	–	495,445	–	154,751	263,294	913,490
Charge for the year	–	840	–	80,923	244,071	325,834
Disposal	–	(495,167)	–	–	–	(495,167)
Exchange realignment	–	1,609	–	98,124	3,783	103,516
At 31 March 2008	–	2,727	–	333,798	511,148	847,673
Net book value						
At 31 March 2008	–	34,602	–	362,689	1,100,289	1,497,580
At 31 March 2007	–	35,440	–	207,370	643,806	886,616

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

The company

	Furniture and equipment
	HK$
Cost	
At 1 April 2006	139,962
Additions	–
At 31 March 2007	139,962
At 1 April 2007	139,962
Additions	–
At 31 March 2008	139,962
Accumulated depreciation	
At 1 April 2006	133,572
Charge for the year	3,281
At 31 March 2007	136,853
At 1 April 2007	136,853
Charge for the year	1,576
At 31 March 2008	138,429
Net book value	
At 31 March 2008	1,533
At 31 March 2007	3,109

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

17. INVESTMENT PROPERTIES

The group

	HK$
Valuation:	
At 1 April 2006	41,021,222
Transfer from property, plant and equipment and interests in leasehold land held for own use under operating leases *(note c)*	2,022,440
Acquired on acquisition of subsidiaries	244,456,000
Disposals	(41,021,222)
Disposal of subsidiaries	(2,840,000)
Surplus on revaluation	15,145,560
At 31 March 2007 *(note b)*	258,784,000
At 1 April 2007	258,784,000
Additions	131,818,943
Exchange realignment	45,772,162
Surplus on revaluation	34,357,895
At 31 March 2008 *(note a)*	470,733,000

The group's investment properties are held in mainland China under medium-term leases.

(a) All of the group's investment properties were revalued on 31 March 2008 by Castores Magi (Hong Kong) Limited, an independent professional valuer, who has appropriate qualification and experience in the valuation of properties in the relevant locations, on a market value basis, after taking into consideration the net rental income receivable from the existing tenancies and the reversionary rental income potential where appropriate. The investment properties are leased to third parties under operating leases, further details of which are included in note 35(b) to the financial statements.

The group's investment properties with a total carrying value of HK$305,120,000 at 31 March 2008 have been pledged to secure general banking facilities granted to the group (note 26).

(b) The group's investment properties with a total carrying value of HK$258,784,000 at 31 March 2007 were pledged to secure general banking facilities granted to Shanghai Xiwu Industry Co., Ltd, Shanghai Chen Xuan Trading Co., Ltd and Shanghai Xu Hui Co., Ltd, all are independent third parties to the group (note 36).

(c) The property was disposed when the group disposed its subsidiaries on 31 March 2007 (see note 34(b)).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

18. INTERESTS IN LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASES

The group

	Hong Kong	Mainland China	Total
	HK$	*HK$*	*HK$*
Cost			
At 1 April 2006	3,008,554	2,562,333	5,570,887
Disposals	–	(2,562,333)	(2,562,333)
Disposal of subsidiaries	(1,826,784)	–	(1,826,784)
Transfer to investment properties	(1,181,770)	–	(1,181,770)
At 31 March 2007 and 31 March 2008	–	–	–
Amortisation			
At 1 April 2006	502,239	716,710	1,218,949
Charge for the year	47,330	26,740	74,070
Disposals	–	(743,450)	(743,450)
Disposal of subsidiaries	(342,239)	–	(342,239)
Transfer to investment properties	(207,330)	–	(207,330)
At 31 March 2007 and 31 March 2008	–	–	–
Net book value			
At 31 March 2008	–	–	–
At 31 March 2007	–	–	–

The interests in leasehold land held for own use under operating leases in Hong Kong and mainland China were amortised over the lease term of 50 years on a straight-line basis.

During the financial year 2007, interests in leasehold land held for own use under operating leases with a total carrying value of HK$974,440 (approximate to its fair value) were transferred to investment properties for rental purpose. This leasehold land was previously used as warehouse but ceased using upon cessation of the related activities during the financial year 2007.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

19. INTERESTS IN SUBSIDIARIES

	The company	
	2008	2007
	HK$	*HK$*
Unlisted shares, at cost	**145,741,008**	145,741,008
De-registration of a subsidiary	**(8)**	–
	145,741,000	145,741,008
Less: Impairment losses		
At 1 April	**35,741,008**	35,741,008
De-registration of a subsidiary	**(8)**	–
At 31 March	**35,741,000**	35,741,008
Unlisted shares, at cost (net)	**110,000,000**	110,000,000
Amount due from subsidiaries	**132,397,910**	75,233,472
Less: Impairment losses		
At 1 April	**1,552,400**	77,516
Impairment loss recognised	**4,640**	1,474,884
De-registration of subsidiaries	**(79,256)**	–
At 31 March	**1,477,784**	1,552,400
Due from subsidiaries (net)	**130,920,126**	73,681,072
	240,920,126	183,681,072

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

19. INTERESTS IN SUBSIDIARIES (Continued)

The amounts due from subsidiaries are interest-free, unsecured and have no fixed terms of repayment.

In prior year, the carrying amount of interests in subsidiaries was impaired by HK$37,293,408 representing investment cost of HK$35,741,008 and due from subsidiaries of HK$1,552,400 due to poor financial position of the subsidiaries and that they might not have the ability to fully repay the outstanding balance. During the year ended 31 March 2008, the operating performance of the relevant subsidiaries did not improve and a further impairment of HK$4,640 was made. Investment cost of HK$8 and due from subsidiaries of HK$79,256 were written off as these subsidiaries were de-registered during the year. Impairment losses of HK$37,218,784 representing investment cost of HK$35,741,000 and due from subsidiaries of HK$1,477,784 were carried in the balance sheet as at 31 March 2008.

The following are the particulars of subsidiaries which principally affected the results, assets and liabilities of the group. The class of shares held are ordinary unless otherwise stated.

All these companies are controlled subsidiaries as defined under note 3(b) and have been consolidated into the group financial statements.

Name	Place of incorporation/ registered and operations	Nominal value of issued ordinary/ registered share capital	Proportion of ownership interest: Group's effective interest	Held by the company	Held by a subsidiary	Principal activities
Luck Grow Group Limited	The British Virgins Island	US$1	100	100	–	Investment holding
Lok Wing Group Limited ("Lok Wing")	Hong Kong	HK$50,000,000	100	–	100	Investment holding
Shanghai Xiang Chen Hang Place The Industry Co Ltd ("Shanghai Xiang Chen Hang") *	mainland China	US$12,571,890**	100	–	100	Property investment

* Registered under the laws of the mainland China as a wholly-foreign-owned enterprise.

** The registered capital of Shanghai Xiang Chen Hang is US$17,000,000 and US$12,571,890 has been paid up. In accordance with the relevant rules and regulation, the remaining unpaid registered capital have to be paid up on or before 29 August 2008. According to《中華人民共和國外資企業法實施細則》(Rules for the Implementation of the Law of the People's Republic of China on Foreign-funded Enterprises), Lok Wing, an immediate parent of Shanghai Xiang Chen Hang, is required to settle all the outstanding amount (i.e., US$4,428,110) of capital on or before 29 August 2008. Otherwise, the Certificate of Incorporation of Shanghai Xiang Chen Hang will become invalid with immediate effect.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

20. TRADE AND OTHER RECEIVABLES

	The group		The company	
	2008	2007	**2008**	2007
	HK$	*HK$*	***HK$***	*HK$*
Rental receivables	**2,177,111**	1,524,752	**–**	–
Deposits, prepayments and other receivables	**17,819,852**	630,573	**168,000**	1,651
	19,996,963	2,155,325	**168,000**	1,651

All of the trade and other receivables are expected to be recovered within one year.

Included in deposits, prepayments and other receivables is a deposit of HK$15.4 million paid to Shanghai Xu Hui Co., Ltd. (the "Vendor") an independent third party, upon signing of a sale and purchase agreement on 10 July 2007 for the purchase of investment properties located in mainland China amounting to HK$30.9 million. Pursuant to a termination notice dated 2 July 2008 issued by the group, the transaction was terminated and the deposit together with the interest accrued is required to be refunded by the Vendor to the group within 3 months from the date of the termination notice (see note 40).

Rental receivables that are not impaired

The ageing analysis of tenants that are neither individually nor collectively considered to be impaired are as follows:

	The group		The company	
	2008	2007	**2008**	2007
	HK$	*HK$*	***HK$***	*HK$*
Within 3 months past due	**1,537,115**	381,188	**–**	–
More than 3 months but less than 6 months past due	**579,996**	1,143,564	**–**	–
	2,117,111	1,524,752	**–**	–

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

21. TRADING SECURITIES

	The group and the company	
	2008	2007
	HK$	*HK$*
Listed equity securities, at market value in Hong Kong	**192,480**	–

22. AMOUNT DUE FROM A DIRECTOR

The group and the company

Particulars of amount due from a director disclosed pursuant to section 161B of the Hong Kong Companies Ordinance are as follows:

Name of director	**Balance at end of year**	**Balance at beginning of year**	**Maximum outstanding balance during the year**
	HK$	*HK$*	*HK$*
Zhao Qing Ji	14,777	–	14,777

The amount is unsecured, interest-free and has no fixed terms of repayment.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

23. CASH AND CASH EQUIVALENTS

	The group		The company	
	2008	2007	**2008**	2007
	HK$	*HK$*	***HK$***	*HK$*
Cash and cash equivalents in the balance sheet and consolidated cash flow statement	**24,993,481**	5,801,798	**14,955,983**	2,393,424

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

	The group		The company	
	2008	2007	**2008**	2007
United States Dollars	**5,379**	3,714	**131**	129

24. AMOUNT DUE TO DIRECTORS

The amounts were unsecured, interest-free and repayable on demand.

25. OTHER PAYABLE

The amount represents cash advance from Mr. Peter D. Xu and was unsecured, interest-free and not repayable within one year. The amount was repaid during the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

26. INTEREST-BEARING BORROWINGS

At 31 March 2008, the bank loan was repayable as follows:

	The group	
	2008	2007
	HK$	*HK$*
Within 1 year or on demand	**5,024,475**	–
After 1 year but within 2 years	**5,582,849**	–
After 2 years but within 5 years	**25,122,823**	–
After 5 years	**73,691,753**	–
	104,397,425	–
Total	**109,421,900**	–

At 31 March 2008, the bank loan was secured by the investment properties of the group with a total carrying value of HK$305,120,000 (see note 17).

27. LONG-TERM PAYABLE

During the year ended 31 March 2007, the group acquired 100% equity interest in Luck Grow Group Limited and a sale loan from Mr. Peter D. Xu, an independent third party, for a consideration of HK$182.5 million which was satisfied by a cash payment of HK$24.8 million and promissory notes of HK$157.7 million. The company paid HK$20 million during the financial year 2007 as partial settlement of the cash consideration and the repayment of the remaining balance of HK$4.8 million as agreed with Mr. Peter D. Xu will not be repayable within one year. Promissory notes for the settlement of HK$157.7 million was issued in July 2007 when the conditions under the sale and purchase agreement signed on 21 August 2006 for issuing the promissory notes were not yet fulfilled. The total outstanding balance of HK$162.5 million including the remaining balance of the cash payment of HK$4.8 million and HK$157.7 million promissory notes had been settled by the group during the year ended 31 March 2008.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

28. TAXATION IN THE CONSOLIDATED BALANCE SHEET

Current taxation in the consolidated balance sheet represents:

	2008	2007
	HK$	*HK$*
Provision for Hong Kong profits tax	–	–
Provision for mainland China enterprise income tax	–	419,619
	–	419,619

29. DEFERRED TAX ASSETS/(LIABILITIES)

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

Deferred tax arising from:	**Accelerated tax depreciation**	**Fair value adjustments arising from acquisition of subsidiaries**	**Revaluation of buildings**	**Total**
	HK$	*HK$*	*HK$*	*HK$*
At 1 April 2006	(47,859)	169,485	(115,902)	5,724
Disposal of properties	–	–	115,902	115,902
Disposal of subsidiaries *(note 34 (b))*	47,859	(169,485)	–	(121,626)
Acquisition of subsidiaries *(note 34(a))*	–	–	(55,786,762)*	(55,786,762)
Deferred tax charged to the profit or loss	–	–	(4,728,240)**	(4,728,240)
At 31 March 2007	–	–	(60,515,002)	(60,515,002)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

29. DEFERRED TAX ASSETS/(LIABILITIES) (Continued)

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

Deferred tax arising from:	Accelerated tax depreciation	Fair value adjustments arising from acquisition of subsidiaries	Revaluation of buildings	Total
	HK$	*HK$*	*HK$*	*HK$*
At 1 April 2007	–	–	(60,515,002)	(60,515,002)
Effect of change in mainland China income tax rates	–	–	15,551,014 #	15,551,014
Deferred tax charged for the year	–	–	(8,589,474)**	(8,589,474)
Deferred tax charged to the profit or loss	–	–	6,961,540	6,961,540
Exchange alignment	–	–	(7,285,302)	(7,285,302)
At 31 March 2008	–	–	(60,838,764)	(60,838,764)

* The deferred tax liabilities arose from the fair value adjustments on the investment properties held by the subsidiaries immediately before the acquisition (note 17). The amount has been previously charged to profit or loss in the books of the subsidiaries.

** The amount represented deferred tax liabilities on the fair value adjustments on investment properties held by the subsidiaries after the acquisition.

\# The amount represented the effect of the enactment of the New Tax Law in mainland China on the fair value adjustment on investment properties held by the subsidiaries after the acquisition.

	2008	2007
	HK$	*HK$*
Net deferred tax liabilities recognised in the balance sheet	**(60,838,764)**	(60,515,002)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

29. DEFERRED TAX ASSETS/(LIABILITIES) (Continued)

b) Deferred tax assets not recognised

The group has tax losses arising in Hong Kong of HK$29,806,004 (2007: HK$21,305,275) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as it is uncertain that these companies will have any foreseeable profits in the near future.

At 31 March 2008, there is no significant unrecognised deferred tax liability (2007: Nil) for taxes that would be payable on the unremitted earnings of certain of the group's subsidiaries as the group has no liability to additional tax should such amounts be remitted.

There are no income tax consequences attaching to the payment of dividends by the company to its shareholders.

30. PROMISSORY NOTES

In July 2007, as the conditions under the sale and purchase agreement dated 21 August 2006, as more fully explained in note 27, were fulfilled, the company issued promissory notes to Mr. Peter D. Xu in the amount of HK$157.7 million. The promissory notes borne interest at 5% per annum and are payable together with interest by cash on the date falling on the fifth anniversary of the date of issue.

Part of the promissory notes was repaid from the proceeds of an open offer of the company's shares during the year. Repayments of HK$25 million and HK$96.6 million were made in September 2007 and October 2007 respectively. The remaining balance of HK$36.1 million of the promissory notes was fully settled by setting off the proceeds from a share placement in October 2007 as stated in note 31(g) of these financial statements. Total interest of approximately HK$1,736,064 for the period from issuance of the promissory notes on 18 July 2007 and 20 July 2007 respectively to the settlement date on 31 October 2007 was waived by Mr. Peter D. Xu.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

31. SHARE CAPITAL

	2008		2007	
	No. of shares	**Amount** *HK$*	No. of shares	Amount *HK$*
Ordinary shares of HK$0.2 each at 1 April 2007 and HK$0.01 each at 31 March 2008				
Authorised				
Beginning of year	**1,500,000,000**	**300,000,000**	1,500,000,000	300,000,000
Capital reorganisation *(note a)*	**–**	**(285,000,000)**	–	–
Increase during the year *(note b)*	**2,000,000,000**	**20,000,000**	–	–
End of year	**3,500,000,000**	**35,000,000**	1,500,000,000	300,000,000
Issued and fully paid				
Beginning of year	**419,392,885**	**83,878,577**	291,497,885	58,299,577
Capital reorganisation *(note a)*	**–**	**(79,684,648)**	–	–
Issue of new shares *(note c)*	**–**	**–**	58,000,000	11,600,000
Issue of new shares *(note d)*	**–**	**–**	69,895,000	13,979,000
Issue of new shares *(note e)*	**1,258,178,656**	**12,581,787**	–	–
Exercise of share options *(note f)*	**2,251,650**	**22,516**	–	–
Issue of new shares *(note g)*	**83,875,000**	**838,750**	–	–
End of year	**1,763,698,191**	**17,636,982**	419,392,885	83,878,577

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

31. SHARE CAPITAL (Continued)

Notes:

a) An ordinary resolution was passed at a special general meeting held on 21 May 2007 for approving the capital reorganisation scheme of the company. Pursuant to the scheme, the authorised share capital was reduced from HK$300,000,000 of 1,500,000,000 shares of HK$0.2 each to HK$15,000,000 of 1,500,000,000 shares of HK$0.01 each by cancelling the amount of HK$285,000,000 or HK$0.19 per share and the issued share capital was reduced from 419,392,885 shares of HK$0.2 each to 419,392,885 shares of HK$0.01 each by cancelling of HK$0.19 from each share together with the associated share premium of HK$40.9 million and a credit of approximately HK$120.6 million was transferred to the contributed surplus account. Part of the contributed surplus amounting to approximately HK$99.7 million was applied to eliminate the accumulated deficits. A surplus of approximately HK$20.9 million standing to the credit of the contributed surplus account remained after the completion of the capital reorganization. The contributed surplus may be utilised by the directors in accordance with the bye-laws of the company and all applicable laws of Bermuda, including to apply such credit against the accumulated losses of the company.

b) By an ordinary resolution passed at a special general meeting held on 31 August 2007, the company's authorised share capital was increased to HK$35,000,000 by the creation of an additional 2,000,000,000 ordinary shares of HK$0.01 each.

c) On 18 March 2006, the company and an independent subscriber entered into a conditional agreement for the subscription of 58,000,000 shares at a price HK$0.23 each. Net proceeds of the subscription were approximately HK$13.34 million.

d) On 29 December 2006, the company issued 69,895,000 shares at a price of HK$0.38 to ten independent subscribers. Net proceeds of the subscription were approximately HK$26.3 million and was used as general working capital.

e) By an ordinary resolution passed at a special general meeting held on 31 August 2007, the company issued 1,258,178,656 shares at HK$0.17 each by an open offer.

f) By an ordinary resolution passed on 28 September 2007, the company issued 2,251,650 shares at an exercise price of HK$0.0755 under the company's share option scheme.

g) On 31 October 2007, the company issued 83,875,000 shares at HK$0.43 each to Mr. Peter D. Xu, the promissory notes holder. The gross proceeds from the issue were approximately HK$36.1 million and were utilised for setting off the remaining balance of the promissory notes.

32. SHARE OPTION SCHEME

The company has a share option scheme which was adopted on 4 October 2002 whereby the directors of the company are authorised, at their discretion, to invite the company's directors (including independent non-executive directors), other employees of the group, suppliers of goods or services to the group, customers of the group, persons or entities that provided research, development or other technological support to the group and any minority shareholder in the company's subsidiaries, to take up options at a nominal consideration to subscribe for shares of the company. The exercise price of options is the highest of the nominal value of the shares, the closing price of the shares on the SEHK on the date of grant and the average closing price of the shares on the SEHK for the five business days immediately preceding the date of grant. The options vest immediately from the date of the grant. The options are exercisable after the vesting date but within a period from 28 November 2007 to 3 October 2012 from the date of grant. Each option gives the holder the right to subscribe for one ordinary share in the company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

32. SHARE OPTION SCHEME (Continued)

a) The terms and conditions of the grants that existed during the years are as follows:

For the year ended 31 March 2008

Name or category of participant	Outstanding at 1 April 2007	Granted during the year	Effect of open offer	Exercise during the year	Forfeited during the year	Expired during the year	Outstanding at 31 March 2008	Date of grant of share options*	Exercise period of share options	Exercise price of share options**
	Number of share options									HK$
Directors										
Mr. Wong Siu Keung, Joe	850,000	-	1,401,650	(2,251,650)	-	-	-	30-10-2002	30-10-2002 to 29-10-2012	0.01
Mr. Zhao Qing Ji	-	55,890,000	-	-	-	-	55,890,000	28-11-2007	28-11-2007 to 3-10-2012	0.6
Mr. Lu Xiao Dong	-	17,635,000	-	-	(17,635,000)	-	-	28-11-2007	28-11-2007 to 3-10-2012	0.6
Mr. Au Tat On	-	17,635,000	-	-	-	-	17,635,000	28-11-2007	28-11-2007 to 3-10-2012	0.6
	850,000	91,160,000	1,401,650	(2,251,650)	(17,635,000)	-	73,525,000			
Employees										
Other employees	-	141,080,000	-	-	(17,635,000)	-	123,445,000	28-11-2007	28-11-2007 to 3-10-2012	0.6
	-	141,080,000	-	-	(17,635,000)	-	123,445,000			
Total share options	850,000	232,240,000	1,401,650	(2,251,650)	(35,270,000)	-	196,970,000			

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

32. SHARE OPTION SCHEME (Continued)

a) The terms and conditions of the grants that existed during the years are as follows: (Continued)

For the year ended 31 March 2007

Name or category of participant	Number of share options: Outstanding at 1 April 2006	Granted during the year	Effect of open offer	Exercise during the year	Forfeited during the year	Expired during the year	Outstanding at 31 March 2007	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK$
Directors										
Mr. Wong Siu Keung, Joe	850,000	–	–	–	–	–	850,000	30-10-2002	30-10-2002 to 29-10-2012	0.2
	850,000	–	–	–	–	–	850,000			
Employees										
Other employees	92,500	–	–	–	(62,500)	–	30,000	31-10-2002	31-10-2002 to 30-10-2012	0.2
	92,500	–	–	–	(62,500)	–	30,000			
Total share options	942,500	–	–	–	(62,500)	–	880,000			

* The share options vested immediately from the date of the grant.

** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the company's share capital.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

32. SHARE OPTION SCHEME (Continued)

b) The number and weighted average exercise prices of share options are as follows:

	2008		2007	
	Weighted average exercise price ***HK$***	**Number of options**	Weighted average exercise price *HK$*	Number of options
Outstanding at 1 April	**0.2**	**850,000**	0.2	942,500
Effect of open offer		**1,401,650**		–
	0.0755	**2,251,650**	0.2	942,500
Granted during the year	**0.6**	**232,240,000**		–
Exercised during the year	**0.0755**	**(2,251,650)**		–
Forfeited during the period	**0.6**	**(35,270,000)**	0.2	(92,500)
Outstanding at 31 March	**0.6**	**196,970,000**	0.2	850,000
Exercisable at the end of the year	**0.6**	**196,970,000**	0.2	850,000

The weighted average share price at the date of exercise for shares options exercised during the year was HK$0.72.

The options outstanding at 31 March 2008 had an exercise price of HK$0.6 and weighted average remaining contractual life of 4.9 years.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

32. SHARE OPTION SCHEME (Continued)

c) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a Black-Scholes option-pricing formula.

	Options granted on 28 November 2007
Fair value of share options and assumptions	
Share price on grant date	HK$0.68
Exercise price	HK$0.60
Expected volatility	113.59
Expected options life	1 year
Risk-free interest rate (based on Exchange Fund Notes)	1.5%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

33. RESERVES

a) group

	Share premium	Building revaluation reserve	Special reserve	Contributed surplus reserve	Employee share-based compensation reserve	Exchange fluctuation reserve	(Accumulated losses)/ Retained profits	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
At 1 April 2006	26,743,439	546,396	(11,152,801)	–	–	(457,315)	(59,649,516)	(43,969,797)
Issue of new shares *(note 31(c))*	1,740,000	–	–	–	–	–	–	1,740,000
Issue of new shares *(note 31(d))*	12,581,100	–	–	–	–	–	–	12,581,100
Share issuance expense	(153,465)	–	–	–	–	–		(153,465)
Exchange realignment	–	–	–	–	–	(93,436)	–	(93,436)
Reversal of deferred tax on disposal of properties	–	115,902	–	–	–	–	–	115,902
Disposal of properties *(note 17(c)*	–	(662,298)	–	–	–	–	662,298	–
Disposal of foreign operations	–	–	–	–	–	457,315	–	457,315
Loss for the year	–	–	–	–	–	–	(18,616,044)	(18,616,044)
At 31 March 2007	40,911,074	–	(11,152,801)	–	–	(93,436)	(77,603,262)	(47,938,425)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

33. RESERVES (Continued)

a) group (Continued)

	Share premium	Building revaluation reserve	Special reserve	Contributed surplus reserve	Employee share-based compensation reserve	Exchange fluctuation reserve	(Accumulated losses)/ Retained profits	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
At 1 April 2007	40,911,074	–	(11,152,801)	–	–	(93,436)	(77,603,262)	(47,938,425)
Capital reorganisation *(note 31(a))*	(40,911,074)	–	–	20,867,880	–	–	99,727,842	79,684,648
Issue of new shares by open offer *(note 31(e))*	201,308,585	–	–	–	–	–	–	201,308,585
Share issuance expense	(6,327,049)	–	–	–	–	–	–	(6,327,049)
Exercise of share options *(note 31(f))*	147,484	–	–	–	–	–	–	147,484
Issue of new shares *(note 31(g))*	35,227,500	–	–	–	–	–	–	35,227,500
Equity settled share-based transactions	–	–	–	–	61,139,425	–	–	61,139,425
Options forfeited during the year	–	–	–	–	(9,285,168)	–	9,285,168	–
Exchange realignment	–	–	–	–	–	30,271,180	–	30,271,180
Loss for the year	–	–	–	–	–	–	(28,776,194)	(28,776,194)
At 31 March 2008	230,356,520	–	(11,152,801)	20,867,880	51,854,257	30,177,744	2,633,554	324,737,154

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

33. RESERVES (Continued)

b) company

	Share premium HK$	Contributed surplus reserve HK$	Employee share-based compensation reserve HK$	Accumulated losses HK$	Total HK$
At 1 April 2006	26,743,439	–	–	(40,155,871)	(13,412,432)
Issue of new shares *(note 31(c))*	1,740,000	–	–	–	1,740,000
Issue of new shares *(note 31(d))*	12,581,100	–	–	–	12,581,100
Share issuance expense	(153,465)	–	–	–	(153,465)
Loss for the year	–	–	–	(62,619,123)	(62,619,123)
At 31 March 2007	40,911,074	–	–	(102,774,994)	(61,863,920)
At 1 April 2007	40,911,074	–	–	(102,774,994)	(61,863,920)
Capital reorganisation *(note 31(a))*	(40,911,074)	20,867,880	–	99,727,842	79,684,648
Issue of new shares by open offer *(note 31(e))*	201,308,585	–	–	–	201,308,585
Share issuance expense	(6,327,049)	–	–	–	(6,327,049)
Exercise of share options *(note 31(f))*	147,484	–	–	–	147,484
Issue of new shares *(note 31(g))*	35,227,500	–	–	–	35,227,500
Equity settled share-based transactions	–	–	61,139,425	–	61,139,425
Options forfeited during the year	–	–	(9,285,168)	9,285,168	–
Loss for the year	–	–	–	(71,274,345)	(71,274,345)
At 31 March 2008	230,356,520	20,867,880	51,854,257	(65,036,329)	238,042,328

33. RESERVES (Continued)

c) Nature and purposes of the reserves

i) Share premium

The application of the share premium account is governed by section 40 of the Bermuda Companies Act 1981. The share premium account of the company is distributable to the shareholders of the company in the form of fully paid bonus shares.

ii) Building revaluation reserve

The building revaluation reserve has been set up and dealt with in accordance with the accounting polices adopted for land and buildings in note 3(d).

iii) Special reserve

The group's special reserve represents the difference between the nominal value of the shares and the share premium account of the subsidiaries acquired pursuant to the group reorganisation, over the nominal value of the company's shares issued in exchange therefor.

iv) Contributed surplus reserve

The contributed surplus arose from the capital reorganisation scheme of the company on 21 May 2007. Pursuant to the scheme, the issued share capital was reduced from 419,392,885 shares of HK$0.2 each to 419,392,885 shares of HK$0.01 each by cancelling HK$0.19 from each share together with the associated share premium of amount HK$40.9 million and a credit of approximately HK$120.6 million was transferred to the contributed surplus account. Part of the contributed surplus amounting to approximately HK$99.7 million was applied to eliminate the accumulated deficits. A surplus of approximately HK$20.9 million standing to the credit of the contributed surplus account remained after the completion of the capital reorganization. The contributed surplus may be utilised by the directors in accordance with the bye-laws of the company and all applicable laws, including to apply such credit against the accumulated losses of the company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

33. RESERVES (Continued)

c) Nature and purposes of the reserves (Continued)

v) Employee share-based compensation reserve

The employee share-based compensation reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the company recognised in accordance with the accounting policy adopted for share based payments in note 3(r)(ii).

vi) Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as the effective portion of any foreign exchange differences arising from hedges of the net investment in these foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 3(n).

d) Distributability of reserves

At 31 March 2008, the aggregate amount of reserves available for distribution to equity shareholders of the company was approximately HK$186,188,000 (2007: Nil) subject to the restriction on the share premium account as stated above.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

33. RESERVES (Continued)

e) Capital management

The group's objectives when managing capital are to ensure that entities in the group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt as it sees fit and appropriate.

During the year ended 31 March 2008, the group's strategy, which was unchanged from 2007, was to maintain a gearing ratio of within 20% to 30%. The gearing ratios at 31 March 2008 and 2007 were as follows:

	2008	2007
	HK$	*HK$*
Total borrowings		
Interest-bearing borrowings *(note 26)*	**109,421,900**	–
Less: Cash and cash equivalents *(note 23)*	**24,993,481**	5,801,798
Net debt	**84,428,419**	–
Total equity	**342,374,136**	35,940,152
Total capital	**426,802,555**	35,940,152
Gearing ratio	**20%**	N/A

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Net cash outflow from acquisition of subsidiaries

	2008	2007
	HK$	*HK$*
Carrying amount and fair value of identifiable assets/(liabilities) acquired:		
Investment properties	–	244,456,000
Property, plant and equipment	–	596,841
Prepayment, deposits and other receivables	–	948,011
Cash and bank balances	–	2,784,780
Other payables and accruals	–	(79,173,448)
Taxation payable	–	(419,619)
Deferred tax liabilities *(note 29(a))*	–	(55,786,762)
Net assets	–	113,405,803
Negative goodwill *(note 7)*	–	(3,405,803)
Total consideration	–	110,000,000
Satisfied by:		
Cash consideration (ii)	–	24,811,764
Promissory notes (iii)	–	157,692,308
	–	182,504,072
Sale loans (iv)	–	(72,504,072)
	–	110,000,000
Analysis of the net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary:		
Cash and bank balances acquired	–	2,784,780
Cash consideration	–	(20,000,000)
Net outflow of cash and cash equivalent in respect of the acquisition of a subsidiary	–	(17,215,220)

34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(a) Net cash outflow from acquisition of subsidiaries (Continued)

(i) On 28 November 2006, the group acquired 100% equity interest in Luck Grow Group Limited ("Luck Grow") for a consideration of HK$110 million from Mr. Peter D. Xu, an independent third party and sale loans amounting to HK$72,504,072 (see note 34(a)(iv). The total consideration of HK$182,504,072 should be satisfied by HK$24,811,764 by cash and HK$157,692,308 by issue of promissory notes. The cost arising from the acquisition was approximately HK$946,412 and has been charged in the profit or loss.

(ii) During the financial year 2007, the company paid HK$20,000,000 as part of cash consideration for the acquisition. On 9 February 2007, the company entered into an agreement with Mr. Peter D. Xu to re-arrange the payment of the balance of the cash consideration of HK$4,811,764. Pursuant to the agreement, Mr. Peter D. Xu granted to the company the right to repay the amount at any time within five years from the date of the agreement. As agreed with Mr. Peter D. Xu, the company will not repay the amount within one year after the balance sheet date and therefore the amount was classified as a long-term payable.

(iii) As at 31 March 2007, the promissory notes have not been issued. The amount was classified as a long-term payable *(note 27)*.

(iv) Sale loans represented all obligations, liabilities and debts owed and incurred by Luck Grow and Shanghai Xiang Chen Hang, an indirect wholly owned subsidiary of Luck Grow to Mr. Peter D. Xu as at the date of completion of the acquisition. As at the date of the sale and purchase agreement, Luck Grow owed Mr. Peter D. Xu a loan of HK$50,000,000 and Shanghai Xiang Chen Hang owed Mr. Peter D. Xu a loan of RMB 23,404,234.88 (equivalent to approximately HK$22,504,072). To the best knowledge of the directors, such loans are monies lent by Mr. Peter D. Xu to the respective companies as working capital. After completion of the transaction, the company booked the account as amount due from subsidiaries and eliminated in full in preparing the consolidated financial statements.

(v) Luck Grow contributed approximately HK$9.6 million to the group's profit for the year 2007 between the date of acquisition and the balance sheet date as at 31 March 2007.

If the acquisition had been completed on 1 April 2006, total group revenue for the year 2007 would have been HK$67 million, and loss for the year 2007 would have been HK$12 million. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of the group that actually would have been achieved had the acquisition been completed on 1 April 2006, nor is it intended to be a projection of future results.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Net cash outflow from disposal of subsidiaries

	2008	2007
	HK$	*HK$*
Fair value of identifiable assets/(liabilities) disposed:		
Property, plant and equipment	–	2,150,850
Investment properties	–	2,840,000
Leasehold land held for own use	–	1,484,545
Deferred tax assets	–	121,626
Inventories	–	5,044,757
Prepayment, deposits and other receivables	–	307,069
Trade and bills receivables	–	9,123,153
Pledged time deposits	–	1,500,000
Cash and bank balances	–	1,302,169
Trade payables	–	(8,186,275)
Other payables and accruals	–	(5,654,437)
Due to holding company	–	(62,751,499)
Due to a director	–	(1,677,694)
Tax payable	–	(598,357)
Due to related parties	–	(59,613)
Interest-bearing borrowings	–	(8,690,128)
Obligations under finance leases	–	(263,346)
Deferred shares	–	(1,000,000)
Net liabilities	–	(65,007,180)
Exchange differences recognised in equity	–	457,315
Capitalised amount (ii)	–	62,109,054
	–	(2,440,811)
Gain on disposal of subsidiaries	–	2,440,813
Total consideration (iii)	–	2
Satisfied by:		
Cash consideration	–	2
Analysis of the net outflow of cash and cash equivalents arising on disposal of subsidiaries:		
Cash consideration received	–	2
Cash and bank balances disposed	–	(1,302,169)
Net outflow of cash and cash equivalent in respect of the disposal of subsidiaries	–	(1,302,167)

34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Net cash inflow from disposal of subsidiaries (Continued)

(i) On 31 March 2007, the group disposed of 100% equity interest in Asian Field Holdings Corp. ("Asian Field") and its subsidiaries with its share of net liabilities of approximately HK$63,626,000 to Mr. Chong Sing Yuen, the ex-director of the company, for a consideration of HK$1.

Asian Field is engaged in the business of snap off blade cutters. Due to the continuously under performance of this business, the group decided to dispose Asian Field to avoid to incur any further loss from that business.

(ii) The company and Asian Field entered into an agreement dated 31 March 2007 pursuant under which an amount of inter-company balance owing from Asian Field to the company equivalent to the net liabilities recorded on the accounts in January 2007 of Asian Field was to be capitalized to offset the same amount of the net liabilities recorded on the accounts of HK$62,109,054 in January 2007 and as a result, one share of Asian Field was allotted and issued to the company for a consideration which equaled to the amount capitalized.

(iii) The aggregate consideration of HK$2, comprising the consideration for the 100% equity interest in Asian Field and the consideration for the sale loan of HK$1. The sale loan represented the shareholder's loan of HK$62,751,499 as at 31 March 2007 after netting off of the amount capitalized as stated in (ii) above.

(c) Non-cash transactions

(i) On 28 November 2006, the group acquired 100% equity interest in Luck Grow from Mr. Peter D. Xu, an independent third party, for a consideration of HK$110 million. During the financial year 2007, the company paid HK$20,000,000 as partial settlement of the cash consideration of HK$24,811,764. The balance of the cash consideration of HK$4,811,764 and the amount of HK$157,692,308 was classified as a long-term payable.

The directors consider that the carrying amount of the long-term payable approximates to the fair value.

(ii) On 31 October 2007, the company issued 83,875,000 shares at HK$0.43 each to Mr. Peter D. Xu, the promissory notes holder. The gross proceeds from the issue were approximately HK$36.1 million and were utilised for setting off the remaining balance of the promissory notes (note 30).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

35. COMMITMENTS

(a) Capital commitments

As at the balance sheet date, the group had the following commitments:

	2008	2007
	HK$	*HK$*
Purchase of investment properties		
– Contracted for but not provided for	**15,435,000**	–

(b) Operating lease commitments

i) The group as lessor:

The group leases its investment properties under operating lease arrangements, with leases negotiated for terms ranging from one to ten years. The terms of the leases generally require the tenants to pay security deposits. At the balance sheet date, the group had total future minimum lease payments receivable under non-cancellable operating leases with its tenants falling due as follows:

	2008	2007
	HK$	*HK$*
Within one year	**25,278,519**	12,894,434
In the second to fifth years, inclusive	**65,104,943**	41,475,115
Over five years	**43,916,684**	6,018,072
	134,300,146	60,387,621

35. COMMITMENTS (Continued)

(b) Operating lease commitments (Continued)

ii) The group as lessee:

At the balance sheet date, the group had total future minimum lease payments under the non-cancellable operating lease falling due as follows:

	2008	2007
	HK$	*HK$*
Within one year	**2,396,059**	1,271,951
In the second to fifth years, inclusive	**3,923,863**	2,737,873
Over five years	**–**	1,090,698
	6,319,922	5,100,522

36. FINANCIAL GUARANTEE CONTRACTS

The group

At 31 March 2007, a wholly owned subsidiary of the company pledged certain of its investment properties to the banks as guarantee to secure general banking facilities to the extent of approximating HK$162 million extended to third parties including Shanghai Xiwu Industry Co., Ltd, Shanghai Chen Xuan Trading Co., Ltd and Shanghai Xu Hui Co., Ltd. The maximum liability of the subsidiary at 31 March 2007 under the guarantee was the amount of the facilities drawn down by the third parties that were covered by the guarantee, being approximately HK$119 million. The directors considered that no recognition was required because the fair value of such guarantee was insignificant and the directors did not consider it probable that a claim would be made against the company under the guarantee. The guarantee was released on 25 July 2007.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

37. FINANCIAL INSTRUMENTS AND CAPITAL DISCLOSURES

Financial risk management objectives and policies

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

i) *Foreign currency risk*

Foreign currency risk refers to the risk that movement in foreign currency exchange rates which will affect the group's financial results and its cash flows.

The group mainly operates in mainland China and Hong Kong. Most of the group's transactions, assets and liabilities are denominated in RMB or Hong Kong Dollars.

Most of group's and the company's transactions, assets and liabilities are denominated in a currency same as the functional currency of the entity to which they related.

Foreign exchange risk arises from net investments in foreign operations. The group manages its foreign risks by performing regular review and monitoring its foreign exchange exposures.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

37. FINANCIAL INSTRUMENTS AND CAPITAL DISCLOSURES (Continued)

Financial risk management objectives and policies (Continued)

ii) Credit risk

a) As at 31 March 2008, the maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheets after deducting any impairment allowance.

b) The group limits its exposure to credit risk by placing deposits with financial institutions that meet the established credit rating or other criteria. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

As at 31 March 2008, the group has certain concentration of credit risk as 33% (2007: 54%) of total cash and cash equivalents, time deposits with original maturities over three months and financial assets designated at fair value were deposited at one financial institution in the PRC with high credit ratings.

c) In respect of rental receivables, in order to minimize risk, the management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Credit evaluations of its tenants' financial position and condition is performed on each and every major tenant periodically. These evaluations focus on the tenants' past history of making payments when due and current ability to pay, and take into account information specific to the tenant as well as pertaining to the economic environment in which the tenant operates. The group has received rental deposits amounting to HK$3,101,462 from the tenants as collateral. Rents are usually due upon presentation of billing.

d) In respect of rental receivables, the group's exposure to credit risk is influenced mainly by the individual characteristics of each tenant. The default risk of the industry in which tenants operate also has an influence on credit risk but to a lesser extent. At the balance sheet date, the group has a certain concentration of credit risk as 47% (2007: Nil) and 98% (2007: 100%) of the total rental receivables was due from the group's largest tenant and the five largest tenants respectively.

Further quantitative disclosures in respect of the group's exposure to credit risk arising from trade and other receivables are set out in note 20.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

37. FINANCIAL INSTRUMENTS AND CAPITAL DISCLOSURES (Continued)

Financial risk management objectives and policies (Continued)

iii) Liquidity risk

Individual operating entities within the group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to board approval. The group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient amount of cash and adequate committed lines of funding from major bank to meet its liquidity requirements in the short and longer term. The group relies on bank borrowings as a significant source of liquidity.

The following liquidity and interest risk tables set out the weighted average effective interest rate and the remaining contractual maturities at the balance sheet date of the group's and the company's financial liabilities based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the group and the company are required to pay:

The group

	2008							2007						
	Weighted average effective interest rate	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total contractual undiscounted cash flow	Carrying amount	Weighted average effective interest rate	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total contractual undiscount cash flow	Carrying amount
		HK$	HK$	HK$	HK$	HK$	HK$	%	HK$	HK$	HK$	HK$	HK$	HK$
Other payable and accrual	-	4,793,481	-	-	-	4,793,481	4,793,481	–	5,462,168	–	–	–	5,462,168	5,462,168
Secured bank loan – variable rates	8.613%	14,352,815	14,454,290	48,298,972	91,459,421	168,565,498	109,421,900	–	–	–	–	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

37. FINANCIAL INSTRUMENTS AND CAPITAL DISCLOSURES (Continued)

Financial risk management objectives and policies (Continued)

iv) Interest rate risk

The group's exposure to market risk for exchange in interest rates related primarily to the group's interest-bearing borrowings. The group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider to hedge significant interest rate exposures when the need is anticipated.

At 31 March 2008, it is estimated that a general increase/decrease of 1% in interest rates, with all other variables held constant, would increase/decrease the group's loss after tax and accumulated losses attributable to variable rate bank borrowing by approximately HK$1,094,219 (2007: HK$Nil).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The 1% increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2007.

v) Fair values

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

vi) Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of the following financial instruments.

Interest-bearing loans and borrowings

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

38. MATERIAL RELATED PARTY TRANSACTIONS

(a) During the year, the group had the following transactions with Twin Base Limited ("Twin Base"), a company in which Mrs. Chong Cheng Man Shan ("Mrs. Chong"), the spouse of Mr. Chong Sing Yuen, the ex-director, has a beneficial interest:

i) During the year, the group paid rentals of approximately HK$Nil (2007: HK$197,500) to Twin Base for a motor vehicle. The rentals were charged in accordance with a motor vehicle rental agreement.

ii) As at 31 March 2007, Twin Base had pledged certain of its property interests to a bank to secure the credit facilities to the extent of HK$12,899,980 granted to the group.

(b) During the year 2008, Ms. Pan Chien Pu, a shareholder of the company, advanced HK$3,150,000 (2007: HK$Nil) to the group. The advance is unsecured, interest-free and repayable on demand.

(c) Key management personnel remuneration

Details of remuneration paid to key management of the group are disclosed in note 11.

(d) Outstanding balances with a related party (see note 22):

	2008	2007
	HK$	*HK$*
Amount due from a director	**14,777**	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

39. LITIGATION

In 1998, the company brought up legal proceedings against ASG Capital Limited and ASG Brokerage Limited (the "Defendants") for breach of the placing and underwriting agreement dated 9 December 1997 in that the Defendents failed to fulfill their underwriting obligations thereunder and for the recovery of HK$40 million being the economic loss suffered by the company together with interest and legal cost. The proceedings are now in pre-trial stage of discovery of documents of the parties and the date of the trial has not been fixed. The last action of the parties to the proceedings took place in middle of 2005 when solicitors acting for the company in the legal proceedings served a notice to inspect documents to those acting for the Defendants.

40. NON-ADJUSTING POST BALANCE SHEET EVENT

On 10 July 2007, the group entered into a sale and purchase agreement (the "Agreement") with Shanghai Xu Hui Co., Ltd. (the "Vendor") for the purchase of a property for a consideration of HK$30,871,000. Pursuant to the Agreement, a deposit of HK$15,435,000 was paid on 5 September 2007.

As the mortgages of the property have not been discharged as at 30 June 2008, the group served a termination notice to the Vendor on 2 July 2008 to cancel and terminate the agreement and requested the Vendor to refund the deposit, together with the accrued interest at an interest rate of 5% per annum, being calculated from the date of receipt of the deposit to the date of refund of the deposit. Pursuant to the termination notice, the deposit together with the interest accrued is required to be refunded by the Vendor to the group within 3 months from the date of the termination notice.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

41. RETIREMENT BENEFITS SCHEME

The group operates a Mandatory Provident Fund ("MPF") scheme for all Hong Kong eligible employees including executive directors. The assets of the MPF scheme are held separately from those of the group in funds under the control of trustees.

The retirement benefit cost for the MPF scheme charged to the consolidated income statement represents contributions payable to the MPF scheme by the group at rates specified in the rules of the MPF scheme.

Employees who are employed in the PRC are members of the state-sponsored pension scheme operated by the PRC government. The group is required to contribute a certain percentage of their payroll to the pension scheme to fund the benefits. The only obligation of the group with respect to the pension scheme is to make the required contributions under the scheme.

The group has no unvested benefits utilized to reduce contribution for the year after the disposal of Asian Field in last year. The amount of unvested benefits utilised by the group to reduce contributions for 2007 was HK$892,192.

42. COMPARATIVE FIGURES

As a result of adopting HKFRS 7, *Financial instruments: Disclosures*, and the amendments to HKAS 1, *Presentation of financial statements: Capital disclosures*, certain comparative figures have been adjusted to conform with changes in disclosures in the current year and to show separately comparative amounts in respect of items disclosed for the first time in 2007.

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

43. POSSIBLE IMPACT OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2008

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 March 2008 and which have not been adopted in these financial statements.

The group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the group's results of operations and financial position.

In addition, the following developments may result in new or amended disclosures in the financial statements:

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

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

FIVE YEAR FINANCIAL SUMMARY

RESULTS

	Year ended 31 March				
	2008	2007	2006	2005	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
CONTINUING OPERATIONS					
Turnover	**18,744**	5,659	2,938	70,084	106,657
Profit/(Loss) before tax	**(36,200)**	14,663	(5,042)	(19,125)	(14,702)
Tax	**7,424**	(4,728)	–	(511)	(733)
Profit/(Loss) for the year from continuing operations	**(28,776)**	9,935	(5,042)	(19,636)	(15,435)
(Loss) for the year from discontinued operation	**–**	(28,551)	(24,761)	–	–
(Loss) for the year	**(28,776)**	(18,616)	(29,803)	(19,636)	(15,435)

ASSETS AND LIABILITIES

	Year ended 31 March				
	2008	2007	2006	2005	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total Assets	**517,428**	267,628	100,297	115,476	133,296
Total Liabilities	**(175,054)**	(231,688)	(85,967)	(83,825)	(61,270)
Net assets	**342,374**	35,940	14,330	31,651	72,026