CHINA SCI-TECH HOLDINGS LIMITED

(Incorporated in Cayman Islands with limited liability)

Stock Code: 985

2008 Annual Report

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Chiu Kong *(Chairman)*
Mr. Kwan Kam Hung, Jimmy
Mr. Hui Richard Rui
Mr. Tsui Ching Hung
Mr. Chung Nai Ting
Ms. Chiu Si Mary
Mr. Lee Ming Tung

Independent Non-executive Directors

Mr. Yu Pan
Ms. Tong So Yuet
Mr. Chan Shek Wah

COMPANY SECRETARY

Mr. Chow Kim Hang

REGISTERED OFFICE

Ground Floor
Caledonian House
Mary Street
P.O. Box 1043
George Town
Grand Cayman
Cayman Islands

HEAD OFFICE AND PR INCIPAL PLACE OF BUSINESS IN HONG KONG

Rooms 4504-05, 45th Floor
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants

PRINCIPAL BANKER

Hang Seng Bank Limited

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

The Harbour Trust Company Limited
One Regis Place
P.O. Box 1787
Grand Cayman
Cayman Islands
British West Indies

HONG KONG BRANCH SHARE REGISTRARS AND TRANSFER OFFICE

Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Management Discussion and Analysis

The Group recorded a total income of approximately HK$29.14 million for the year ended 31 March 2008 (the "Year"). Compared with last year, there was an increase by an amount of approximately HK$20.73 million. The increase is mainly attributable to the increase of interest income from financial institutions. Compared with previous year, the revenue from the investments in financial instruments segment decreased approximately 5.58% but from the property investments segment increased approximately 17.98%. Rental income will continue to provide a steady cashflow to the Group in the future. The administration expenses for the Year was approximately HK$48.46 million representing approximately 287.37% increase when compared with last year. During the Year, the Company issued HK$165 million convertible notes and successfully completed two placements of securities. Further, the Group has been preparing to expand its operation and business. It rented more office space, hired more employees and appointed more officers during the Year. Thus, the expenses relating to legal and professional fees, rent and management fee, salaries and emoluments, and issuance of convertible notes and Shares had a big jump. All these expenses accounted for over 69.23% of the total administration expenses for the Year. The market was volatile during the Year as many uncertainties such as the performance of the PRC's financial and property market, financial crisis arisen from sub-prime mortgage crisis in USA, possibility of downturn of the USA's as well as the global economy, and oil price issue had affected the market sentiment. For the Year, the Group recorded a loss arising from fair value changes of investments held for trading and a loss arising from fair value changes of commodity future contract were approximately HK$190.88 million and HK$9.22 million respectively. In last year, it had a gain arising from fair value changes of investments held for trading and a loss arising from fair value changes of commodity future contract of approximately HK$6.24 million and HK$0.45 million respectively. Under the requirements of the Hong Kong Accounting Standard ("HKAS") 39 and HKAS 32, a theoretical gain or loss in relation to the convertible notes would be calculated but in fact such theoretical gain or loss has no co-relation with the actual operation of the Company and would not have any material actual impact on the operation or cashflow of the Company. However, it will affect the result of the income statement of the Company. Under these accounting treatments, the Group recorded a loss arising from change of fair value of conversion option derivative derived from convertible notes issued of approximately HK$83 million during the Year. Details of which can be referred to note 16(b) of the notes to condensed consolidated financial statements on page 51 in this report. Overall, the net loss for the Year was approximately HK$305.57 million as compared to the net loss of approximately HK$63.05 million in the preceding year.

As at 31 March 2008, the Group had bank balance and cash approximately of HK$2 billion. Fair value of investments held for trading was in an amount of approximately HK$415.12 million. As at 31 March 2008, the Group had no outstanding convertible notes. The Group had no outstanding loan or borrowing from banks or financial institutions as at 31 March 2008 as well.

The Group had 21 staff as at 31 March 2008. The staff costs (excluding directors' emoluments) was around HK$4.99 million for the Year. Staff remuneration package are normally reviewed annually. The Group has participated in Mandatory Provident Fund Scheme. In addition, the Group provides other staff benefits which include double pay and medical benefits. The Group has adopted a share option scheme in the Year but no share option was granted during the Year.

On 16 March 2007, the Company entered into a placing agreement with Taifook Securities Company Limited ("Taifook"), pursuant to which, Taifook agreed to place on a best effort basis, the convertible notes in an aggregate principle amount of HK$165 million with interest at a rate of 4% per annum. The convertible notes would carry a right to convert into new shares in the Company ("Shares" and each a "Share") at the conversion price of, subject to adjustment, HK$0.11 per Share from the date of issue of the convertible notes to 29 February 2008, HK$0.12 per Share from 1 March 2008 to 28 February 2009, and HK$0.13 per Share from 1 March 2009 to 28 February 2010 which was the maturity date of the convertible notes. The placing of the convertible notes was completed on 3 July 2007. The net proceeds of approximately HK$161.45 million from the placing of convertible notes had been utilized as one-third of it was used as the Group's general working capital (approximately HK$53.82 million) and the remaining was used to finance investment of securities (approximately HK$107.63 million). The 165 million convertible notes were fully converted in July 2007 and 1,499,999,996 Shares were issued. Details of the said placing of the convertible notes were disclosed in the Company's announcements dated 23 March 2007 and 3 July 2007 and the Company's circular dated 24 April 2007.

On 4 June 2007, the Company entered into a placing agreement with Kingston Securities Limited ("Kingston"), pursuant to which, Kingston agreed to place, on a fully written basis, 436,000,000 new Shares at HK$0.45 per Share (the "June Placing"). The net proceeds from the placing was approximately HK$191 million which was intended to be used for investment opportunities in metal ore. The placing of Shares was completed on 21 June 2007. Details of the said placing were disclosed in the Company's announcement dated 5 June 2007.

On 20 June 2007, Power East Investments Inc., an indirect wholly owned subsidiary of the Company, entered into a conditional sale and purchase agreement with Qian Mingjin (錢銘今) as vendor and Wang Liang (王亮) as guarantor (the "S&P Agreement 1") to acquire all the issued shares in and a shareholder loan of Front Wave Group Limited ("Front Wave") at the total consideration of RMB199,500,000 to be satisfied partially by the allotment and issue of 113,183,532 fully paid Shares at HK$0.46 per Share and by cash. The consideration would be financed by internal resources. Upon completion of the S&P Agreement 1, Front Wave would have 95% equity interest in Xing City Hong Ji Mining Industry Company Limited (興城市宏基礦業有限公司) which had the exploration right to and would have the mining licence for the Liaoning Province Xing City Guojiazhen Renhe Molybdenum Mine (遼寧省興城市郭家鎮任合鉬礦). Details of the said acquisition were disclosed in the Company's announcement dated 4 July 2007.

On 9 August 2007, Polymate Investments Limited, an indirect wholly-owned subsidiary of the Company, entered into an agreement with Kingstate Holdings Limited to establish a joint venture to submit tender in an open tender for investment and development of a hotel and commercial real estate project in Shanghai (the "Tender"). Pursuant to the agreement, the joint venture would establish a Hong Kong company and in turn would set up a project company in the PRC. The registered capital of the project company would be HK$100 million. Due to the delay in timetable for the relevant tender, two supplemental agreements were signed to extend the date for injection of capital from 17 September 2007 to 30 September 2008. Details of the said joint venture was disclosed in the Company's announcement dated 13 August 2007 and circular dated 31 August 2007. Details of the said two supplemental agreements were disclosed in the Company's announcements dated 17 September 2007 and 31 December 2007 respectively.

On 28 August 2007, the Company entered into a placing agreement with Kingston, pursuant to which, Kingston agreed to place, on a fully written basis, 870,000,000 new Shares at HK$0.22 per Share. The net proceeds from the placing was approximately HK$186 million. The placing of Shares was completed on 27 September 2007. The net proceeds was fully used for working capital and Group's business-related investments. Details of the said placing were disclosed in the Company's announcement dated 3 September 2007.

On 28 August 2007, the Company also entered into a placing agreement (the "August Placing") with Kingston, pursuant to which, Kingston agreed to place, on a best effort basis, 8,000,000,000 new Shares at HK$0.22 per Share (the "Placing Shares"). The net proceeds from the placing was approximately HK$1.72 billion. The August Placing could be completed partially by a maximum of 14 lots provided that the aggregate number of the Placing Shares for each partial completion shall not be less than 600,000,000 (save for the last lot of the August Placing where the number of the Placing Shares to be issued may be less than 600,000,000, as the case maybe). The whole August Placing was completed on 27 December 2007. 6,000,000,000 new Shares and 2,000,000,000 new Shares were issued on 15 November 2007 and 27 December 2007 respectively. The net proceeds was intended to used for funding future acquisition of mineral resources business. Details of the said placing were disclosed in the Company's announcement dated 3 September 2007.

On 2 November 2007, Think Smart International Corp, a wholly owned subsidiary of the Company, entered into a conditional sale and purchase agreement with Mr. Mi Dengfeng (米登峰) (the "S&P Agreement 2") to acquired all the shares in Global Winner International Holdings Limited (金灃國際控股有限公司) (the "Global Winner") from Mr. Mi Dengfeng (米登峰) at a consideration of approximately HK$197.4 million to be satisfied partially by allotment and issue of 220,000,000 fully paid Shares at HK$0.80 per Share and by cash. Global Winner and its subsidiaries (the "Global Winner Group") had entered into 13 acquisition agreements with various molybdenum mine owners in PRC (the "Acquisition Agreements") to acquire the controlling stake of these mines. Pursuant to the S&P Agreement 2, a supplemental acquisition agreement would be entered into between Global Winner Group and those mine owners and Global Winner Group should have the discretion to settle certain amounts of the maximum consideration payable under the Acquisition Agreements and the supplemental agreement of approximately RMB2.84 billion payable by the Global Winner Group to the mine owners by way of allotment and issue of fully paid Shares at HK$0.80 per Share. Thus, the total consideration payable under the S&P Agreement 2 and the supplemental acquisition agreement amounts to approximately RMB3.03 billion. Details of the said acquisition were disclosed in the Company's announcement dated 20 November 2007.

However, as a result of the Catalogue of Foreign Investment Business Guidance (revised 2007) (外商投資產業指導目錄(2007年修訂)) effective from 1 December 2007, foreign investment in molybdenum exploration and mining in the PRC has been prohibited. Having taking consideration of the legal opinions issued by the PRC lawyer in connection with the S&P Agreement 1 and the S&P Agreement 2 and the possibility of fulfillment of all the conditions precedent under the S&P Agreement 1 and the S&P Agreement 2, the Company decided to terminate the S&P Agreement 1 and the S&P Agreement 2 on 17 March 2008. Details of the termination of the S&P Agreement 1 and the S&P Agreement 2 were disclosed in Company's announcement dated 17 March 2008.

Due to the termination of the very substantial acquisitions in relation to the S & P Agreement 1 and S & P Agreement 2, the Company then changed the use of proceeds obtained from the June Placing and August Placing. The net proceeds of approximately HK$191 million from the June Placing had been changed for general working capital of the Group. As of the date of this report, approximately HK$13 million was used as general working capital of the Group. About HK$800 million out of the net proceeds of approximately HK$1,715 million from the August Placing had been changed for investments in the Group's principal activities. As of the date of this report, approximately HK$510 million was used for investment in financial instruments. Details of the change of the use of proceeds were disclosed in the Company's announcement dated 8 April 2008.

On 30 June 2008, the Company entered into a convertible notes placing agreement with Kingston (the "CN Placing Agreement"), pursuant to which, Kingston conditionally agreed to place, on a fully written basis, the convertible notes in an aggregate principle amount of HK$100 million. The convertible notes would carry a right to convert into new Shares at the conversion price of, subject to adjustment, HK$0.10 per Share from the date of issue of the convertible notes to the date immediately before the first anniversary of the date of issue of the convertible notes, HK$0.11 per Share from the first anniversary of the date of issue of the convertible notes to the date immediately before the second anniversary of the date of issue of the convertible notes, and HK$0.12 per Share from the second anniversary of the date of issue of the convertible notes to the date immediately before the third anniversary of the date of issue of the convertible notes which is the maturity date of the convertible notes. The net proceeds from the placing of convertible notes would be about HK$97 million which would be used for existing business operations and/or activities. The convertible notes placing was completed on 21 July 2008. Details of the said placing of the convertible notes were disclosed in the Company's announcements dated 2 July 2008.

With stable occupancy rate of the Group's investment properties, it will be expected to bring steady rental income to the Group and thus will continue to contribute cashflow to the Group. It is expected that the market will still volatile and its sentiment will fluctuate as many issues such as performance of the PRC stock markets and property markets, financial crisis arisen from sub-prime mortgage crisis in USA, possibility of the downturn of the USA's and the global economy, high oil price and inflation, can have a profound effect on the market sentiment globally. The two very substantial acquisitions of the Group in relation of molybdenum mines during the Year were terminated as a result of the Catalogue of Foreign Investment Business Guidance (revised 2007)(外商投資產業指導目錄(2007年修訂)), which has been effective from 1 December 2007, prohibits foreign investment in molybdenum exploration and mining in PRC. The Group is still optimistic about the natural mineral industry. The Group will continue to explore potential business opportunities in order to improve its earning capacity and diversify the market risk that the Group will confront in long run. If such opportunities arise in the future, the funding requirement may be satisfied by way of internal resources and/or other effective sources of funding, depending on the then market sentiment.

CORPORATE GOVERNANCE PRACTICES

The Company aims to achieve good standard of corporate governance and believes that sound corporate governance principles, increased transparency and independency of corporate operation and an effective shareholder communication mechanism will promote the health growth of the Company and in the best interest of its shareholders as a whole.

During the year ended 31 March 2008, the Company complied with most of the code provisions ("Code Provisions") by following those Code Provisions as set out in Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange") which was applicable to the Company in respect of the year under review. Any deviation of the Code Provisions is explained in this report.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its code of conduct regarding director's securities transactions. Having made specific enquiry of all directors of the Company ("Director(s)"), all Directors confirmed that they had complied with the required standard set out in the Model Code during the year ended 31 March 2008.

BOARD OF DIRECTORS

As at the date of this report, the Board comprises ten Directors, of which seven were executive Directors namely Mr. Chiu Kong (Chairman), Mr. Kwan Kam Hung, Jimmy, Mr. Hui Richard Rui (General Manager), Mr. Tsui Ching Hung, Mr. Chung Nai Ting, Ms. Chiu Si Mary and Mr. Lee Ming Tung, and three were independent non-executive Directors namely Mr. Yu Pan, Ms. Tong So Yuet and Mr. Chan Shek Wah. One of the independent non-executive Directors possesses the requisite appropriate professional qualification required under the Listing Rules 3.10 (2). Biographical details of all Directors are disclosed on page 12 to page 13 of this Annual Report.

Statistics of Directors' attendance of 53 board of Directors' meetings during the year ended 31 March 2008 are as follows:

Name	Attended
Executive Directors	
Mr. Chiu Kong	5
Mr. Kwan Kam Hung, Jimmy	52
Mr. Hui Richard Rui	53
Mr. Tsui Ching Hung	6
Mr. Chung Nai Ting	3
Ms. Chiu Si Mary	12
Mr. Lee Ming Tung	10
Independent non-executive Directors	
Mr. Yu Pan	3
Ms. Tong So Yuet	4
Mr. Chan Shek Wah	4

The Board is the mastermind of the Company. It provides the leadership to the Company and oversees the Group's strategic decisions, business development and performances and all business affairs. With the authorization and delegation from the Board, the management are responsible for the management and administration of the Company and the Group.

Each of our independent non-executive Directors has presented an annual confirmation of independence to the Company in accordance with the requirement of the Listing Rules. The Company considered that all of the independent non-executive Directors to be independent.

None of the Directors has any financial, business, family or other material/relevant relationship(s) with each other.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The fiduciary duties of the chairman (the "Chairman") of and chief executive officer (hereinafter refer to the "General Manager" as it is the official title used by the Company) of the Company are segregated and not exercised by the same individual. Mr. Chiu Kong is the Chairman who is responsible for the leadership of the Board and overall business directions of the Group. Mr. Hui Richard Rui is the General Manager who is responsible for the execution of business strategies, day-to-day operation and management of the Group.

NON-EXECUTIVE DIRECTORS

The non-executive Directors are not appointed for a specific term. Thus the Company has deviated from Code Provision A.4.1. However, non-executive Directors are subject to retirement by rotation at the Company's annual general meeting as specified by the articles of association of the Company.

REMUNERATION OF DIRECTORS

Code Provision B.1.1 requires setting up of the remuneration committee. The Company has deviated from the requirement and the remuneration committee has not been set up yet. The Company is in the process of establishing a remuneration committee as more time is needed for determining details which are appropriate and beneficial to the Company including the composition and terms of reference.

The Directors are remunerated with reference to their responsibility with the Company, their qualifications, experiences and past remuneration, the Company's performance and current market situation. A board meeting was held during the year to discuss and determine the remuneration of the Directors. All independent non-executive Directors attended the meeting.

NOMINATION OF DIRECTORS

The Company had not set up a nomination committee and retained the functions to the Borad. The nomination of Directors should be taken into consideration of the nominee's qualification, experience, ability and potential contributions to the Company. Four meetings were held during the year to discuss appointment of new Directors with attendance below:

Name of director	Number of attendance
Hui Richard Rui	4
Kwan Kam Hung Jimmy	4
Chiu Si Mary (appointed on 22 June 2007)	1

The Company understands the importance of having a nomination committee and will consider the feasibility of setting up a nomination committee.

AUDITORS' REMUNERATION

During the year ended 31 March 2008, fees paid to the Company's external auditors for non-statutory audit service amounted to approximately HK$0.97 million of which work done relating to the proposed increase of capital in Shijiazhuang Shuanghuan Automobile Company Limited and very substantial acquisitions were approximately HK$0.67 million and taxation and other services were approximately HK$0.30 million.

Audit fee for the year ended 31 March 2008 is approximately HK$0.85 million.

AUDIT COMMITTEE

For the year ended 31 March 2008, the Audit Committee was composed of three independent non-executive Directors namely Ms. Tong So Yuet (Chairman of the Committee), Mr. Yu Pan and Mr. Chan Shek Wah. Ms. Tong So Yuet possess appropriate professional accounting qualification, while the other members possess extensive management experience in commercial field. The terms of reference of the audit committee include all the duties set out in the Code Provisions C.3.3 of which among other things include reviewing financial statements of the Company. Any findings and recommendations of the Audit Committee are to be submitted to the Board for consideration.

The Audit Committee is authorized by the Board to investigate any activity within its terms of reference. It is authorized to seek any information it requires from any employee. It is also authorized to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary.

The members and attendance of the 2 audit committee's meetings during the year ended 31 March 2008 are as follows:

Name	Attended
Mr. Yu Pan	2
Ms. Tong So Yuet	2
Mr. Chan Shek Wah	2

During these meetings, the Audit Committee reviewed reports from external auditors regarding their audit on annual financial statements and review on interim financial results.

OTHER MATTERS

The Directors are responsible for the preparation of financial statements. The Directors are not aware of material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, therefore the Directors continue to adopt the going concern approach in preparing the financial statements. Also, the internal control system of internal control of the Group has been reviewed during the year.

Code Provision E1.2 requires the Chairman of the board to attend annual general meeting of the Company. Mr Chin Kong did not attend the 2007 annual general meeting as he was not in Hong Kong on that day.

The statement of the auditors of the Company regarding their reporting responsibilities is set out in the Independent Auditor's Report on page 17 of this annual report.

The directors of the Company present their annual report and the audited consolidated financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31 March 2008.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 27 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2008 are set out in the consolidated income statement on page 19.

The board of directors of the Company does not recommend the payment of any dividend.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 12 to the consolidated financial statements.

INVESTMENT PROPERTIES

Details of movements during the year in the investment properties of the Group are set out in note 13 to the consolidated financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 20 to the consolidated financial statements.

DIRECTORS

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

Executive directors:

Mr. Chiu Kong - Chairman	
Mr. Kwan Kam Hung, Jimmy	
Mr. Hui Richard Rui	
Mr. Tsui Ching Hung	(appointed on 2 May 2007)
Mr. Chung Nai Ting	(appointed on 2 May 2007)
Ms. Chiu Si Mary	(appointed on 22 June 2007)
Mr. Lee Ming Tung	(appointed on 28 September 2007)

Independent non-executive directors:

Mr. Yu Pan	
Ms. Tong So Yuet	
Mr. Chan Shek Wah	(appointed on 1 June 2007)
Mr. Miu Frank H.	(resigned on 30 June 2007)

Executive directors:

Mr. Chiu Kong, aged 51, was appointed as the Chairman of the Company in June 2003. He has over 15 years of experience in import and export trading, and business development.

Mr. Kwan Kam Hung, Jimmy, aged 46, was appointed as director of the Company in November 2002. He has over 10 years of experience in the management of finance and accounting.

Mr. Hui Richard Rui, aged 40, was appointed as director of the Company in August 2004. He graduated from University of Technology, Sydney of Australia with a bachelor degree in mechanical engineering. He has over 10 years of experience in management positions of companies in Australia, Hong Kong and the People's Republic of China.

Mr. Tsui Ching Hung, aged 55, was appointed as director of the Company in May 2007. He holds a Master of Science degree in Polymer Science and a Master of Business Administration degree obtained from the University of Aston and University of Warwick in United Kingdom respectively. He has over 10 years of experience in senior management positions of several multinational corporations in Hong Kong.

Mr. Chung Nai Ting, aged 52, was appointed as director of the Company in May 2007. He has over 20 years of experience in the trading business.

Ms. Chiu Si Mary, aged 26, was appointed as director of the Company in June 2007. She holds a Bachelor of Arts degree in Economics and Philosophy from University of Toronto in Canada. She has developed considerable experience in corporate management, fund operation and marketing management by serving key management positions of several corporations in Hong Kong.

Mr. Lee Ming Tung, aged 46, was appointed as director of the Company in September 2007. He holds a Bachelor of Science degree in accounting from Brigham Young University in U.S.A., a Master of Accountancy degree from Virginia Polytechnic Institute and State University of U.S.A., a Master of Financial Engineering degree from City University of Hong Kong and a Postgraduate Diploma in Corporate Administration from Hong Kong Polytechnic University. Mr. Lee is an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. He has over 15 years of experience in the field of accounting and finance.

Independent Non-executive Directors:

Mr. Yu Pan, aged 53, was appointed in September 2004. He has over 15 years of experience in management positions of multinational trading companies in Hong Kong and the People's Republic of China.

Ms. Tong So Yuet, aged 36, was appointed in February 2005. She graduated from Hong Kong Polytechnic University with a bachelor degree in accountancy. Ms. Tong is a fellow member of the Association of Chartered Certified Accountants, an associate member of the Hong Kong Institute of Certified Public Accountants, the Hong Kong Institute of Company Secretaries, the Institute of Chartered Secretaries and Administrators and a Certified Public Accountant (Practising). Prior to joining the Group, Ms. Tong has over 10 years of experience in auditing and accounting sector.

Mr. Chan Shek Wah, aged 44, was appointed in June 2007 He has more than 20 years of professional experience in the financial services industry. He has been engaged in the sales, proprietary trading, structuring of equity derivatives and equity capital market products as well as the provision of corporate finance advisory services to listed issuers. He was the senior management and the executive directors of several international financial institutions. Mr. Chan is currently an independent non-executive director of Future Bright Holdings Limited, which shares are listed on The Stock Exchange of Hong Kong Limited.

In accordance with articles 91 and 99 of the Company's Articles of Association, Mr. Lee Ming Tung, Mr. Kwan Kam Hung, Jimmy, Mr. Yu Pan and Ms. Tong So Yuet retire, and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The directors of the Company, including the independent non-executive directors, are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's Articles of Association.

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 within one year without payment of compensation, other than statutory compensation.

SHARE OPTION SCHEME

Particular of the Company's share option scheme are set out in note 26 to the consolidated financial statements.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 31 March 2008, none of the directors nor chief executives of the Company had any interests or short positions in any shares of the Company or any of its associated corporation which are required (a) to be recorded in the register kept by the Company under Section 352 of the Securities and Futures Ordinance (the "SFO"); or (b) to be notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or its subsidiaries, were a party and in which a director of the Company had a material interest, either directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

At 31 March 2008, the register of substantial shareholders maintained under Section 336 of the SFO showed that the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company:

Name	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Value Partners Limited	917,152,000 (note)	6.91%

Note: These shares were held by Value Partners Limited which is wholly owned by Value Partners Group Limited. Mr. Cheah Cheng Hye is a founder of a trust. The trustee of which namely, Hang Seng Bank Trustee International Limited, holds 100% interest in Cheah Company Limited, which holds 100% interest in Cheah Capital Management Limited, which in turn holds 35.65% interest in Value Partners Group Limited. Ms. To Hau Yin is the spouse of Mr. Cheah Cheng Hye.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short position in issued share capital of the Company as at 31 March 2008.

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

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

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

MAJOR CUSTOMERS AND SUPPLIERS

The Group has no major suppliers, as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Owing to the nature of its business, the Group has no major customers.

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) has an interest in any of the Group's five largest suppliers or customers.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands, which would oblige the Company to offer new shares on pro-rata basis to existing shareholders.

POST BALANCE SHEET EVENT

Details of significant post balance sheet events are set out in note 28 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued share as required under the Listing Rules.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31 March 2008 with most of the Code Provisions (the "Code Provisions") in the Code of Corporate Governance Practice, as set out in Appendix 14 of the Listing Rules. Further information of the Company's corporate governance practice including any derivations from the Code Provisions is set out in the Corporate Governance Report on pages 7 to 10.

AUDITOR

Messrs. Deloitte Touche Tohmatsu will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Hui Richard Rui
DIRECTOR
Hong Kong, 25 July 2008

Deloitte.
德勤

TO THE MEMBERS OF CHINA SCI-TECH HOLDINGS LIMITED
中國科技集團有限公司
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Sci-Tech Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 19 to 64, which comprise the consolidated balance sheet as at 31 March 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, 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 HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

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

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

Basis for qualified opinion

As explained in note 8 to the consolidated financial statements, the Group's interest in an associate was transferred to an independent third party during the year ended 31 March 2007. The Group was unable to obtain financial information in respect of this associate from 1 April 2006 to 9 January 2007 (date of transfer) in order to equity account for the Group's share of net assets and results of operation of its associate, in accordance with the requirements of Hong Kong Accounting Standard 28 "Investment in Associates" issued by HKICPA, which requires the Group to account for its share of results of operations and net assets of its associate up to the date of transfer in the consolidated financial statements. We were unable to obtain sufficient information to quantify the impact of this departure from these requirements. Any adjustments found to be necessary would affect the share of result of an associate and loss on transfer of subsidiaries as disclosed in the consolidated income statement for the year ended 31 March 2007. This caused us to qualify our audit opinion on the consolidated financial statements in respect of the year ended 31 March 2007. It is not practicable for us to quantify the effect of such departure on the corresponding figures in the consolidated financial statements for the year ended 31 March 2007.

Qualified opinion arising from disagreement about accounting treatment in prior year

In our opinion, except for the effect on the corresponding figures for the year ended 31 March 2007 of the matters described in the basis for qualified opinion paragraph, the consolidated financial statements give a true and fair view of the state of the Group's affairs as at 31 March 2008 and of its 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 Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
25 July 2008

Consolidated Income Statement

For the year ended 31 March 2008

	NOTES	2008 HK$'000	2007 HK$'000
Revenue	5	**6,597**	6,661
Other income		**22,541**	1,750
Administrative expense		**(48,463)**	(12,503)
(Loss) gain arising from fair value changes of investments held for trading		**(190,884)**	6,244
Impairment loss recognised in respect of available-for-sale investments		**—**	(975)
Gain arising from fair value changes of investment properties		**3,719**	1,573
Loss on redemption of convertible notes		**—**	(6,710)
Loss arising from fair value changes of commodity future contracts	16(a)	**(9,221)**	(454)
Loss arising from fair value changes of conversion option derivatives	16(b)	**(82,997)**	(10,561)
Finance costs	7	**(6,770)**	(9,026)
Loss on transfer of subsidiaries	8	**—**	(38,918)
Loss before taxation	9	**(305,478)**	(62,919)
Taxation	10	**(92)**	(126)
Loss for the year		**(305,570)**	(63,045)
Attributable to:			
Shareholders of the Company		**(305,526)**	(63,045)
Minority interests		**(44)**	—
		(305,570)	(63,045)
Loss per share	11		
- basic		**(4.33) cents**	(3.67) cents

Consolidated Balance Sheet

At 31 March 2008

	NOTES	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment	12	**743**	17
Investment properties	13	**26,092**	22,373
Available-for-sale investments	14	**—**	—
		26,835	22,390
Current assets			
Other receivables, deposits and prepayments		**20,679**	21,618
Investments held for trading	15	**415,115**	318,314
Derivative financial instruments	16	**—**	278
Bank balances and cash	17	**1,996,305**	42,419
		2,432,099	382,629
Current liabilities			
Other payables and accrued charges		**2,290**	20,872
Derivative financial instruments	16	**—**	22,949
Amounts due to directors	18	**417**	300
Amount due to a minority shareholder	18	**1,999**	—
Taxation payable		**794**	794
		5,500	44,915
Net current assets		**2,426,599**	337,714
Total assets less current liabilities		**2,453,434**	360,104

Consolidated Balance Sheet

At 31 March 2008

	NOTES	2008 HK$'000	2007 HK$'000
Non-current liability			
Convertible notes	19	—	60,976
		2,453,434	299,128
Capital and reserves			
Share capital	20	**1,326,621**	171,748
Reserves		**1,126,813**	127,380
Equity attributable to equity holders of the Company		**2,453,434**	299,128

The consolidated financial statements on pages 19 to 64 were approved and authorised for issue by the Board of Directors on 25 July 2008 and are signed on its behalf by:

Hui Richard Rui	**Kwan Kam Hung, Jimmy**
DIRECTOR	**DIRECTOR**

Consolidated Statement of Changes in Equity

For the year ended 31 March 2008

	Attributable to equity holders of the Company									
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000 (note a)	Convertible notes equity reserve HK$'000	Other capital reserve HK$'000 (note b)	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Minority interest HK$'000	Total HK$'000
At 1 April 2006	171,748	168,166	7,700	—	396,347	870	(382,658)	362,173	—	362,173
Loss for the year	—	—	—	—	—	—	(63,045)	(63,045)	—	(63,045)
At 31 March 2007	171,748	168,166	7,700	—	396,347	870	(445,703)	299,128	—	299,128
Transfer to profit or loss on disposal of foreign operations	—	—	—	—	—	(870)	—	(870)	—	(870)
Loss for the year	—	—	—	—	—	—	(305,526)	(305,526)	(44)	(305,570)
Total recognised expense for the year	—	—	—	—	—	(870)	(305,526)	(306,396)	(44)	(306,440)
Recognition of equity component of convertible notes	—	—	—	30,537	—	—	—	30,537	—	30,537
Shares issued at premium on conversion of convertible notes	189,923	143,422	—	(30,537)	—	—	—	302,808	—	302,808
Shares issued at premium for cash	964,950	1,217,000	—	—	—	—	—	2,181,950	—	2,181,950
Transaction costs attributable to issue of shares	—	(54,549)	—	—	—	—	—	(54,549)	—	(54,549)
At 31 March 2008	1,326,621	1,474,039	7,700	—	396,347	—	(751,229)	2,453,478	(44)	2,453,434

(a) The capital reserve of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired, over the nominal value of the share capital of the Company issued in exchange, in connection with the Group reorganisation completed in January 1994.

(b) The other capital reserve of the Group represents the balance of the credit arising from the cancellation of paid up capital in previous years.

Consolidated Cash Flow Statement

For the year ended 31 March 2008

	2008 HK$'000	2007 HK$'000
OPERATING ACTIVITIES		
Loss before taxation	**(305,478)**	(62,919)
Adjustments for:		
Interest income	**(22,091)**	(1,808)
Interest expenses	**6,770**	9,026
Dividend income	**(5,055)**	(3,546)
Depreciation	**197**	25
Exchange gain	**(870)**	—
Loss (gain) arising from fair value changes of investments held for trading	**190,884**	(6,244)
Loss on disposal of property, plant and equipment	**2**	—
Impairment loss recognised in respect of available-for-sale investments	**—**	975
Gain arising from fair value changes of investment properties	**(3,719)**	(1,573)
Loss on fair value to commodity futures contracts	**278**	—
Loss on fair value to conversion option derivatives	**82,997**	—
Loss on redemption of convertible notes	**—**	6,710
Loss arising from fair value changes of outstanding derivative financial instruments	**—**	12,294
Loss on transfer of subsidiaries	**—**	38,918
Operating cash flows before movements in working capital	**(56,085)**	(8,142)
Decrease (increase) in other receivables, deposits and prepayments	**939**	(8,896)
Increase in investments held for trading	**(287,685)**	(99,237)
(Decrease) increase in other payables and accrued charges	**(18,582)**	19,381
Increase in amount due to directors	**117**	—
Net cash used in operations	**(361,296)**	(96,894)
Interest received	**22,091**	1,808
Taxation arising from other jurisdictions paid	**(92)**	(46)
NET CASH USED IN OPERATING ACTIVITIES	**(339,297)**	(95,132)

Consolidated Cash Flow Statement

For the year ended 31 March 2008

	2008 HK$'000	2007 HK$'000
INVESTING ACTIVITIES		
Dividend received	**5,055**	3,546
Purchase of property, plant and equipment	**(925)**	—
NET CASH FROM INVESTING ACTIVITIES	**4,130**	3,546
FINANCING ACTIVITIES		
Interest paid	**(2,047)**	(3,240)
Increase in amount due to a minority shareholder	**1,999**	—
Redemption of convertible notes	**—**	(55,200)
Net proceeds on issue of convertible notes	**161,700**	48,804
Proceeds from issues of shares	**2,181,950**	—
Expenses on issue of shares	**(54,549)**	—
New loan raised	**—**	60,000
Repayment of loan	**—**	(5)
NET CASH FROM FINANCING ACTIVITIES	**2,289,053**	50,359
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**1,953,886**	(41,227)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**42,419**	83,646
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, representing bank balances and cash	**1,996,305**	42,419

1. GENERAL

The Company is incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

The Company is an investment holding company and is also engaged in investment in financial instruments and property investment. The principal activities of its principal subsidiaries are set out in note 27.

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

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

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) - Int 8	Scope of HKFRS 2
HK(IFRIC) - Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) - Int 10	Interim Financial Reporting and Impairment
HK(IFRIC) - Int 11	HKFRS 2 - Group and Treasury Share Transactions

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

The Group has applied the disclosure requirement under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

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

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

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

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

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

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

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

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

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

Revenue

Revenue represents dividend income arising from investments held for trading, interest income from a financial asset and rental income from properties letting under operating leases.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Dividend income from investments held for trading is recognised when the Group's rights to receive payment have been established.

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

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

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

Property, plant and equipment

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

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

Financial instruments

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

Financial assets

The Group's financial assets are mainly classified into financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life, or, where appropriate, a shorter period.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss represent financial assets held for trading.

A financial asset is classified as held for trading if:

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

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

Loans and receivables

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as any of the above categories. The Group designated unlisted equity securities as available-for sales financial assets.

At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. (See accounting policy on impairment loss on financial assets below.)

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets

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

For an available-for sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

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

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

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

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

The carrying amount of the financial asset is reduced by the impairment loss directly. Subsequent recoveries of amounts previously written off are credited to profit or loss.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity

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

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Convertible notes

Convertible notes contain liability and equity components

Convertible notes issued by the Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible loan notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan notes into equity, is included in equity (convertible notes equity reserve).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Convertible notes (Continued)

Convertible notes contain liability and equity components *(Continued)*

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible notes equity reserve until the embedded option is exercised, in which case the balance stated in convertible notes equity reserve will be transferred to share premium. Where the option remains unexercised at the expiry date, the balance stated in convertible notes equity reserve will be released to the retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible notes using the effective interest method.

Convertible notes contain liability component and conversion option derivative

Convertible notes issued by the Group that contain both liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is a conversion option derivative. At the date of issue, both the liability and conversion option components are recognised at fair value.

In subsequent periods, the liability component of the convertible loan notes is carried at amortised cost using the effective interest method. The conversion option derivative is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and conversion option components in proportion to their relative fair values. Transaction costs relating to the conversion option derivative is charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible notes using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Derivative financial instrument

Derivative financial instrument is initially measured at fair value on the contract date, and is remeasured to fair value at subsequent reporting dates.

Derivatives embedded in non-derivative host contracts are separated from the relevant host contracts and classified as held-for-trading when the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contracts, and the host contracts are not measured at fair value through the consolidated income statement.

Other financial liabilities

Financial liabilities (other than derivative financial instruments), including other payables, amounts due to directors and minority shareholders, are measured at amortised cost, using the effective interest method.

Equity instruments

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

Derecognition

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

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

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

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

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

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

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

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

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme are charged as expense when employees have rendered service entitling them to the contributions.

Operating leases

Leases are classified as operating leases whenever the terms of the lease do not transfer substantially all the risks and rewards of ownership to the leasee.

The Group as lessor

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

The Group as lessee

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumption concerning the future, and other key source of estimation uncertainty at the balance sheet date, that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Fair value of conversion option derivatives

Conversion option derivatives are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates.

The fair values of conversion option derivatives of HK$Nil (2007: HK$22,949,000) are subject to the limitation of the Binominal model that incorporated market data and involved uncertainty in estimates used by management in the assumptions. Because the Binominal model requires the input of highly subjective assumptions, including the volatility of share price, changes in subjective input assumptions can materially affect the fair value estimate.

Income taxes

As at 31 March 2008, no deferred taxation asset has been recognised on the tax losses of HK$428,619,000 (2007: HK$200,461,000) due to the unpredictability of future profit streams. The realisability of the deferred taxation asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated, deferred taxation may arise, which would be credited to the consolidated income statement.

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into two operating divisions (i) investments in financial instruments and (ii) property investment. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Investments in financial instruments	–	investment and trading of securities and commodity contracts
Property investment	–	rental income from the properties letting under operating lease

5. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

Segment information about these businesses is presented below:

	2008 HK$'000	2007 HK$'000
Investments in financial instruments	**5,055**	5,354
Property investment	**1,542**	1,307
	6,597	6,661

Segment information about these businesses is presented below:

Income statement

	2008		
	Investments in financial instruments HK$'000	**Property investment** HK$'000	**Total** HK$'000
Revenue	**5,055**	**1,542**	**6,597**
Segment result	**(208,996)**	**4,889**	**(204,107)**
Other income			**22,541**
Unallocated corporate expenses			**(34,145)**
Loss arising from fair value changes of conversion option derivatives			**(82,997)**
Finance costs			**(6,770)**
Loss before taxation			**(305,478)**
Taxation			**(92)**
Loss for the year			**(305,570)**

5. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

	2007		
	Investments in financial instruments HK$'000	Property investment HK$'000	Total HK$'000
Revenue	5,354	1,307	6,661
Segment result	6,124	3,123	9,247
Other income			1,750
Unallocated corporate expenses			(15,411)
Loss arising from fair value changes of conversion option derivatives			(10,561)
Finance costs			(9,026)
Loss on transfer of subsidiaries			(38,918)
Loss before taxation			(62,919)
Taxation			(126)
Loss for the year			(63,045)

5. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

Balance sheet

	2008		2007	
	Assets	Liabilities	Assets	Liabilities
	HK$'000	HK$'000	HK$'000	HK$'000
Investments in financial instruments	415,115	—	318,592	19,358
Property investment	26,092	1,614	22,373	1,556
Segment assets/liabilities	441,207	1,614	340,965	20,914
Unallocated corporate assets/liabilities	2,017,727	3,886	64,054	84,977
	2,458,934	5,500	405,019	105,891

5. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

Other information

	Investments in financial instruments HK$'000	Property investment HK$'000	Total HK$'000
Year ended 31 March 2008			
Loss arising from fair value changes of commodity future contracts	**(9,221)**	**—**	**(9,221)**
Loss arising from fair value changes of investments held for trading	**(190,884)**	**—**	**(190,884)**
Gain arising from fair value changes of investment properties	**—**	**3,719**	**3,719**
Year ended 31 March 2007			
Impairment loss recognised in respect of available-for-sale investments	(975)	—	(975)
Loss arising from fair value changes of commodity future contracts	(454)	—	(454)
Gain arising from fair value changes of investments held for trading	6,244	—	6,244
Gain arising from fair value changes of investment properties	—	1,573	1,573

5. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Geographical segments

Geographical breakdown of the Group's revenue by geographical market based on location of customers or where listed securities are traded is as follows:

	Revenue	
	2008	2007
	HK$'000	HK$'000
The People's Republic of China (the "PRC"), other than Hong Kong	**1,874**	1,828
Hong Kong	**4,723**	4,833
	6,597	6,661

The following table provides an analysis of segment assets and additions to property, plant and equipment and investment properties, analysed by the geographical areas in which the assets are located or listed securities are traded:

	Carrying amount of segment assets		Additions to property, plant and equipment, and investment properties	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
The PRC, other than Hong Kong	**56,047**	35,440	**—**	—
Hong Kong	**348,962**	271,663	**925**	—
Singapore	**36,198**	33,862	**—**	—
	441,207	340,965	**925**	—

6. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors

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

	Year ended 31 March 2008				
Name	Fees	Basic Salaries allowances and benefits-in-kind	Performance related bonus	Contributions to retirement benefit scheme	Total
	HK'000	HK'000	HK'000	HK'000	HK'000
Chiu Kong (Chairman)	—	3,516	5,150	12	8,678
Kwan Kam Hung Jimmy	—	783	300	12	1,095
Hui Richard Rui	—	1,196	300	12	1,508
Tsui Ching Hung	—	918	150	11	1,079
Chung Nai Ting	—	803	300	11	1,114
Chiu Si Mary	—	423	200	10	633
Lee Ming Tung	—	406	450	6	862
Miu Frank H.	25	—	—	—	25
Yu Pan	100	—	—	—	100
Tong So Yuet	150	—	—	—	150
Chan Shek Wah	167	—	—	—	167
	442	8,045	6,850	74	15,411

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

(a) Directors *(Continued)*

	Year ended 31 March 2007				
Name	Fees	Basic Salaries allowances and benefits-in-kind	Performance related bonus	Contributions to retirement benefit scheme	Total
	HK'000	HK'000	HK'000	HK'000	HK'000
Chiu Kong (Chairman)	—	912	550	12	1,474
Kwan Kam Hung Jimmy	—	—	—	—	—
Wang Guangtian	507	—	53	—	560
Hui Richard Rui	—	293	—	12	305
Miu Frank H.	100	—	—	—	100
Yu Pan	100	—	—	—	100
Tong So Yuet	100	—	—	—	100
	807	1,205	603	24	2,639

The performance related bonus payable to executive directors is determined based on the performance of the individual directors.

(b) Information regarding employees' emoluments:

Of the five individuals with the highest emoluments in the Group, five (2007: three) were directors of the Company whose emoluments are included in note 6(a). The emoluments of the remaining nil (2007: two) individuals were as follows:

	2008	2007
	HK$'000	HK$'000
Salaries and other benefits	—	1,014
Performance related bonus	—	275
Contributions to the retirement benefit scheme	—	24
	—	1,313

The emoluments of each of the two individuals were below HK$1,000,000 in last year.

7. FINANCE COSTS

	2008 HK$'000	2007 HK$'000
Interest on borrowings wholly repayable within five years:		
Other borrowings	**(1,484)**	(617)
Convertible notes	**(5,286)**	(8,409)
	(6,770)	(9,026)

8. LOSS ON TRANSFER OF SUBSIDIARIES

	2007 HK$'000
Net assets transfer of:	
Interest in an associate	99,489
Bank balances and cash	5
Other payables and accrued charges	(576)
	98,918
Loss on transfer of subsidiaries	(38,918)
Carrying value of secured other loan repaid	60,000

The subsidiaries transferred to an independent third party during the year ended 31 March 2007 did not contribute significantly to the Group's revenue and operating results for the year ended 31 March 2007.

9. LOSS BEFORE TAXATION

	2008	2007
	HK$'000	HK$'000
Loss before taxation has been arrived at after charging:		
Directors' remuneration (note 6(a))	15,411	2,639
Contributions to the Mandatory Provident Fund	102	45
Other staff costs	4,892	1,733
Total staff costs	20,405	4,417
Auditor's remuneration	850	800
Depreciation	197	25
Exchange loss	986	—
Loss on disposal of property, plant and equipment	2	—
Minimum lease payments under operating leases in respect of rented premises	2,166	1,255
and after crediting in revenue/other income:		
Dividend income	5,055	3,546
Gross rental income less direct operating expenses from investment properties that generated rental income during the year of HK$225,000 (2007: HK$292,000)	1,317	1,015
Exchange gain	—	1,330
Interest income from loans and receivables	22,091	1,808

10. TAXATION

No provision for Hong Kong Profits Tax has been made since the Group had no assessable profits for both years. The amount represents tax arising in other jurisdiction which is calculated at the rates prevailing in the relevant jurisdictions.

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

	2008	2007
	HK$'000	HK$'000
Loss before taxation	**(305,478)**	(62,919)
Tax at the domestic income tax rate of 17.5% (2007: 17.5%) (Note)	**53,459**	11,011
Tax effect of expenses not deductible for tax purpose	**(19,512)**	(12,406)
Tax effect of income not taxable for tax purpose	**5,663**	1,438
Tax effect of tax losses not recognised	**(39,928)**	(260)
Effect of different tax rate of subsidiaries operating in other jurisdictions	**69**	94
Others	**157**	(3)
Taxation charge for the year	**(92)**	(126)

Note: The rate represents the Hong Kong profits tax rate as the major operation of the Group are located in Hong Kong.

At the balance sheet date, the Group had unused tax losses of approximately HK$428,619,000 (2007: HK$200,461,000) available to offset against future profits. No deferred taxation asset has been recognised in respect of such losses due to the unpredictability of future profit streams. The losses may be carried forward indefinitely. There were no other significant temporary differences arising during the year or at the balance sheet date.

11. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the year attributable to shareholders of the Company of HK$305,526,000 (2007: HK$63,045,000) and 7,054,386,204 (2007: 1,717,484,600) weighted average number of ordinary shares in issue during the year.

The computation of diluted loss per shares does not assume the conversion of the Company's outstanding convertible notes since their exercise would result in a decrease in loss per share for both years.

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Motor Vehicles HK$'000	Total HK$'000
COST				
At 1 April 2006 and 31 March 2007	262	217	—	479
Additions	—	85	840	925
Disposals	(262)	(135)	—	(397)
At 31 March 2008	—	167	840	1,007
DEPRECIATION				
At 1 April 2006	262	175	—	437
Provided for the year	—	25	—	25
At 1 April 2007	262	200	—	462
Provided for the year	—	22	175	197
Eliminated on disposals	(262)	(133)	—	(395)
At 31 March 2008	—	89	175	264
NET BOOK VALUES				
At 31 March 2008	—	78	665	743
At 31 March 2007	—	17	—	17

The above items of property, plant and equipment are depreciated using straight line method at the following rates per annum:

Leasehold improvements	33%
Furniture and equipment	15%-25%
Motor vehicle	25%

13. INVESTMENT PROPERTIES

	2008 HK$'000	2007 HK$'000
FAIR VALUE		
At the beginning of the year	**22,373**	20,800
Gain arising from fair value changes recognised in the consolidated income statement	**3,719**	1,573
At the end of the year	**26,092**	22,373

The fair values of the Group's investment properties at both year ends have been arrived at on the basis of a valuation carried out as of that day by Asset Appraisal Limited, independent qualified professional valuers not connected with the Group. The valuation was arrived at by reference to market evidence of recent transaction prices for similar properties.

All investment properties are situated in the PRC and held under medium term leases. The properties were rented out under operating leases.

14. AVAILABLE-FOR-SALE INVESTMENTS

Details of available-for-sale investments as at 31 March are set out below:

	2008 HK$'000	2007 HK$'000
Unlisted equity securities	**5,100**	5,100
Less: Impairment loss	**(5,100)**	(5,100)
	—	—

The unlisted investments represent approximately 0.26% (2007: 1.6%) investment in Hennabun Capital Group Limited (formerly known as Hennabun Management International Limited), a company incorporated in the British Virgin Islands and engaged in securities trading, investment holding and provision of brokerage and financial services. They are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

15. INVESTMENTS HELD FOR TRADING

Investments held for trading as at 31 March are set out below:

	2008	2007
	HK$'000	HK$'000
Listed securities at fair value		
Equity securities listed in Hong Kong	**348,962**	271,663
Equity securities listed outside Hong Kong	**66,153**	46,651
	415,115	318,314

16. DERIVATIVE FINANCIAL INSTRUMENTS

	2008		2007	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	**HK$'000**	HK$'000	HK$'000
Commodity future contracts (note a)	**—**	**—**	278	—
Conversion option derivatives (note b)	**—**	**—**	—	22,949
	—	**—**	278	22,949

Notes:

(a) The commodity future contracts represent the trading of metals with maturity date in June 2007. All commodity contracts are normally settled other than by physical delivery of the underlying commodity and hence are classified as derivative financial instruments. On maturity, the contracted price is compared to the spot price and the differential is applied to the contracted quantity. A net amount is paid or received by the Group. The derivatives are measured at fair value at the balance sheet date. Their fair values are determined based on the quoted market prices of equivalent instruments at the balance sheet date. The forward commodity contracts were settled in current year.

The loss arising from changes in fair value of commodity future contracts for the year is approximately HK$9,221,000 (2007: HK$454,000).

16. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

Notes: *(Continued)*

(b) Conversion option derivatives represent conversion options that are embedded in certain convertible notes issued by the Company. The conversion option derivatives are carried at fair value at the balance sheet date. The Company issued convertible notes of HK$49,950,000 and HK$60,000,000 on 31 January 2005 and 31 March 2005, respectively (the "2005 Convertible Notes") and HK$49,800,000 on 22 September 2006 (the "2006 Convertible Notes").

At 31 March 2007, the fair values of the conversion option derivatives embedded in the 2005 Convertible Notes were HK$907,000 and HK$272,000 respectively. The fair values of the conversion option derivatives embedded in the 2006 Convertible Notes were HK$21,770,000. The fair value of the conversion option derivatives embedded in the 2005 Convertible Notes and 2006 Convertible Notes were carried out by an independent valuer using the Binominal model as at 31 March 2007. Details of the variables and assumptions of the model are as follows:

Convertible Note	Date of issue	Remaining life at 31 March 2007	Share price at date of issue HK$	Exercise price HK$	Risk free interest rate	Expected volatility	Expected divided yield
2005 Convertible Notes	31/01/2005						
HKD49.95 million		10 months	0.290	0.370	3.76%	81.94%	0.00%
2005 Convertible Notes	31/03/2005						
HKD60 million		1 year	0.265	0.400	3.76%	81.94%	0.00%
2006 Convertible Notes	22/09/2006						
HKD49.8 million		2.5 years	0.105	0.145/0.160/0.176	3.86%	73.66%	0.00%

During the year ended 31 March 2008, all of the 2005 Convertible Notes and 2006 Convertible Notes were converted into ordinary shares of the Company. The loss arising from fair value changes of the conversion option derivatives for the year until date of conversion amounted to a loss of HK$82,997,000. The fair value of the conversion option derivatives were carried out by an independent valuer using the Binominal model at the date of conversion. Details of the variables and assumptions of the model are as follows:

Convertible Note	Date of issue	Date of conversion	Converted amount HK$	Share price at date of issue HK$	Exercise price HK$	Risk free interest rate	Expected volatility	Expected divided yield
2005 Convertible Notes	31/01/2005							
HKD49.95 million		11/06/2007	16,200,000	0.660	0.370	4.14%	139.76%	0.00%
2005 Convertible Notes	31/03/2005							
HKD60 million		05/07/2007	4,800,000	0.620	0.400	4.03%	133.09%	0.00%
2006 Convertible Notes	22/09/2006							
HKD49.8 million		07/05/2007	17,400,000	0.215	0.145	3.98%	68.99%	0.00%
		01/06/2007	11,600,000	0.480	0.145	4.31%	84.06%	0.00%
		04/06/2007	20,800,000	0.510	0.145	4.44%	84.06%	0.00%

17. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less at prevailing market interest rates. The effective interest rate ranges from 1.1% to 3.6% (2007: 1% to 5%) per annum.

18. AMOUNTS DUE TO DIRECTORS/A MINORITY SHAREHOLDER

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

19. CONVERTIBLE NOTES

	HK$'000
Convertible notes	
At 1 April 2006	64,093
Interest charged	8,409
Interest paid	(2,623)
Issued during the year	38,343
Redeemed during the year	(47,246)
At 31 March 2007	60,976
Interest charged	5,286
Interest paid	(563)
Issued during the year	131,163
Converted during the year	(196,862)
At 31 March 2008	—

19. CONVERTIBLE NOTES *(Continued)*

2005 and 2006 Convertible Notes

The 2005 Convertible Notes are unsecured, carry interest at 3% per annum and are repayable upon maturity 3 years from the date of issue. Holders of the 2005 Convertible Notes have the right to convert, on any business day, the 2005 Convertible Notes into ordinary shares of the Company during a period of 3 years from the date of issues of the 2005 Convertible Notes at a conversion price stipulated in the convertible note agreement. The Company may redeem the 2005 Convertible Notes at par value to the extent of the entire principal amount outstanding at any time prior to maturity.

The 2006 Convertible Notes are unsecured, carry interest of 5% per annum and are repayable upon maturity 3 years from the date of issue. Holders of the 2006 Convertible Notes have the right to convert, on any business day, the 2006 Convertible Notes into ordinary shares of the Company during a period of 3 years from the date of issues of the 2006 Convertible Notes at a conversion price stipulated in the convertible note agreement. The Company may redeem the 2006 Convertible Notes at par value to the extent of the entire principal amount outstanding at any time prior to maturity.

The effective interest rates of the liability components in relation to the 2005 Convertible Notes and 2006 Convertible Notes ranged from 11.25% to 13.33% respectively.

At 31 March 2007, the principal amounts of the 2005 Convertible Notes and 2006 Convertible Notes not yet converted were HK$21,000,000 and HK$49,800,000.

19. CONVERTIBLE NOTES *(Continued)*

2007 Convertible Notes

On 3 July 2007, the Company issued convertible notes of HK$165,000,000 (the "2007 Convertible Notes"). The 2007 Convertible Notes are unsecured, carry interest of 4% per annum and are repayable upon maturity 3 years from the date of issue. Holders of the 2007 Convertible Notes have the right to convert, on any business day, the 2007 Convertible Notes into ordinary shares of the Company during the period of 3 years from the date of issue of the 2007 Convertible Notes. An initial conversion price is HK$0.11 per share from the date of issue to 29 February 2008, HK$0.12 per share from 1 March 2008 to 28 February 2009 and HK$0.13 per share from 1 March 2009 to the maturity date on 28 February 2010. The conversion prices of the 2007 Convertible Notes are subject to anti-dilutive adjustments. The Company may redeem the 2007 Convertible Notes at par value to the extent of the entire principal amount outstanding at any time prior to maturity.

The 2007 Convertible Notes are compound financial instruments containing two components, liability and equity elements. The fair value of the liability component was calculated using the discounted cash flows method at a market interest rate for the equivalent non-convertible notes. The residual amount, representing the value of the equity conversion option is included in shareholders' equity as convertible notes equity reserve. The effective interst rate of the liability component is 12.66%.

All the convertible notes have been converted to ordinary shares of the Company during the year and therefore no convertible notes were outstanding at 31 March 2008. Details of conversion are set out in note 20.

20. SHARE CAPITAL

	Nominal value per share HK$	Number of shares 2008	2007	Share capital 2008 HK$'000	2007 HK$'000
Authorised:					
At 1 April	0.1	**5,000,000,000**	5,000,000,000	**500,000**	500,000
Increase during the year		**45,000,000,000**	—	**4,500,000**	—
At 31 March		**50,000,000,000**	5,000,000,000	**5,000,000**	500,000
Issued and fully paid					
At 1 April	0.1	**1,717,484,600**	1,717,484,600	**171,748**	171,748
Shares issued at premium for cash		**9,649,496,000**	—	**964,950**	—
Shares issued at premium on conversion of convertible notes		**1,899,232,052**	—	**189,923**	—
At 31 March		**13,266,212,652**	1,717,484,600	**1,326,621**	171,748

On 4 April 2007, 21 June 2007, 27 September 2007, 15 November 2007 and 27 December 2007, the Group issued and allotted 343,496,000, 436,000,000, 870,000,000, 6,000,000,000 and 2,000,000,000 new shares at HK$0.1, HK$0.45, HK$0.22, HK$0.22 and HK$0.22 each, respectively, for cash by placing. The shares issued rank para passu in all material respects with the then existing shares.

On 7 May 2007, 1 June 2007 and 6 June 2007, a total of 120,000,000, 80,000,000 and 143,448,274 shares were allotted and issued respectively by the Company at the conversion price of HK$0.145 per share according to the terms and conditions under the 2006 Convertible Notes.

On 13 June 2007, a total number of 43,783,782 shares were allotted and issued by the Company at the conversion price of HK$0.37 per share according to the terms and conditions under the 2005 Convertible Notes issued on 31 January 2005. On 5 July 2007, a total of 12,000,000 shares were allotted and issued by the Company at the conversion price of HK$0.4 per share according to the terms and conditions under the 2005 Convertible Notes issued on 31 March 2005.

On 4 July 2007, 5 July 2007 and 9 July 2007, a total of 663,636,361, 236,363,636 and 599,999,999 shares were allotted and issued respectively by the Company at the conversion price of HK$0.11 per share according to the terms and conditions under the 2007 Convertible Notes.

21. RETIREMENT BENEFIT SCHEME

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Mandatory Provident Fund Scheme is funded by monthly contribution from both employees and the Group at a rate of 5% of the employee's basic salary with maximum employee's contribution of not exceeding HK$1,000 a month.

The retirement benefit cost charged to the consolidated income statement of HK$176,000 (2007: HK$69,000) represents contributions payable to the scheme by the Group at rate specified in the rules of the scheme.

22. OPERATING LEASE ARRANGEMENTS

The Group as lessee

At the balance sheet date, the Group had commitments for future minimum lease payments payable under non-cancellable operating leases which fall due as follows:

	2008	2007
	HK$'000	HK$'000
In respect of rented premises:		
Within one year	**2,229**	1,616
In the second to fifth year inclusive	**94**	1,066
	2,323	2,682

Operating lease payments represent rentals payable by the Group rented premises. Leases are negotiated for an average term of two years.

The Group as lessor

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	2008	2007
	HK$'000	HK$'000
Within one year	**494**	700
In the second to fifth year inclusive	**63**	475
	557	1,175

Leases are negotiated for an average term of two years.

23. CAPITAL COMMITMENTS

	2008 HK$'000	2007 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted but not provided for	**14,321**	755

24. CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of convertible notes and equity attributable to equity holders of the Company, comprising issued share capital, reserves and retained earnings as disclosed in consolidated statement of changes in equity. During the year ended 31 March 2008, the convertible notes were fully converted into ordinary shares of the Company and no external debts was raised out at balance sheet date.

The management of the Group review the capital structure periodically. As part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital, and take appropriate actions to adjust the Group's capital structure.

25. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2008 HK$'000	2007 HK$'000
Financial Assets		
Loans and receivables (including cash and cash equivalent)	**2,012,132**	63,940
Investments held for trading	**415,115**	318,314
Derivatives financial instruments held for trading	**—**	278
Financial Liabilities		
Amortised cost	**2,416**	80,527
Derivatives financial instruments	**—**	22,949

25. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and polices

The management of the Group manages the financial risks relating to the operations through the monitoring procedures. These risks include market risk (including currency risk, cash flow interest rate risk, fair value interest rate risk and price risk), credit risk and liquidity risk. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The Group does not enter into derivative financial instruments for hedging purpose. There has been no significant change to the Group's exposure to market risks or the manner in which it manages and measures.

Foreign currency risk management

Certain subsidiaries of the Group have investments held for trading denominated in Renminbi and Singapore dollars which are other than the functional currency of the relevant group entity (i.e. Hong Kong Dollars), which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amount of the Group's foreign currency denominated investments at the reporting date is as follows:

	Assets	
	2008	2007
	HK$'000	HK$'000
Renminbi	**29,955**	13,067
Singapore dollars	**36,198**	33,862

25. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and polices *(Continued)*

Foreign currency sensitivity

The following table details the Group's sensitivity to a 5% increase or decrease in the Renminbi and Singapore dollars. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rate. The sensitivity analysis includes only outstanding foreign currency denominated investments and adjusts their translation at the year end for a 5% change in foreign currency rate. A positive number below indicates a decrease in loss where the Renminbi and Singapore dollars strengthen 5% against Hong Kong dollars. For a 5% weakening of Renminbi and Singapore dollars against Hong Kong dollars, there would be an equal and opposite impact. The analysis is performed on the same basis for 2007.

The following table indicates the approximate change in the Group's results in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the balance sheet date.

	2008	2007
	HK$'000	HK$'000
Renminbi	**1,236**	539
Singapore dollars	**1,493**	1,397

In management's opinion, the sensitivity analysis is unrepresentative of the interest foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Cash flow interest rate risk

The Group is exposed to cash flow interest rate risk through the impact of rate changes on interest bearing financial assets which are mainly short term bank deposits. If the bank interest rate had been 100 basis point increase/decrease while all other variables were held constant, the Group's loss for the year ended 31 March 2008 would decrease/increase by HK$19,963,000 (2007: HK$424,000). It is the Group's policy to keep its bank deposits at floating rate so as to minimise the fair value flow interest rate risk.

Fair value interest rate risk

The Group's fair value interest rate risk relates to fixed rate convertible notes. The Group currently does not have an interest rate hedging policy. The management considered the risk is insignificant to the Group.

25. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and polices *(Continued)*

Price risk

The Group is exposed to equity security price risk through its investments in equity securities. The management of the Group manages this exposure by maintaining a portfolio of investments with different risk and return profiles. If the market price of the investments held for trading had been 10% higher/lower while all other variables were held constant, the Group's loss for the year ended 31 March 2008 would decrease/increase by HK$34,247,000 (2007: HK$26,261,000).

Credit risk

The Group's principal financial assets which are exposed to credit risk are other receivables and bank balances.

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations at the balance sheet date in relation to each class of recognised financial assets is the carrying amount of those assets stated in the consolidated balance sheet. The Group reviews the recoverable amount of each individual receivable at each balance sheet date to ensure that adequate impairment losses, if necessary, are made for irrecoverable amounts. In this regard the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk on other receivables, with exposure spread over a number of counterparties.

Although the bank balances are concentrated on certain counterparties, the credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

25. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and polices *(Continued)*

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average interest rate	0-180 days	181-365 days	1-2 years	Over 2 years	Total undiscounted cash flows	Total Carrying Amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 March 2008							
Non-interest bearing							
Amounts due to directors	—	417	—	—	—	417	417
Amount due to a minority shareholder	—	1,999	—	—	—	1,999	1,999
		2,416	—	—	—	2,416	2,416

	Weighted average interest rate	0-180 days	181-365 days	1-2 years	Over 2 years	Total undiscounted cash flows	Total Carrying Amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 March 2007							
Non-interest bearing							
Amounts due to directors	—	300	—	—	—	300	300
Other payables	—	19,251	—	—	—	19,251	19,251
Fixed-interest rate							
Convertibles Notes	12.25%	1,560	22,479	2,490	51,045	77,574	60,976
		21,111	22,479	2,490	51,045	97,125	80,527

25. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value of financial instruments

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

- the fair value of financial assets and financial liabilities (including commodity futures contracts) with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively; and
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input. For an option-based derivative, the fair value is estimated using binominal model.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in financial statements approximate to their fair values.

26. SHARE OPTION SCHEME

The Company has a share option scheme (the "Scheme") which was adopted on 11 May 2007. The Scheme is valid and effective for a period of ten years from the date of adoption.

Pursuant to the Scheme, the Company may grant options to employees (including existing and proposed directors), adviser, consultant, agent, contractor, client and supplier of any members of the Group (collectively the "Participants"). The purpose of the Scheme is to attract, retain and motivate Participants to strive for future developments and expansion of the Group and to provide incentive to encourage the Participants to enjoy the results of the Company attained through their efforts and contributions. The total number of shares of the Company available for issue under the Scheme is 218,098,060 which represents 10% of the issued share capital of the Company as at 11 May 2007. No Participants shall be granted an option if the total number of shares of the Company issued and to be issued upon exercise of the options granted and to be granted (including both exercised and outstanding options) in twelve month period up to and including the date of grant to such Participants would exceed 1% of the shares of the Company for the time being in issue unless the proposed grant has been approved by the shareholders of the Company in general meeting with the proposed grantee and his associates abstaining from voting. An option may be exercised in accordance with the terms of the Scheme at any time during a period as the board of the directors of the Company (the "Board") may determine which shall not be more than ten years from the date of grant of the option subject to the provisions of early termination thereof and the Board may provide restrictions on the exercise of an option during the period an option may be exercised. The subscription price of the option shall be determined by the Board but in any case shall not be less than the higher of (i) the closing price of the shares of the Company as stated in the daily quotations sheet of The Stock Exchange of Hong Kong Limited on the date of grant which must be a trading day, (ii) the average closing price of the shares of the Company as stated in the daily quotations sheet of The Stock Exchange of Hong Kong Limited for the five trading days immediately preceding the date of grant and (iii) the nominal value of a share of the Company. Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company by way of consideration for the grant.

As at 31 March 2008, no share options have been granted by the Company since the adoption of the Scheme.

27. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 March 2008 are as follows:

Name of subsidiary	Place of incorporation/ operation	Issued share capital/ registered and paid-up capital	Proportion of nominal value of issued share capital/registered and paid-up capital held by the Company		Principal activities
			Directly	Indirectly	
China Sci-Tech Secretaries Limited	Hong Kong	HK$10,000	100%	—	Provision of secretarial services and investment holding
Cyber Range Limited	British Virgin Islands*	US$1	100%	—	Investment holding
Harbour Fair Overseas Limited	British Virgin Islands*	US$1	100%	—	Investment holding
Millennium Riders Limited	British Virgin Islands*	US$1	100%	—	Investment holding
Perfect Touch Technology Inc.	British Virgin Islands*	US$2	100%	—	Investment holding
Smart Ease Limited	Hong Kong	HK$2	100%	—	Investment holding
Kingarm Company Limited	Hong Kong	HK$2	—	100%	Property investment
Partner United Limited	British Virgin Islands*	US$1	—	100%	Investment holding

27. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ operation	Issued share capital/ registered and paid-up capital	Proportion of nominal value of issued share capital/registered and paid-up capital held by the Company		Principal activities
			Directly	Indirectly	
Skytop Technology Limited	Hong Kong	HK$3	—	100%	Securities investment
Unigolden Limited	Hong Kong	HK$2	—	100%	Property investment
Sky Falcon Investments Limited	British Virgin Islands*	US$1	100%	—	Investment holding

* These companies are engaged in investment business and have no specific principal place of operations.

In the opinion of the directors of the Company, the above companies will principally affect the operations of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

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

28. POST BALANCE SHEET EVENT

Placing of convertible notes

On 30 June 2008, the Company entered into the convertible notes placing agreement with Kingston Securities Limited.

The principal amount of the convertible notes is HK$100,000,000 and is non-interest bearing. The Company may redeem the convertible notes at par value to the extent of the entire principal amount outstanding at any time prior to maturity.

The convertible notes will carry a right to convert into new shares of the Company at the conversion price of, subject to adjustment, HK$0.10 per conversion share from the date of issue of the convertible notes up to the date immediately before the first anniversary of the date of issue of the convertible notes, HK$0.11 per conversion share from the first anniversary of the date of issue of the convertible notes to the date immediately before the second anniversary of the date of issue of the convertible notes, and HK$0.12 per conversion share from the second anniversary of the date of issue of the convertible notes to the maturity date. No application will be made for listing of the convertible notes. The placing had been completed on 21 July 2008.

Financial Summary

	Year ended 31 March				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
				(Restated)	
RESULTS					
(LOSS) PROFIT FOR THE YEAR	**(305,570)**	(63,045)	25,499	(10,090)	(60,534)

	At 31 March				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
TOTAL ASSETS	**2,458,934**	405,019	431,239	446,303	139,599
TOTAL LIABILITIES	**(5,500)**	(105,891)	(69,066)	(110,381)	(32,076)
NET ASSETS	**2,453,434**	299,128	362,173	335,922	107,523

Particulars of Properties Held by the Group

Location	Use	Lease term
Unit Nos. 1104-1107 and Unit Nos. 2501-2512 Oriental Building No. 39 Jianshe Road Luohu District Shenzhen Guangdong Province PRC	Commercial	Medium term lease
East Portion of level 18 and Unit No. 2601 and Carparking Space No. 20 on basement level Shartex Plaza No. 88 Zunyi South Road Changning District Shanghai PRC	Commercial	Medium term lease