



***MASCOTTE HOLDINGS LIMITED***

*(Incorporated in Bermuda with limited liability)*

*(Stock Code: 136)*

***ANNUAL REPORT 2008***



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MASCOTTE HOLDINGS LIMITED • ANNUAL REPORT 2008

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## CORPORATE INFORMATION

### DIRECTORS

#### Executive Directors

Peter Temple Whitelam (*Chairman*)  
Lo Yuen Wa Peter (*Acting Chief Executive Officer*)  
Au Yeung Kai Chor  
Lam Suk Ping

#### Independent Non-Executive Directors

Chan Sze Hung  
Kristi L Swartz  
Hui Wai Man, Shirley

### COMPANY SECRETARY

Lo Yuen Wa Peter

### QUALIFIED ACCOUNTANT

Lo Yuen Wa Peter

### REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

1st Floor, Po Chai Industrial Building  
28 Wong Chuk Hang Road  
Aberdeen  
Hong Kong

### WEBSITE ADDRESS

[www.mascotte.com](http://www.mascotte.com)

### PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited  
The Hongkong and Shanghai Banking  
Corporation Limited  
The Bank of East Asia Limited, Guang Zhou Branch

### AUDITOR

Mazars CPA Limited

### SHARE REGISTRARS

#### Bermuda

Butterfield Corporate Services Limited  
Rosebank Centre  
11 Bermudiana Road  
Pembroke  
Bermuda

#### Hong Kong

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

**CHAIRMAN'S STATEMENT**

A new beginning – a year in which the Group has laid the groundwork for future strategic growth.

**THE YEAR IN REVIEW**

The year 2007/08 was a mixed year. Our results were disappointed as we have been hard hit by the adverse changes in the equities market. But let's not get too carried away by the unsatisfactory results for the year. Rather we see the year positively as the beginning of a new era; a year in which we have greatly strengthened our financial muscles to pave the way for future expansion; and a year in which a new Board was formed with a clear vision to grow the Group through diversification and strategic investments.

**PROSPECTS**

We have long established ourselves as a market leader in the manufacturing of photographic, electrical and multimedia accessories and the Board remains committed to the long term prospects of this segment. Despite this, given the uncertainty associated with the economic environment of the Group's major export markets and the escalating costs in running a manufacturing operation in the Mainland, the Board is of the view that reliance on the manufacturing of accessories would limit the long term growth prospects of the Group as a whole. Against this background the directors have implemented a diversification strategy aiming to identify suitable investment opportunities to broaden the Group's long term sustainable income base. The Board's focus is on evaluating potential investment in (a) natural resources projects and (b) manufacturing concerns which offer the opportunity to maximize operational synergies with the Group's existing business. A prudent approach has been taken in such evaluation and no suitable investment projects have been identified yet.

On the other hand, we have completed a series of capital raising activities during the year. Coupled with the rights issue exercise currently in progress (details of which are set out in the prospectus sent to the shareholders on 10 July 2008), the Company has substantially enlarged its capital base and strengthened its financial resources in the course of twelve months. Furthermore, the Group has repaid all its outstanding bank borrowings. A solid foundation has therefore been established to enable us to take advantage of suitable investment opportunities as they arise.

Furthermore, the Group is striving to perfect its treasury operations. To diversify the risk associated with securities investment in the present volatile market, management is exploring alternative means to deploy surplus working capital. One alternative currently being looked into is the business of providing finances to creditworthy third parties which, if undertaken, will be conducted in a prudent manner under stringent credit appraisal procedures.

The year ahead will undoubtedly be a challenging one. Nevertheless, we believe that opportunities will arise and we are favourably positioned to capture such opportunities and to drive the Group forward.

**APPRECIATION**

We wish to thank our shareholders, business partners and staff for their on-going support and commitment; as well as our former Board members for their valuable contributions past and present.

On behalf of the Board  
**Peter Temple Whitelam**  
*Chairman*

Hong Kong, 25 July 2008

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL RESULTS

Turnover for the year ended 31 March 2008 amounted to HK\$649.3 million, an increase of 179% when compared with HK\$232.5 million in the previous year. The increase in turnover is mainly attributable to the HK\$442.9 million derived from the disposal of securities investment during the year, while no such activity took place last year. Loss attributable to equity holders for the year was HK\$232.8 million, as compared to a profit of HK\$10.5 million in the previous year. The significant adverse change in results is primarily due to the realized and unrealized losses on investment trading amounting to HK\$59.7 million and HK\$161.3 million respectively, while no such losses arose in the previous year.

Loss per share for the year ended 31 March 2008 was HK19.2 cents (2007: Earnings per share of HK2.3 cents (restated)).

### FINAL DIVIDEND

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

### BUSINESS REVIEW AND PROSPECTS

#### Manufacture and Sale of Photographic, Electrical and Multimedia Accessories

During the year, this segment's turnover decreased from HK\$227.0 million to HK\$198.9 million, representing a decrease of 12.4% as compared with last year. The drop in sales was mainly caused by one of the Group's electronics partners being put into receivership in October 2007, and which caused the revenues for electrical accessories decreased by HK\$25 million as compared with previous year.

Europe continued to be this segment's largest market, accounting for approximately 59.3% of the segment's turnover of this year (2007: 64.4%). Total export sales to Europe decreased to HK\$117.9 million (2007: HK\$144.2 million), representing a decrease of 18.3% as compared to that of the last corresponding year. The management has good knowledge and confidence in this market and will adhere to its established strategy to further penetrate into this very huge market.

The management continues to focus on new revenue channels within the Group's core business of accessories for photographic, multimedia and electrical products. The demand for digital SLR camera bags is still increasing steadily with more SLR cameras having been sold in 2007 than ever before in the history of photography. Respectively the Group is concentrating on expanding the business with existing clients in this segment. Even though sales have been dampened by the current global outlook the Group has managed to increase its sales by 3.2% over the year in this product area. 2008 is a Photokina year, which is the major photographic tradeshow held every 2 years during the month of September in Cologne, Germany, which Mascotte is attending for the 15th time. The Group is looking for a push in sales respectively, with new models coming online for Photokina. One of Mascotte's electronics partners was put into receivership in October 2007, which caused the revenues for electrical accessories plunge by 34.3% and the loss of related products caused a 16.8% decrease in multimedia accessory turnover for the year on year comparison. The Group has signed a Letter of Intent with G24 Innovations Ltd. of Wales, for the exclusive use of their dye sensitized film based flexible solar panels to integrate into bags. The Group will officially launch bags to charge batteries and devices in the photographic and multimedia industry at the Photokina and Hong Kong Fall Electronic Show leveraging on the utility patents it holds for solar bags. For expansion and further exposure in the Asian market, Mascotte is looking to sign a license agreement with a leading brand in the travel bag and luggage industry for photo, video, gaming, mobile and multimedia bags within the Asia Pacific Region. In light of the imminent downturn of business in the US which was hit by the sub prime market crisis and negative sentiment in Europe, Mascotte aims to expand its operation in the Asia Pacific Region for both branded and OEM products with the exposure this license will offer.

## MANAGEMENT DISCUSSION AND ANALYSIS

Even though the world economy and the US economy in particular are currently hard hit, the Group continues to focus on the prospects of increasing its market share in the US. With an increase of 10.3% in the US market for the year the employment of key staff to focus on the US market is bearing fruits. The overall sentiment in the market for green and renewable energy sources gives Mascotte an advantage having obtained the ISO 14000 qualification for environmental management of our manufacturing facilities. Paired with the revolutionary solar technology of G24 Innovations and the use of recycled materials in our bags, Mascotte will make a major impact to this movement in markets worldwide. With these new developments and keeping costs tight and concentrating on its core competencies, the management is looking for steady growth in the coming year.

### Property Investment

During the year, the Group's property letting income was approximately HK\$7.4 million (2007: HK\$5.5 million), an increase of 34.5% when compared with last year. The increase was mainly attributable to the inclusion of property letting income of Jifu Plaza, a commercial property located in Guangzhou, the PRC, which was acquired in July 2006.

Having regard to the recent property market in Hong Kong and the PRC, the directors had reviewed the property portfolio and disposed of certain properties in order to realize the appreciation in property value. The total consideration of properties disposed of during the year amounted to HK\$122.5 million, which have been applied for the repayment of bank borrowings and the balance retained for general working capital purposes. Total gains arising from disposal of properties during the year amounted to HK\$14.5 million (2007: Nil).

Following the abovementioned disposals the sole remaining major property is the Jifu Plaza which, on a fully occupied basis, is expected to generate satisfactory return and steady cashflow. The investment properties have been revalued at year end and gave rise to a loss of HK\$29.3 million (2007: Gain of HK\$1.9 million).

### Securities Investment

During the year the Group has acquired significant working capital from disposal of property assets and a series of fund raising activities. While this has financially strengthened the Group's position and paved the way for future strategic growth, the working capital acquired became surplus to normal operating requirements pending the identification of appropriate investment opportunities. Accordingly, with the intention to achieve a return better than deposit rate, part of the surplus working capital was utilized for short term investments in the equity market as part of the Group's treasury function. The market value of the Group's securities investment has, however, declined significantly particularly since the beginning of the year 2008, primarily as a result of the global stock market downturn fuelled by the subprime mortgage crisis in the United States and, consequently, the Group incurred a significant loss. The total realized and unrealized losses from trading securities investment for the year ended 31 March 2008 amounted to approximately HK\$221.0 million (2007: Nil); and the turnover generated from the sale of securities investment amounted to approximately HK\$442.9 million (2007: Nil).

As an integral part of its treasury operations, the Group will continue to manage a portion of its surplus working capital through securities investment and trading. However, it is anticipated that the securities market will remain volatile in the foreseeable future and accordingly management will exercise extreme caution and adopt a prudent approach in conducting the Group's activities in this respect. Meanwhile, in perfecting its treasury operations the Group is striving to make further improvements in the relevant policies and procedures particularly in the areas of risk management, control and monitoring.

## MANAGEMENT DISCUSSION AND ANALYSIS

### LIQUIDITY AND CAPITAL RESOURCES

During the year the Company has completed two share placements for a total of 169,760,000 shares and has issued convertible notes with a total principal amount of HK\$500 million which were fully converted into 1,250,000,000 shares. In addition, 42,400,000 shares were issued upon the exercise of share options granted during the year. As a result, the Company's issued share capital has been enlarged by more than three times, from HK\$44.4 million to HK\$190.6 million, and equity funding raised amounted to HK\$600.9 million before expenses.

As at 31 March 2008, the Group's total equity amounted to HK\$606.1 million (31 March 2007: HK\$236.5 million); net current assets totaled HK\$462.3 million (31 March 2007: HK\$15.8 million), which included cash and cash equivalents totaling HK\$41.4 million (31 March 2007: HK\$14.9 million). The Group did not have any outstanding bank borrowings as at 31 March 2008 (31 March 2007: HK\$69.0 million).

### CURRENCY RISK MANAGEMENT

For manufacture and sale of goods segment, the Group's largest sale market is Europe, which alone accounts for around 60% of this segment sale turnover. In safeguarding the volatile Euro Dollars currency risk, the management has chosen to adopt a more prudent sales policy by mainly accepting US Dollar quoted sale orders, which in turn the management can maintain a stable currency exchange condition for normal trading business development.

### NUMBER OF EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2008, the Group had more than 800 employees and with around 95% of them were employed in the PRC for the manufacturing business. The Group remunerates its employees based on their work performance and with reference to prevailing conditions of labor markets.

## DIRECTORS AND SENIOR MANAGEMENT PROFILES

Mr. Peter Temple WHITELAM, aged 79, joined the Group on 1 August 2007 and had been appointed as Chairman of the Board on 7 April 2008. He is a specialist consultant in global branding and international communications. After graduating from Pembroke College, Oxford University, he joined the BBC before winning a Fulbright Scholarship to study educational radio and television in the United States. Following four years at NBC-TV in New York, he began a long career in advertising, creating national and international campaigns for such clients as British Airways, Unilever, Nabisco, ESPN, Colgate, Cadbury, General Motors, American Express, Nomura Securities, and the Bank of Montreal. Mr. Whitelam has worked as a creative strategist in Boston, New York, London, Montreal, Toronto, Tokyo and Taiwan and received international awards for his ideas. Recently he has been developing brand strategies both for companies and government agencies. This is combined with his knowledge and interest in documentary film. Mr. Whitelam has a long time acquaintance with Asia, having visited and worked in eight different countries in the Asia Pacific region.

Mr. LO Yuen Wa Peter, aged 46, joined the Group in May 2008 as the financial controller and the secretary of the Company and had been appointed as executive director and acting Chief Executive Officer on 24 July 2008. He studied Accountancy and obtained his professional qualification in the United Kingdom. He is a member of the Institute of Chartered Accountants in England and Wales and of the Hong Kong Institute of Certified Public Accountants. He has 24 years' experience in auditing, accounting, investment and financial management.

Mr. AU YEUNG Kai Chor, aged 55, an executive Director, joined the Group on 6 June 2007. He is responsible for the operation and administration in the PRC operation as well as investment and business development activities of the Company. He has over 20 years of experience in casino business and is a member of the senior management of a casino operator. He had engaged in the daily operations of VIP rooms within several casinos in Macau, namely, Neptune VIP Club (澳門葡京海王會貴賓廳), Sands Shing Dao VIP Club (澳門金沙成都會貴

賓廳), Wynn Victory VIP Club (澳門永利勝利會貴賓廳) and Neptuno VIP Club (澳門星際海王星貴賓廳), and another casino on board a vessel, Neptune Cruises (澳門海王星郵輪), which operates in international waters.

Mr. LAM Suk Ping, aged 51, holds a Master degree in Business Administration from the University of Hull, the United Kingdom. He has over 25 years' experience in auditing, finance and accounting, investment and business management.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHAN Sze Hung, aged 56, has over 20 years of experience in the legal profession and is a consultant of Chan, Lau & Wai, a firm of solicitors in Hong Kong. Mr. Chan is currently a non-executive directors of Asia Orients Holdings Limited and an independent non-executive director of Heritage International Holdings Limited and Radford Capital Investment Limited, all of these companies listed on the Stock Exchange of Hong Kong Limited. Mr. Chan graduated from the University of Hong Kong with a degree in law.

Ms. Kristi L SWARTZ, aged 38, is head of Swartz Solicitors and is also the General Counsel for Asia Tax Group. Ms. Swartz holds B.B.A., M.B.A. and LL.M. degrees, and is a member of the Law Societies of Hong Kong, England and Wales. Ms. Swartz is also currently serving as a Legal Counsel to the Honorary Consulate of Lithuania. She was previously the legal adviser to the Consulate of Uruguay, a solicitor at Sinclair Roche & Temperley and Head Corporate Counsel at Henderson (China) Investment Co., Ltd. She has a wealth of knowledge on legal matters and corporate structuring, and is also well versed in PRC law, company formation and corporate litigation matters.

Ms. HUI Wai Man, Shirley, aged 41, is a practising accountant in Hong Kong. She has over 20 years of professional experience in public accounting and corporate finance. She is a fellow of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries.



## DIRECTORS AND SENIOR MANAGEMENT PROFILES

### SENIOR MANAGEMENT

Ms. CHAN Oi Ling, Maria Olimpia, aged 64, is the founder of the Group. Ms. Chan was the chairman of the Company up to 7 April 2008 and appointed as the honorary non-executive chairman of the Company on 7 April 2008. She is a director of certain subsidiaries of the Company so as to facilitate her to give advice and pass on her valuable experience in the manufacturing and sales of goods divisions' operation to other senior management of the subsidiaries of the Company. Ms. Chan has over 40 years' experience in the manufacture and sale of accessories for photographic products.

Mr. LAM Yu Ho, Daniel, aged 70, joined the Group since early 1970s. He was the Managing Director of the Company up to 28 January 2008. He is a director of certain subsidiaries of the Company and be responsible for the manufacturing and sales of goods divisions' operation and product design and development. Mr. Lam has over 40 years' experience in the manufacture and sale of accessories for photographic products.

Ms. WONG Dickie, aged 37, joined the Group in March 1996. Ms. Wong is a director of certain subsidiaries of the Company involving in the manufacturing and sales of goods division and the management information system of the Group. She holds a bachelor's degree in Economics/System Science from University of California, Los Angeles and a master's degree in Engineering/Economics System from Stanford University. Ms Wong worked for two international investment banks in Hong Kong for three years prior to joining the Group. Ms. Wong is the daughter of Ms. Chan Oi Ling, Maria Olimpia.

Mr. DOERINGER, Tobias Christian, aged 35, joined the Group in March 1996. He is the Marketing Director of the Group and is responsible for overall international sales and marketing activities of the Group. Mr. Doeringer studied at Lancaster University Management School and the Otto Beisheim Graduate School of Management, holding a BBA in European Management/German. He has over 16 years of experience in the photo industry. His experience includes photo retail sales, marketing and management, photo finishing, photo franchise marketing and B-2-B sales in various companies throughout Europe before joining the Group. He is the Son-in-law of Ms. Chan Oi Ling, Maria Olimpia.

Mr. GAO Zhi Qing, aged 72, joined the Group in April 1994. He is responsible for the sales and marketing operation in the PRC. He has over 40 years' experience in the manufacture of photographic products in the PRC.

Mr. CHIU Wing Keung, aged 42, joined the Group in November 2006. Mr. Chiu is financial controller of the manufacturing and sales of goods division and is responsible for the financial and accounting matters of the manufacturing and sales of goods division of the Group. Mr. Chiu is a Certified Public Accountant (Practising), Fellow of both HKICPA and ACCA. He holds a Bachelor's degree in science from the University of Hong Kong and a degree of Master of Business Administration from University of Leicester. He was previously the Finance Director and Company Secretary of a Hong Kong publicly listed company and has extensive experience in auditing, finance and accounting.

## CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE PRACTICES

The Board considers that good corporate governance practices of the Company are crucial to the smooth and effective operation of the Group and safeguarding the interests of the shareholders. The Company has complied with the code provisions which set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year ended 31 March 2008, except for certain deviations as explained below.

## BOARD OF DIRECTORS

The Board currently comprises four Executive Directors and three Independent Non-Executive Directors. The brief biographic details of the directors is set out in the Directors and Senior Management Profiles on pages 7 to 8 of this Annual Report. The Board has established two Board Committees, namely Audit Committee and Remuneration Committee. The Board meets regularly to discuss on overall strategy and review the financial and operating performance of the Group. Attendance of the Board Meetings and the meetings of the Board Committees for the year ended 31 March 2008 is set out below:

	No. of meetings attended/held		
	Board Meeting	Audit Committee	Remuneration Committee
<b>Executives Directors</b>			
Peter Temple Whitelam ( <i>Chairman</i> ) (appointed on 1 August 2007)	4/8	–	–
Chung, Wilson ( <i>Deputy Chairman &amp; Managing Director</i> ) (appointed on 28 January 2008 and resigned on 24 July 2008)	1/8	–	–
Lo Yuen Wa Peter ( <i>acting Chief Executive Officer</i> ) (appointed on 24 July 2008)	–	–	–
Au Yeung Kai Chor (appointed on 6 June 2007)	6/8	–	–
Lam Suk Ping (appointed on 7 April 2008)	–	–	–
Chan Oi Ling, Maria Olimpia ( <i>ex-Chairman</i> , resigned on 7 April 2008)	7/8	–	–
Lam Yu Ho, Daniel ( <i>ex-Managing Director</i> , resigned on 28 January 2008)	6/8	–	–
Wong, Dickie (appointed on 6 June 2007 and resigned on 28 January 2008)	5/8	–	–
<b>Independent Non-Executive Directors ("INEDs")</b>			
Chan Sze Hung (appointed on 6 June 2007)	3/8	–	–
Kristi L Swartz (appointed on 12 November 2007)	3/8	1/2	–
Hui Wai Man, Shirley (appointed on 31 March 2008)	–	–	–
Wong Yui Leung, Larry (resigned on 12 November 2007)	5/8	1/2	3/3
Lui Wai Shan, Wilson (resigned on 7 April 2008)	7/8	2/2	3/3
Cheung Ngai Lam (resigned on 7 April 2008)	5/8	2/2	3/3

The Board determines the overall strategies, monitors and controls operating and financial performance, analyse and formulate strategies to manage risks in pursuit of the Group's strategic objectives. The Board also decides on matters such as annual and interim results, dividend policy, director appointments, significant changes in accounting policy, material contracts and major investments. The Board has delegated the authority

and responsibility of overseeing the Group's day-to-day operations to management executives.

The Company confirmed it has received from each of its INEDs an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules, and the Company considers them to be independent.

## CORPORATE GOVERNANCE REPORT

### CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under Code Provision A.2.1, the roles of the Chairman and the Chief Executive Officer ("CEO") should be separate and should not be performed by the same individual. While previously the same person has performed the dual role of the Chairman and the CEO, this non-compliance has been rectified since 28 January 2008 following the appointment of Mr. Chung, Wilson as Deputy Chairman and Managing Director of the Company, who performs the role as the Company's CEO distinct from that of the Chairman, despite not carrying the CEO title. Subsequent to the year end, Mr. Chung, Wilson resigned and Mr. Lo Yuen Wa Peter was appointed as the acting CEO with effect from 24 July 2008.

### APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Board currently has three INEDs, all holding appropriate professional qualifications, or accounting or related financial management expertise under Rule 3.10 of the Listing Rules.

Code Provision A.4.1 provides that non-executive directors should be appointed for specific term, subject to re-election. The INEDs of the Company are not appointed for specific term but they are subject to retirement by rotation and re-election at the annual general meetings of the Company. Pursuant to Bye-law 87(1) of the current Bye-laws of the Company, each director shall be subject to retirement by rotation at least once every three years at the annual general meeting. This means that the term of appointment of the directors, including INEDs, cannot exceed three years.

### REMUNERATION COMMITTEE

The remuneration committee is principally responsible for formulating the Group's policy and structure for all remunerations of the directors and senior management and providing advice and recommendations to the Board of the Company. The Remuneration Committee comprises three INEDs, namely Ms. Hui Wai Man, Shirley (Chairman of Remuneration Committee), Mr. Chan Sze Hung and Ms. Kristi L Swartz.

During the year ended 31 March 2008, the Remuneration Committee held three meetings. The Remuneration Committee reviewed the remuneration policies and the salary packages of the Executive Directors. The Remuneration Committee ensures that no director is involved in deciding his/her own remuneration. The terms of reference of the Remuneration Committee are consistent with the terms set out in the relevant section of the Code.

### AUDIT COMMITTEE

The Audit Committee is principally responsible for reviewing and supervising the Group's financial reporting process and internal control system and providing advice and recommendations to the Board of the Company. The Audit Committee comprises three INEDs, namely Ms. Hui Wai Man, Shirley (Chairman of Audit Committee), Mr. Chan Sze Hung and Ms. Kristi L Swartz.

During the year ended 31 March 2008, the Audit Committee held two meetings. The Audit Committee has, among other things, reviewed the financial statements of the Group for the year ended 31 March 2008 and for the six months ended 30 September 2007, and recommended such financial statements to the Board for approval. The terms of reference of the Audit Committee are consistent with the terms set out in the relevant section of the Code.

## CORPORATE GOVERNANCE REPORT

### NOMINATION OF DIRECTORS

The Board has not set up a nomination committee for the appointment of directors.

In accordance with Company's Bye-laws, the Board is empowered at any time to appoint any person as a director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any director so appointed shall retire and be eligible for re-election at the next following annual general meeting. The criteria for selecting a director are mainly based on the candidate's quality which includes, but not limited to, his/her qualification, experience, professional knowledge, ethics and integrity. During the year ended 31 March 2008, 8 new directors were appointed either to fill a casual vacancy or as an addition to the Board.

### MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in Appendix 10 of the Listing Rules (the "Model Code"). On specific enquiries made, all Directors confirmed that they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by Directors adopted by the Company.

### AUDITORS' REMUNERATION

For the year ended 31 March 2008, the remuneration paid/payable to Mazars CPA Limited for audit services rendered to the Group amounted to approximately HK\$980,000.

### FINANCIAL REPORTING

The Board acknowledges that they are responsible for the preparation of the Company's accounts which give a true and fair view of the financial position of the Company as of 31 March 2008 and of the results of its operations and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and for ensuring that appropriate accounting policies are selected and applied consistently.

The reporting responsibility of the external auditors, Mazars CPA Limited, are set out in the Auditors' Report on page 17.

### INTERNAL CONTROLS

The Board has the overall responsibilities for the Group's internal control system and has adopted a set of internal control procedures to facilitate effective and efficient operations, minimize the exposure to risks, to safeguard assets and to ensure the quality of internal and external reporting and compliance with relevant laws and regulations.

During the year ended 31 March 2008, the Company had reviewed the effectiveness of the Group's internal control system. In light of the review, the Company has appointed an external consultant to advise on further improvements to the policies and procedures in relation to the Group's securities investment activities which are undertaken as part of the Group's treasury operations.

## CORPORATE GOVERNANCE REPORT

### COMMUNICATIONS WITH SHAREHOLDERS

**The Company has established its own website ([www.mascotte.com](http://www.mascotte.com)) as a means of disseminating information to the shareholders.**

The annual general meeting also provides a useful channel for shareholders to communicate directly with the Board. All shareholders have 21 days' notice of annual general meeting at which the directors are available to answer questions relating to the Company's affairs.

Separate resolutions are proposed at the annual general meeting on each substantially separate issue, including the election of individual director.

The right to demand voting by poll is communicated to the shareholders by way of circulars of shareholders' meetings.

**DIRECTORS' REPORT**

The directors have pleasure in presenting their annual report and the audited consolidated financial statements for the year ended 31 March 2008.

**PRINCIPAL ACTIVITIES**

The Company acts as an investment holding company and is principally engaged in trading of investments. Its subsidiaries are principally engaged in the manufacture and sale of accessories for photographic, electrical and multimedia products and property investment.

**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 18.

The directors do not recommend the payment of a dividend for the year ended 31 March 2008.

**SHARE CAPITAL**

Details of movements in the share capital of the Company during the year are set out in note 25 to the consolidated financial statements.

**SHARE OPTIONS**

Details of the Company's share option scheme and movements in share options during the year are set out in note 29 to the consolidated financial statements.

**INVESTMENT PROPERTIES, PROPERTY, PLANT AND EQUIPMENT**

Details of changes in the Group's investment properties and property, plant and equipment during the year are set out in notes 13 and 14 to the consolidated financial statements respectively.

Particulars of the investment properties of the Group are set out on page 70.

**DISTRIBUTABLE RESERVES OF THE COMPANY**

The Company's reserve as at 31 March 2008 were as follows:

	<b>2008</b>	2007
	<b>HK\$</b>	HK\$
Contributed surplus	<b>67,960,971</b>	67,960,971
Accumulated losses	<b>(278,761,746)</b>	(50,352,126)
	<b><u>(210,800,775)</u></b>	<u>17,608,845</u>

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) the company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of the Company's would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

## DIRECTORS' REPORT

### DIRECTORS AND SERVICE CONTRACTS

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

#### Executive directors:

Mr. Peter Temple Whitelam	(Chairman) (appointed on 1 August 2007)
Mr. Chung, Wilson	(Deputy Chairman and Managing Director) (appointed on 28 January 2008 and resigned on 24 July 2008)
Mr. Lo Yuen Wa Peter	(acting Chief Executive Officer) (appointed on 24 July 2008)
Mr. Au Yeung Kai Chor	(appointed on 6 June 2007)
Mr. Lam Suk Ping	(appointed on 7 April 2008)
Ms. Chan Oi Ling, Maria Olimpia	(resigned on 7 April 2008)
Mr. Lam Yu Ho, Daniel	(resigned on 28 January 2008)
Ms. Wong Dickie	(appointed on 6 June 2007 and resigned on 28 January 2008)

#### Independent non-executive directors:

Mr. Chan Sze Hung	(appointed on 6 June 2007)
Ms. Kristi L Swartz	(appointed on 12 November 2007)
Ms. Hui Wai Man, Shirley	(appointed on 31 March 2008)
Mr. Wong Yui Leung, Larry	(resigned on 12 November 2007)
Mr. Lui Wai Shan, Wilson	(resigned on 7 April 2008)
Mr. Cheung Ngai Lam	(resigned on 7 April 2008)

In accordance with Bye-Laws 86(2) and 87 of the Company's Bye-laws, Mr. Peter Temple Whitlam, Mr. Lo Yuen Wa Peter, Mr. Au Yeung Kai Chor, Mr. Lam Suk Ping, Mr. Chan Sze Hung and Ms. Kristi L Swartz shall retire by rotation and, being eligible, offer themselves for re-election in the forthcoming annual general meeting.

None of the directors proposed for re-election at the forthcoming annual general meeting has a service

contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

The term of office of each independent non-executive director is the period up to his retirement by rotation in accordance with the Company's Bye-laws.

### DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Saved as disclosed in notes 26 and 31 to the consolidated financial statements, no other contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly and indirectly, subsisted at the end of the year or at any time during the year.

### DIRECTORS' INTERESTS IN SECURITIES

At 31 March 2008, the interests of the directors and their associates in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Rules Governing the Listing of Securities (the "Listing Rules"), were as follows:

#### Long positions

Name of director	Number of issued ordinary shares held		Percentage of issued share capital of the Company
	Personal interests	Other interests	
Ms. Chan Oi Ling, Maria Olimpia	-	100,000,000	5.25%

Note: These shares are held by Honeyard Corporation. The entire issued share capital of Honeyard Corporation is held by The Honeyard Trust, a discretionary trust of which the family members of Ms. Chan Oi Ling, Maria Olimpia are discretionary beneficiaries.

## DIRECTORS' REPORT

In addition to the above, each of Ms. Chan Oi Ling, Maria Olimpia and Mr. Lam Yu Ho, Daniel holds 500,000 non-voting deferred shares in Mascotte Investments Limited, an ex-subsiary of the Company. Honeyard Corporation holds one non-voting deferred share in Newland Kingdom Limited, a subsidiary of the Company.

Other than certain nominee shares in subsidiaries held by Ms. Chan Oi Ling, Maria Olimpia, none of the directors, chief executive, nor their respective associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO as at 31 March 2008.

### ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

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

### SUBSTANTIAL SHAREHOLDERS

As at 31 March 2008, so far as was known to the directors, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain directors or chief executive, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

### Long positions

Name	Nature of interests	Number of shares	Percentage shareholding (approximate)
Hennabun Capital Group Limited (Note 1)	Interest of Controlled Corporation	175,224,000	9.19%
Unity Investments Holdings Limited (Note 2)	Interest of Controlled Corporation	106,126,000	5.57%
Honeyard Corporation (Note 3)	Beneficial interests	100,000,000	5.25%
Willie International Holdings Limited (Note 4)	Interest of Controlled Corporation	97,000,000	5.09%

#### Notes:

- (1) Hennabun Capital Group Limited is incorporated in the British Virgin Islands whose controlling shareholder is Mr. Chuang Eugene Yue-Chien who is an independent third party.
- (2) Unity Investments Holdings Limited (stock code: 913), a company listed on the Stock Exchange, is interested in the share capital of the Company indirectly through its wholly-owned subsidiary, Gufalore Investments Limited, and its indirect wholly-owned subsidiary, Great Panorama International Limited, a direct wholly-owned subsidiary of Gufalore Investments Limited.
- (3) These shares are held by Honeyard Corporation, the entire issued share capital of which is held by The Honeyard Trust, a discretionary trust of which the family members of Ms. Chan Oi Ling, Maria Olimpia are discretionary beneficiaries.
- (4) Willie International Holdings Limited (stock code: 273), a company listed on the Stock Exchange, is interested in the share capital of the Company indirectly through its direct wholly-owned subsidiary, Pearl Decade Limited.

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



## DIRECTORS' REPORT

### DEALINGS IN 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.

### MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2008, aggregate amount of sales attributable to the Group's five largest customers accounted for approximately 10.47% of the Group's total turnover and the turnover attributable to the Group's largest customer accounted for approximately 4.94% of the Group's total turnover. The aggregate amount of purchases attributable to the Group's five largest suppliers accounted for approximately 6.58% of the Group's total purchases and the amount of purchases attributable to the Group's largest supplier was approximately 2.42% of the Group's total purchases.

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

### EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

### PRE-EMPTIVE RIGHTS

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

### SUFFICIENCY OF PUBLIC FLOAT

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

### CHARITABLE DONATIONS

During the year, the Group made charitable donations amounting to HK\$80,300.

### POST BALANCE SHEET EVENTS

Details of significant events occurring after the balance sheet date are set out in note 33 to the consolidated financial statements.

### AUDITORS

Subsequent to the balance sheet date, Deloitte Touche Tohmatsu resigned as auditors of the Company and Mazars CPA Limited was appointed to fill the casual vacancy. There have been no other changes in auditors over the past three years.

A resolution will be submitted at the forthcoming annual general meeting to re-appoint Mazars CPA Limited as auditors of the Company.

On behalf of the Board  
**Peter Temple Whitelam**  
*Chairman*

Hong Kong, 25 July 2008

**INDEPENDENT AUDITORS' REPORT****MAZARS CPA LIMITED**

馬賽會計師事務所有限公司  
 34th Floor, The Lee Gardens,  
 33 Hysan Avenue, Causeway Bay, Hong Kong  
 香港銅鑼灣希慎道33號利園廣場34樓

**TO THE SHAREHOLDERS OF  
MASCOTTE HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

We have audited the consolidated financial statements of Mascotte Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 18 to 68, which comprise the consolidated balance sheet as at 31 March 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

**DIRECTORS' RESPONSIBILITY FOR THE  
CONSOLIDATED FINANCIAL STATEMENTS**

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

**AUDITOR'S RESPONSIBILITY**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, 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, we consider internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

**OPINION**

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

**Mazars CPA Limited**

*Certified Public Accountants*  
 Hong Kong, 25 July 2008

**Fung Shiu Hang**

Practising Certificate number: P04793

**CONSOLIDATED INCOME STATEMENT**

For the year ended 31 March 2008

	Notes	2008 HK\$	2007 HK\$
Turnover	4	<b>649,284,414</b>	232,495,986
Cost of sales		<b>(652,380,952)</b>	(162,376,080)
Gross (loss)/profit		<b>(3,096,538)</b>	70,119,906
Other income	6	<b>20,472,863</b>	1,277,518
Net unrealised holding loss on investments held for trading		<b>(161,349,037)</b>	–
Selling and distribution costs		<b>(6,395,637)</b>	(7,444,937)
Administrative expenses		<b>(47,013,314)</b>	(43,790,021)
Impairment loss on goodwill		–	(4,242,843)
(Loss)/gain on fair value changes on investment properties		<b>(29,294,811)</b>	1,872,833
Finance costs	7	<b>(2,607,416)</b>	(2,941,632)
(Loss)/Profit before taxation	8	<b>(229,283,890)</b>	14,850,824
Income tax expense	10	<b>(3,503,788)</b>	(4,545,643)
(Loss)/Profit for the year		<b>(232,787,678)</b>	10,305,181
Attributable to:			
Equity holders of the Company		<b>(232,807,416)</b>	10,540,043
Minority interests		<b>19,738</b>	(234,862)
		<b>(232,787,678)</b>	10,305,181
Dividend paid	11	–	4,240,001
(Loss)/earnings per share	12		(Restated)
Basic		<b>(19.2) cents</b>	2.3 cents

**CONSOLIDATED BALANCE SHEET**

At 31 March 2008

	<i>Notes</i>	<b>2008</b> <i>HK\$</i>	2007 <i>HK\$</i>
<b>Non-current assets</b>			
Investment properties	13	<b>133,372,944</b>	210,575,000
Property, plant and equipment	14	<b>7,876,989</b>	47,479,261
Prepaid lease payments	15	<b>5,926,114</b>	5,927,024
Goodwill	16	–	–
		<b>147,176,047</b>	263,981,285
<b>Current assets</b>			
Investments held for trading	17	<b>173,928,275</b>	–
Inventories	18	<b>8,100,370</b>	12,764,156
Prepaid lease payments	15	<b>652,883</b>	588,183
Trade and bills receivables	19	<b>28,540,690</b>	38,898,292
Loan receivables	20	<b>225,000,000</b>	6,884,950
Other receivables and prepayments	21	<b>25,598,628</b>	7,187,720
Income tax recoverable		<b>21,819</b>	21,819
Bank balances and cash	22	<b>41,425,921</b>	14,895,312
		<b>503,268,586</b>	81,240,432
<b>Current liabilities</b>			
Trade payables	23	<b>13,466,688</b>	13,535,064
Other payables and accrued charges		<b>17,548,353</b>	14,024,848
Income tax payable		<b>9,908,359</b>	8,915,190
Bank borrowings	24	–	28,740,106
Bank overdrafts		–	223,035
		<b>40,923,400</b>	65,438,243
<b>Net current assets</b>		<b>462,345,186</b>	15,802,189
<b>Total assets less current liabilities</b>		<b>609,521,233</b>	279,783,474

**CONSOLIDATED BALANCE SHEET**

At 31 March 2008

	<i>Notes</i>	<b>2008</b> <b>HK\$</b>	2007 <i>HK\$</i>
<b>Capital and reserves</b>			
Share capital	25	<b>190,616,010</b>	44,400,010
Reserves		<b>415,505,371</b>	192,115,081
<hr/>			
Equity attributable to equity holders of the Company		<b>606,121,381</b>	236,515,091
Minority interests		<b>3,399,852</b>	3,037,543
<hr/>			
<b>Total equity</b>		<b>609,521,233</b>	239,552,634
<b>Non-current liabilities</b>			
Bank borrowings	24	–	40,230,840
<hr/>			
		<b>609,521,233</b>	279,783,474

The consolidated financial statements on pages 18 to 68 were approved and authorised for issue by the Board of Directors on 25 July 2008 and are signed on its behalf by:

**Mr. Lam Suk Ping**  
*Director*

**Mr. Lo Yuen Wa, Peter**  
*Director*

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the year ended 31 March 2008

	Attributable to equity holders of the Company									
	Share capital	Share premium	Special reserve	Translation reserve	Reserve fund	Enterprise expansion reserve	Retained profits	Total	Minority interests	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
At 1 April 2006	42,400,010	66,672,487	14,900,773	(23,904)	1,083,258	1,083,258	64,457,847	190,573,729	3,204,909	193,778,638
Exchange movement during the year recognised directly in equity	-	-	-	(2,289,117)	-	-	-	(2,289,117)	67,496	(2,221,621)
Profit for the year	-	-	-	-	-	-	10,540,043	10,540,043	(234,862)	10,305,181
Total recognised income for the year	-	-	-	(2,289,117)	-	-	10,540,043	8,250,926	(167,366)	8,083,560
Dividend paid	-	-	-	-	-	-	(4,240,001)	(4,240,001)	-	(4,240,001)
Issue of share	2,000,000	6,600,000	-	-	-	-	-	8,600,000	-	8,600,000
Acquisition of assets and liabilities through acquisition of a subsidiary	-	-	33,330,437	-	-	-	-	33,330,437	-	33,330,437
At 31 March 2007	44,400,010	73,272,487	48,231,210	(2,313,021)	1,083,258	1,083,258	70,757,889	236,515,091	3,037,543	239,552,634
At 1 April 2007	44,400,010	73,272,487	48,231,210	(2,313,021)	1,083,258	1,083,258	70,757,889	236,515,091	3,037,543	239,552,634
Exchange movement during the year recognised directly in equity	-	-	-	12,887,724	-	-	-	12,887,724	342,571	13,230,295
Loss for the year	-	-	-	-	-	-	(232,807,416)	(232,807,416)	19,738	(232,787,678)
Total recognised income for the year	-	-	-	12,887,724	-	-	(232,807,416)	(219,919,692)	362,309	(219,557,383)
Issue of share, net of expenses	16,976,000	57,506,200	-	-	-	-	-	74,482,200	-	74,482,200
Share options granted and exercised	4,240,000	24,303,782	-	-	-	-	-	28,543,782	-	28,543,782
Convertible notes issued and converted, net of expenses	125,000,000	362,500,000	-	-	-	-	-	487,500,000	-	487,500,000
Release of special reserve upon disposal of subsidiaries	-	-	(1,000,000)	-	-	-	-	(1,000,000)	-	(1,000,000)
At 31 March 2008	190,616,010	517,582,469	47,231,210	10,574,703	1,083,258	1,083,258	(162,049,527)	606,121,381	3,399,852	609,521,233

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2008

The special reserve at 1 April 2006 represented the difference between the nominal amount of the share capital issued by the Company and the aggregate nominal value of the share capital of the subsidiaries acquired pursuant to the group reorganisation on 5 September 1997. On 24 July 2006, the Group acquired assets and liabilities from the substantial shareholder of the Group by way of acquisition of a subsidiary at a discount of HK\$33,330,437, which represented the excess of fair value of assets and liabilities acquired through the acquisition of a subsidiary over the consideration paid and was deemed as capital contribution from the substantial shareholder and credited to special reserve.

Reserve fund and enterprise expansion reserve are reserves required by the relevant laws in the People's Republic of China ("PRC") applicable to a subsidiary of the Company in the PRC for enterprise development purposes.

**CONSOLIDATED CASH FLOW STATEMENT**

For the year ended 31 March 2008

	<i>Note</i>	<b>2008 HK\$</b>	2007 HK\$
<b>OPERATING ACTIVITIES</b>			
(Loss)/Profit before taxation		<b>(229,283,890)</b>	14,850,824
Adjustments for:			
Interest expenses		<b>2,607,416</b>	2,941,632
Impairment loss on receivables		<b>44,024</b>	5,669,243
Allowance for inventories		<b>150,401</b>	1,017,365
Release of prepaid lease payments		<b>639,454</b>	452,091
Depreciation of property, plant and equipment		<b>2,339,660</b>	2,740,432
Gain on disposal of investment properties		<b>(300,000)</b>	–
(Gain)/Loss on disposal of property, plant and equipment		<b>(10,288,621)</b>	58,674
Gain on disposal of subsidiaries	26	<b>(3,955,433)</b>	–
Net unrealised holding loss on investments held for trading		<b>161,349,037</b>	–
Interest income		<b>(3,130,124)</b>	(879,942)
Impairment loss on goodwill		–	4,242,843
Equity-settled share-based payment		<b>4,023,782</b>	–
Loss/(Gain) on fair value changes on investment properties		<b>29,294,811</b>	(1,872,833)
Operating cash flows before movements in working capital		<b>(46,509,483)</b>	29,220,329
Changes in working capital:			
Investments held for trading		<b>(335,277,312)</b>	–
Inventories		<b>5,578,707</b>	(4,818,551)
Trade and bills receivables		<b>10,458,443</b>	(16,791,879)
Other receivables and prepayments		<b>(18,464,561)</b>	4,926,796
Trade and other payables		<b>(1,021,296)</b>	(1,090,305)
Other payables and accrued charges		<b>3,539,939</b>	(5,734,160)
Cash (used in) generated from operations		<b>(381,695,563)</b>	5,712,230
Tax paid		<b>(3,431,287)</b>	(2,544,955)
<b>Net cash (used in) from operating activities</b>		<b>(385,126,850)</b>	3,167,275



**CONSOLIDATED CASH FLOW STATEMENT**

For the year ended 31 March 2008

	<i>Note</i>	<b>2008 HK\$</b>	2007 HK\$
<b>INVESTING ACTIVITIES</b>			
Addition of investment properties		<b>(5,242,281)</b>	(4,582,000)
Addition of property, plant and equipment		<b>(819,334)</b>	(2,927,255)
Purchase of prepaid lease land		–	(1,633,108)
Proceeds from disposal of subsidiaries	26	<b>58,299,436</b>	–
Proceeds from disposal of property, plant and equipment		<b>33,437,715</b>	300,885
Proceeds from disposal of investment properties		<b>28,300,000</b>	–
New loan receivables raised		<b>(250,000,000)</b>	(13,000,000)
Repayment of loan receivables		<b>31,884,950</b>	52,488,050
Interest received		<b>3,130,124</b>	879,942
Acquisition of subsidiaries		–	(101,874,096)
<b>Net cash used in investing activities</b>		<b>(101,009,390)</b>	(70,347,582)
<b>FINANCING ACTIVITIES</b>			
New bank loans raised		–	67,487,085
Repayment of bank loans		<b>(71,252,361)</b>	(23,130,335)
Proceeds from issue of convertible notes, net of expenses		<b>487,500,000</b>	–
Proceeds from issue of new shares, net of expenses		<b>74,482,200</b>	–
Proceeds from issue of new shares based on share option scheme		<b>24,520,000</b>	–
Dividend paid		–	(4,240,001)
Interest paid		<b>(2,607,416)</b>	(2,941,632)
<b>Net cash from financing activities</b>		<b>512,642,423</b>	37,175,117
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>26,506,183</b>	(30,005,190)
<b>Cash and cash equivalents at beginning of the year</b>		<b>14,672,277</b>	44,619,398
Effect of foreign exchange rate changes		<b>247,461</b>	58,069
<b>Cash and cash equivalents at end of the year</b>		<b>41,425,921</b>	14,672,277
<b>Analysis of the balances of cash and cash equivalents</b>			
Bank balances and cash		<b>41,425,921</b>	14,895,312
Bank overdrafts		–	(223,035)
		<b>41,425,921</b>	14,672,277

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2008

## 1. GENERAL

The Company is a public company incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and principal place of business of the Company are disclosed in the directory of the annual report.

The Company acts as an investment holding company and is principally engaged in trading of investments. Its subsidiaries are principally engaged in the manufacture and sale of accessories for photographic, electrical and multimedia products, and property investment.

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

## 2. SIGNIFICANT ACCOUNTING POLICIES

### Basis of preparation

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which collective term includes all applicable individual HKFRS, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2006/07 financial statements except for the adoption of the following new/revised HKFRS that are effective from the current year. The adoption of the following new/revised HKFRS had no material impact on the results and financial position for the current or prior accounting periods have been prepared and presented. A summary of the principal accounting policies adopted by the Group is set out below.

### Adoption of new/revised HKFRS

#### *HKAS 1 (Amendment): Capital disclosures*

The amendment requires financial statements to provide additional disclosures in relation to the Group's objectives, policies and processes for managing capital. These new disclosures are shown in note 3 to the financial statements.

#### *HKFRS 7: Financial instruments: Disclosures*

HKFRS 7 superseded HKAS 30 Disclosures in the financial statements of banks and similar financial institution and incorporated all the disclosure requirements previously in HKAS 32, while the presentation requirements in HKAS 32 remain unchanged. HKFRS 7 requires financial statements to disclose information for the purpose of evaluating the significance of the Group's financial instruments, the nature and risks arising from those financial instruments to which the Group is exposed to and how the Group manages them. The new disclosures are included throughout the financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2008

### 2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### **Adoption of new/revised HKFRS** *(Continued)*

##### *HK(IFRIC)-Int 8: Scope of HKFRS 2*

This interpretation clarifies the presumption under HKFRS 2 that for transactions in which share-based payments are made to parties other than employees, the fair value of goods or services can be measured reliably even the entity cannot specifically identify some or all the goods or services received. During the year, the Group had issued equity instruments to parties other than employees ("qualified allottees") in accordance with share option schemes. The interpretation had been adopted and the fair value had been measured and accounted for in the financial statements.

#### **Basis of measurement**

The measurement basis used in the preparation of these financial statements is historical cost, except for investment properties and investments held for trading, which are measured at fair value.

#### **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.

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

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

Minority interest represents the portion of profit or loss and net assets not held by the Group and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet, separately from equity holders of the parent. 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2008

### 2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### **Goodwill**

Goodwill represents the excess of the cost of a business combination over the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment.

Any excess of the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination is recognised immediately in income statement.

#### *Impairment testing on capitalised goodwill*

For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the Group's relevant cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the unit may be impaired. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

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

#### **Revenue recognition**

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

Rental income, including rentals invoiced in advance from properties let under operating leases, is recognised on a straight-line basis over the term of the relevant lease.

Sales of goods are recognised when goods are delivered and title has passed.

Proceeds from sales of investments held for trading are recognised on the transaction date when the relevant sale and purchase contract is entered into.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2008

### 2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### **Investment properties**

Investment properties, which are properties held to earn rentals and/or for capital appreciation, are measured initially at costs including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at its fair value. 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.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. 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 asset) is included in the consolidated income statement in the year in which the item is derecognised.

#### **Property, plant and equipment**

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

Depreciation is provided to write off the cost of items of property, plant and equipment, over their estimated useful lives and after taking into account 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.

#### **Prepaid lease payments**

Prepaid lease payments are up-front payments to acquire fixed term interests in lessee-occupied land. The premiums are stated at cost and are amortised over the period of the lease on a straight-line basis to the consolidated income statement.

#### **Impairment of non-financial assets (other than goodwill (see the accounting policy in respect of goodwill))**

At each balance sheet date, the Group reviews the carrying amounts of its tangible 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2008

### 2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### **Borrowing costs**

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

#### **Leasing**

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

##### *The Group as lessor*

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease.

##### *The Group as lessee*

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

##### *Leasehold land and building*

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, leasehold land which title is not expected to pass to the lessee by the end of the lease term is classified as an operating lease unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is classified as a finance lease.

#### **Financial instruments**

Financial assets and financial liabilities are recognised in the consolidated balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value.

##### ***Financial assets***

##### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. They are carried at fair value, with any resultant gain and loss recognised in profit or loss.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2008

### 2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### **Financial instruments** *(Continued)*

##### **Financial assets** *(Continued)*

##### *Financial assets at fair value through profit or loss (Continued)*

Financial assets are classified as held for trading if they are (i) acquired principally for the purpose of selling in the near future; (ii) part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or (iii) derivatives that are not designated and effective hedging instruments.

Financial assets are designated at initial recognition as at fair value through profit or loss if (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis; or (ii) they are part of a group of financial assets and that are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) they contain embedded derivatives that would need to be separately recorded.

##### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and bills receivables, loan receivables, other receivables and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment loss. 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. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction 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.

##### **Financial liabilities and equity**

Financial liabilities and equity instruments issued by the Group 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.

##### *Convertible notes*

Convertible notes that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2008

### 2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### **Financial instruments** *(Continued)*

#### **Financial liabilities and equity** *(Continued)*

##### *Convertible notes (Continued)*

At initial recognition the liability component of the convertible notes is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in income statement on the liability component is calculated using the effective interest method. The equity component is recognised in the capital reserve until either the note is converted or redeemed.

If the note is converted, the capital reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, the capital reserve is released directly to retained profits.

##### *Bank borrowings*

Bank borrowings are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

##### *Other financial liabilities*

Other financial liabilities including trade payables and other payables are subsequently measured at amortised cost, using the effective interest method.

##### *Equity instruments*

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

#### **Derecognition**

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

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2008

### 2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

#### **Cash equivalents**

For the purpose of the consolidated cash flow statement, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts.

#### **Taxation**

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of 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 tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable 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 goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

Deferred tax 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 tax is charged or credited in the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2008

### 2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in 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 carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in income statement in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

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

#### Employee benefits

##### *Retirement benefit costs*

Payments to defined contribution retirement benefit plans/state-managed retirement benefit scheme/the Mandatory Provident Fund Scheme are charged as expenses when employees have rendered service entitling them to the contributions.

##### *Long service payment*

The Group's net obligation in respect of long service payment under the Hong Kong Employment Ordinance is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value and the fair value of any related assets including retirement scheme benefit, is deducted.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2008

### 2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### Share based payment transactions

##### *Equity-settled transactions*

The Group's employees and consultants receive remuneration in the form of share-based payment transactions, whereby the employees and consultants rendered services in exchange for shares or rights over shares. The cost of such transactions with employees and consultants is measured by reference to the fair value at the transaction date. The fair value of share options granted to employees and consultants is recognised as staff costs and consultancy fee respectively with a corresponding increase in a reserve within equity. The fair value is determined using the binomial model, taking into account the terms and conditions of the transactions, other than conditions linked to the price of the shares of the Company.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the year in which the performance conditions are fulfilled, ending on the date on which the relevant employees and consultants become fully entitled to the award (i.e. vesting date). During the vesting period, the number of share options that is expected to vest ultimately is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the income statement for the year of the review, with a corresponding adjustment to reserve within equity. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

#### Segment reporting

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

Unallocated costs represent corporate expenses. Segment assets consist primarily of property, plant and equipment, inventories, receivables, operating cash and investments held for trading. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings.

In respect of geographical segment reporting, sales are based on the destination of shipment of merchandise and total assets and capital expenditure are where the assets are located.

#### Related parties

A party is related to the Group if

- (a) directly, or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; or has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group;
- (b) the party is an associate of the Group;
- (c) the party is a joint venture in which the Group is a venturer;
- (d) the party is a member of the key management personnel of the Group;
- (e) the party is a close member of the family of any individual referred to in (a) or (d);

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2008

### 2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### **Related parties** *(Continued)*

- (f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- (g) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

#### **Critical accounting estimates and judgements**

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

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

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

##### *Allowance for inventories*

The Group's management reviews the carrying amount of inventories at each balance sheet date, and make allowance for obsolete and slow-moving items identified that are no longer recoverable or suitable for use in production. Management estimates the net realisable value for inventories based primarily on the latest invoice prices and current market conditions.

##### *Allowance for doubtful debts*

The provisioning policy for doubtful debts of the Group is based on the evaluation of collectability of the accounts and loan receivables. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer/borrower. If the financial conditions of these customers/borrowers were to deteriorate and result in an impairment of their ability to make payments, additional allowance will be required.

##### *Fair value of investment properties*

Investment properties are stated at fair value based on the valuations performed by independent professional valuers. In determining the fair value, the valuers have based on a method of valuation which involves certain estimates. In relying on the valuation reports, the directors of the Group have exercised their judgement and are satisfied that the method of valuations is reflective of the current market conditions.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2008

### 2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### Future changes in HKFRS

At the date of authorisation of these financial statements, the HKICPA has issued a number of new/revised HKFRS that are not yet effective for the current year and which have not been early adopted.

The directors are in the process of assessing the possible impact on the future adoption of those new/revised HKFRS, but are not yet in a position to reasonably estimate their impact on the Group's financial statements.

### 3. FINANCIAL INSTRUMENTS

#### Financial risk management objectives and policies

The Group's principal financial instruments are bank balances and cash, investments held for trading, loans and other receivables, bank borrowings and other financial liabilities. The main purpose of these financial instruments is to raise and maintain finance for the Group's operations. The Group has various other financial instruments such as trade receivables and trade payables, which arise directly from its business activities.

The main risks arising from the Group's financial instruments are equity price risk, credit risk, foreign currency risk and liquidity risk. The directors regularly review and implement a number of strategies on its risk management to limit the Group's exposure to those risks to a minimum. The directors review and agree policies for managing each of these risks and they are summarized below.

#### *Equity price risk*

The Group is exposed to equity price risk arising from trading of listed securities classified as investments held for trading in the balance sheet. The sensitivity analysis has been determined based on the exposure to equity risk.

At the balance sheet date, if the quoted market prices had been 30% higher or lower while all other variables were held constant, the Group's net loss would decrease or increase by HK\$52.7 million (2007: HK\$nil) as a result of changes in fair value of investments.

The sensitivity analysis has been determined assuming that the reasonably possible changes in the stock market index or other relevant risk variables had occurred at the balance sheet date and had been applied to the exposure to equity price risk in existence at that date. It is also assumed that the fair values of the Group's investments would change in accordance with the historical correlation with the relevant stock market index or the relevant risk variables, that none of the Group's investments held for trading would be considered impaired as a result of a reasonably possible decrease in the relevant stock market index or other relevant risk variables, and that all other variables remain constant. The stated changes represent directors' assessment of reasonably possible changes in the relevant stock market index or the relevant risk variables over the period until the next annual balance sheet date. No analysis is performed last years as there were no investments held for trading as at 31 March 2007.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2008

### 3. FINANCIAL INSTRUMENTS (Continued)

#### Financial risk management objectives and policies (Continued)

##### Foreign currency risk

Most of the Group's business transactions were conducted in Hong Kong dollars, Renminbi, Euro dollars and United States dollars. As at 31 March 2007, certain bank borrowings of the Group are denominated in HK\$ which was not the functional currencies of those subsidiaries. However, foreign currency risk for bank borrowings would not have significant effect for the Group as the Group did not have any outstanding bank borrowings as at 31 March 2008.

The following table details the Group's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate:

	2008			2007		
	United States Dollars	Euros	Renminbi	United States Dollars	Euros	Renminbi
Trade and other receivables	3,127,219	91,125	–	4,735,787	32,661	–
Cash and cash equivalents	579,500	19,562	–	689,539	68,713	–
Trade and other payables	(137,779)	–	(1,024,594)	(4,012)	–	(846,873)
Overall net exposure	3,568,940	110,687	(1,024,594)	5,421,314	101,374	(846,873)

##### Sensitivity analysis

The following table indicates the approximate change in the Group's net loss (2007: net profit) 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	
	Increase/ (decrease) in foreign exchange rates	(Decrease)/ increase in net loss HK\$	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in net profit HK\$
United States Dollars	1% (1%)	(277,424) 277,424	1% (1%)	421,415 (421,415)
Euros	17% (17%)	(231,447) 231,447	17% (17%)	172,336 (172,336)
Renminbi	10% (10%)	113,730 (113,730)	10% (10%)	(84,687) 84,687

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2008

### 3. FINANCIAL INSTRUMENTS *(Continued)*

#### **Financial risk management objectives and policies** *(Continued)*

##### *Sensitivity analysis (Continued)*

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to each of the Group entities' exposure to currency risk for financial instruments in existence at the date, and that all other variables, in particular interest rates, remain constant. No impact on the other equity reserves is expected. The analysis is performed on the same basis for 2007.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date. In this respect, it is assumed that the pegged rate between Hong Kong dollar and United States dollar would be materially unaffected by any changes in movement in value of United States dollar against other currencies.

##### *Cash flow interest rate risk*

The Group has exposures to interest rate risk as its bank borrowings are subject to floating interest rates. However, cash flow interest rate risk is considered minimal as the Group repaid most of bank borrowings during the year.

The interest rate risk for bank balances exposed is considered minimal as such amounts are placed in banks with maturity less than three months.

##### *Credit risk*

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 as stated in the consolidated balance sheet.

The Group's credit risk is primarily attributable to its loan receivables and trade receivables. The Group is exposed to concentration of credit risk as full amount of its loan receivables and a substantial portion of its trade receivables is generated from a limited number of counterparties and customers respectively. As at 31 March 2008, the top five customers of the Group accounted for about 54% (2007: 44%) of the Group's trade receivables. The Group manages its credit risk by closely monitoring the granting of credit period.

The Group reviews the recoverable amount of each individual debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. The Group also entered into hedging arrangement to manage the risk exposure on the loan receivables as detailed in note 20(b) to the financial statements. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Although the bank balances are concentrated on certain counterparties, the credit risk on liquid funds is limited because the counterparties are licensed banks.

Other than the above, the Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2008

### 3. FINANCIAL INSTRUMENTS *(Continued)*

#### Financial risk management objectives and policies *(Continued)*

##### *Liquidity risk*

The liquidity risk of the Group is controlled by maintaining sufficient banking facilities and cash and cash equivalents, which is generated from the operating cash flow and financing cash flow.

The table below analyses the Group financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows:

	Within 1 year <i>HK\$</i>	Between 1 and 2 years <i>HK\$</i>	Between 2 and 5 years <i>HK\$</i>	Over 5 years <i>HK\$</i>	Total <i>HK\$</i>
<b>As at 31 March 2008</b>					
Trade payables	13,466,688	–	–	–	13,466,688
Other payables and accrued charges	17,548,353	–	–	–	17,548,353
Income tax payable	9,908,359	–	–	–	9,908,359
	40,923,400	–	–	–	40,923,400
<b>As at 31 March 2007</b>					
Trade payables	13,535,064	–	–	–	13,535,064
Other payables and accrued charges	14,024,848	–	–	–	14,024,848
Income tax payable	8,915,190	–	–	–	8,915,190
Bank overdrafts	223,035	–	–	–	223,035
Bank borrowings	28,740,106	6,500,377	17,650,540	16,079,923	68,970,946
	65,438,243	6,500,377	17,650,540	16,079,923	105,669,083



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 March 2008

**3. FINANCIAL INSTRUMENTS** *(Continued)***Capital management**

The objectives of the Group's capital management are to safeguard the entity's ability to continue as a going concern and to provide returns for shareholders. The Group manages its capital structure and makes adjustments, including payment of dividend to shareholders, return capital to shareholders or issue new shares or sell assets to reduce debts. No changes were made in the objectives, policies or processes during the years ended 31 March 2008 and 2007.

The Group monitors capital using a gearing ratio, which is total of interest-bearing bank borrowings and overdrafts, trade and other payables and tax payable, net of cash and bank balances divided by the equity attributable to equity holders of the Company. The gearing ratio as at the balance sheet dates were as follows:

	<b>2008</b> <b>HK\$</b>	2007 <i>HK\$</i>
Interest-bearing bank borrowings and overdrafts	–	69,193,981
Trade and other payables	<b>31,015,041</b>	27,559,912
Tax payable	<b>9,908,359</b>	8,915,190
Less: Cash and bank balances	<b>(41,425,921)</b>	(14,672,277)
	<b>(502,521)</b>	90,996,806
Equity attributable to equity holders of the Company	<b>606,121,381</b>	236,515,091
Gearing ratio	<b>N/A</b>	38%

**Fair value**

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

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

The fair value of investments held for trading is based on the quoted market bid prices available on the relevant Stock Exchange.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2008

### 4. TURNOVER

	2008 HK\$	2007 HK\$
Gross rental income	7,409,650	5,454,328
Proceeds from sales of investments held for trading	442,928,857	–
Sales of goods	198,945,907	227,041,658
	<b>649,284,414</b>	<b>232,495,986</b>

### 5. BUSINESS AND GEOGRAPHICAL SEGMENTS

#### Business segments

For management purposes, the Group is currently organised into three operating divisions – trading of investments, manufacture and sales of goods and property investment (i.e. rental of properties). These divisions are the basis on which the Group reports its primary segment information.

#### Consolidated income statement for the year ended 31 March 2008

	Trading of investments HK\$	Manufacture and sales of goods HK\$	Property investment HK\$	Consolidated HK\$
<b>Turnover</b>				
To external customers	442,928,857	198,945,907	7,409,650	649,284,414
Segment results	(229,198,537)	15,944,139	(13,815,423)	(227,069,821)
Unallocated other income				13,936,443
Unallocated corporate expenses				(13,543,096)
Finance costs				(2,607,416)
Loss before taxation				(229,283,890)
Income tax expense				(3,503,788)
Loss for the year				<b>(232,787,678)</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2008

### 5. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

#### Business segments *(Continued)*

#### Consolidated balance sheet at 31 March 2008

	Trading of investments <i>HK\$</i>	Manufacture and sales of goods <i>HK\$</i>	Property investment <i>HK\$</i>	Consolidated <i>HK\$</i>
<b>Assets</b>				
Segment assets	190,454,834	52,437,092	138,137,948	381,029,874
Unallocated corporate assets				269,414,759
Consolidated total assets				<u>650,444,633</u>
<b>Liabilities</b>				
Segment liabilities	–	24,082,039	5,965,445	30,047,484
Unallocated corporate liabilities				10,875,916
Consolidated total liabilities				<u>40,923,400</u>

#### Other information for the year ended 31 March 2008

	Trading of investments <i>HK\$</i>	Manufacture and sales of goods <i>HK\$</i>	Property investment <i>HK\$</i>	Unallocated <i>HK\$</i>	Consolidated <i>HK\$</i>
Allowance for inventories	–	150,401	–	–	150,401
Capital additions	–	819,334	5,142,281	–	5,961,615
Depreciation of property, plant and equipment	–	1,922,542	–	417,118	2,339,660
Gain on disposal of property, plant and equipment	–	–	–	(10,288,621)	(10,288,621)
Gain on disposal of investment properties	–	–	(300,000)	–	(300,000)
Gain on disposal of subsidiaries	–	–	(3,955,433)	–	(3,955,433)
Impairment loss on receivables	–	44,204	–	–	44,204
Loss on fair value changes on investment properties	–	–	29,294,811	–	29,294,811
Net unrealised holding loss on investments held for trading	161,349,037	–	–	–	161,349,037
Release of prepaid lease payments	–	639,454	–	–	639,454

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2008

### 5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

#### Business segments (Continued)

Consolidated income statement for the year ended 31 March 2007

	Manufacture and sales of goods HK\$	Property investment HK\$	Consolidated HK\$
<b>Turnover</b>			
To external customers	227,041,658	5,454,328	232,495,986
Segment results	25,863,886	3,033,401	28,897,287
Unallocated other income			879,942
Unallocated corporate expenses			(11,984,773)
Finance costs			(2,941,632)
Profit before taxation			14,850,824
Income tax expense			(4,545,643)
Profit for the year			10,305,181

Consolidated balance sheet at 31 March 2007

	Manufacture and sales of goods HK\$	Property investment HK\$	Consolidated HK\$
<b>Assets</b>			
Segment assets	78,977,573	215,906,834	294,884,407
Unallocated corporate assets			50,337,310
Consolidated total assets			345,221,717
<b>Liabilities</b>			
Segment liabilities	23,720,359	2,220,553	25,940,912
Unallocated corporate liabilities			79,728,171
Consolidated total liabilities			105,669,083

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 March 2008

**5. BUSINESS AND GEOGRAPHICAL SEGMENTS** *(Continued)***Business segments** *(Continued)*

Other information for the year ended 31 March 2007

	Manufacture and sales of goods <i>HK\$</i>	Property investment <i>HK\$</i>	Unallocated <i>HK\$</i>	Consolidated <i>HK\$</i>
Allowance for inventories	1,017,365	–	–	1,017,365
Capital additions	2,469,994	158,973,311	454,481	161,897,786
Depreciation of property, plant and equipment	1,540,152	55,828	1,144,452	2,740,432
Gain on fair value changes on investment properties	–	(1,872,833)	–	(1,872,833)
Impairment loss on goodwill	4,242,843	–	–	4,242,843
Impairment loss on receivables	5,332,243	–	337,000	5,669,243
Loss on disposal of property, plant and equipment	58,674	–	–	58,674
Release of prepaid lease payments	452,091	–	–	452,091

**Geographical segments**

The Group's sales of goods are principally carried out in Europe, United States of America, Hong Kong and other regions in the PRC. Property investment is carried out in Hong Kong and other regions in the PRC. Trading of investments is carried out in Hong Kong.

The following table provides an analysis of the Group's turnover by geographical market, irrespective of the origin of the goods/services:

	<b>2008</b> <b><i>HK\$</i></b>	2007 <i>HK\$</i>
Europe	<b>117,893,556</b>	144,230,581
United States of America	<b>28,842,268</b>	26,142,551
Hong Kong	<b>451,602,626</b>	12,150,703
Other regions in the PRC	<b>18,585,254</b>	17,051,948
Others	<b>32,360,710</b>	32,920,203
	<b>649,284,414</b>	232,495,986

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2008

### 5. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

#### Geographical segments *(Continued)*

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

	Carrying amount of segment assets		Additions to property, plant and equipment		Additions to investment properties	
	2008 HK\$	2007 HK\$	2008 HK\$	2007 HK\$	2008 HK\$	2007 HK\$
Hong Kong	221,920,645	97,463,788	450,470	2,504,359	292,500	20,830,167
Other regions in the PRC	159,109,229	197,420,619	368,864	458,260	4,849,781	138,105,000
	<b>381,029,874</b>	294,884,407	<b>819,334</b>	2,962,619	<b>5,142,281</b>	158,935,167

### 6. OTHER INCOME

	2008 HK\$	2007 HK\$
Bank interest income	801,112	257,992
Dividend income from investments held for trading	152,655	–
Other interest income	2,329,012	621,950
Exchange gains, net	2,132,166	–
Gain on disposal of subsidiaries	3,955,433	–
Gain on disposal of investment properties	300,000	–
Gain on disposal of property, plant and equipment	10,288,621	–
Sundry income	513,864	397,576
	<b>20,472,863</b>	1,277,518

### 7. FINANCE COSTS

	2008 HK\$	2007 HK\$
Interest on:		
Bank borrowings wholly repayable within five years	743,561	2,440,319
Bank borrowings not wholly repayable within five years	1,863,855	501,313
	<b>2,607,416</b>	2,941,632

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 March 2008

**8. (LOSS)/PROFIT BEFORE TAXATION**

	<b>2008</b> <b>HK\$</b>	2007 <b>HK\$</b>
(Loss)/Profit before taxation has been arrived at after charging/(crediting):		
Allowance for inventories	<b>150,401</b>	1,017,365
Auditor's remuneration	<b>980,000</b>	930,000
Change in fair value of investment properties	<b>29,294,811</b>	(1,872,833)
Cost of inventories recognised as expenses	<b>149,648,944</b>	161,358,715
Cost of investments held for trading	<b>502,581,607</b>	–
Depreciation of property, plant and equipment	<b>2,339,660</b>	2,740,432
Equity-settled share-based payment	<b>4,023,782</b>	–
Impairment loss on receivables	<b>44,204</b>	5,669,243
Minimum lease payments for operating leases in respect of rented premises	<b>3,548,381</b>	2,191,341
Release of prepaid lease payments	<b>639,454</b>	452,091
Staff costs including directors' emoluments and contributions to retirement benefits schemes	<b>38,790,798</b>	35,356,563
Exchange (gain)/loss, net	<b>(2,132,166)</b>	1,897,771
(Gain)/Loss on disposal of property, plant and equipment	<b>(10,288,621)</b>	58,674
Gain on disposal of investment properties	<b>(300,000)</b>	–
Gain on disposal of subsidiaries	<b>(3,955,433)</b>	–
Gross rental income from investment properties	<b>(7,409,650)</b>	(5,454,328)
Less: direct operating expenses that generated rental income	<b>639,798</b>	1,391,681
	<b>(6,769,852)</b>	(4,062,647)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2008

### 9. DIRECTORS' EMOLUMENTS AND HIGHEST PAID EMPLOYEES

#### Directors' emoluments

The emoluments paid or payable to each of the directors are as follows:

Name of Director	Appointed during the year	Resigned during the year	Fees HK\$	Salaries and other benefits HK\$	Retirement benefits scheme contribution HK\$	Rental paid/ rateable value in respect of quarters provided HK\$	Total HK\$
<b>2008</b>							
<b>Executive Directors</b>							
Au Yeung Kai Chor	6 June 2007	–	–	400,000	10,000	–	410,000
Chan Oi Ling, Maria Olimpia	–	–	–	4,760,000	12,000	908,947	5,680,947
Chung, Wilson	28 January 2008	–	–	50,000	–	–	50,000
Lam Yu Ho, Daniel	–	28 January 2008	–	1,900,000	–	–	1,900,000
Peter Temple Whitelam	1 August 2007	–	–	240,000	–	–	240,000
Wong, Dickie (note)	6 June 2007	28 January 2008	–	909,041	7,792	–	916,833
<b>Independent Non-Executive Directors</b>							
Chan Sze Hung	6 June 2007	–	164,247	–	–	–	164,247
Cheung Ngai Lam	–	–	50,000	–	–	–	50,000
Hui Wai Man, Shirley	31 March 2008	–	–	–	–	–	–
Kristi L Swartz	12 November 2007	–	46,027	–	–	–	46,027
Lui Wai Shan, Wilson	–	–	54,726	–	–	–	54,726
Wong Yui Leung, Larry	–	12 November 2007	56,877	–	–	–	56,877
			371,877	8,259,041	29,792	908,947	9,569,657

Note: During the year, the Group paid salaries and allowances of HK\$1,412,000 in aggregate to Ms. Dickie Wong, in which HK\$916,833 was paid for the capacity as director of the Company as disclosed above; the balance was paid during the period of which she was not acting as director of the Company.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2008

### 9. DIRECTORS' EMOLUMENTS AND HIGHEST PAID EMPLOYEES (Continued)

#### Directors' emoluments (Continued)

Name of Director	Appointed during the year	Resigned during the year	Fees HK\$	Salaries and other benefits HK\$	Retirement benefits scheme contribution HK\$	Rental paid/ rateable value in respect of quarters provided HK\$	Total HK\$
<b>2007</b>							
<b>Executive Directors</b>							
Chan Oi Ling, Maria Olimpia	-	-	-	3,900,000	12,000	871,800	4,783,800
Lam Yu Ho, Daniel	-	-	-	1,720,000	-	-	1,720,000
Cheng Lok Hing	-	31 January 2007	-	471,329	-	-	471,329
Cheng Chun Kit	-	31 January 2007	-	471,329	-	-	471,329
Ji Hong	-	31 January 2007	-	46,729	-	15,323	62,052
<b>Independent Non-Executive Directors</b>							
Wong Yui Leung, Larry	-	-	80,000	-	-	-	80,000
Lui Wai Shan, Wilson	-	-	50,000	-	-	-	50,000
Cheung Ngai Lam	-	-	50,000	-	-	-	50,000
			180,000	6,609,387	12,000	887,123	7,688,510

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2008

### 9. DIRECTORS' EMOLUMENTS AND HIGHEST PAID EMPLOYEES *(Continued)*

#### Highest paid employees

The five highest paid individuals of the Group included three (2007: two) executive directors, details of whose emoluments are set out above. The emoluments of the remaining two (2007: three) highest paid individuals are as follows:

	<b>2008</b> <i>HK\$</i>	2007 <i>HK\$</i>
Salaries and other benefits	<b>2,309,179</b>	2,887,073
Retirement benefits scheme contributions	<b>12,000</b>	20,000
Rentals paid/rateable value in respect of quarters provided	<b>216,000</b>	252,600
	<b>2,537,179</b>	3,159,673

The emoluments were within the following bands:

	<b>No. of employees</b>	
	<b>2008</b>	2007
Nil to HK\$1,000,000	–	2
HK\$1,000,001 to HK\$1,500,000	<b>2</b>	1
	<b>2</b>	3

### 10. INCOME TAX EXPENSE

	<b>2008</b> <i>HK\$</i>	2007 <i>HK\$</i>
The charge comprises:		
Current year		
Hong Kong	<b>1,708,563</b>	3,285,714
Other regions in the PRC	<b>1,795,225</b>	1,201,879
	<b>3,503,788</b>	4,487,593
(Over) under provision in prior years		
Hong Kong	–	(1,062)
Other regions in the PRC	–	59,112
	–	58,050
	<b>3,503,788</b>	4,545,643

Hong Kong Profits Tax is calculated at 17.5% (2007: 17.5%) of the estimated assessable profits for the year.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 March 2008

**10. INCOME TAX EXPENSE** *(Continued)*

Taxation arising in other regions in the PRC is calculated at the rates prevailing in the relevant jurisdictions.

On 16 March 2007, the National People's Congress approved the Enterprise Income Tax Law of the PRC (the "new EIT Law"), which is effective from 1 January 2008. In December 2007, the State Council promulgated the Implementation Regulations to the new EIT Law, or the EIT Implementation, which is also effective from 1 January 2008. Pursuant to the new EIT Law, the new enterprise income tax rates for domestic and foreign enterprises are unified at 25%, subject to certain transitional arrangements. Pursuant to the relevant laws and regulations in the PRC, one of the Company's PRC subsidiaries was exempted from PRC income tax for two years starting from its first profit-making year (i.e. calendar year 2005), followed by a 50% reduction for the next three years.

The income tax expense for the year can be reconciled from profit before taxation per the consolidated income statement as follows:

	<b>2008</b> <b>HK\$</b>	2007 <i>HK\$</i>
(Loss)/Profit before taxation	<b>(229,283,890)</b>	14,850,824
Tax at the Hong Kong Profits tax rate of 17.5% (2007: 17.5%)	<b>(40,124,681)</b>	2,598,894
Non-deductible expenses	<b>9,368,943</b>	3,138,314
Tax exempt revenue	<b>(4,615,639)</b>	(1,673,529)
Underprovision in prior years	–	58,050
Unrecognised tax losses	<b>39,221,292</b>	92,114
Unrecognised temporary differences	<b>51,549</b>	(53,301)
Effect of different tax rates of subsidiaries operating in other jurisdictions	<b>(357,399)</b>	430,912
Others	<b>(40,277)</b>	(45,811)
Income tax expense for the year	<b>3,503,788</b>	4,545,643

At 31 March 2008, the Group has unused tax losses of HK\$222,729,000 (2007: HK\$11,022,746) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. All losses may be carried forward indefinitely.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2008

### 11. DIVIDEND

No dividend has been proposed by the directors for the years ended 31 March 2008 and 2007.

On 25 September 2006, a dividend of HK1 cent per share amounting to HK\$4,240,001 was paid to shareholders as the final dividend in respect of 2006.

### 12. (LOSS)/EARNINGS PER SHARE – BASIC

The calculation of basic (loss)/earnings per share attributable to equity holders of the Company is based on the following data:

	<b>2008</b>	2007
	<b>HK\$</b>	<b>HK\$</b>
(Loss)/Earnings for the purpose of basic earnings per share	<b>(232,807,416)</b>	10,540,043
	<b>No. of shares</b>	
	<b>2008</b>	2007
		(Restated)
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	<b>1,213,815,645</b>	454,173,870

No diluted loss per share is presented for the year 2008 as all of the Company's share options granted and convertible notes issued, which had been fully exercised and converted respectively during the year, have an anti-dilutive effect. No diluted earnings per share were presented for the year 2007 as there were no potential ordinary shares in issue.

The weighted average number of ordinary shares adopted in the calculation of the basic (loss)/earnings per share for both years has been adjusted to reflect the impact of the rights issue effected subsequent to the balance sheet date.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 March 2008

**13. INVESTMENT PROPERTIES**

	<i>Note</i>	<b>2008</b> <b>HK\$</b>	2007 <i>HK\$</i>
<b>At fair value</b>			
At beginning of the year		<b>210,575,000</b>	34,650,000
Exchange adjustments		<b>15,397,974</b>	(2,883,000)
Acquisition of assets through acquisition of subsidiaries		–	154,353,167
Additions		<b>5,242,281</b>	4,582,000
Transferred from deposit paid		–	18,000,000
Disposal of assets through disposal of subsidiaries	26	<b>(40,547,500)</b>	–
Disposal		<b>(28,000,000)</b>	–
(Loss)/Gain on fair value changes		<b>(29,294,811)</b>	1,872,833
At end of the year		<b>133,372,944</b>	210,575,000

The carrying values of the Group's investment properties at 31 March 2008 are analysed as follows:

	<b>2008</b> <b>HK\$</b>	2007 <i>HK\$</i>
Situated in Hong Kong held under long leases	–	40,065,000
Situated in other regions in the PRC held under medium-term leases	<b>133,372,944</b>	170,510,000
	<b>133,372,944</b>	210,575,000

All of the Group's property interests in land held under operating leases to earn rentals or for capital appreciation purpose are measured using the fair value model and are classified and accounted for as investment properties.

The investment property held by Jet Star Industries Limited was valued as HK\$115,000,000 (RMB104,000,000) by RHL Appraisal Limited. The Group's remaining investment properties were valued by Chung, Chan & Associates, Chartered Surveyors.

The investment properties have been valued as at 31 March 2008 on the basis carried out at that date by the aforesaid independent qualified professional valuers not connected with the Group, who are members of Hong Kong Institute of Surveyors and have appropriate qualifications and recent experiences in the valuation of properties in the relevant locations. The valuation, which conforms to Hong Kong Institute of Surveyors Valuation Standards, was arrived at using two primary methods, namely the comparison approach and the income capitalisation approach.

Certain of the Group's investment properties are rented out under operating leases.

Details of the investment properties are set out on page 70.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2008

## 14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings <i>HK\$</i>	Leasehold improvements <i>HK\$</i>	Furniture, fixtures and equipment <i>HK\$</i>	Plant and machinery <i>HK\$</i>	Motor vehicles <i>HK\$</i>	Total <i>HK\$</i>
<b>Cost</b>						
At 1 April 2006	56,224,387	3,089,280	3,677,370	21,549,980	5,851,302	90,392,319
Exchange adjustments	239,338	11,724	4,022	624,865	55,139	935,088
Acquisition of subsidiaries	–	15,011	20,353	–	–	35,364
Additions	–	489,521	280,549	209,353	1,947,832	2,927,255
Disposals	–	–	(246,448)	–	(984,840)	(1,231,288)
At 31 March 2007	56,463,725	3,605,536	3,735,846	22,384,198	6,869,433	93,058,738
Exchange adjustments	684,507	39,014	13,223	1,798,692	189,941	2,725,377
Additions	–	332,066	209,739	277,529	–	819,334
Disposal of subsidiaries	(19,663,527)	(1,081,516)	(163,143)	–	–	(20,908,186)
Disposals	(28,976,388)	(611,491)	(1,185,749)	(6,141,552)	(558,231)	(37,473,411)
<b>At 31 March 2008</b>	<b>8,508,317</b>	<b>2,283,609</b>	<b>2,609,916</b>	<b>18,318,867</b>	<b>6,501,143</b>	<b>38,221,852</b>
<b>Depreciation</b>						
At 1 April 2006	12,328,424	2,574,179	2,909,015	20,525,294	4,617,008	42,953,920
Exchange adjustments	98,349	11,396	3,687	600,736	42,686	756,854
Provided for the year	1,278,804	205,835	216,099	380,684	659,010	2,740,432
Eliminated on disposals	–	–	(169,948)	–	(701,781)	(871,729)
At 31 March 2007	13,705,577	2,791,410	2,958,853	21,506,714	4,616,923	45,579,477
Exchange adjustments	363,878	35,950	9,502	1,746,926	138,734	2,294,990
Provided for the year	657,726	143,578	187,493	751,085	599,778	2,339,660
Eliminated on disposal of subsidiaries	(4,527,041)	(895,321)	(122,585)	–	–	(5,544,947)
Eliminated on disposals	(6,537,033)	(203,981)	(1,021,480)	(6,140,204)	(421,619)	(14,324,317)
<b>At 31 March 2008</b>	<b>3,663,107</b>	<b>1,871,636</b>	<b>2,011,783</b>	<b>17,864,521</b>	<b>4,933,816</b>	<b>30,344,863</b>
<b>Carrying values</b>						
<b>At 31 March 2008</b>	<b>4,845,210</b>	<b>411,973</b>	<b>598,133</b>	<b>454,346</b>	<b>1,567,327</b>	<b>7,876,989</b>
At 31 March 2007	42,758,148	814,126	776,993	877,484	2,252,510	47,479,261

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2008

### 14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above item of property, plant and equipment are depreciated on straight-line basis at the following rates per annum:

Leasehold land and buildings	Over the estimated useful lives of 50 years or the terms of the leases or the term of the relevant joint venture by which the buildings are held, whichever is the shorter
Leasehold improvements	15% or the terms of the leases, if shorter
Furniture, fixtures and equipment	15%
Plant and machinery	20%
Motor vehicles	20%

The carrying values of the Group's leasehold land and buildings at 31 March 2008 are analysed as follows:

	2008 HK\$	2007 HK\$
Situated in Hong Kong held under long leases	–	11,399,677
Situated in Hong Kong held under medium-term leases	–	26,519,235
Situated in other regions in the PRC held under medium-term leases	<b>4,845,210</b>	4,839,236
	<b>4,845,210</b>	42,758,148

### 15. PREPAID LEASE PAYMENTS

	2008 HK\$	2007 HK\$
Leasehold interests in land in other regions in the PRC under medium-term lease	<b>6,578,997</b>	6,515,207
Analysed for reporting purposes as:		
Current	<b>652,883</b>	588,183
Non-current	<b>5,926,114</b>	5,927,024
	<b>6,578,997</b>	6,515,207

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2008

### 16. GOODWILL

	<i>HK\$</i>
<b>Cost</b>	
At 1 April 2006, 1 April 2007 and 31 March 2008	7,042,015
<b>Impairment</b>	
At 1 April 2006	2,799,172
Impairment loss recognised	4,242,843
<b>At 31 March 2007 and 2008</b>	<b>7,042,015</b>
<b>Carrying amount</b>	
<b>At 31 March 2007 and 2008</b>	<b>–</b>

For the purpose of impairment testing in previous years, goodwill was allocated to an individual cash generating unit (CGU) which was engaged in manufacture and sales of goods and was expected to benefit from that business combination. During the year ended 31 March 2007, the Group recognised an impairment loss of HK\$4,242,843.

### 17. INVESTMENTS HELD FOR TRADING

	<b>2008</b>	2007
	<i>HK\$</i>	<i>HK\$</i>
At fair value		
Equity securities, listed in Hong Kong	<b>173,928,275</b>	–

The fair value of listed equity securities is based on quoted market prices in active markets at the balance sheet.

### 18. INVENTORIES

	<b>2008</b>	2007
	<i>HK\$</i>	<i>HK\$</i>
Raw materials	<b>5,000,022</b>	6,310,889
Work-in-progress	<b>842,725</b>	1,014,571
Finished goods	<b>2,257,623</b>	5,438,696
	<b>8,100,370</b>	12,764,156

All inventories, excluding those fully provided for with nil carrying value, are stated at cost.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2008

### 19. TRADE AND BILLS RECEIVABLES

	<b>2008</b> <b>HK\$</b>	2007 <i>HK\$</i>
Trade and bills receivables	<b>36,625,712</b>	46,982,329
Less: Allowances for doubtful debts ( <i>note 19 (b)</i> )	<b>8,085,022</b>	8,084,037
	<b>28,540,690</b>	38,898,292

(a) *Ageing analysis*

The Group allowed a credit period ranging from 30 days to 150 days to its trade customers. The aged analysis of trade and bills receivables (net of allowances for doubtful debts) is as follows:

	<b>2008</b> <b>HK\$</b>	2007 <i>HK\$</i>
Aged analysis of trade and bills receivables:		
Within 60 days	<b>17,906,260</b>	14,779,000
61 – 150 days	<b>10,634,430</b>	22,632,207
	<b>28,540,690</b>	37,411,207
Discounted bills receivables aged within 60 days	–	1,487,085
	<b>28,540,690</b>	38,898,292

(b) *Allowances for doubtful debts*

	<b>2008</b> <b>HK\$</b>	2007 <i>HK\$</i>
At beginning of year	<b>8,084,037</b>	4,275,049
Impairment loss recognised	–	5,332,243
Uncollectible amounts written off	–	(1,523,255)
Exchange adjustment	<b>985</b>	–
At balance sheet date	<b>8,085,022</b>	8,084,037

Impairment losses in respect of trade and bills receivables are recorded using an allowance account unless the Group is satisfied that the recovery of the amount is remote, in which the impairment loss is written off against trade receivables directly.

All allowances for doubtful debts as at 31 March 2008 and 2007 were made for specific unsecured trade receivables, which recoverability is considered doubtful by the directors. The Group does not hold any collateral over these balances.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2008

### 19. TRADE AND BILLS RECEIVABLES (Continued)

(c) Trade and bills receivables that are not impaired

The ageing analysis of trade and bills receivables that neither individually nor collectively considered to be impaired is as follows:

	2008 HK\$	2007 HK\$
Neither past due nor impaired	24,088,701	36,439,046
Within 60 days	4,451,989	2,459,246
	<b>28,540,690</b>	<b>38,898,292</b>

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

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

### 20. LOAN RECEIVABLES

	Notes	2008 HK\$	2007 HK\$
Loans advanced for management of investment properties	(a)	–	6,884,950
Loan to Leadup Resources Investments Limited	(b)	200,000,000	–
Loan to an independent third party	(c)	25,000,000	–
		<b>225,000,000</b>	<b>6,884,950</b>

Notes:

- (a) Pursuant to various agreements signed between the Group and certain companies which developed and managed the investment properties of the Group in the PRC on 29 September 2006 and 7 November 2006, the Group advanced totalling HK\$13,000,000 to those companies for property management purpose. The loans outstanding at 31 March 2007 amounted to HK\$6,884,950 had been fully repaid during the year.
- (b) A facility letter together with a supplementary facility letter ("Facility Letter") were entered into between the Company and Leadup Resources Investments Limited (the "Borrower") pursuant to which the Company granted a term loan facility in an amount of HK\$200,000,000 to the Borrower for the purpose of proposed acquisition/investment ("Acquisition") in a mining business in northwest PRC (the "Borrower's investments"). The Company was granted a first right of refusal ("First Refusal Rights") to invest in the Borrower's investments if there is an independent third party proposes to acquire the Borrower's investments. The loan is secured by the personal guarantee of the ultimate equity owner of the Borrower. The original repayment date was on 19 May 2008 and interest bearing at 2.2% per annum.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 March 2008

**20. LOAN RECEIVABLES** *(Continued)**Notes: (Continued)*(b) *(Continued)*

Subsequent to the balance sheet date, the Facility Letter was amended and supplemented. Pursuant to the latest letter of agreement dated 26 June 2008 made between the Borrower and the Company, the repayment date of the outstanding loan receivable from the Borrower of amount HK\$167,266,667 (the "Debt"), which comprises the outstanding principal amount of HK\$160,000,000 and accrued interest of HK\$7,266,667, is extended to 1 August 2008.

To reduce the risk exposure on the recoverability of the Debt, on 16 July 2008, the Company and Hennabun PT Limited ("HPT"), a securities investment company, entered into an agreement ("Agreement") pursuant to which the Company obtained an irrevocable option granted by HPT, subject to an option fee of HK\$2,400,000, to require HPT to, inter alia, acquire at the Company's sole and absolute discretion, all or part of the Debt at its face value together with all other rights, including the First Refusal Rights obtained by the Company. As of 16 July 2008, the directors are not aware of any further development on the Acquisition and the exercise of the First Refusal Rights.

(c) The loan is unsecured, interest bearing at HSBC prime rate and repayable on 25 July 2008.

(d) The directors assessed the collectability of the above loan receivables at the balance sheet date individually with reference to borrowers' past collection history, quality of the undertaking obtained and current creditworthiness. In the directors' opinion, no allowance for impairment loss was considered necessary.

**21. OTHER RECEIVABLES AND PREPAYMENTS**

Other receivables and prepayments are expected to be recovered within one year.

**22. BANK BALANCES AND CASH**

Bank balances and cash comprise cash held by the Group and short-term bank deposits which carry fixed interest rate at 0.3% (2007: 1.9%) per annum with an original maturity of three months or less.

**23. TRADE PAYABLES**

	<b>2008</b> <b>HK\$</b>	2007 <i>HK\$</i>
Aged analysis of trade payables:		
Within 60 days or on demand	<b>13,391,426</b>	13,535,064
61 – 150 days	<b>5,405</b>	–
More than 150 days	<b>69,857</b>	–
	<b>13,466,688</b>	13,535,064

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2008

### 24. BANK BORROWINGS

Bank borrowings comprise the following:

Bank loans  
 – secured  
 – unsecured

	2008 HK\$	2007 HK\$
	–	57,483,861
	–	11,487,085
	–	68,970,946
	–	28,740,106
	–	6,500,377
	–	6,768,752
	–	5,851,389
	–	5,030,399
	–	16,079,923
	–	68,970,946
Less: amounts due within one year shown under current liabilities	–	(28,740,106)
Amounts due after one year	–	40,230,840

The bank borrowings are repayable as follows:

Within one year  
 More than one year and not more than two years  
 More than two years and not more than three years  
 More than three years and not more than four years  
 More than four years and not more than five years  
 More than five years

Less: amounts due within one year shown under current liabilities

Amounts due after one year

The carrying amounts of the Group's borrowings are analysed as follows:

Denominated in	2008 HK\$	2007 HK\$	Interest rate (2007)
Hong Kong dollars	–	19,113,800	Hong Kong Inter-bank Offered Rate plus 1.5% to 2.25%
Hong Kong dollars	–	39,857,146	Hong Kong Prime Rate or Hong Kong Prime Rate minus 1.5%
Renminbi	–	10,000,000	5% discount on The People's Bank of China lending rate
	–	68,970,946	

The Group did not have any bank borrowings as at 31 March 2008. At 31 March 2007, there were bank borrowings amounting to approximately HK\$40,370,000 denominated in Hong Kong dollars which was not the functional currency of those subsidiaries.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2008

### 25. SHARE CAPITAL

Movements during the year in the share capital of the Company were as follows:

	Note	Number of shares		Nominal value	
		2008	2007	2008 HK\$	2007 HK\$
Ordinary shares of HK\$0.10 each:					
Authorised:					
At beginning of the year		<b>1,000,000,000</b>	1,000,000,000	<b>100,000,000</b>	100,000,000
Increased during the year	(a)	<b>9,000,000,000</b>	–	<b>900,000,000</b>	–
At end of the year		<b>10,000,000,000</b>	1,000,000,000	<b>1,000,000,000</b>	100,000,000
Issued and fully paid:					
At beginning of the year		<b>444,000,100</b>	424,000,100	<b>44,400,010</b>	42,400,010
Issue of shares for acquisition		–	20,000,000	–	2,000,000
Exercise of share options granted to employees under share option scheme	(b)	<b>16,000,000</b>	–	<b>1,600,000</b>	–
Exercise of share options granted to consultants under share option scheme	(c)	<b>26,400,000</b>	–	<b>2,640,000</b>	–
Placement of shares	(d)	<b>64,800,000</b>	–	<b>6,480,000</b>	–
Placement of shares	(e)	<b>104,960,000</b>	–	<b>10,496,000</b>	–
Issue of shares pursuant to conversions of convertible notes	(f)	<b>1,250,000,000</b>	–	<b>125,000,000</b>	–
At end of the year		<b>1,906,160,100</b>	444,000,100	<b>190,616,010</b>	44,400,010

#### Notes:

- (a) At the special general meeting held on 11 July 2007, the authorized share capital of the Company were increased from HK\$100,000,000 divided into 1,000,000,000 shares to HK\$1,000,000,000 divided into 10,000,000,000 shares by the creation of additional 9,000,000,000 unissued shares of HK\$0.1 each.
- (b) On 4 May 2007, 16,000,000 shares options were granted to the employees under the share option scheme at an exercise price of HK\$0.46 per ordinary shares of HK\$0.1 each. These granted share options were fully exercised on 7 May 2007.
- (c) On 6 November 2007, 26,400,000 shares options were granted to the consultants of the Company under the share option scheme at an exercise price of HK\$0.65 per ordinary shares of HK\$0.1 each. These granted share options were fully exercised on 7 November 2007.
- (d) On 8 June 2007, the Company entered into a placing agreement with Chung Nam Securities Limited (“Chung Nam”), as placing agent, pursuant to which the Company conditionally agreed to place, through the placing agent on an underwritten basis, 64,800,000 shares to independent investors at a price of HK\$0.45 per share.
- (e) On 17 July 2007, the Company entered into a placing agreement with Chung Nam, as placing agent, pursuant to which the placing agent agreed to place on an underwritten basis, 104,960,000 shares to independent investors at a price of HK\$0.45 per share.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2008

### 25. SHARE CAPITAL (continued)

Notes: (continued)

- (f) On 17 July 2007, the Company entered into a placing agreement ("CN Placing Agreement") with Chung Nam, as placing agent, pursuant to which, the placing agent agreed, on a best effort basis, to place up to HK\$500,000,000 principal amount of non-interest bearing convertible notes due on 15 December 2010, convertible into 1,250,000,000 shares at the initial conversion price of HK\$0.40 per share to independent investors.

During the year, the Company had allotted and issued a total of 1,250,000,000 shares to 38 independent places at the conversion price of HK\$0.40 per conversion shares in aggregate principal amount of HK\$500,000,000.

There was no outstanding unconverted convertible note at 31 March 2008.

All ordinary shares rank equally with one vote attached to each fully paid ordinary share.

### 26. DISPOSAL OF SUBSIDIARIES

During the year ended 31 March 2008, the Group disposed of its entire interest in a subsidiary, Hop Shing Trading Limited ("Hop Shing"), to a third party, Great Asia Properties Limited, at a consideration of HK\$30,000,000 in cash.

In addition, during the year, the Group also disposed of its entire interest in a subsidiary, Mascotte Investments Limited ("MIL") to Kada International Limited, an investment company wholly-owned by the substantial shareholder of the Group, at a consideration of HK\$29,000,000 in cash.

The disposal had the following effect on the Group's assets and liabilities:

	MIL HK\$	Hop Shing HK\$	2008 HK\$
<b>Net assets disposal of</b>			
Investment properties	9,755,000	30,792,500	<b>40,547,500</b>
Property, plant and equipment	15,363,239	–	<b>15,363,239</b>
Other debtor and prepayment	130,004	102,829	<b>232,833</b>
Cash and bank balances	628,564	72,000	<b>700,564</b>
Other creditors and accruals	(291,017)	(508,552)	<b>(799,569)</b>
	25,585,790	30,458,777	<b>56,044,567</b>
Release of special reserve	(1,000,000)	–	<b>(1,000,000)</b>
Gain/(Loss) on disposal	4,414,210	(458,777)	<b>3,955,433</b>
Total consideration satisfied by cash consideration	29,000,000	30,000,000	<b>59,000,000</b>
Analysis of net inflow of cash and cash equivalents in respect of the disposal of subsidiaries:			
Cash consideration	29,000,000	30,000,000	<b>59,000,000</b>
Cash and cash equivalents disposed	(628,564)	(72,000)	<b>(700,564)</b>
Net inflow of cash and cash equivalents	28,371,436	29,928,000	<b>58,299,436</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 March 2008

**27. OPERATING LEASE ARRANGEMENTS****The Group as lessee**

At 31 March 2008, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	<b>2008</b> <i>HK\$</i>	2007 <i>HK\$</i>
Within one year	<b>2,949,557</b>	680,790
In the second to fifth year inclusive	<b>4,822,609</b>	–
	<b>7,772,166</b>	680,790

Leases are negotiated for term of two to five year with fixed monthly rentals over the lease terms.

**The Group as lessor**

The Group leases out all its investment properties under operating leases with lease term of one to fifteen years. The future aggregate minimum rental receivables under non-cancellable operating leases are as follows:

	<b>2008</b> <i>HK\$</i>	2007 <i>HK\$</i>
Within one year	<b>5,358,555</b>	4,729,936
In the second to fifth year inclusive	<b>4,955,252</b>	6,746,416
Over five years	–	400,960
	<b>10,313,807</b>	11,877,312

**28. PLEDGE OF ASSETS**

At 31 March 2008, the Group had the following pledges over its assets to secure banking facilities granted to the Group.

- (a) Investment properties with an aggregate carrying value of HK\$131,992,944 (2007: HK\$154,170,000).
- (b) Leasehold land and buildings with an aggregate carrying value of HK\$3,299,203 (2007: HK\$26,645,549).
- (c) Prepaid lease payments with an aggregate carrying value of HK\$6,578,997 (2007: HK\$6,515,207).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2008

### 29. SHARE OPTION SCHEME

Pursuant to the Company's share option scheme (the "Scheme") adopted on 21 August 2003, for the primary purpose of providing incentive to directors and eligible employees and suppliers of goods or services of the Group, including consultants ("consultants"), and which will expire 10 years after the date of adoption (the "Option Period"), the board of directors of the Company may, at its discretion, grant options to eligible employees, including executive directors and consultants, of the Company or any of its subsidiaries to subscribe for shares in the Company at a price of (i) the closing price of the shares of the Stock Exchange on the date of grant of the option, which must be a trading day or (ii) the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the options or (iii) the nominal value of the shares, whichever is the higher.

The maximum number of shares in respect of which options may be granted (together with options exercised and options then outstanding) under the Scheme shall not, when aggregated with any shares subject to any other schemes, exceed 30% of the total number of the issued share of the Company from time to time. The maximum number of shares in respect of which options may be granted to each participant (including both exercised and outstanding options) in any 12-month period cannot exceed 1% of the total number of the issued share of the Company. Upon acceptance of option, the grantee shall pay HK\$1 to the Company by way of consideration of the grant. An option may be exercised at any time during the Option Period.

(a) Movement in share option scheme during the year ended 31 March 2008:

Name of category of participant	Date of grant	As at 1 April 2007	Granted during the year	Exercised during the year	As at 31 March 2008	Exercise price HK\$	Share price at the date of grant (note i) HK\$	Share price at the date of exercise (note ii) HK\$
Staff	4 May 2007	-	16,000,000	(16,000,000)	-	0.46	0.46	0.60
Consultants	6 November 2007	-	26,400,000	(26,400,000)	-	0.65	0.65	0.94
		-	42,400,000	(42,400,000)	-			

Notes:

- (i) The share price at the date of grant is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options.
- (ii) The share price at the date of exercise is the Stock Exchange closing price on the trading date at the date of exercise of the options.

No share options were granted, lapsed, exercised or expired under the Scheme during the year ended 31 March 2007.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 March 2008

**29. SHARE OPTION SCHEME** *(Continued)***(b) Fair value of share options and assumptions**

The fair value of share options granted under the share option scheme at the grant dates was ranged from HK\$0.07553 to HK\$0.10664 per share option, which was calculated using the Binominal Model (Hull-White Sub-Optimal) with the following inputs:

Weighted average exercise price	HK\$0.46 to HK\$0.65
Expected volatility	76.33% to 90.08%
Expected life	5.75 to 6.25 years
Risk free rate	3.314% to 4.177%
Exercise multiple	1.2
Expected dividend	–

The expected volatility is based on the historic volatility of share prices of the Company and the exercise multiple defines the early exercise strategy. Changes in the subjective input assumptions could materially affect the fair value of the share options granted.

**30. RETIREMENT BENEFIT SCHEME**

Prior to 1 December 2000, the Group operated a defined contribution retirement benefit scheme (“Defined Contribution Scheme”) for its qualifying employees in Hong Kong. The assets of the scheme were held separately from those of the Group in funds under the control of an independent trustee. Where there are employees who leave the Defined Contribution Scheme prior to vesting fully in the contributions, the amount of the forfeited contributions would be used to reduce future contributions payable by the Group.

Effective from 1 December 2000, the Group has joined a Mandatory Provident Fund scheme (“MPF Scheme”) for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to contribute 5% of the employees’ monthly remunerations or HK\$1,000 per month whichever is the smaller to the MPF Scheme. The only obligation of the Group with respect of MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The retirement benefit scheme contributions arising from the Defined Contribution Scheme and the MPF Scheme charged to the consolidated income statement represent contributions paid or payable to the funds by the Group at rates specified in the rules of the schemes.

Employees located in the PRC are covered by the retirement and pension schemes defined by local practice and regulations and which are essentially defined contributed schemes.

During the year, the Group made retirement benefits scheme contributions of HK\$1,616,926 (2007: HK\$657,957).

As at 31 March 2008 and 2007, there were no forfeited contributions, which arose upon employees leaving the scheme and which are available to reduce the contributions payable by the Group in the future years.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2008

### 31. RELATED PARTY TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in these financial statements, during the year, the Group had the following transactions with related parties:

#### (i) Transactions with directors' related companies

Name of party	Directors who have interest	Nature of transactions	2008 HK\$	2007 HK\$
Techford Development Ltd.	Ms. Chan Oi Ling, Maria Olimpia	Rental expense	156,000	156,000
Wing Nin Trading Co. Ltd.	Family member of Ms. Chan Oi Ling, Maria Olimpia	Rental expense	144,000	192,000
Mascotte Investments Limited	Ms. Chan Oi Ling, Maria Olimpia	Rental expense	742,816	–

#### (ii) Transactions with a minority shareholder

Name of party	Nature of transactions	2008 HK\$	2007 HK\$
東莞市橋光實業集團公司 Dongguan City Qiao Guang Industrial Group Company	Rental expense	908,773	926,815

#### (iii) Compensation of key management personnel

The remuneration of directors and other members of key management during the year were as follows:

	2008 HK\$	2007 HK\$
Short-term benefits	10,519,669	9,012,319
Post-employment benefits	24,000	24,000
	<b>10,543,669</b>	<b>9,036,319</b>

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2008

### 32. SUBSIDIARIES

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

Name	Place of incorporation or registration/ operation	Issued and fully paid ordinary share capital/ registered and contributed capital	Attributable equity interest held by the Group	Principal activities
<b>Direct subsidiary</b>				
Mascotte Group Limited	British Virgin Islands/ Hong Kong	US\$100	100%	Investment holding
<b>Indirect subsidiaries</b>				
東莞德雅皮具製品廠有限公司 Dongguan Tak Ya Leather Goods Manufactory Limited (note a)	PRC	HK\$8,000,000	70% (note b)	Manufacture of accessories for photographic, electrical and multimedia products
Mana Industrial Limited	Hong Kong	HK\$10,000	100%	Inactive
March Professional Bags Company Limited	Hong Kong/PRC	HK\$50,000	100%	Manufacturing and trading of accessories for photographic, electrical and multimedia products; inactive since January 2008
Mascotte Industrial Associates Group Limited	British Virgin Islands/ Hong Kong	US\$4	100%	Investment holding
Mascotte Industrial Associates (Hong Kong) Limited	Hong Kong	HK\$2	100%	Trading of accessories for photographic, electrical and multimedia products
馬斯葛志豪照相器材 (惠州)有限公司 Mascotte Zhi Hao Photographic Equipment (Hui Zhou) Co. Ltd. (note a)	PRC	US\$3,180,000	90%	Property holding and manufacture of accessories for photographic, electrical and multimedia products
Mascotte Hui Zhou Limited	British Virgin Islands/ PRC	US\$1	100%	Investment holding
Mascotte Overseas Limited	British Virgin Islands	US\$1,795,000	100%	Inactive

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2008

### 32. SUBSIDIARIES *(Continued)*

Name	Place of incorporation or registration/ operation	Issued and fully paid ordinary share capital/ registered and contributed capital	Attributable equity interest held by the Group	Principal activities
<b>Indirect subsidiaries</b> <i>(continued)</i>				
Mascotte Photographic Trading Limited	British Virgin Islands	US\$1	100%	Inactive
Newland Kingdom Limited	Hong Kong	HK\$9,998 HK\$2*	100%	Inactive
Jet Star Industries Limited	Hong Kong/ PRC	HK\$9,998 HK\$2*	100%	Property holding
Tak Ya Leather Goods Manufactory Limited	British Virgin Islands/ PRC	US\$1	100%	Investment holding
Union Glory Finance Inc.	British Virgin Islands/ Hong Kong	US\$1	100%	Inactive

\* *These represent non-voting deferred shares (note c).*

*Notes:*

- (a) These companies are equity joint ventures.
- (b) Dongguan Tak Ya Leather Goods Manufactory Limited was established by the Group with an independent party in the PRC. Under various agreements entered into with the PRC party, the Group is entitled to all of the profits derived from its operations up to 31 December 2011.
- (c) These deferred shares, which are not held by the Group, practically carry no rights to dividends and no rights to receive notice of or to attend or vote at any general meeting of the respective companies. On winding up, the holders of the deferred shares are entitled to distribution out of the remaining assets of the respective companies only after the distribution of substantial amounts as specified in the Articles of Associations to holders of ordinary shares of the respective companies.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2008

### 33. POST BALANCE SHEET EVENTS

In addition to the post balance sheet events disclosed elsewhere in these financial statements, subsequent to the balance sheet date, pursuant to the prospectus of the Company dated 10 July 2008, the Company proposed to issue 953,080,050 rights shares of HK\$0.10 each at HK\$0.15 per rights share on the basis of one rights share for every two existing shares held on record date (i.e. 9 July 2008) by qualifying shareholders (the "Rights Issue"). The Rights Issue is expected to be completed on 1 August 2008, raising net proceeds of approximately HK\$138 million.

## FINANCIAL SUMMARY

### RESULTS

	Year ended 31 March				2008 HK\$'000
	2004 HK\$'000	2005 HK\$'000	2006 HK\$'000	2007 HK\$'000	
Turnover	159,832	182,661	209,396	232,496	<b>649,284</b>
Profit (loss) before taxation	20,372	12,279	16,194	14,851	<b>(229,284)</b>
Income tax expenses	(1,121)	(5,519)	(3,452)	(4,546)	<b>(3,504)</b>
Profit (loss) for the year	19,251	6,760	12,742	10,305	<b>(232,788)</b>
Attributable to:					
Equity holders of the Company	18,904	6,560	12,472	10,540	<b>(232,807)</b>
Minority interests	347	200	270	(235)	<b>19</b>
	19,251	6,760	12,742	10,305	<b>(232,788)</b>

### ASSETS AND LIABILITIES

	At 31 March				2008 HK\$'000
	2004 HK\$'000	2005 HK\$'000	2006 HK\$'000	2007 HK\$'000	
Total assets	249,868	236,869	248,722	345,222	<b>650,444</b>
Total liabilities	(68,320)	(52,769)	(54,943)	(105,669)	<b>(40,923)</b>
	181,548	184,100	193,779	239,553	<b>609,521</b>
Equity attributable to equity holders of the Company	178,895	181,246	190,574	236,515	<b>606,121</b>
Minority interests	2,653	2,854	3,205	3,038	<b>3,400</b>
	181,548	184,100	193,779	239,553	<b>609,521</b>

2005 figures have been adjusted to reflect the change in accounting policy for the adoption of HKAS 17 and 40, which are effective for accounting period beginning on or after 1 January 2005. No restatement of financial statements for 2003 and 2004 was made for the adoption of HKAS 17 and 40 as the Company considered it is not practical to do so.

## PARTICULARS OF INVESTMENT PROPERTIES

Location	Lease term	Group's interest	Type
<b>PEOPLE'S REPUBLIC OF CHINA</b>			
A portion of the factory complex situated at Lot No. 14-03-129, Hui Shan Expressway, Pingtan Town, Huiyang County, Huizhou, Guangdong Province	Medium-term lease	90%	Commercial
Ji Fu Building, No. 103 Shibafu Road, Liwan District, Guangzhou Province	Medium-term lease	100%	Commercial
Units 1502 and 1503 on level 15, Pacific Trade Building, Jia Bin Road, Shenzhen, Guangdong Province	Medium-term lease	100%	Commercial