Annual Report 2008

中國鎂業資源集團有限公司

Magnesium Resources Corporation of China Limited

(Incorporated in Bermuda with limited liability)

Stock code: 723

Contents

EXECUTIVE DIRECTORS

Mr. Cheng Tun Nei *(Chairman)*
Mr. Teoh Tean Chai, Anthony (Acting Chief Executive Officer)
Ms. Chung Oi Ling, Stella

NON-EXECUTIVE DIRECTOR

Ms. Li Wa Hei

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wu Chi Chiu
Mr. Lo Chi Ho, William
Mr. Chu Kin Wang, Peleus

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Ms. Wong Fei Tat

AUTHORIZED REPRESENTATIVES

Mr. Teoh Tean Chai, Anthony
Ms. Wong Fei Tat

LEGAL ADVISERS TO THE COMPANY

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20/F, Gloucester Tower
The Landmark
11 Pedder Street, Central
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As to Bermuda Law
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8 Connaught Place Central
Hong Kong

AUDITORS

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20/F., Sunning Plaza
10 Hysan Avenue
Causeway Bay
Hong Kong

PRINCIPAL BANKER

Hang Seng Bank Limited

SHARE REGISTRARS

Principal Registrar
Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

Hong Kong Branch Registrar
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HONG KONG STOCK EXCHANGE CODE

Ordinary Share
723

Registered Warrant
473

Financial Highlights

	2008 HK$'000	2007 HK$'000	Changes
Operating results			
Continuing operations			
Turnover	**123,037**	6,691	1,738.8%
Gross profit	**14,686**	927	1,484.3%
Discontinued operations			
Turnover	**99,817**	203,010	-50.8%
Gross (loss) profit	**(9,457)**	13,873	-168.2%
Loss attributable to equity shareholders of the Company	**(112,892)**	(55,027)	105.2%
Financial position at year end			
Property, plant and equipment	**46,519**	89,332	-47.9%
Intangible assets	**2,022,541**	–	100%
Cash and bank balances	**149,549**	57,264	161.2%
Net current assets	**201,092**	77,934	158.0%
Total assets	**2,361,532**	299,792	687.7%
Total interest–bearing loans	**1,214,823**	30,467	3,887.3%
Total liabilities	**1,283,928**	141,653	806.4%
Equity attributable to the Company's equity shareholders	**658,187**	144,239	356.3%
Per share information			
Basic loss per share (Hong Kong cents)			
Continuing operations	**(2.03)**	(1.93)	5.2%
Discontinued operations	**(3.71)**	(2.13)	74.2%
	(5.74)	(4.06)	41.4%
Dividends per share (Hong Kong cents)	**–**	–	–
Net asset value per share (Hong Kong cents)	**37.2**	10.2	264.7%

I hereby present the annual report and financial results of Magnesium Resources Corporation of China Limited together with its subsidiaries (the "Group") for the year ended 31 March 2008.

RESULTS

The Group's turnover rose 6.3% to HK$222.9 million for the year (2007: HK$209.7 million). The loss per share amounted to HK5.74 cents for the current year.

DIVIDENDS

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

BUSINESS

The financial year 2008 was another difficult year for the Group. The persistent hardship and keen competition constrained the performance of home appliances manufacturing business. The decision to dispose the business was made in December 2007 and the disposal was completed on 31 January 2008.

The acquisition of the Lishugou Magnesite Project was completed on 6 March 2008 and its operating results have since been incorporated into the financial statements for the year ended 31 March 2008. The acquisition has enabled the Group to participate in the magnesite mining industry in the PRC and broaden our revenue base.

The turnover of the Group's building materials business was approximately HK$121.6 million (2007: HK$6.7 million). The business has been focusing on marble and light-weight building materials supply and installation. In view of the rapid development in the property markets in Hong Kong and Macau, the Group expects the contribution from the building material business will continue to grow in the coming years.

The Group is also engaged in the development of property projects in Dongguan, Guangdong Province in the PRC. The final phase of Jia Lake Mountain Villa in Liaobu, Dongguan will be developed into a residential and commercial estate with total GFA of approximately 47,000 square meters. The renovation of the shopping mall in Dongguan has been completed and leasing activities have commenced. The Group is also considering the redevelopment of the 66,000 square meters site formerly occupied by the factory of our home appliance business.

PROSPECTS

The Group has been seeking different investment opportunities in order to enhance shareholders' value. The Lishugou Magnesite Project has good business potential and will broaden the Group's revenue base by diversifying into the mining and processing of magnesite ore.

In view of the buoyant property markets in Hong Kong and Macau, the Group expects the contribution from the building material business to grow at a steady pace. We have recently formed a new joint venture company which focuses on waterproof bathroom TV to complement our building material business.

The slowdown of the property market in the PRC due to austerity measures introduced by the government has put pressure on property prices in Dongguan, Guangdong Province, the PRC. The Group would explore available opportunities in our property projects in Dongguan in order to enhance shareholders' value.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to extend my sincere gratitude to clients and business partners for their support. I would also like to thank the management team and all members of staff for their dedicated services.

Cheng Tun Nei
Chairman

Hong Kong 28 July 2008

I hereby present the annual report and financial results of Magnesium Resources Corporation of China Limited together with its subsidiaries (the "Group") for the year ended 31 March 2008.

RESULTS & REVIEW

For the year ended 31 March 2008, the Group recorded a loss of HK$112.9 million (2007: HK$55.0 million), representing an increase of 105.2% from the previous year. Turnover of the Group rose to HK$222.9 million (2007: HK$209.7 million), an increase of 6.3%. Loss per share was HK5.74 cents (2007: HK4.06 cents).

We have turned our business focus to mining during the financial year ended 31 March 2008 and acquired the Lishuguo Magnesite Mine in Haicheng, Liaoning Province, the PRC. We have also disposed our home appliances business on 31 January 2008 in view of the persistent hardship and keen competition in the industry. Our building materials business has secured several major contracts in Hong Kong and Macau during the year and has become a solid contributor to the Group's earnings.

CORPORATE GOVERNANCE

The Board believes that a high standard of corporate governance and transparency is of utmost importance. The Audit Committee and Remuneration Committee are mainly composed of Independent Non-executive Directors. They supervised the Group's management and decided the matters of finance, operation and remuneration of the employees and Directors.

EMPLOYEES

The total number of employees in the Group stood at approximately 70 as at 31 March 2008. Staff remuneration (excluding emoluments of the Directors) amounted to HK$29.4 million. Employees are remunerated according to their performance and contribution. Other employee benefits include but not limited to provident fund, insurance, medical cover and share option scheme.

OUTLOOK

Magnesite Mining Business

We have completed the acquisition of the Lishugou Magnesite Project on 6 March 2008, which has marked the Group's foray into the mining business. Currently, the magnesite ore mined is all for sale in the PRC. In order to better utilize the mine and provide better return to the Group, we intend to invest up to RMB165 million (equivalent to approximately HK$183 million) for the construction of a refractory plant. The Company is still looking at different funding resources for the above investment despite a difficult environment in the capital market.

Building Materials Business

Since United Anex Engineering Limited was incorporated in December 2006, our building material business has projects on hand of over HK$150 million. During the year, United Anex Engineering Limited has completed a number of projects in Hong Kong and Macau, including projects such as the MGM Grand Hotel and the Tiu Keng Leng Station. Other projects on hand include the external paving of One Island East, the podium works of The Venetian Macau, the hotel portion of One Central Macau and a hotel in Discovery Bay.

The Group has recently entered into a joint venture for the sale of waterproof bathroom TV. Ever Think Technology Limited, a newly formed joint venture, has recently signed a contract to provide waterproof TV for the Nova City residential project in Macau.

Property Development Business

The Group's property development projects are in Dongguan, Guangdong Province, the PRC. The Group has submitted proposal to develop Jia Lake Mountain Villa Phase IV in Liaobu, Dongguan and is pending for government approval. The renovation of the existing shopping mall was completed in late 2007 and has been released onto the market for rental purposes.

ACKNOWLEDGEMENT

I wish to express my gratitude to our business partners, shareholders and my colleague for their continuous support to the Group.

TEOH Tean Chai, Anthony
Acting Chief Executive Officer

Hong Kong 28 July 2008

FINANCIAL REVIEW

For the year ended 31 March 2008, the turnover of the Group was HK$222.9 million, representing a 6.3% increase over the corresponding financial year of HK$209.7 million. During the year under review, the building materials business has recorded a significant growth with a turnover of approximately HK$121.6 million (2007: HK$6.7 million), while HK$99.8 million (2007: HK$203.0 million) turnover was contributed by the home appliances division.

Loss attributable to the equity shareholders of the Company for the year ended 31 March 2008 amounted to HK$112.9 million, as compared to HK$55.0 million recorded in last year, significant increase in loss during the year was mainly due to the disposal of the home appliances business.

During the year under review, the Group comprised four business segments: home appliances, real estate, building materials and magnesite mine. Home appliance operation was a discontinued business segment while mining segment was newly acquired business segment during the year. Hence, real estate, building materials and mining are three continuing operations for the year ended 31 March 2008.

Home Appliances Business

Turnover and segment loss from home appliances operations for the year ended 31 March 2008 was approximately HK$99.8 million and HK$47.4 million respectively as compared to approximately HK$203.0 million and HK$26.9 million respectively for the year ended 31 March 2007. Due to keen competition of home appliances manufacturing business, the substantial increases in the essential raw materials costs, the gradual raise of labour cost in the PRC and the appreciation of Renminbi, the operating environments became increasingly difficult and the home appliances business recorded consecutive losses in recent years. Given the continued unfavourable market conditions, the prospects of the home appliances manufacturing business remained difficult in the future. On 8 December 2007, the Company entered into a conditional agreement to dispose of its home appliances business and the disposal was completed on 31 January 2008. A loss of approximately HK$24.5 million from the disposal was realized.

Property Development Business

Due to the slowdown of the property market in the PRC, the Jia Lake Shopping Mall in Dongguan was vacant and generated no income during the year under review. Also, the final phase of Jia Lake Mountain Villa was still under development stage, the Group needs to continually finance the real estate segment. As a result, this segment recorded a net loss of HK$13.7 million (2007: HK$1.0 million) mainly due to administrative expenses incurred during the year.

Building Materials Business

During the year under review, the building materials segment contributed significant growth to the Group. Turnover for the year ended 31 March 2008 was approximately HK$121.6 million as compared to HK$6.7 million recorded in last financial year, representing an increase of 1,714.9%. This operation generated a segment profit of HK$6.8 million to the Group while a loss of HK$2.9 million was recorded in the last financial year. As the Group has secured more than ten projects up to the date of this annual report and in view of the rapid development in property markets in Hong Kong and Macau, the Group expects the contribution from the building materials business to be considerable in the coming financial year.

Magnesite Mining Business

The Group acquired 80% indirect interest of Haicheng Dongxin Industry Limited, which is principally engaged in the mining and processing of magnesite ore at the Lishugou magnesite mine. The acquisition was completed on 6 March 2008. Since less than one month contribution was made by this segment, only HK$1.4 million of turnover and HK$8.5 million segment loss was recorded for the year ended 31 March 2008.

LIQUIDITY AND FINANCIAL RESOURCES

For the year ended 31 March 2008, the Group has implemented a prudent financial management policy. On 6 July 2007, the Company has successfully completed the placing of 307,000,000 new shares at the placing price of HK$0.50 per new share. The net proceeds from the top-up subscription of HK$147.5 million have been used to finance general working capital of the Group. As at 31 March 2008, the Group has cash and bank balances (including pledged bank deposits) amounting to approximately HK$149.5 million (2007: HK$57.2 million).

On 6 March 2008, the Company issued 800,000,000 new shares at HK$0.52 as part of the consideration to the Vendor for the acquisition of 80% indirect interest in magnesite mine. At the completion date, the fair value of the consideration share is at HK$0.265 per share, being the market price of the share of the Company.

The Group's gearing ratio expressed as a percentage of total interest-bearing borrowings over equity attributable to the Company's equity holders, increased from 21.1% at the beginning of the year to 184.6% as at 31 March 2008. The increase was mainly due to the issuance of convertible notes and promissory notes to finance the acquisition of subsidiaries for the magnesite business.

The Group has HK$1,214.8 million (2007: HK$30.5 million) interest-bearing borrowings consisted of HK$13.8 million bank overdrafts, HK$25.8 million secured trust receipt loans, HK$855.2 million convertible notes and HK$320.0 million promissory notes. Except for convertible notes and promissory notes, the aforesaid loans are repayable within one year which comprise 3.3% (2007: 99.7%). As at 31 March 2008, the Group's working capital was approximately HK$201.1 million (2007: HK$77.9 million).

As at 31 March 2008, the Group has issued corporate guarantee and pledged bank balances in the amount of HK$27.5 million (2007: HK$10.8 million) as securities for the issuance of a performance bond and general banking facilities to certain subsidiaries.

The Group undertook the obligation under a buy-back undertaking entered with a bank of approximately RMB17,750,000 (equivalent to approximately HK$19,703,000) (2007: HK$20,927,000) relating to the mortgage loans arranged for certain purchasers of the Group's properties sold. Pursuant to the terms of the undertaking, in the event of any default in mortgage payments by any of these purchasers, the Group is responsible to repay the outstanding mortgage principal balances together with accrued interest and penalties owed by the defaulted purchasers and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period commences from the dates of the drawdown of the relevant mortgage loans and ends when the Group obtains the "property title certificate" for the mortgagees.

A deposit of RMB2,395,000 (equivalent to HK$2,661,000) was pledged to the bank as security for the Group's obligation under the above undertaking.

No recognition was made for the undertaking as the fair value was insignificant and that the directors did not consider that a claim would probable be made against the Group under the undertaking.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 31 March 2008, the Group has approximately 70 (2007: 1,693) employees in Hong Kong and mainland China. The total amount of remuneration paid by the Group to its employees (including directors) for the year was HK$36.3 million (2007: HK$47.6 million).

In order to retain and attract high caliber executives and employees, the Group rewards its employees according to prevailing market practices, employees' individual experience and performance are reviewed regularly. In addition to the provision of annual bonus, provident fund scheme and medical insurance coverage, discretionary bonuses and share option are also available to employees based on their performance.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

On 8 December 2007, the Company entered into a conditional agreement to dispose of its entire interests in Antec Appliances Limited ("Antec Appliances") and Anex Electrical Company Limited ("Anex Electrical") and the entire amounts owing by Antec Appliances and Anex Electrical and their subsidiaries to the Group on the completion date, representing the Group's entire interest in its home appliances manufacturing business, at a consideration of HK$4. The disposal was completed on 31 January 2008.

On 28 November 2007, the Company entered into the conditional acquisition agreement to acquire the Sale Shares and the Sale Loan of Ling Kit Holding Limited from the Vendor at a total consideration of HK$1,828.0 million. Ling Kit is an investment holding company solely engaged in the holding of an 80% equity interest in Haicheng Dongxin Industry Limited, which is principally engaged in the mining and processing of magnesite ore at the Lishugou magnesite mine. The acquisition of Ling Kit was completed on 6 March 2008. The consideration was satisfied by (i) the issue of 800,000,000 Consideration Shares at the price of HK$0.52 per Consideration Share by the Company to the Vendor; (ii) the issue of Promissory Note in the amount of HK$320.0 million by the Company to the Vendor; and (iii) the issue of the Convertible Note in the amount of HK$1,092.0 million by the Company to the Vendor.

EXPOSURE TO EXCHANGE RISK

The Group mainly operates in Asia Pacific, including mainland China, Macau and Hong Kong. Most of the Group's transactions, assets and liabilities are denominated in Renminbi and Hong Kong Dollars.

Foreign exchange risk arises from fluctuations of exchange rates of foreign currencies. The Group manages its foreign exchange risks by performing regular review and monitoring its foreign exchange exposures.

FINANCIAL INSTRUMENTS FOR HEDGING PURPOSES

The Group had neither foreign currency hedging activities nor any financial instruments for hedging purposes during the year.

DIRECTORS

Executive Directors

Mr. Cheng Tun Nei, aged 44, is the chairman of the Board, Mr. Cheng graduated from tertiary level education in mainland China. He is a businessman principally engaged in manufacturing of electronic products, hotel investment, real estate investment and development as well as import and export business for more than 20 years.

Mr. Teoh Tean Chai, Anthony, aged 50, is the director of corporate development and investor relations. Mr. Teoh holds a Master's degree in Business Administration from the University of East Asia, Macau. Prior to joining the Group, Mr. Teoh held the position of research director in a Hong Kong listed financial company. He has over 20 years' experience in investment research and held senior positions in a number of international investment banks.

Ms. Chung Oi Ling, Stella, aged 46, holds a Bachelor's degree in Accounting and Banking from Chu Hai College, Hong Kong. She has more than 15 years of extensive experience in administration, personnel and sales & marketing.

Non-executive Director

Ms. Li Wa Hei, aged 40, is the wife of Mr. Cheng Tun Nei (a substantial shareholder, an executive director and chairman of the Company). Ms. Li graduated from tertiary level in mainland China. She is a merchant principally engaged in real estate investment and development as well as import and export business for more than 10 years.

Independent Non-Executive Directors

Mr. Lo Chi Ho, William, aged 42, has obtained Chartered Accountant qualification in the U.K. and is a fellow of the Hong Kong Institute of Certified Public Accountants. Mr. Lo holds an honour Bachelor's degree in Chemical Engineering and Fuel Technology from Sheffield University, the U.K. Mr. Lo has over 19 years of accounting and corporate finance experience working as senior management in international accounting firms in the U.K. and Hong Kong, multinational consumable goods company, international investment banks and was formerly a non-executive director of Paul Y. Engineering Group Limited, a company listed on the Main Board of the Stock Exchange. He is also an independent non-executive director of China Motion Telecom International Limited, a company listed on the Main Board of the Stock Exchange. Currently Mr. Lo is also the chief executive officer and an executive director of Sino Gas Group Limited, a company listed on the Main Board of the Stock Exchange.

Mr. Wu Chi Chiu, aged 45, is an experienced investor in local property and equity investment market. Mr. Wu holds a Bachelor of Science degree from the University of Toronto. He has over 15 years of experience in the field of property investment and development in Hong Kong and securities investment in local equity market. He currently is the chief executive officer and an executive director of China Motion Telecom International Limited, a company listed on the Main Board of the Stock Exchange.

Mr. Chu Kin Wang, Peleus, aged 43, graduated from the University of Hong Kong with a Master's degree in Business Administration. Mr. Chu is a fellow practicing member of Hong Kong Institute of Certified Public Accountants, fellow member of the Association of Chartered Certified Accountants, associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators. Mr. Chu was the executive director of Apex Capital Limited, an investment company listed on the Main Board of the Stock Exchange, for the period from September 2005 to March 2007. He has been appointed as an independent non-executive director of Eyang Holdings (Group) Co. Limited, a company listed on the Main Board of the Stock Exchange in April 2007. He is currently the qualified accountant and company secretary of Hong Long Holdings Limited, a company listed on the Main Board of the Stock Exchange.

SENIOR MANAGEMENT

Ms. Wong Fei Tat, aged 33, is the secretary and chief financial officer of the Group. She joined the Group in January 2008. She has over 12 years of experience in the accounting field. She holds a Bachelor degree in Commerce from the University of Sydney and a postgraduate diploma in Corporate Administration and a Master's degree in Corporate Governance from the Hong Kong Polytechnic University. She is an associate member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Secretaries and Administrators, the Hong Kong Institute of Chartered Secretaries and is a certified practising accountant of CPA Australia. Ms. Wong is currently an independent non-executive director of China Motion Telecom International Limited, a company listed on the Main Board of the Stock Exchange.

Mr. Lee Kwok Keung, aged 45, is the general manager of the Group's building materials division and is responsible for the overall management of the division. Mr. Lee joined the Group in 2006. He has more than 20 years of experience in the construction field with the involvement in method team, project management, tender estimation and project planning and design coordination.

Mr. Wong Yin Lung, Angus, aged 53, is the director of the Group's property development division and is responsible for the overall management of the division. Mr. Wong joined the Group in October 2006. He is a member of the Royal Institution of Chartered Surveyors, a member of the Hong Kong Institute of Surveyor, a Registered Professional Surveyor (General Practice) in Hong Kong, and he has a degree of Master of Business Administration from the Durham University of England, UK. Prior to joining the Group, his real estate experience included working for the Hong Kong Government, professional real estate consultant firms and real estate developers in Hong Kong, China and Canada. He has more than 30 years of wide spectrum of consultancy, government, corporate and real estate experience in Hong Kong, China and overseas.

Mr. Zhang Da Wei, aged 59. Mr. Zhang joined the Group in November 2007, he is the deputy general manager of Haichang Dongxin Industry Limited, a subsidiary of Group which is engaged in mining and processing of magnesite ore. Mr. Zhang is in charge of the Group's magnesite mining operation. He graduated from the Faculty of Mechanical Engineering of Northeastern University in China. He has participated in the construction of various major metallurgical engineering projects, and also conducted and completed various technological transformation projects in China.

The Company is committed to maintain a high standard of corporate governance. The directors believe that sound and reasonable corporate governance practices are essential for the growth of the Group and for safeguarding shareholders' interests. The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the financial year ended 31 March 2008 except for the deviation from code provision A.4.1 in respect of the requirement for all non-executive directors be appointed for a specific term and A.4.4 in respect of the establishment of a nomination committee with explanation below. The Company periodically reviews its corporate governance practices to ensure that these continue to meet the requirements of the Code.

THE BOARD OF DIRECTORS

Composition

As at 31 March 2008, the Board comprises three executive directors, one non-executive director and three independent non-executive directors. The Board formulates overall strategies and policies of the Group, approves the strategic plans, investment and funding decisions and reviews the Group's financial and operational performance. The Board has delegated the authority and responsibility of overseeing the Group's day to day operations to the executive committee. The brief biographic details of and the relationship among Board members are set out in the Biographical Details of Directors and Senior Management on pages 13 to 15 of this annual report.

The Board has received from each independent non-executive director a written confirmation of their independence in accordance with the Listing Rules. The Company considers Mr. Lo Chi Ho, William, Mr. Wu Chi Chiu and Mr. Chu Kin Wang, Peleus to be independent.

Nevertheless, for the purposes of Rule 3.16(6) and (7) of the Listing Rules, Mr. Wu Chi Chiu ("Mr. Wu") became connected with Mr. Yam Tak Cheung ("Mr. Yam") since 6 March 2008 when Mr. Yam acquired his existing shareholding interests in the Company in that Mr. Wu is the executive director of China Motion Telecom International Limited of which Mr. Yam is a substantial shareholder. However, the Company considers that Mr. Wu to be independent for the reasons that Mr. Yam is a passive substantial investor in a number of listed companies and he does not involve in any daily operation of the Group and Mr. Wu does not have any relationship with the Company and its management which would adversely affect his capability to bring balanced and disinterested views to the Board of the Company.

The directors of the Company are fully insured under a Directors' and Officers' Liability Insurance policy for indemnification against costs, charges, losses, expenses and liabilities that may be incurred by them in the execution and discharge of their duties or any business in relation thereto.

Prior to the board meetings, Board members are provided with all agendas and adequate information for their review. Minutes of board meetings and meetings of all specialized committees under the board are kept by the company secretary and are available for inspection by the directors at all times. Each director is entitled to seek independent professional advice in appropriate circumstances at the expense of the Company.

During the year ended 31 March 2008, other than resolutions passed in writing by all the Directors, the Board held 12 meetings. The attendance of each member at the board meetings and committee meetings for the year ended 31 March 2008 are set out in the table below.

	Number of meetings attended/held		
Directors	**Board**	**Audit Committee**	**Remuneration Committee**
Executive Directors:			
Mr. Cheng Tun Nei	11/12		1/1
Mr. Kwok Hon Lam *(resigned on 31 August 2007)*	5/7		
Dr. Siu Miu Man *(resigned on 31 January 2008)*	12/12		
Mr. Kwok Chi Hang, Peter *(resigned on 31 August 2007)*	6/7		
Mr. Cheng Tze Kit, Larry *(retired on 31 August 2007)*	4/7		
Mr. Teoh Tean Chai, Anthony *(appointed on 31 August 2007)*	5/5		
Ms. Chung Oi Ling, Stella *(appointed on 31 August 2007)*	5/5		
Non-Executive Director			
Mr. Yeung Chee Tat *(retired on 31 August 2007)*	5/7		
Ms. Li Wa Hei *(appointed on 31 August 2007)*	6/6		

Directors	Number of meetings attended/held Board	 Audit Committee	 Remuneration Committee
Independent Non-Executive Directors			
Mr. Chan Sun Kwong *(resigned on 31 January 2008)*	10/12	4/4	0/1
Mr. Fung Kwan Yin, James *(resigned on 2 April 2007)*	0/1	0/0	0/0
Mr. Chow Nim Sun, Nelson *(resigned on 31 August 2007)*	4/7	3/3	1/1
Mr. Lam Kwok Cheong *(appointed on 2 April 2007 and retired on 31 August 2007)*	4/6	3/3	
Mr. Lo Chi Ho, William *(appointed on 31 August 2007)*	4/5	1/1	
Mr. Wu Chi Chiu *(appointed on 31 August 2007)*	5/5	1/1	0/0
Mr. Chu Kin Wang, Peleus *(appointed on 31 January 2008)*	0/0	0/0	0/0

Chairman and Chief Executive Officer

The roles of the chairman and the chief executive officer of the Company are segregated. The position of chairman is held by Mr. Cheng Tun Nei and the acting chief executive officer is Mr. Teoh Tean Chai, Anthony. The roles of the chairman and chief executive officer are clearly defined to ensure their respective independence, accountability and responsibilities.

The chairman is responsible for formulating overall strategies and policies of the Group and overseeing the effective running of the Board. The chief executive officer is responsible for the day-to-day overall business operations and implementing major decision of the Board and overall strategies of the Group.

Appointments, Re-election and Removal of Directors

The Company has not yet adopted Code Provision A.4.1 which provides that non-executive directors should be appointed for a specific term. However, according to the bye-laws of the Company, each director appointed to fill a causal vacancy shall be subject to re-election at the next following general meeting or until the next following annual general meeting in the case of an addition to the Board and shall then be eligible for re-election at such meeting. Moreover, one-third of the Directors (including the independent non-executive directors) shall retire from office by rotation at least once every three years.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. After having made specific enquiry to all directors, the directors have complied with the required standards set out in the Model Code for the year ended 31 March 2008.

Board Committee

The Company currently has two Board Committees, namely the Audit Committee and the Remuneration Committee which serve the important function of ensuring and monitoring the basis for an effective corporate governance framework. All Board Committees have clear and specific written terms of reference and they report their work to the Board after each meeting.

The Company does not have a nomination committee. The Board is empowered to appoint any person as a director either to fill a casual vacancy or as an addition to the Board. Such appointment is made on the basis of qualifications, experience and overall integrity of the potential candidate.

Audit Committee

As at the date of this report, the Audit Committee comprises three independent non-executive directors namely Mr. Lo Chi Ho, William (as Chairman), Mr. Wu Chi Chiu and Mr. Chu Kin Wang, Peleus. The primary duties of the Audit Committee are to review and supervise the Company's financial reporting system and internal control and provide advice and comments to the Board.

Remuneration Committee

The Remuneration Committee currently comprises Mr. Cheng Tun Nei, Mr. Wu Chi Chiu and Mr. Chu Kin Wang, Peleus. The Remuneration Committee was established with specific written terms of reference to review and give recommendations to the Board in relation to the remuneration policy of directors and senior management. The remuneration of all the directors and senior management is subject to regular monitoring by the Remuneration Committee. The Committee helps to establish and maintain an appropriate and competitive level of remuneration to attract, retain and motivate people of high caliber and experience. The Remuneration Committee ensures that no director is involved in deciding his own remuneration.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The directors acknowledge their responsibility for the preparation and the true and fair presentation of the consolidated financial statements for the year ended 31 March 2008 in accordance with Hong Kong Financial Reporting Standards. The directors aim to present a balanced, clear and understandable assessment of the Group's position and prospects.

In preparing the accounts for the year ended 31 March 2008, the directors have adopted suitable accounting policies and applied them consistently, made judgements and estimates that are prudent and reasonable and have prepared the accounts on a going concern basis.

CCIF CPA Limited was re-appointed as the Company's external auditor at the 2007 Annual General Meeting until the conclusion of the next annual general meeting.

The reporting responsibility of the external auditor of the Company on the consolidated financial statements of the Group are set out in the Independent Auditor's Report on page 28 to 29 of this annual report.

Internal Control

The Board is responsible for the internal control system of the Group and for reviewing its effectiveness through the Audit Committee. The internal control system is to help to ensure effective measures are in place to protect the Group's assets and the maintenance of accounting records and the compliance with relevant legislation and regulations.

During the period, the Board has reviewed operational and financial report, budgets and business plans in order to ensure the effectiveness and adequacy of the system.

Auditor's Remuneration

For the year ended 31 March 2008, the fee paid to the Company's auditor is set out as below:

Services rendered	**Fee paid Approximately** *HK$'000*
Audit services (2007: approximately HK$600,000)	1,271
Non-audit services (2007: approximately HK$110,000)	672
Total:	1,943

COMMUNICATION WITH SHAREHOLDERS

The general meetings of the Company provide a forum for communication between the Board and the shareholders. The directors, senior executives and external auditor make their best effort to attend the Annual General Meeting of the Company to address shareholders queries.

The Company has informed the shareholders in its circular convening a general meeting the procedures for and the rights of shareholders to demand a poll and the chairman of a meeting has at the commencement of the meeting ensure that an explanation is provided of the procedure demanding a poll and the detailed procedures for conducting a poll.

Updated key information of the Group is available on the Company's website to enable the shareholders of the Company and the investors to have timely access to information about the Group.

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2008.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The principal activities of the Group comprise of magnesite mining in the PRC, the design and manufacture of electrical appliances, trading of merchandise, building material supply and installation and property development.

An analysis of the Group's performance for the year by geographical segment is set out in note 7 to the financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2008 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 30 to 33.

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

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 135.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year are set out in note 17 to the financial statements.

SHARE CAPITAL

During the year under review, a total of 246,934,404 new shares of the Company were allotted and issued to the holders of the 2008 Warrants of the Company who exercised the subscription rights in an aggregate amount of HK$24,693,440.40 attaching to the 2008 Warrants at the subscription price of HK$0.10 per share. During the exercise period, a total of 306,793,444 new shares were allotted and issued upon exercise of the 2008 Warrants, and the amount of the 2008 Warrants remaining outstanding was HK$66,325.20 and was lapsed upon expiry on 4 July 2008.

On 6 July 2007, the Company has successfully completed the placing of 307,000,000 new shares at the Placing Price of HK$0.50 per new share. The net proceeds from the top-up subscription of HK$147.5 million have been used to finance general working capital of the Group.

On 6 March 2008, the Company issued convertible note in principal amount of HK$1,092.0 million ("Convertible Note") to Pure Hope Development Limited with maturity date on the business day falling on the fifth anniversary from the issue date of the Convertible Note. The Convertible Note is convertible into ordinary shares of the Company at an initial conversion price of HK$0.52 per Conversion Share (subject to adjustment) at any time from the date of issue up to the maturity date. The Convertible Note will be converted into a total of 2,100,000,000 Conversion Shares upon full conversion of the Convertible Note. Interest on the Convertible Note shall accrue on the principal amount of the Convertible Note at 1.5% per annum and payable annually.

Details of the movements in share capital of the Company are set out in note 32 to the financial statements.

PRE-EMPTIVE RIGHTS

There is no provision 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.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 March 2008, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

SHARE OPTION SCHEME

Details of the share option scheme of the Company are set out in note 33 to the financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 34 to the financial statements and in the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

At 31 March 2008, the Company's reserves available for distribution, calculated in accordance with the Companies Act 1981 of Bermuda (as amended), amounted to HK$65,496,000 (2007: Nil).

DIRECTORS

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

Executive Directors:

Mr. Cheng Tun Nei *(Chairman)*	
Mr. Kwok Hon Lam *(Vice Chairman)*	(resigned on 31 August 2007)
Dr. Siu Miu Man *(Chief Executive Officer)*	(resigned on 31 January 2008)
Mr. Kwok Chi Hang, Peter	(resigned on 31 August 2007)
Mr. Cheng Tze Kit, Larry	(retired on 31 August 2007)
Mr. Teoh Tean Chai, Anthony	(appointed on 31 August 2007)
Ms. Chung Oi Ling, Stella	(appointed on 31 august 2007)

Non-executive Director:

Mr. Yeung Chee Tat	(retired on 31 August 2007)
Ms. Li Wa Hei	(appointed on 31 August 2007)

Independent Non-executive Directors:

Mr. Chan Sun Kwong	(resigned on 31 January 2008)
Mr. Fung Kwan Yin, James	(resigned on 2 April 2007)
Mr. Chow Nim Sun, Nelson	(resigned on 31 August 2007)
Mr. Lam Kwok Cheong	(retired on 31 August 2007)
Mr. Lo Chi Ho, William	(appointed on 31 August 2007)
Mr. Wu Chi Chiu	(appointed on 31 August 2007)
Mr. Chu Kin Wang, Peleus	(appointed on 31 January 2008)

In accordance with Bye-laws 86(2) and 87 of the Company's Bye-laws, Mr. Chu Kin Wang, Peleus and Mr. Wu Chi Chiu shall retire by rotation at the forthcoming annual general meeting. Save for Mr. Wu Chi Chiu who has indicated that he would not seek for re-election at the forthcoming annual general meeting, the other retiring director, Mr. Chu Kin Wan, Peleus, being eligible, has agreed to offer himself for re-election.

DIRECTORS' SERVICE CONTRACTS

None of the Directors had any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable within one year without payment of compensation (other than statutory compensation)).

BIOGRAPHICAL DETAILS OF DIRECTORS' AND SENIOR MANAGEMENT

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 13 to 15.

DIRECTORS' INTERESTS IN CONTRACTS

During the year, none of the Directors had any direct or indirect material interest in any contracts of significance to the business of the Group to which the Company or any of its subsidiaries was a party save in respect the following:

(a) During the year, the Group paid rental expenses to a related company wholly-owned by Mr. Cheng Tun Nei and Ms. Li Wa Hei, the Chairman of the Board and a non-executive director respectively, for the lease of an office and a car park at a monthly rental of HK$73,340 and HK$3,850 respectively. The tenancy agreement for the office was terminated on 31 March 2008; and

(b) During the year, the Group paid rental expenses to a related company wholly-owned by Mr. Kwok Hon Lam, a former director, and his spouse for the lease of a residential property at a monthly rental of HK$45,000. The tenancy agreement was terminated on 31 January 2008.

INTERESTS BY DIRECTORS AND CHIEF EXECUTIVE IN SHARES AND UNDERLYING SHARES

As at 31 March 2008, the interests and short positions of the Directors and chief executive in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Name of Directors	Capacity	Number of Issued Shares Held	Number of Warrants Held	Approximate Percentage of Issued Shares as at 31 March 2008
Mr. Cheng Tun Nei *(Note)*	Beneficial owner and family interest	519,155,600	3,149,600	17.91%
Ms. Li Wa Hei *(Note)*	Beneficial owner and family interest	519,155,600	3,149,600	17.91%
Ms. Chung Oi Ling, Stella	Beneficial owner	75,000,000	–	2.59%

Note: Out of 519,155,600 Shares and 3,149,600 Warrants, 513,595,600 Shares and 2,071,200 Warrants are directly beneficially owned by Mr. Cheng Tun Nei and 5,560,000 Shares and 1,078,400 Warrants are held by his spouse Ms. Li Wa Hei.

Save as disclosed above, as at 31 March 2008, none of the Directors or the Company's chief executive, had any interests or short positions in any shares or underlying shares of the Company or any of its associated corporation.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

INTERESTS BY SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2008, so far as was known to any Directors or chief executive of the Company, the following persons (other than a Director or chief executive of the Company), as recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO, had notified the Company of relevant interests in the issued share capital of the Company:

Name of Substantial Shareholders	Capacity	Number of Issued Shares Held	Number of Held Warrants	Approximate Percentage of Issued Shares as at 31 March 2008
Mr. Yam Tak Cheung *(Note)*	Beneficial Owner	828,500,000	–	28.58%
Pure Hope Development Limited ("Pure Hope") *(Note)*	Corporate interest	800,000,000	–	27.60%

Note: Mr. Yam Tak Cheung ("Mr. Yam") has 100% beneficial interests in Pure Hope. Accordingly, Mr. Yam is deemed to be interested in the ordinary shares owned by Pure Hope.

Save as disclosed above, as at 31 March 2008, the Company had not been notified of any other relevant interests or short positions in any shares or underlying shares of the Company.

MANAGEMENT CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 62.6% of the total sales for the year and sales to the largest customer included therein amounted to 30.2%. Purchases from the Group's five largest suppliers accounted for approximately 15.3% of the total purchases for the year.

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

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained a sufficient public float of more than 25% of the Company's total issued share throughout the year and up to the date of this report.

SUBSEQUENT EVENTS

No significant events have been taken place subsequent to the balance sheet date.

AUDITORS

The accounts have been audited by Messrs. CCIF CPA Limited who retire and, being eligible, offer themselves for re-appointment.

On Behalf of the Board

Cheng Tun Nei
Chairman

Hong Kong
28 July 2008

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
MAGNESIUM RESOURCES CORPORATION OF CHINA LIMITED
(FORMERLY KNOWN AS ANEX INTERNATIONAL HOLDINGS LIMITED)
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Magnesium Resources Corporation of China Limited (the "Company") set out on pages 30 to 134, which comprise the consolidated and company balance sheets as at 31 March 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

OPINION

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

CCIF CPA Limited
Certified Public Accountants
Hong Kong, 28 July 2008

Kwok Cheuk Yuen
Practising Certificate Number P02412

Consolidated Income Statement

For the year ended 31 March 2008

	Note	2008 HK$'000	2007 HK$'000
CONTINUING OPERATIONS			
TURNOVER	8	**123,037**	6,691
COST OF SALES		**(108,351)**	(5,764)
GROSS PROFIT		**14,686**	927
OTHER REVENUE	8	**15,551**	1,149
Selling and distribution expenses		**(4,182)**	(140)
Administrative expenses		**(44,590)**	(20,345)
Other operating expenses	10	**(19,279)**	(2,404)
LOSS FROM OPERATIONS	9	**(37,814)**	(20,813)
Finance costs	9(a)	**(2,050)**	(244)
Share of loss of an associate		**–**	(5,544)
LOSS BEFORE TAXATION		**(39,864)**	(26,601)
Income tax	13	**(1,881)**	131
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		**(41,475)**	(26,470)
DISCONTINUED OPERATIONS			
Loss for the year from discontinued operations	14	**(72,985)**	(28,913)
LOSS FOR THE YEAR		**(114,730)**	(55,383)
ATTRIBUTABLE TO:			
Equity shareholders of the Company		**(112,892)**	(55,027)
Minority interests		**(1,838)**	(356)
		(114,730)	(55,383)
LOSS PER SHARE			
Basic	16(a)		
– Continuing operations		**(2.03 cents)**	(1.93 cents)
– Discontinued operations		**(3.71 cents)**	(2.13 cents)
		(5.74 cents)	(4.06 cents)
Diluted	16(b)	**N/A**	N/A

The notes on pages 37 to 134 form an integral part of these financial statements.

Consolidated Balance Sheet

As at 31 March 2008

	Note	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	**46,519**	89,332
Interest in leasehold land held for own use under operating leases	18	**2,244**	4,984
Goodwill	19	**–**	4,957
Intangible assets	21	**2,022,541**	–
		2,071,304	99,273
CURRENT ASSETS			
Inventories	22	**58,341**	94,304
Interest in leasehold land held for own use under operating leases	18	**66**	158
Trade and other receivables	23	**82,272**	48,793
Pledged deposits	26	**30,211**	12,019
Cash and cash equivalents	25	**119,338**	45,245
		290,228	200,519
CURRENT LIABILITIES			
Bank loans and overdrafts	26	**39,552**	26,877
Trade and other payables	27	**46,681**	90,036
Finance leases payables	28	**58**	1,657
Provision for taxation	29	**2,845**	4,015
		89,136	122,585
NET CURRENT ASSETS		**201,092**	77,934
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,272,396**	177,207

As at 31 March 2008

	Note	2008 HK$'000	2007 HK$'000
NON-CURRENT LIABILITIES			
Finance leases payables	28	**–**	833
Deferred tax liabilities	29	**19,579**	18,235
Convertible notes	30	**855,213**	–
Promissory notes	31	**320,000**	–
		1,194,792	19,068
NET ASSETS		**1,077,604**	158,139
CAPITAL AND RESERVES			
Share capital	32	**289,885**	154,492
Reserves	34(a)	**368,302**	(10,253)
Total equity attributable to equity shareholders of the Company		**658,187**	144,239
Minority interests		**419,417**	13,900
TOTAL EQUITY		**1,077,604**	158,139

Approved and authorised for issue by the board of directors on 28 July 2008.

On behalf of the board

Cheng Tun Nei
Director

Teoh Tean Chai, Anthony
Director

The notes on pages 37 to 134 form an integral part of these financial statements.

As at 31 March 2008

	Note	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	**1,083**	629
Interest in subsidiaries	20	**1,690,783**	110,280
		1,691,866	110,909
CURRENT ASSETS			
Trade and other receivables	23	**2,199**	544
Pledged deposits		**27,550**	3,600
Cash and cash equivalents	25	**113,942**	10,369
		143,691	14,513
CURRENT LIABILITIES			
Trade and other payables	27	**5,169**	255
Finance leases payables	28	**58**	70
		5,227	325
NET CURRENT ASSETS		**138,464**	14,188
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,830,330**	125,097
NON-CURRENT LIABILITIES			
Finance leases payables	28	**–**	64
Convertible notes	30	**855,213**	–
Promissory notes	31	**320,000**	–
		1,175,213	64
NET ASSETS		**655,117**	125,033
CAPITAL AND RESERVES			
Share capital	32	**289,885**	154,492
Reserves	34(b)	**365,232**	(29,459)
TOTAL EQUITY		**655,117**	125,033

Approved and authorised for issue by the board of directors on 28 July 2008

On behalf of the board

Cheng Tun Nei
Director

Teoh Tean Chai, Anthony
Director

The notes on pages 37 to 134 form an integral part of these financial statements.

Consolidated Statement Of Changes In Equity

For the year ended 31 March 2008

		Attributable to equity shareholders of the Company											
	Note	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Distributable reserve HK$'000	Property revaluation reserve HK$'000	Fair value reserve HK$'000	Equity component reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Sub-total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 April 2006		76,864	–	2,789	4,995	16,090	–	–	(50)	7,145	107,833	78	107,911
Surplus on revaluation		–	–	–	–	9,105	–	–	–	–	9,105	–	9,105
Rights issue expenses		–	–	–	(2,779)	–	–	–	–	–	(2,779)	–	(2,779)
Fair value adjustment		–	–	–	–	–	8,783	–	–	–	8,783	–	8,783
Deferred tax charged in the revaluation reserve	29	–	–	–	–	(1,892)	–	–	–	–	(1,892)	–	(1,892)
Property revaluation reserve		–	–	–	–	(27)	–	–	–	–	(27)	27	–
Acquisition of a subsidiary		–	–	–	–	–	–	–	–	–	–	13,831	13,831
Disposal of a subsidiary		–	–	–	–	–	–	–	–	–	–	(10)	(10)
Exchange realignment		–	–	–	–	–	–	–	615	–	615	330	945
Revaluation reserve released on disposal		–	–	–	–	(709)	–	–	–	709	–	–	–
Shares issued under rights issue	32	76,864	–	–	–	–	–	–	–	–	76,864	–	76,864
Shares issued under bonus warrants	32	764	–	–	–	–	–	–	–	–	764	–	764
Loss for the year		–	–	–	–	–	–	–	–	(55,027)	(55,027)	(356)	(55,383)
At 31 March 2007		154,492	–	2,789	2,216	22,567	8,783	–	565	(47,173)	144,239	13,900	158,139
At 1 April 2007		154,492	–	2,789	2,216	22,567	8,783	–	565	(47,173)	144,239	13,900	158,139
Shares issued under placement and subscription	32	30,700	122,800	–	–	–	–	–	–	–	153,500	–	153,500
Shares issue expenses		–	(5,972)	–	–	–	–	–	–	–	(5,972)	–	(5,972)
Shares issued under bonus warrants	32	24,693	–	–	–	–	–	–	–	–	24,693	–	24,693
Consideration shares issued for the acquisition of subsidiaries	32	80,000	132,000	–	–	–	–	–	–	–	212,000	–	212,000
Revaluation reserve released on disposal		–	–	–	–	(2,437)	–	–	–	2,437	–	–	–
Acquisition of subsidiaries		–	–	–	–	–	–	–	–	–	–	406,503	406,503
Surplus on revaluation		–	–	–	–	4,976	–	–	–	–	4,976	–	4,976
Issuance of convertible notes	30	–	–	–	–	–	–	236,787	–	–	236,787	–	236,787
Deferred tax charged in the revaluation reserve	29	–	–	–	–	(1,344)	–	–	–	–	(1,344)	–	(1,344)
Loss for the year		–	–	–	–	–	–	–	–	(112,892)	(112,892)	(1,838)	(114,730)
Exchange realignment		–	–	–	–	–	–	–	2,200	–	2,200	852	3,052
At 31 March 2008		289,885	248,828	2,789	2,216	23,762	8,783	236,787	2,765	(157,628)	658,187	419,417	1,077,604

The notes on pages 37 to 134 form an integral part of these financial statements.

For the year ended 31 March 2008

	Note	2008 HK$'000	2007 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation			
– Continuing operations		**(39,864)**	(26,601)
– Discontinued operations		**(72,971)**	(28,913)
Adjustments for:			
Amortisation of land lease premium		**158**	149
Negative goodwill	36	**(2,011)**	–
Amortisation of intangible assets	21	**10,589**	–
Finance costs		**3,340**	2,671
Share of loss of an associate		**–**	5,544
Interest income		**(3,800)**	(1,326)
Loss on disposal of a subsidiary	37	**24,450**	67
Gain on disposal of property, plant and equipment		**(4,401)**	(861)
Depreciation		**7,486**	10,122
Write-down of inventories	22(d)	**3,733**	4,344
Impairment losses on trade and other receivables		**10,878**	1,362
Impairment loss of goodwill	19	**4,957**	2,327
Impairment losses on property, plant and equipment		**10,466**	–
Exchange difference, net		**2,485**	–
Operating loss before changes in working capital		**(44,505)**	(31,115)
Decrease/(increase) in inventories		**13,934**	(12,335)
Increase in trade and other receivables		**(70,423)**	(1,824)
(Decrease)/increase in trade and other payables		**(18,236)**	7,953
Increase/(decrease) in bank loans (trading nature)		**7,115**	(559)
Cash used in operations		**(112,115)**	(37,880)
Overseas tax paid		**(3,065)**	–
NET CASH OUTFLOW FROM OPERATING ACTIVITIES		**(115,180)**	(37,880)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment to acquire property, plant and equipment and land lease premium		**(2,348)**	(4,543)
Proceeds from disposal of property, plant and equipment		**22,104**	2,693
Net cash inflow/(outflow) from disposal of a subsidiary	37	**4,308**	(38)
Net cash inflow from acquisition of subsidiaries	36	**3,147**	7,191
Increase in mould deposits		**–**	(5,167)
Increase in pledged deposits		**(18,192)**	(4,699)
Interest received		**3,800**	1,326
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES		**12,819**	(3,237)

For the year ended 31 March 2008

	Note	2008 HK$'000	2007 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Placement and subscription of shares (net of expense)		**147,528**	–
Rights issue		**–**	74,085
Bonus warrants		**24,693**	764
Repayment of other loan		**–**	(325)
Interest paid		**(3,247)**	(2,413)
Interest element of finance lease payments		**(93)**	(258)
Capital element of finance lease payments		**(2,431)**	(2,036)
NET CASH INFLOW FROM FINANCING ACTIVITIES		**166,450**	69,817
NET INCREASE IN CASH AND CASH EQUIVALENTS		**64,089**	28,700
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**41,160**	11,690
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET		**308**	770
CASH AND CASH EQUIVALENTS AT END OF YEAR	25	**105,557**	41,160

The notes on pages 37 to 134 form an integral part of these financial statements.

1. CORPORATE INFORMATION

Magnesium Resources Corporation of China Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability under the Bermuda Companies Act 1981 and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company by passing of a special resolution by the shareholders of the Company at the annual general meeting held on 31 August 2007, changed its name from Anex International Holdings Limited to China Rise International Holdings Limited with effect from 31 August 2007.

The Company by passing of a special resolution by the shareholders of the Company at the special general meeting held on 29 February 2008, changed its name from China Rise International Holdings Limited to Magnesium Resources Corporation of China Limited with effect from 29 February 2008.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries comprise real estate development; building materials supply and installation; and mining and processing of magnesite ore.

2. STATEMENT OF COMPLIANCE

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

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

During the year, the Group disposed of certain operations which constituted discontinued operations under HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". Therefore, the results derived from such operations are presented as discontinued operations in current accounting period. The comparative figures for the corresponding period in 2007 have been reclassified to conform with the current year's presentation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Preparation of the Financial Statements

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

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following asset is stated at their fair value as explained in the accounting policies set out below:

– buildings held for own use (see note 3(e))

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

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 6.

b) Subsidiaries and Minority Interests

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

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Subsidiaries and Minority Interests (Continued)

Intra-group balances and transactions and any unrealised profits arising from intragroup transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Minority interests represent the portion of the net assets of subsidiaries attributable to interest that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

Loans from holders of minority interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet in accordance with note 3(m) depending on the nature of the liability.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 3(h)), unless the investment is classified as held for sale.

c) Associates

An associate is an entity in which the Group or company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Associates (Continued)

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets, unless it is classified as held for sale. The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associates for the year, including any impairment loss on goodwill relating to the investments in associates recognised for the year (see note 3(h)).

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or the jointly controlled entity. For this purpose, the Group's interest in the associate is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in income statement.

In the Company's balance sheet, investments in associates are stated at cost less impairment losses (see note 3(h)), unless it is classified as held for sale.

d) Goodwill

Goodwill represents the excess of the cost of a business combination or an investment in an associate or a jointly controlled entity 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 (see note 3(h)). In respect of associates, the carrying amount of goodwill is included in the carrying amount of the interest in the associate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Goodwill (Continued)

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.

On disposal of a cash generating unit or an associate during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

e) Property, Plant and Equipment

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

– land held under operating leases and buildings thereon, where the fair values of the leasehold interest in the land and buildings cannot be measured separately at the inception of the lease and the building is not clearly held under an operating lease.

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

Other items of plant and equipment are stated in the balance sheet at cost less accumulated depreciation and accumulated impairment losses.

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Property, Plant and Equipment (Continued)

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs.

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

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

Buildings	Over the unexpired term of lease
Furniture and fixtures	5 years
Machinery, engineering and other equipment	10 years
Motor vehicles	10 years
Moulds	10 years

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

f) Intangible Assets (other than Goodwill)

Intangible assets acquired by the Group are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 3(h)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets of mining rights with finite useful lives is charged to income statement on a straight-line basis over its estimated useful lives of 16 years. Both the period and method of amortisation are reviewed annually.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Leased Assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

i) Classification of assets leased to the Group

Assets that are held by group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee, or at the date of construction of those buildings, if later.

ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Company or group will obtain ownership of the asset, the life of the asset, as set out in note 3(e). Impairment losses are accounted for in accordance with the accounting policy as set out in note 3(h). Finance charges implicit in the lease payments are charged to income statement over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are written off as an expense of the accounting period in which they are incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Leased Assets (Continued)

iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to income statement in the accounting period in which they are incurred. The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property.

h) Impairment of Assets

i) Impairment of receivables

Current and non-current receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty or the debtors;

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Impairment of Assets (Continued)

i) Impairment of receivables (Continued)

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For trade receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective Group.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Impairment of Assets (Continued)

ii) Impairment of other assets

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

– property, plant and equipment (other than properties carried at revalued amounts);

– prepaid interests in leasehold land classified as being held under an operating lease;

– intangible assets;

– investments in subsidiaries; and

– goodwill

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Impairment of Assets (Continued)

ii) Impairment of other assets (Continued)

– Recognition of impairment losses

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

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to income statement in the year in which the reversals are recognised.

– Interim financial reporting and impairment

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Inventories

i) Home appliances manufacturing

Inventories are carried at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, costs of conversion and other costs incurred in bringing the inventories to their present location and condition, is determined on the first-in, first-out basis. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

ii) Real estate development

Inventories in respect of real estate development activities are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

– Properties under development for sale

The cost of properties under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses and an appropriate proportion of overheads. Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

– Completed properties held for sale

In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Trade and Other Receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment losses for bad and doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment losses for bad and doubtful debts (see note 3(h)).

k) Convertible Notes

Convertible notes that contain an equity component

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.

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 components. 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

l) Cash and Cash Equivalents

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

m) Trade and Other Payables

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

n) Interest-bearing Borrowings

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

o) Taxation

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in income statement except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) Taxation (Continued)

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

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future. The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted. The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) Taxation (Continued)

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised. Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

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

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

– the same taxable entity; or

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

p) Construction Contracts

The accounting policy for contract revenue is set out in note 3(r). When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the balance sheet date. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

p) Construction Contracts (Continued)

Construction contracts in progress at the balance sheet date are recorded in the balance sheet at the net amount of costs incurred plus recognised profits less recognised losses and progress billings, and are presented in the balance sheet as the "Gross amount due from customers for contract work" (as an asset) or the "Gross amount due to customers for contract work" (as a liability), as applicable. Progress billings not yet paid by the customers are included in the balance sheet under "Trade and other receivables". Amounts received before the related work is performed are included in the balance sheet, as a liability, as "Advances received".

q) Financial Guarantees Issued, Provisions and Contingent Liabilities

i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in income statement on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in income statement over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 3(q)(iii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

q) Financial Guarantees Issued, Provisions and Contingent Liabilities (Continued)

ii) *Contingent liabilities acquired in business combinations*

Contingent liabilities acquired as part of a business combination are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 3(q)(iii). Contingent liabilities acquired in a business combination that cannot be reliably fair valued are disclosed in accordance with note 3(q)(iii).

iii) *Other provisions and contingent liabilities*

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

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

r) Revenue Recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in income statement as follows:

i) *Sale of goods*

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

r) Revenue Recognition (Continued)

ii) Contract revenue

When the outcome of a construction contract can be estimated reliably:

– revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract; and

– revenue from a cost plus contract is recognised by reference to the recoverable costs incurred during the period plus an appropriate proportion of the total fee, measured by reference to the proportion that costs incurred to date bear to the estimated total costs of the contract.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

iii) Interest income

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the effective interest method.

s) Translation of Foreign Currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in income statement.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

s) Translation of Foreign Currencies (Continued)

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

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

t) Borrowing Costs

Borrowing costs are expensed in income statement in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

u) Discontinued Operations

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

u) Discontinued Operations (Continued)

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

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

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

v) Related Parties

For the purpose of these financial statements, parties are considered to be related to the Group if:

i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

ii) the Group and the party are subject to common control;

iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals; or

v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals, or

vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

w) Employee Benefits

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

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

ii) The employees of the Group's subsidiaries which operate in mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute a percentage of their payroll costs to the central pension scheme. The contributions are charged to income statement as they become payable in accordance with rules of the central pension scheme.

iii) *Share-based payments*

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

w) Employee Benefits (Continued)

iv) Termination benefits

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

x) Segment Reporting

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

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

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

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

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

4. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group.

There have been no significant changes to the accounting policies applied in these financial statements for the years presented as a result of these developments. However, as a result of the adoption of HKFRS 7, Financial instruments: Disclosures and the amendment to HKAS 1, Presentation of financial statements: Capital disclosures, there have been some additional disclosures provided as follows:

As a result of the adoption of HKFRS 7, the financial statements include expanded disclosure about the significance of the Group's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32, Financial instruments: Disclosure and presentation. These disclosures are provided throughout these financial statements, in particular in note 5.

The amendment to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Group's and the Company's objectives, policies and processes for managing capital. These new disclosures are set out in note 34(e).

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

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

5. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

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

(a) Credit risk

The Group's credit risk is primarily attributable to bank deposits, trade and other receivables.

For trade and other receivables, management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. In respect of trade and other receivables, credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30-180 days from the date of billing.

Debtors with balances that are more than 6 months past due are requested to settle all outstanding balances before any further credit is granted.

None of the Group's financial assets are secured by collateral or other credit enhancements.

The Group's concentration of credit risk by geographical locations is all in Asia Pacific. The Group has concentration of credit risk by customers as for 67% and 33% of the total receivables were due from the Group's five largest customers and the largest customer respectively as at 31 March 2008.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance. Except for the financial guarantees given by the Group as set out in note 39, the Group does not provide any other guarantees which would expose the Group or the Company to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the balance sheet date is disclosed in note 39.

5. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (Continued)

(a) Credit risk (Continued)

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

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 23.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the raising of loans to cover expected cash demands, subject to approval by the holding company's board. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from bankers to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the balance sheet date of the Group's and the Company's non-derivative financial liabilities which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group and the Company can be required to pay:

5. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (Continued)

(b) Liquidity risk (Continued)

The Group

	2008					
	Weighted average effective interest rate	**Carrying amount HK$'000**	**Total contractual undiscounted cash flow HK$'000**	**Within 1 year or on demand HK$'000**	**More than 1 year but less than 2 years HK$'000**	**More than 2 years but less than 5 years HK$'000**
Trade and other payables	**–**	**46,681**	**46,681**	**46,681**	**–**	**–**
Finance leases payables	**7.5%**	**58**	**71**	**71**	**–**	**–**
Bank loans	**4.75% – 5.25%**	**39,552**	**40,038**	**40,038**	**–**	**–**
Convertible notes	**1.5%**	**855,213**	**1,173,900**	**16,380**	**16,380**	**1,141,140**
Promissory notes	**3%**	**320,000**	**358,400**	**9,600**	**9,600**	**339,200**
		1,261,504	**1,619,090**	**112,770**	**25,980**	**1,480,340**

	2007					
	Weighted average effective interest rate	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000
Trade and other payables	–	90,036	90,036	90,036	–	–
Finance leases payables	3.9% – 7.5%	2,490	2,595	2,524	71	–
Bank loans	7.25%	26,877	27,369	27,369	–	–
		119,403	120,000	119,929	71	–

5. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (Continued)

(b) Liquidity risk (Continued)

The Company

	2008					
	Weighted average effective interest rate	**Carrying amount HK$'000**	**Total contractual undiscounted cash flow HK$'000**	**Within 1 year or on demand HK$'000**	**More than 1 year but less than 2 years HK$'000**	**More than 2 years but less than 5 years HK$'000**
Trade and other payables	**–**	**5,169**	**5,169**	**5,169**	**–**	**–**
Finance leases payables	**7.5%**	**58**	**71**	**71**	**–**	**–**
Convertible notes	**1.5%**	**855,213**	**1,173,900**	**16,380**	**16,380**	**1,141,140**
Promissory notes	**3%**	**320,000**	**358,400**	**9,600**	**9,600**	**339,200**
		1,180,440	**1,537,540**	**31,220**	**25,980**	**1,480,340**

	2007					
	Weighted average effective interest rate	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000
Trade and other payables	–	255	255	255	–	–
Finance leases payables	3.9% – 7.5%	134	164	93	71	–
		389	419	348	71	–

5. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (Continued)

(c) Foreign currency risk

The Group is exposed to foreign currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currency giving rise to this risk is primarily denominated in Renminbi ("RMB"). As the estimated foreign currency exposure in respect of committed future sales and purchases and estimated foreign currency exposure in respect of highly probable forecast sales and purchases is not significant, no hedging on foreign currency risk has been carried out during the year under review.

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 are related.

	2008	2007
	RMB'000	RMB'000
Cash and bank balances	**4,004**	23,945
Pledged deposits	**2,661**	2,953
Trade and other receivables	**3,437**	2,019
Trade and other payables	**(5,955)**	(16,249)
Overall net exposure arising from recognised assets and liabilities	**4,147**	12,668

5. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (Continued)

(c) Foreign currency risk (Continued)

Sensitivity analysis

The following table indicates the approximate change in the Group's loss after tax and accumulated losses 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 rate	**Effect on loss after tax and accumulated losses HK$'000**	Increase/ (decrease) in foreign exchange rate	Effect on loss after tax and accumulated losses HK$'000
RMB	**5%**	**207**	5%	633
	(5%)	**(207)**	(5%)	(633)

The sensitivity analysis has been determined assuming that the change in foreign exchange rate had occurred at the balance sheet date and had been applied to each of the Group entities exposure to currency risk for the financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

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. Results of the analysis as presented in the above table represent the effects on each of the Group entities' loss after tax measured in the functional currency, translated into HK dollars at the exchange rate ruling at the balance sheet date for presentation purposes. The analysis is performed on the same basis for 2007.

(d) Interest rate risk

The Group manages its interest rate exposure based on interest rate level and outlook as well as potential impact on the Group's financial position arising from volatility. The Group currently does not have any interest rate hedging policy in relation to fair value and cash flow interest rate risks. The directors monitor the Group's exposure on an ongoing basis and will consider hedging the interest rate should the need arises.

5. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (Continued)

(d) Interest rate risk (Continued)

The Group's fair value interest rate risk relates primarily to fixed-rate borrowings and bank deposits carrying fixed interest rates and cash flow interest rate risk in relation to borrowings and short-term deposits placed in banks and financial institutions that are interest-bearing at market interest rates. The directors consider the Group's exposure of the bank deposits to fair value interest rate risk is not significant as interest bearing bank deposits are within short maturity period. Floating-rate interest income is recognised in the income statement as incurred.

(i) Interest rate profile

The following table details the interest rate profile of the Group's and the Company's borrowings at the balance sheet date:

	The Group				The Company			
	2008		2007		**2008**		2007	
	Effective interest rates %	**HK$'000**	Effective interest rates %	HK$'000	**Effective interest rates %**	**HK$'000**	Effective interest rates %	HK$'000
Fixed rate borrowings:								
Finance leases payables	**7.5%**	**58**	3.9%-7.5%	2,490	**7.5%**	**58**	3.9%-7.5%	134
Convertible notes	**1.5%**	**855,213**		–	**1.5%**	**855,213**		–
Promissory notes	**5%**	**320,000**		–	**5%**	**320,000**		–
		1,175,271		2,490		**1,175,271**		134
Variable rate borrowings:								
Bank loans and overdrafts	**4.75% – 5.25%**	**39,552**	7.25%	26,877		**-**		–
Total borrowings		**1,214,823**		29,367		**1,175,271**		134
Net fixed rate borrowings as a percentage of total net borrowings		**97%**		8%		**100%**		100%

5. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (Continued)

(d) Interest rate risk (Continued)

(ii) Sensitivity analysis

The sensitivity analysis has been determined based on the exposure to interest rates in its variable-rate borrowings and bank deposits at the balance sheet date. The analysis is prepared assuming the amount of borrowings and deposits outstanding at the balance sheet date were outstanding for the whole year. A 50 basis point increase or decrease is used by the management for the assessment of the possible change in interest rates. The analysis is performed on the same basis for 2007.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's loss for the year ended 31 March 2008 would decrease/increase by approximately HK$550,000 (2007: HK$152,000).

(e) Fair value

The carrying amounts of the Group's financial assets and including cash and cash equivalents, trade receivables and other receivables, and financial liabilities including trade and other payables, approximate to their fair values due to their short maturities.

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

a) Property, plant and equipment and depreciation

The Group management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

b) Impairment of trade and other receivables

The Group tests annually whether assets have suffered any impairment. The recoverable amounts of cash-generating units have been determined on the value-in-use calculation. These calculations require use of estimate.

c) Construction contracts

The Group's revenue and profit recognition on an uncompleted project is dependent on estimating the total outcome of the construction contact, the gross billing to date as well as the work done to date. Based on the Group's recent experience and the nature of the construction activity undertaken by the Group, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and revenue can be reliably estimated. As a result, until this point is reached the amounts due from customers for contact work as disclosed in note 24 will not include profit which the Group may eventually realise from the work done to date. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the balance sheet date, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

d) Write-down of inventories

Inventories are written down to net realisable value based on an assessment of the realisability of inventories. Write-down of inventories are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of judgements and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and write-down of inventories in the periods in which such estimate has been changed.

e) Impairment of goodwill

The Group performs annual tests on whether there has been impairment of goodwill in accordance with the accounting policy stated in note 3(h). The recoverable amounts of cash generating units are determined based on value-in-use calculations. These calculations require the use of estimates and assumptions made by management on the future operation of the business, pre-tax discount rates, and other assumptions underlying the value-in-use calculations.

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

f) Amortisation of intangible assets

Intangible assets are amortised on a straight-line basis over their estimated useful lives. The determination of the useful lives involves management's estimation. The Group reassesses the useful life of the intangible assets and if the expectation differs from the original estimate, such a difference may impact the amortisation in the year and the estimate will be changed in the future period.

7. SEGMENT INFORMATION

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

Business segments

During the year, the Group discontinued by way of disposal of subsidiaries (see note 37) the home appliances segment which included the design and manufacture of home appliances and trading of merchandise.

The Group comprises the following main business segments:

Real estate: the development and sale of commercial premises and residential properties.

Building materials: the construction work of building and construction project of building material.

Mining: the mining and processing of magnesite ore.

7. SEGMENT INFORMATION (Continued)

Business segments (Continued)

	Continuing operations								Discontinued operations			
	Real estate		Building materials		Mining		Sub-total		Home appliances		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue												
Revenue from external customers	**-**	–	**121,592**	6,691	**1,445**	–	**123,037**	6,691	**99,817**	203,010	**222,854**	209,701
Segment result	**(13,707)**	(1,015)	**6,794**	(2,854)	**(8,503)**	–	**(15,416)**	(3,869)	**(47,432)**	(26,938)	**(62,848)**	(30,807)
Interest income							**3,599**	874	**201**	452	**3,800**	1,326
Unallocated operating income and expenses							**(25,997)**	(17,818)	**-**	–	**(25,997)**	(17,818)
Loss from operations							**(37,814)**	(20,813)	**(47,231)**	(26,486)	**(85,045)**	(47,299)
Finance costs							**(2,050)**	(244)	**(1,290)**	(2,427)	**(3,340)**	(2,671)
Share of loss of an associate							**-**	(5,544)	**-**	–	**-**	(5,544)
Loss on disposal of subsidiaries							**-**	–	**(24,450)**	–	**(24,450)**	–
Income tax							**(1,881)**	131	**(14)**	–	**(1,895)**	131
Loss after taxation							**(41,745)**	(26,470)	**(72,985)**	(28,913)	**(114,730)**	(55,383)
ASSETS												
Segment assets	**66,170**	87,871	**76,809**	12,089	**2,027,549**	–	**2,170,528**	99,960	**-**	184,557	**2,170,528**	284,517
Unallocated corporate assets											**191,004**	15,275
Consolidated total assets											**2,361,532**	299,792
LIABILITIES												
Segment liabilities	**21,682**	24,946	**67,823**	9,140	**5,079**	–	**94,584**	34,086	**-**	88,937	**94,584**	123,023
Unallocated corporate liabilities											**1,189,344**	18,630
Consolidated total liabilities											**1,283,928**	141,653

7. SEGMENT INFORMATION (Continued)

Business segments (Continued)

	Continuing operations								Discontinued operations			
	Real estate		Building materials		Mining		Sub-total		Home appliances		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
OTHER INFORMATION												
Depreciation and amortisation for the year	65	8	35	12	10,597	–	10,697	20	5,963	10,122	16,660	10,142
Unallocated corporate expenses											1,573	129
											18,233	10,271
Impairment losses of												
– trade and other receivables	100	–	2,766	20	-	–	2,866	20	2,499	1,342	5,365	1,362
– goodwill	4,957	–	-	2,327	-	–	4,957	2,327	-	–	4,957	2,327
– property, plant and equipment	-	–	-	–	-	–	-	–	10,466	–	10,466	–
– moulds deposits	-	–	-	–	-	–	-	–	5,513	1,342	5,513	1,342
Significant non-cash expenses												
– write-down of inventories	3,733	–	-	–	-	–	3,733	–	-	4,344	3,733	4,344
Capital expenditure incurred during the year	199	503	96	207	4	–	299	710	1,488	7,908	1,787	8,618
Unallocated corporate capital expenditure											561	532
											2,348	9,150

7. SEGMENT INFORMATION (Continued)

Geographical segments

The following table presents revenue for the Group's geographical segment based on the location of external customers.

	2008			2007		
	Continuing operations HK$'000	**Discontinued operations HK$'000**	**Total HK$'000**	Continuing operations HK$'000	Discontinued operations HK$'000	Total HK$'000
Europe	**–**	**35,153**	**35,153**	–	92,769	92,769
North America	**–**	**28,272**	**28,272**	–	69,713	69,713
South America	**–**	**14,328**	**14,328**	–	17,095	17,095
Asia Pacific	**123,037**	**8,155**	**131,192**	6,691	7,141	13,832
Middle East	**–**	**10,039**	**10,039**	–	11,423	11,423
Oceania	**–**	**3,870**	**3,870**	–	4,869	4,869
	123,037	**99,817**	**222,854**	6,691	203,010	209,701

Carrying amount of segment assets and capital expenditure by location of assets are as follows:

	2008			2007		
	Continuing operations HK$'000	**Discontinued operations HK$'000**	**Total HK$'000**	Continuing operations HK$'000	Discontinued operations HK$'000	Total HK$'000
Segment assets:						
Europe	**–**	**–**	**–**	–	8,941	8,941
North America	**–**	**–**	**–**	–	3,652	3,652
South America	**–**	**–**	**–**	–	4,406	4,406
Asia Pacific	**2,361,532**	**–**	**2,361,532**	99,960	180,842	280,802
Middle East	**–**	**–**	**–**	–	1,401	1,401
Oceania	**–**	**–**	**–**	–	590	590
	2,361,532	**–**	**2,361,532**	99,960	199,832	299,792

7. SEGMENT INFORMATION (Continued)

Geographical segments (Continued)

	2008			2007		
	Continuing operations HK$'000	**Discontinued operations HK$'000**	**Total HK$'000**	Continuing operations HK$'000	Discontinued operations HK$'000	Total HK$'000
Capital expenditure:						
Europe	**–**	**–**	**–**	–	14	14
North America	**–**	**–**	**–**	–	16	16
South America	**–**	**–**	**–**	–	–	–
Asia Pacific	**860**	**1,488**	**2,348**	1,242	7,878	9,120
Middle East	**–**	**–**	**–**	–	–	–
Oceania	**–**	**–**	**–**	–	–	–
	860	**1,488**	**2,348**	1,242	7,908	9,150

8. TURNOVER AND OTHER REVENUE

Turnover represents the net invoiced value of good sold, after allowances for returns and trade discounts and revenue from construction contracts.

An analysis of turnover and other revenue is as follows:

	Continuing operations		Discontinued operations		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Turnover						
Sales of goods	**1,445**	–	**99,817**	203,010	**101,262**	203,010
Revenue from construction contracts	**121,592**	6,691	**–**	–	**121,592**	6,691
	123,037	6,691	**99,817**	203,010	**222,854**	209,701
Other revenue						
Interest income*	**3,599**	874	**201**	452	**3,800**	1,326
Sale of scrap materials	**–**	–	**–**	966	**–**	966
Others	**1,049**	275	**5,257**	1,654	**6,306**	1,929
	4,648	1,149	**5,458**	3,072	**10,106**	4,221
Other net income						
Gain/(loss) on disposal of property, plant and equipment	**8,791**	–	**(4,390)**	861	**4,401**	861
Negative goodwill	**2,011**	–	**–**	–	**2,011**	–
Exchange difference, net	**101**	–	**–**	–	**101**	–
	10,903	–	**(4,390)**	861	**6,513**	861
Other revenue and other net income	**15,551**	1,149	**1,068**	3,933	**16,619**	5,082
	138,588	7,840	**100,885**	206,943	**239,473**	214,783

* It represented total interest income on financial assets not at fair value through profit or loss.

9. LOSS FROM OPERATIONS

The Group's loss from operations are arrived at after charging/(crediting):

	Continuing operations		Discontinued operations		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
a) Finance costs						
Interest on bank loans and other loans wholly repayable within five years	**866**	229	**1,214**	2,184	**2,080**	2,413
Interest on convertible notes	**1,167**	–	**–**	–	**1,167**	–
Finance charges on obligations under finance leases	**17**	15	**76**	243	**93**	258
Total interest expenses on financial liabilities not at fair value through profit or loss	**2,050**	244	**1,290**	2,427	**3,340**	2,671
b) Staff costs						
Salaries, wages and other benefits	**15,611**	16,295	**19,716**	30,352	**35,327**	46,647
Severance payments	**–**	–	**524**	371	**524**	371
Pension scheme contributions	**240**	187	**221**	422	**461**	609
	15,851	16,482	**20,461**	31,145	**36,312**	47,627

9. LOSS FROM OPERATIONS (Continued)

	Continuing operations		Discontinued operations		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
c) Other items						
Cost of inventories sold	**646**	–	**104,622***	189,137	**105,268**	189,137
Depreciation	**1,523**	12	**5,963**	10,110	**7,486**	10,122
Amortisation of land lease premium	**158**	8	**–**	141	**158**	149
Minimum lease payments under operating leases for land and buildings (including directors' quarter)	**1,499**	939	**159**	798	**1,658**	1,737
Auditor's remuneration						
– audit services	**1,243**	285	**28**	315	**1,271**	600
– other services	**672**	110	**–**	–	**672**	110
	1,915	395	**28**	315	**1,943**	710
Impairment losses on trade receivables	**1,928**	20	**2,499**	–	**4,427**	20
Impairment losses on retentions receivable	**938**	–	**–**	–	**938**	–

* Cost of inventories sold includes depreciation of HK$4,766,000 (2007: HK$7,789,000) and staff costs of HK$13,038,000 (2007: HK$21,251,000), the amount of which is also included in the respective total amounts disclosed separately above.

10. OTHER OPERATING EXPENSES

	Continuing operations		Discontinued operations		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Loss/(gain) on disposal of a subsidiary	**–**	77	**139**	(10)	**139**	67
Write down of inventories	**3,733**	–	**–**	–	**3,733**	–
Amortisation of intangible assets	**10,589**	–	**–**	–	**10,589**	–
Impairment loss on goodwill	**4,957**	2,327	**–**	–	**4,957**	2,327
Impairment losses on mould deposits	**–**	–	**5,513**	1,342	**5,513**	1,342
Impairment losses on property, plant and equipment	**–**	–	**10,466**	–	**10,466**	–
	19,279	2,404	**16,118**	1,332	**35,397**	3,736

11. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance is as follows:

	2008			
	Fees HK$'000	Salaries and other benefits HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive directors				
Cheng Tun Nei ("Mr. Cheng")	–	1,300	12	1,312
Chung Oi Ling, Stella[1]	–	233	6	239
Teoh Tean Chai, Anthony[1]	–	517	7	524
Cheng Tze Kit, Larry[2]	–	1,140	12	1,152
Kwok Hon Lam[2]	–	720	–	720
Kwok Chi Hang, Peter[2]	–	228	–	228
Siu Miu Man[3]	–	2,200	10	2,210
	–	6,338	47	6,385
Non-executive directors				
Li Wa Hei[4]	58	–	–	58
Yeung Chee Tat[5]	42	–	–	42
	100	–	–	100
Independent non-executive directors ("INED")				
Chu Kin Wang, Peleus[6]	17	–	–	17
Lo Chi Ho, William[7]	58	–	–	58
Wu Chi Chiu[7]	58	–	–	58
Chow Nim Sun, Nelson[8]	50	–	–	50
Lam Kwok Cheong[8]	50	–	–	50
Chan Sun Kwong[9]	150	–	–	150
Fung Kwan Yin, James[10]	–	–	–	–
	383	–	–	383
	483	6,338	47	6,868

11. DIRECTORS' REMUNERATION (Continued)

[1] Chung Oi Ling, Stella and Teoh Tean Chai, Anthony were appointed as executive director on 31 August 2007.

[2] Cheng Tze Kit, Larry retired and, Kwok Hon Lam and Kwok Chi Hang, Peter resigned as executive director on 31 August 2007.

[3] Siu Miu Man resigned as executive director on 31 January 2008.

[4] Li Wa Hei was appointed as non-executive director on 31 August 2007.

[5] Yeung Chee Tat retired as non-executive director on 31 August 2007.

[6] Chu Kin Wang, Peleus was appointed as INED on 31 January 2008.

[7] Lo Chi Ho, William and Wu Chi Chiu were appointed as INED on 31 August 2007.

[8] Lam Kwok Cheong was appointed as INED on 2 April 2007 and retired on 31 August 2007. Chow Nim Sun, Nelson resigned as INED on 31 August 2007.

[9] Chan Sun Kwong resigned as INED on 31 January 2008.

[10] Fung Kwan Yin, James resigned as INED on 2 April 2007.

11. DIRECTORS' REMUNERATION (Continued)

	2007			
	Fees	Salaries and other benefits	Retirement scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors				
Cheng Tun Nei	–	1,289	12	1,301
Cheng Tze Kit, Larry[1]	–	1,324	12	1,336
Kwok Hon Lam	–	1,564	–	1,564
Kwok Chi Hang, Peter	–	494	–	494
Loo Pak Hong[2]	–	50	–	50
Siu Miu Man	–	2,578	12	2,590
	–	7,299	36	7,335
Non-executive directors				
To Wing Yee, Janice[2]	32	–	–	32
Yeung Chee Tat[1]	61	–	–	61
	93	–	–	93
Independent non-executive directors				
Chan Sun Kwong	180	–	–	180
Chow Nim Sun, Nelson	120	–	–	120
Fung Kwan Yin, James	60	–	–	60
	360	–	–	360
	453	7,299	36	7,788

1 Cheng Tze Kit, Larry and Yeung Chee Tat were appointed as executive director and non-executive director on 22 August 2006 respectively.

2 Loo Pak Hong and To Wing Yee, Janice resigned as executive director and non-executive director on 22 August 2006 respectively.

12. INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five highest paid individuals during the year included four (2007: four) directors, details of whose remuneration are set out in note 11 above. Details of the emoluments of the remaining one (2007: one) non-director, highest paid individual for the year are as follows:

	The Group	
	2008	2007
	HK$'000	HK$'000
Salaries and other benefits	**1,330**	1,289
Retirement scheme contributions	**12**	12
	1,342	1,301

13. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

a) Income tax in the consolidated income statement represents:

Hong Kong Profits Tax has been provided at the rate of 17.5% (2007: 17.5%) on the estimated assessable profits arising in Hong Kong during the year.

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

	Continuing operations		Discontinued operations		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Current tax						
– Hong Kong	**1,604**	(131)	**–**	–	**1,604**	(131)
– Overseas	**277**	–	**14**	–	**291**	–
Tax expense/ (credit)	**1,881**	(131)	**14**	–	**1,895**	(131)

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

b) Reconciliation between tax expense/(credit) and accounting loss at applicable tax rates:

	2008	2007
	HK$'000	HK$'000
Loss before taxation		
– Continuing operations	**(39,864)**	(26,601)
– Discontinued operations (note 14)	**(72,971)**	(28,913)
	(112,835)	(55,514)
Notional tax on loss before taxation, calculated at the rates applicable to (losses)/profits in the countries concerned	**(38,364)**	(11,549)
Tax effect of non-taxable income	**(3,023)**	(1,311)
Tax effect of non-deductible expenses	**10,706**	1,652
Tax losses utilised from previous periods	**–**	(9)
Tax effect of tax losses not recognised	**32,309**	11,086
Others	**267**	–
Actual tax expense/(credit)	**1,895**	(131)

14. DISCONTINUED OPERATIONS

On 8 December 2007, the Company entered into a sales and purchase agreement with Ocean Alliance (HK) Limited, an independent third party, to dispose of the entire equity interest in Antec Appliance Limited and Anex Electrical Company Limited and the entire amounts owing by Antec Appliance Limited and its subsidiaries (collectively "Antec Group") and Anex Electrical Company Limited and its subsidiaries (collectively "AECL Group") to the Group. Antec Group and AECL Group are principally engaged in the home appliances business. The disposal was completed on 31 January 2008. Therefore, the operations of Antec Group and AECL Group are classified as discontinued operations and the loss arising from discontinued operations is analysed as follows:

	2008	2007
	HK$'000	HK$'000
Loss on discontinued operations for the year	**(48,535)**	(28,913)
Loss on disposal of discontinued operations (note 37)	**(24,450)**	–
	(72,985)	(28,913)

14. DISCONTINUED OPERATIONS (Continued)

The results of the discontinued operations for the period from 1 April 2007 to 31 January 2008 (date of disposal) which have been included in the consolidated income statement for the year ended 31 March 2008 are as follows:

	2008 HK$'000	2007 HK$'000
Turnover	99,817	203,010
Cost of sales	(109,274)	(189,137)
Gross profit	(9,457)	13,873
Other revenue and gains	1,068	3,933
Operating expenses	(38,842)	(44,292)
Loss from operations	(47,231)	(26,486)
Finance costs	(1,290)	(2,427)
Loss before tax	(48,521)	(28,913)
Income tax	(14)	–
	(48,535)	(28,913)
Attributable to:		
Equity shareholders of the Company	(48,535)	(28,845)
Minority interest	–	(68)
	(48,535)	(28,913)

During the year, Antec Group and AECL Group contributed HK$12,786,000 (2007: HK$12,452,000) to the Group's net operating cash flows, contributed HK$4,180,000 (2007: paid HK$13,478,000) in respect of investing activities and paid HK$2,355,000 (2007: HK$4,463,000) in respect of financing activities.

The carrying amounts of the assets and liabilities of the discontinued operations at the date of disposal are disclosed in note 37.

15. LOSS ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated loss attributable to equity shareholders of the Company includes a loss of HK$90,924,000 (2007: HK$57,460,000) which has been dealt with in the financial statements of the Company.

16. LOSS PER SHARE

a) Basic loss per share – for continuing and discontinued operations

The calculation of basic loss per share is based on the loss attributable to equity shareholders of the Company and the weighted average number of ordinary shares in issue during the year.

	2008	2007
	HK$'000	HK$'000
Loss attributable to equity shareholders of the Company used in the basic loss per share calculation		
From continuing operations	**(39,907)**	(26,182)
From discontinued operations	**(72,985)**	(28,845)
	(112,892)	(55,027)

Weighted average number of ordinary shares

	2008	2007
	No. of shares	No. of shares
	'000	'000
Issued ordinary shares at 1 April	**1,544,925**	768,642
Effect of shares issued under rights issue	**–**	585,274
Effect of shares issued under placement and subscription	**229,619**	–
Effect of shares issued under bonus warrants	**135,150**	222
Effect of consideration shares issued for the acquisition of subsidiaries	**56,986**	–
Weighted average number of ordinary shares at 31 March	**1,966,680**	1,354,138

16. LOSS PER SHARE (Continued)

b) Diluted loss per share

No diluted loss per share has been disclosed as the outstanding bonus warrants and convertible notes had an anti-dilutive effect on the basic loss per share for the year ended 31 March 2008 and 2007.

17. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings held for own use carried at fair value HK$'000	Furniture and fixtures HK$'000	Machinery, engineering and other equipment HK$'000	Motor vehicles HK$'000	Moulds HK$'000	Total HK$'000
Cost or valuation						
At 1 April 2006	40,400	10,920	16,090	175	52,172	119,757
Disposal of a subsidiary	–	(27)	–	–	–	(27)
Additions	117	2,872	2,514	585	3,062	9,150
Disposals	(1,530)	(188)	–	–	–	(1,718)
Revaluation surplus	8,030	–	–	–	–	8,030
Exchange realignment	3	64	–	7	–	74
At 31 March 2007	47,020	13,641	18,604	767	55,234	135,266
Analysis of cost or revaluation						
At cost	–	13,641	18,604	767	55,234	88,246
At valuation	47,020	–	–	–	–	47,020
	47,020	13,641	18,604	767	55,234	135,266
At 1 April 2007	47,020	13,641	18,604	767	55,234	135,266
Acquisition of subsidiaries	–	70	–	651	–	721
Disposal of subsidiaries (note e)	–	(5,322)	(13,455)	(175)	(48,482)	(67,434)
Additions	–	871	91	256	1,130	2,348
Disposals	(6,810)	(8,010)	(5,240)	–	(7,882)	(27,942)
Revaluation surplus	3,796	–	–	–	–	3,796
Exchange realignment	24	12	–	28	–	64
At 31 March 2008	44,030	1,262	–	1,527	–	46,819
Analysis of cost or revaluation						
At cost	–	1,262	–	1,527	–	2,789
At valuation	44,030	–	–	–	–	44,030
	44,030	1,262	–	1,527	–	46,819

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Group (Continued)

	Buildings held for own use carried at fair value HK$'000	Furniture and fixtures HK$'000	Machinery, engineering and other equipment HK$'000	Motor vehicles HK$'000	Moulds HK$'000	Total HK$'000
Accumulated depreciation						
At 1 April 2006	–	5,563	7,001	32	24,447	37,043
Charge for the year	1,102	2,036	1,699	54	5,231	10,122
Written back on disposals	(28)	(183)	–	–	–	(211)
Elimination on revaluation	(1,075)	–	–	–	–	(1,075)
Exchange realignment	1	54	–	–	–	55
At 31 March 2007	–	7,470	8,700	86	29,678	45,934
At 1 April 2007	–	7,470	8,700	86	29,678	45,934
Acquisition of subsidiaries	–	1	–	6	–	7
Charge for the year	1,248	1,659	1,409	86	3,084	7,486
Written back on disposals of subsidiaries (note e)	–	(3,471)	(4,869)	(64)	(41,073)	(49,477)
Written back on disposals	(68)	(5,477)	(5,240)	–	(2,155)	(12,940)
Elimination on revaluation	(1,180)	–	–	–	–	(1,180)
Impairment (note f)	–	–	–	–	10,466	10,466
Exchange realignment	–	2	–	2	–	4
At 31 March 2008	–	184	–	116	–	300
Net book value						
At 31 March 2008	44,030	1,078	–	1,411	–	46,519
At 31 March 2007	47,020	6,171	9,904	681	25,556	89,332

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Group (Continued)

a) The net book value of property, plant and equipment held under finance leases included in the total amount of machinery, engineering and other equipment which held by Antec Group and AECL Group (see note e) and motor vehicles at 31 March 2008 amounted to HK$Nil (2007: HK$5,312,000) and HK$273,000 (2007: HK$307,000) respectively.

b) The Group's buildings held for own use were revalued at their open market value by adopting the depreciated replacement cost approach and direct comparison method at 31 March 2008 by an independent valuer, RHL Appraisal Ltd., who have among their staff, Fellows of Hong Kong Institute of Surveyors, with recent experience in the location and category of property being revalued.

c) The analysis of net book value of buildings at 31 March 2008 is as follows:

	The Group	
	2008	2007
	HK$'000	HK$'000
Held under medium term leases in		
– Hong Kong	**–**	6,810
– mainland China	**44,030**	40,210
	44,030	47,020
Representing:		
Properties carried at fair value	**44,030**	47,020

Had the Group's properties been carried at historical cost less accumulated depreciation and impairment losses, their carrying amounts would have been approximately HK$18,153,000 (2007: HK$26,095,000).

d) At 31 March 2008, certain of the Group's buildings in Hong Kong with a net book value of HK$Nil (2007: HK$6,810,000) were pledged to secure general banking facilities granted to the Group (see note 26).

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Group (Continued)

e) The disposal of subsidiaries refer to the disposal of Antec Group and AECL Group, which were principally engaged in the design and manufacturing and trading of home appliances business during the year (see note 37).

f) During the year ended 31 March 2008, a number of moulds in the home appliances segment were obsolesced. As a result, the Group assessed the recoverable amount of those moulds and considered the carrying amount of the moulds has to write down by HK$10,466,000 (included in "other operating expenses"). The assessment of the recoverable amount was based on the moulds' fair values less cost to sell, determined by reference to the recent observable market prices for similar assets within the same industry.

The Company

	Leasehold improvement HK$'000	Furniture and other equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost				
At 1 April 2006	–	189	–	189
Additions	–	190	342	532
At 31 March 2007	–	379	342	721
At 1 April 2007	–	379	342	721
Additions	236	69	256	561
At 31 March 2008	236	448	598	1,282
Accumulated depreciation				
At 1 April 2006	–	–	–	–
Charge for the year	–	58	34	92
At 31 March 2007	–	58	34	92
At 1 April 2007	–	58	34	92
Charge for the year	–	68	39	107
At 31 March 2008	–	126	73	199
Net book value				
At 31 March 2008	236	322	525	1,083
At 31 March 2007	–	321	308	629

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

The Group

	HK$'000
Cost	
At 1 April 2006	7,180
Additions	240
Disposals	(433)
Exchange realignment	7
At 31 March 2007	6,994
At 1 April 2007	6,994
Additions	–
Disposals	(3,696)
Exchange realignment	27
At 31 March 2008	3,325
Accumulated amortisation	
At 1 April 2006	1,812
Charge for the year	149
Written back on disposals	(109)
At 31 March 2007	1,852
At 1 April 2007	1,852
Charge for the year	158
Written back on disposals	(995)
At 31 March 2008	1,015
Net book value	
At 31 March 2008	2,310
At 31 March 2007	5,142

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

a) At 31 March 2008, certain of the Group's leasehold land in Hong Kong with net book value of HK$Nil (2007: HK$2,793,000) was pledged to a bank to secure the banking facility granted to the Group (see note 26).

b) Analysed as reporting purpose:

	2008	2007
	HK$'000	HK$'000
Current portion	**66**	158
Non-current portion	**2,244**	4,984
	2,310	5,142

19. GOODWILL

The Group

	HK$'000
Cost	
At 1 April 2006	–
Acquisition of subsidiaries (note 36(b))	7,284
At 31 March 2007	7,284
At 1 April 2007	7,284
Acquisition of subsidiaries	–
At 31 March 2008	7,284
Accumulated impairment losses	
At 1 April 2006	–
Impairment loss	2,327
At 31 March 2007	2,327
At 1 April 2007	2,327
Impairment loss	4,957
At 31 March 2008	7,284
Carrying amount	
At 31 March 2008	–
At 31 March 2007	4,957

19. GOODWILL (Continued)

Impairment test for goodwill

Goodwill is allocated to the Group's cash generating units ("CGU") identified according to business segment.

	2008	2007
	HK$'000	HK$'000
Real estate	**–**	4,957

In accordance with HKAS 36 "Impairment of Assets", and following the allocation of goodwill to CGU, the impairment test for goodwill was carried out by comparing the recoverable amounts to the carrying amounts as at the balance sheet date. The recoverable amount of a CGU is determined based on value-in-use calculations. The calculation use pre-tax cash flow projections based on financial budgets approved by management covering a twelve month period and the estimated terminal value at the end of the twelve month period. Management determined profit forecast based on past performance and its expectation for the future changes in costs and sales prices. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates. Future cashflows are discounted at 7.75% and 7.75% at 31 March 2008 and 31 March 2007 respectively. The discount rates used are pre-tax and reflect specific risks relating to the relevant CGU.

a) Ancen Properties Limited was engaged in real estate development during the year. The Group has acquired new business segment and therefore the business profile of the Group was restructured. As the result, the real estate development business will be slowed down significantly and the indication of profit generating ability in the foreseeable future is limited. The directors consider that a full provision for impairment of the carrying amount of goodwill of HK$4,957,000 is required. The provision has been charged to the income statement for the year ended 31 March 2008.

b) BIP (HK) was engaged in construction related activities and provision of project management service. For the purpose of streamlining the overall building materials business operation of the Group, the business of BIP (HK) have been transferred to its fellow subsidiaries. Therefore the business activities of BIP (HK) have slowed down significantly and there is little or no indication of profit generating ability in the foreseeable future. The directors consider that a full provision for impairment of the carrying amount of goodwill of HK$2,327,000 is required. The provision has been charged to the income statement for the year ended 31 March 2007.

20. INTEREST IN SUBSIDIARIES

	The Company	
	2008	2007
	HK$'000	HK$'000
Unlisted shares, at cost	**1,565,854**	79,920
Due from subsidiaries	**172,634**	240,521
	1,738,488	320,441
Due to subsidiaries	**(371)**	–
	1,738,117	320,441
Less: provision for impairment losses	**(47,334)**	(210,161)
	1,690,783	110,280

a) The amounts due from/(to) subsidiaries are unsecured, interest-free and not expected to be received or repaid within one year.

b) At 31 March 2008, several subsidiaries engaged in real estate business and corporate activity have recurring operating losses with low liquidity ratios. Due to the poor performance of these subsidiaries, the directors determine the recoverable amount based on value-in-use calculation using the discount rate at 7.75%. The directors consider that provision on impairment of the amount due from those subsidiaries engaged in real estate business and corporate activity of HK$2,670,000 and of HK$44,664,000 respectively is required. The amount has been charged to the income statement of the Company for the year ended 31 March 2008.

c) At 31 March 2007, the impairment losses represented the write-down of amounts due from subsidiaries of HK$210,161,000.

The subsidiaries engaged in the home appliances business have recurring operating losses with low liquidity ratios, the directors determine the recoverable amount based on value-in-use calculation using the discount rate at 7.75% and consider that provision on impairment of the amount due from subsidiaries of HK$210,161,000 is required and the amount of HK$48,979,000 has been charged to the income statement of the Company for the year ended 31 March 2007.

During the year ended 31 March 2008, the impairment losses of HK$210,161,000 have been reversed upon the disposal of the subsidiaries engaged in home appliances business.

20. INTEREST IN SUBSIDIARIES (Continued)

d) Particulars of the subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of ordinary share capital/ registered capital	Percentage of equity attributable to the Company directly	Percentage of equity attributable to the Company indirectly	Principal activities
Anco Industrial Company Limited	British Virgin Islands/ mainland China	US$100	–	100	Dormant and land use right holding
Anco Industrial Company Limited	Hong Kong	HK$10,000	–	100	Dormant
Anex Construction and Engineering Limited	Hong Kong	HK$1	–	100	Dormant
Anex International Management Limited	Hong Kong	HK$1	100	–	Human resources management
Anex Construction and Engineering Holdings Limited	British Virgin Islands	US$1	100	–	Dormant
Anex Properties Holdings Limited	British Virgin Islands	US$1	100	–	Dormant
Ancen Properties Limited ("Ancen Properties")	Hong Kong	HK$100	70	–	Investment holding
東莞嘉湖山莊建造有限公司 ("東莞嘉湖山莊") *	mainland China	RMB128,276,445	–	70	Real estate development

20. INTEREST IN SUBSIDIARIES (Continued)

d) Particulars of the subsidiaries are as follows: (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of ordinary share capital/ registered capital	Percentage of equity attributable to the Company directly	indirectly	Principal activities
United Anex Engineering Limited	Hong Kong	HK$10,000	–	60	Building material business
United Anex (Macau) Limited	Macau	MOP$25,000	–	60	Building material business
BIP (HK) Company Limited ("BIP (HK)")	Hong Kong	HK$10,000	–	100	Dormant
Idealboom Group Limited	British Virgin Islands	US$1	–	100	Investment holding
Anex Far East (Macau) Limited	Macau	MOP$25,000	–	100	Dormant
Total Growth Limited	Hong Kong	HK$1	100	–	Properties investment
Anex Far East Limited	Hong Kong	HK$1	–	100	Building material business
Ling Kit Holding Ltd. # ("Ling Kit")	British Virgin Islands	US$50,000	100	–	Investment holding
Anex Overseas Ltd.	Samoa	US$1	100	–	Dormant

20. INTEREST IN SUBSIDIARIES (Continued)

d) Particulars of the subsidiaries are as follows: (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of ordinary share capital/ registered capital	Percentage of equity attributable to the Company directly	Percentage of equity attributable to the Company indirectly	Principal activities
Joyful Rise Investments Ltd.#	British Virgin Islands	US$100	–	100	Investment holding
海城市東鑫實業有限公司 (Haicheng Dongxin Industry Ltd.) ("Haicheng Dongxin") #*	mainland China	RMB5,200,000	–	80	Mining and processing of magnesite ore at magnesite mine
Magnesium Corporation of China Ltd. (Formerly known as Eagle Island Group Limited)	Hong Kong	HK$1	–	100	Dormant
北京晉嘉宏采投資咨詢有限公司 (Beijing Joyful Rise Investment Consulting Company Ltd.) #^	mainland China	RMB100,000	–	100	Properties investment and consulting

Subsidiaries set up/acquired during the year.

^ Wholly-foreign owned enterprise registered in mainland China.

* Sino-foreign owned enterprise registered in mainland China.

21. INTANGIBLE ASSETS

The Group

	HK$'000
Cost	
At 31 March 2006 and 1 April 2007	–
Acquisition from subsidiaries (note 36a)	2,033,130
At 31 March 2008	2,033,130
Accumulated amortisation	
At 31 March 2006 and 1 April 2007	–
Charge for the year	10,589
At 31 March 2008	10,589
Net book value	
At 31 March 2008	2,022,541
At 31 March 2007	–

a) Intangible assets represent the mining rights held by the Group.

b) The mining rights are stated at cost less accumulated amortisation and any impairment losses. The mining rights are amortised on straight-line basis over its estimated useful lives of 16 years. The amortisation charge for the year is grouped under other operating expenses in the consolidated income statement.

c) The fair value of the mining rights has been assessed, based on income approach, by an independent professional valuer, Asset Appraisal Limited.

21. INTANGIBLE ASSETS (Continued)

d) As described in note 36, the Group acquired the entire equity interest of Ling Kit in March 2008 which is solely engaged in holding of 80% equity interest in the Haicheng Dongxin. Haicheng Dongxin is engaged in mining and processing of magnesite ore. The mining rights of the magnesite mine is covered by the mining licences summarized below:

Licence number	Mining Areas (km^2)	Expiry date
2100000431318	0.3110	November 2009
2100000330769	0.2297	May 2004 (Note (i))
2100000421523	0.3535	September 2009 (Note (ii))
	0.8942	

Notes:

i) As further explained in (e) below, the relevant government authority has approved the temporary extension of the mining right to October 2008.

ii) The completion of the acquisition is subject to the payment of consideration (i.e. RMB4,000,000) and approval by the relevant government authority.

21. INTANGIBLE ASSETS (Continued)

e) As advised by the Company's PRC legal adviser, the relevant PRC local government authority has promulgated certain policies to consolidate mines in Liaoning Province for the purpose of, among others, improving the utilisation of mines and environmental protection. Pursuant to these policies, in September 2007, the relevant PRC authority certified the three mining licences as mentioned in (d) above to be consolidated into one. However as at 31 March 2008 and up to the date of this report, the formal approval and certificate has not been completed and issued by the relevant authority in mainland China.

To the best of the knowledge of the Company's directors, the relevant PRC government authority certified the mining areas in respect of the consolidated mining rights exclude certain minor areas, which represented approximately 3% of the aggregated mining areas of the mining licences as mentioned above, for the reason that the excluded areas do not contain any magnesite resources.

As further advised by the Company's PRC legal adviser, Haicheng Dongxin had applied the consolidated mining licence for an area covering 0.8643 km^2, and the application is in process, and there is no foreseeable legal impediments for Haicheng Dongxin to obtain the consolidated mining licence.

22. INVENTORIES

a) Inventories in the consolidated balance sheet comprise:

	The Group	
	2008	2007
	HK$'000	HK$'000
Home appliances		
Raw materials	**–**	23,884
Work in progress	**–**	9,690
Finished goods	**–**	7,892
	–	41,466
Real estate		
Properties under development for sale	**43,300**	40,115
Completed properties held for sale	**15,041**	12,723
	58,341	52,838
Total inventories	**58,341**	94,304

22. INVENTORIES (Continued)

b) The analysis of carrying value of land held for properties under development for sale is as follows:

	2008	2007
	HK$'000	HK$'000
Outside Hong Kong – mainland China		
Long term lease	**43,300**	40,000

Based on the legal opinion obtained by the Group, the Group continues to enjoy the rights of use of the parcel of land and income derived from the parcel of land including lease income and from other lawful means not withstanding the fact that the certificate of state-owned land use right is not registered under the name of 東莞嘉湖山莊.

c) The completed properties held for sale are located in mainland China and on the leasehold land with long term lease.

d) The analysis of the amount of inventories recognised as an expense is as follows:

The amount of inventories carried at fair value less costs to sell at 31 March 2008 is HK$Nil (2007: HK$1,096,000).

The amount of write-down of inventories to net realizable value recognised as an expense during the year is HK$3,733,000 (2007: HK$4,344,000).

e) The amount of properties under development for sale expected to be recovered after one year is HK$43,300,000 (2007: HK$40,115,000). All of the other inventories including the completed properties held for sale and inventories for home appliances segment are expected to be recovered within one year.

23. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables	**64,653**	26,048	**–**	–
Less: allowance for doubtful debts	**(2,933)**	(1,209)	**–**	–
	61,720	24,839		
Retentions receivable	**8,317**	1,672	**–**	–
Due from a minority shareholder	**256**	–	**–**	–
Other receivables	**556**	7,061	**420**	94
Loans and receivables	**70,849**	33,572	**420**	94
Prepayments and deposits	**5,434**	3,077	**1,779**	450
Mould deposits (note c)	**–**	10,316	**–**	–
Gross amount due from customers for contract work (note 24)	**5,989**	1,828	**–**	–
	82,272	48,793	**2,199**	544

23. TRADE AND OTHER RECEIVABLES (Continued)

a) All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

b) Ageing analysis

Trade receivables less provision for impairment losses of HK$2,933,000 (2007: HK$1,209,000) with the following aging analysis as of the balance sheet date:

	The Group	
	2008	2007
	HK$'000	HK$'000
0 – 30 days	**44,267**	10,451
31 – 60 days	**15,175**	9,099
61 – 90 days	**–**	2,163
Over 90 days	**2,278**	3,126
	61,720	24,839

The Group's trading terms with its customers are mainly on credit and letters of credit, except for new customers where payment in advance and cash on delivery are normally required. Invoices are normally payable between 30 and 180 days after issuance. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimize credit risk. Overdue balances are reviewed regularly by senior management.

c) In prior years, the Group incurred labour cost, raw materials and other expenses for mould construction and recorded these amounts as mould deposits. When the mould construction is completed, the amount will be recognised as moulds and classified under property, plant and equipment. During the year ended 31 March 2008, the mould deposits of HK$4,803,000 (2007: HK$2,372,000) were transferred to moulds under property, plant and equipment.

Due to the decision of discontinue certain product lines, the directors determine the construction cost of the moulds could not be recovered and therefore the impairment on the carrying amount of these mould deposits of HK$5,513,000 (2007: HK$1,342,000) is required. The mould deposits are related to the home appliances segment and therefore the impairment are fully charged to the consolidated income statement under the loss for the year from discontinued operations for the year ended 31 March 2008.

23. TRADE AND OTHER RECEIVABLES (Continued)

d) The Group had impaired HK$938,000 (2007: HK$Nil) for retentions receivable, which related to projects abandoned during the year ended 31 March 2008 and the directors expected the amount cannot be recovered.

e) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly (see note 3(h)).

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	The Group		The Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
At 1 April	**1,209**	1,189	**–**	–
Exchange realignment	**106**	–	**–**	–
Impairment losses recognised	**4,427**	20	**–**	–
Disposal of subsidiaries	**(2,499)**	–	**–**	–
Uncollectible amounts written off	**(310)**	–	**–**	–
At 31 March	**2,933**	1,209	**–**	–

During the year ended 31 March 2008, the Group had impaired HK$1,928,000 and HK$2,499,000 for the continuing operations and discontinued operations respectively. The individually impaired receivables related to customers that were outstanding for over a year as at the balance sheet date or in financial difficulties. The Group does not hold any collateral over these balances.

23. TRADE AND OTHER RECEIVABLES (Continued)

f) Trade receivables that are not impaired

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

	The Group		The Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Neither past due nor impaired	**59,442**	14,294	**–**	–
Less than 1 month past due	**–**	5,256	**–**	–
1 to 3 months past due	**2,278**	5,289	**–**	–
	2,278	10,545	**–**	–
	61,720	24,839	**–**	–

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, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

24. CONTRACT WORK IN PROGRESS

	The Group	
	2008	2007
	HK$'000	HK$'000
Contract costs incurred plus attributable profits less foreseeable losses to date	**140,221**	18,147
Progress billings to date	**(140,640)**	(20,807)
	(419)	(2,660)
Represented by:		
Gross amount due from customers for contract work (Note 23)	**5,989**	1,828
Gross amount due to customers for contract work (Note 27)	**(6,408)**	(4,488)
	(419)	(2,660)

At 31 March 2008, the amount of retentions receivable from customers recorded within "trade and other receivables" is HK$8,317,000 (2007: HK$1,672,000).

25. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and on hand	**119,338**	45,245	**113,942**	10,369
Cash and cash equivalents in the balance sheet	**119,338**	45,245	**113,942**	10,369
Bank overdrafts, secured (note 26)	**(13,781)**	(4,085)		
Cash and cash equivalents in the consolidated cash flow statement	**105,557**	41,160		

26. BANK LOANS AND OVERDRAFTS

	The Group	
	2008	2007
	HK$'000	HK$'000
Bank overdrafts, secured (note 25)	**13,781**	4,085
Bank loans, secured	**25,771**	22,792
	39,552	26,877

At 31 March 2008, the bank loans and overdrafts were repayable as follows:

	2008	2007
	HK$'000	HK$'000
Within 1 year or on demand	**39,552**	26,877

The Group's bank loans and overdrafts are secured by:

a) At 31 March 2008, certain of the Group's leasehold land and buildings with a net book value of HK$Nil (2007: HK$2,793,000) (Note 18(a)) and HK$Nil (2007: HK$6,810,000) (Note 17(d)) respectively were pledged to secure general banking facilities granted to the Group;

b) The minimum amount of the Group's time deposits at HK$30,211,000 (2007: HK$7,800,000). As at balance sheet date, the Group's pledged deposits was HK$30,211,000 (2007: HK$12,019,000);

c) A corporate guarantee given by the minority shareholder of a subsidiary amounted to HK$54,500,000 (2007: HK$12,000,000).

27. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables (note a)	**18,699**	35,553	**–**	–
Other payables and accruals	**13,034**	35,001	**5,119**	255
Gross amount due to customers for contract work (note 24)	**6,408**	4,488	**–**	–
Due to minority shareholders (note b)	**8,540**	7,207	**50**	–
Compensation payable (note c)	**–**	3,680	**–**	–
Accrual for long service payment (note d)	**–**	1,695	**–**	–
Mould deposits received	**–**	1,312	**–**	–
Other loan (note e)	**–**	1,100	**–**	–
Financial liabilities measured at amortised costs	**46,681**	90,036	**5,169**	255

a) An aged analysis of the Group's trade payables as at the balance sheet date, based on invoiced date is as follows:

	The Group	
	2008	2007
	HK$'000	HK$'000
0 – 30 days	**18,159**	6,311
31 – 60 days	**5**	3,095
61 – 90 days	**3**	5,457
Over 90 days	**532**	20,690
	18,699	35,553

27. TRADE AND OTHER PAYABLES (Continued)

b) The amounts are unsecured, interest free and have no fixed terms of repayment.

c) A deposit of Euro 123,000 (equivalent to HK$1,266,000) was pledged to a bank as security for the Group's compensation in connection with the goods return incurred during the year ended 31 March 2007. The deposit was released upon the settlement of compensation during the year. No outstanding balance at 31 March 2008.

d) The amount represented the accrual for long service payment for Antec Group and AECL Group as at 31 March 2007. The amount were paid during the year ended 31 March 2008.

e) The loan was advanced from Tenham Investment Limited, an independent third party, is unsecured, bearing interest at rate of 9.00% per annum and has no fixed terms of repayment. The loan has been settled on 12 October 2007.

28. FINANCE LEASE PAYABLES

The Group and the Company leases certain of its engineering equipment and motor vehicles. These leases are classified as finance leases and have remaining lease terms within one year.

At the balance sheet date, the total future minimum lease payments under finance leases and their present values were as follows:

	The Group					
	2008			2007		
	Present value of the minimum lease payments HK$'000	**Interest expense relating to future periods HK$'000**	**Total minimum lease payments HK$'000**	Present value of the minimum lease payments HK$'000	Interest expense relating to future periods HK$'000	Total minimum lease payments HK$'000
Within one year	**58**	**13**	**71**	1,657	103	1,760
After one year but within two years	**–**	**–**	**–**	833	28	861
	58	**13**	**71**	2,490	131	2,621

28. FINANCE LEASE PAYABLES (Continued)

	The Company					
	2008			2007		
	Present value of the minimum lease payments HK$'000	Interest expense relating to future periods HK$'000	Total minimum lease payments HK$'000	Present value of the minimum lease payments HK$'000	Interest expense relating to future periods HK$'000	Total minimum lease payments HK$'000
Within one year	**58**	**13**	**71**	70	16	86
After one year but within two years	**–**	**–**	**–**	64	14	78
	58	**13**	**71**	134	30	164

29. INCOME TAX IN THE BALANCE SHEET

a) Current taxation in the balance sheet represents:

	The Group	
	2008 HK$'000	2007 HK$'000
At 1 April	**4,015**	–
Acquisition of subsidiaries	**–**	4,146
Provision for profits tax for the year		
– Hong Kong	**1,604**	(131)
– Overseas	**291**	–
Tax paid	**(3,065)**	–
At 31 March	**2,845**	4,015

29. INCOME TAX IN THE BALANCE SHEET (Continued)

b) The components of deferred tax liabilities recognised in the consolidated balance sheet and the movement during the year is as follows:

	Fair value gains on properties under development for sale	Revaluation on buildings	Total
	HK$'000	HK$'000	HK$'000
At 1 April 2006	–	5,529	5,529
Deferred tax charged to reserves	–	1,892	1,892
Acquisition of subsidiaries (note 36(b))	10,814	–	10,814
At 31 March 2007	10,814	7,421	18,235
At 1 April 2007	10,814	7,421	18,235
Deferred tax charged to reserves	–	1,344	1,344
At 31 March 2008	10,814	8,765	19,579

The Group has tax losses arising in Hong Kong of HK$43,534,000 (2007: HK$154,791,000) that are available for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised as it is not probable that future taxable profits against which the losses can be utilised will be available for the companies in which losses arose. The tax losses do not expire under current tax legislation.

Save as disclosed above, there was no other significant deferred tax liabilities that required to be provided for in the consolidated financial statements for both financial years.

30. CONVERTIBLE NOTES

The Group and the Company

On 6 March 2008, the Company issued convertible notes in an aggregate principal amount of HK$1,092,000,000 at 1.5% interest per annum payable on an annual basis. Subject to certain adjustments, the convertible notes will be convertible into the shares of the Company at an initial conversion price of HK$0.52 per share. The Company will redeem the convertible notes on the maturity date (i.e. 5 March 2013) at 100% of its outstanding principal amount together with the accrued interest.

Conversion may occur at any time between 6 March 2008 and 5 March 2013. However, the holder of the convertible notes shall not exercise the conversion rights to such an extent that results or will result in (a) the holder and any person acting in concert with it holding or having more than 29% of the then issued ordinary share capital of the Company or otherwise being obliged to make a general offer for the ordinary share capital of the Company in accordance with the Hong Kong Code on Takeovers and Mergers or (b) the Company in breach of any provision of the Listing Rules including the minimum 25% public float requirement.

The convertible notes may be assigned or transferred (in integral multiple of HK$500,000) to any third party (whether such party is a connected person of the Company or not) subject to the Listing Rules and the applicable law. The Company undertakes to notify the Stock Exchange upon becoming aware of any dealings in the convertible notes by any connected persons of the Company as defined in the Listing Rules.

The convertible notes contain two components, the liability and the equity components. The equity component is presented in equity as an “Equity component reserve”. The effective interest rate of the liability component is approximately 6.75%.

The movement of the liability component of the convertible notes for the year is set out below:

	HK$’000
Proceeds from issuance of the convertible notes	1,092,000
Equity component (note 34)	(236,787)
Liability component at date of issue	855,213
Interest charged	1,167
Interest payable	(1,167)
Carrying amount at 31 March 2008	855,213

31. PROMISSORY NOTES

The Group and the Company

On 6 March 2008, the Company issued promissory notes in an aggregate principal amount of HK$320,000,000. Interest shall accrue on the principle amount of the promissory note at 3% per annum and payable annually in arrears. The promissory notes may be assigned or transferred (in integral multiple of HK$500,000) to any third party (whether such party is a connected person to the Company or not) subject to the Listing Rules and the applicable laws. The Company may repay all or part of the principle amount at any time prior to the maturity date (i.e. 5 March 2012) by giving the holder not less than seven days' prior written notice specifying the amount and date of repayment provided that the amount shall be at least HK$500,000. Otherwise, the payment of principal and last interest payment of promissory notes shall be made in full upon the maturity date.

32. SHARE CAPITAL

The Group and the Company

	2008		2007	
	No. of shares '000	**HK$'000**	No. of shares '000	HK$'000
Ordinary shares of HK$0.10 each				
Authorised:				
At 1 April	**3,000,000**	**300,000**	3,000,000	300,000
Increase in authorised share capital (note a)	**7,000,000**	**700,000**	–	–
At 31 March	**10,000,000**	**1,000,000**	3,000,000	300,000
Issued and fully paid:				
At 1 April	**1,544,925**	**154,492**	768,642	76,864
Issue of shares by rights issue (note b)	**–**	**–**	768,642	76,864
Issue of shares by bonus warrants (note c)	**246,934**	**24,693**	7,641	764
Issue of shares by placement and subscription (note d)	**307,000**	**30,700**	–	–
Consideration shares issued for the acquisition of subsidiaries (note e)	**800,000**	**80,000**	–	–
At 31 March	**2,898,859**	**289,885**	1,544,925	154,492

32. SHARE CAPITAL (Continued)

Note:

a) The Company's authorised share capital was increased from HK$300,000,000 to HK$1,000,000,000 to be divided into 10,000,000,000 shares, by the creation of additional 7,000,000,000 ordinary shares of HK$0.10 each, ranking pari passu with the existing ordinary shares of the Company in all respects. The increase in authorised share capital of the Company was duly passed by the shareholders at the special general meeting held on 29 February 2008.

b) On 30 June 2006, rights issue of one rights share for every existing share was made, at an issue price of HK$0.10 per rights share resulting in the issue of 768,642,000 shares of HK$0.10 each for a total cash consideration of HK$76,864,000.

   Up to 27 June 2006, the Company had received 22 valid acceptances for a total of 598,828,191 rights shares provisionally allotted under the rights issue and 26 valid applications for a total of 37,747,000 excess rights shares, resulting in a total valid applications for 636,575,000 right shares, representing applications for 82.8% of the total number of rights shares available under the rights issue. The underwriter has procured the subscription of the remaining 132,067,012 rights share.

c) The Company issued 307,456,696 bonus warrants to those persons who have validly accepted and paid for the rights shares as mentioned in note (b) above ("Bonus Warrant"). The Bonus Warrant will expire on 4 July 2008. During the year ended 31 March 2008, warrant-holders exercised the Bonus Warrant to subscribe for approximately 246,934,000 ordinary shares (2007: approximately 7,641,000 ordinary shares) in the Company at exercise price of HK$0.10 each. The last day of subscription of the Bonus Warrant was 4 July 2008.

d) On 22 June 2007, the Company, Mr. Cheng, a director and a substantial shareholder of the Company, and Taiwan Securities (Hong Kong) Limited ("Placing Agent") entered into an agreement pursuant to which the Placing Agent has agreed to procure, on a best-effort basis, purchasers to purchase up to 307,000,000 existing shares, at the placing price of HK$0.50 per share owned by Mr. Cheng.

   Pursuant to the Agreement, Mr. Cheng has conditionally agreed to subscribe up to 307,000,000 new shares at the placing price of HK$0.50 per share.

   On 26 June 2007, the Placing Agent has successfully placed 307,000,000 existing shares at placing price of HK$0.50 per share to independent third parties. In addition, the subscription of new shares to Mr. Cheng was completed on 6 July 2007. The net proceeds from top-up subscription were HK$147,500,000.

e) On 6 March 2008, the Company issued 800,000,000 ordinary shares of HK$0.10 each at the issue price of HK$0.265 per share (the market price on the completion date) as part of the consideration for the acquisition of subsidiaries (see note 36(a)).

33. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") and the principal terms of the Scheme are as follows:

i) **Purpose**

The purpose of the Scheme is to provide incentives and rewards to eligible participants who contribute to the success of the Group's operation.

ii) **Eligible participants**

Eligible participants of the share option scheme include the Company's directors and other employees of the Group.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5,000,000 within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

iii) **Maximum number of shares**

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue as at the date of passing the Ordinary Resolution on 22 August 2006. As at the date of this Annual Report, the total number of shares available for issue under the Scheme is 191,477,268, representing 6.61% of the issued share capital.

iv) **Maximum entitlement of each eligible participant**

The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time.

v) **Option period**

The Scheme became effective on 9 September 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

33. SHARE OPTION SCHEME (Continued)

vi) Acceptance of offer

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on the date which is not later than 10 years from the date of the offer of the share options or the expiry date of the Scheme, if earlier.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

vii) Exercise price

The Exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares.

viii) The remaining life of the Scheme

The directors shall be entitled at any time within 10 years commencing on 9 September 2002 to offer the grant of an option to any eligible participants.

No share option has been granted since the Scheme became effective on 9 September 2002.

34. RESERVES

a) The Group

	Note	Share premium HK$'000	Contributed surplus HK$'000	Distributable reserve HK$'000	Property revaluation reserve HK$'000	Fair value reserve HK$'000	Equity component reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Sub-total HK$'000	Minority interests HK$'000	Total reserve HK$'000
At 1 April 2006		–	2,789	4,995	16,090	–	–	(50)	7,145	30,969	78	31,047
Surplus on revaluation		–	–	–	9,105	–	–	–	–	9,105	–	9,105
Rights issue expenses		–	–	(2,779)	–	–	–	–	–	(2,779)	–	(2,779)
Fair value adjustment		–	–	–	–	8,783	–	–	–	8,783	–	8,783
Deferred tax charged in the revaluation reserve	29	–	–	–	(1,892)	–	–	–	–	(1,892)	–	(1,892)
Property revaluation reserve		–	–	–	(27)	–	–	–	–	(27)	27	–
Acquisition of a subsidiary		–	–	–	–	–	–	–	–	–	13,831	13,831
Disposal of a subsidiary		–	–	–	–	–	–	–	–	–	(10)	(10)
Exchange realignment		–	–	–	–	–	–	615	–	615	330	945
Revaluation reserve released on disposal		–	–	–	(709)	–	–	–	709	–	–	–
Loss for the year		–	–	–	–	–	–	–	(55,027)	(55,027)	(356)	(55,383)
At 31 March 2007		–	2,789	2,216	22,567	8,783	–	565	(47,173)	(10,253)	13,900	3,647
At 1 April 2007		–	2,789	2,216	22,567	8,783	–	565	(47,173)	(10,253)	13,900	3,647
Shares issued under placement and subscription		122,800	–	–	–	–	–	–	–	122,800	–	122,800
Shares issue expenses		(5,972)	–	–	–	–	–	–	–	(5,972)	–	(5,972)
Revaluation reserve released on disposal		–	–	–	(2,437)	–	–	–	2,437	–	–	–
Acquisition of subsidiaries		–	–	–	–	–	–	–	–	–	406,503	406,503
Consideration shares issued for the acquisition of subsidiaries		132,000	–	–	–	–	–	–	–	132,000	–	132,000
Surplus on revaluation		–	–	–	4,976	–	–	–	–	4,976	–	4,976
Issuance of convertible notes	30	–	–	–	–	–	236,787	–	–	236,787	–	236,787
Deferred tax charged in the revaluation reserve	29	–	–	–	(1,344)	–	–	–	–	(1,344)	–	(1,344)
Loss for the year		–	–	–	–	–	–	–	(112,892)	(112,892)	(1,838)	(114,730)
Exchange realignment		–	–	–	–	–	–	2,200	–	2,200	852	3,052
At 31 March 2008		248,828	2,789	2,216	23,762	8,783	236,787	2,765	(157,628)	368,302	419,417	787,719

34. RESERVES (Continued)

b) The Company

	Note	Share premium HK$'000	Contributed surplus HK$'000	Distributable reserve HK$'000	Equity component reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2006		–	60,733	4,995	–	(34,948)	30,780
Loss for the year		–	–	–	–	(57,460)	(57,460)
Rights issue expenses		–	–	(2,779)	–	–	(2,779)
At 31 March 2007		–	60,733	2,216	–	(92,408)	(29,459)
At 1 April 2007		–	60,733	2,216	–	(92,408)	(29,459)
Shares issued under placement and subscription	32	122,800	–	–	–	–	122,800
Shares issue expenses		(5,972)	–	–	–	–	(5,972)
Consideration shares issued for the acquisition of subsidiaries	32	132,000	–	–	–	–	132,000
Issuance of convertible notes	30	–	–	–	236,787	–	236,787
Loss for the year		–	–	–	–	(90,924)	(90,924)
At 31 March 2008		248,828	60,733	2,216	236,787	(183,332)	365,232

c) Nature of purposes of the reserves

i) *Contributed surplus*

The contributed surplus of the Company represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Group reorganisation in June 1991, over the nominal value of the Company's shares issued in exchange thereof. Under the Bermuda Companies Act 1981 (as amended), the contributed surplus is distributable to shareholders in certain circumstances.

ii) *Distributable reserve*

Pursuant to a special resolution passed on 15 September 2003, the share premium account of the Company was reduced by an amount of HK$103,948,000 to HK$Nil and of which HK$98,953,000 was applied towards the elimination of the accumulated losses of the Company as at 31 March 2003, with the remaining balance of HK$4,995,000 being credited to a distributable reserve of the Company. The reduction of share premium account was effective on 6 October 2003.

34. RESERVES (Continued)

c) Nature of purposes of the reserves (Continued)

iii) *Exchange fluctuation reserve*

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of the overseas subsidiaries. The reserve is dealt with in accordance with the accounting policy set out in note 3(s).

iv) *Fair value reserve*

The fair value reserve represents the difference between the fair value and carrying amount of the net assets attributable to the additional interest in a subsidiary being acquired on 20 October 2006 from a minority shareholder.

v) *Equity component reserve*

The value of the unexercised equity component of convertible notes issued by the Company recognised in accordance with the accounting policy adopted for convertible notes in note 3(k).

vi) *Property revaluation reserve*

The revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for land and buildings in note 3(e).

d) Distributability of reserves

At 31 March 2008, the aggregate amount of reserves available for the distribution to equity shareholders of the Company calculated in accordance with the Bermuda Companies Act 1981 (as amended) was HK$65,496,000 (2007: HK$Nil) in certain circumstances.

34. RESERVES (Continued)

e) Capital risk management

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

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher level of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors, its capital structure on the basis of a net debt-to-adjusted capital ratio. For this purpose the Group defines net debt as total debt (which includes loan notes and other financial liabilities) less bank deposits and cash. Adjusted capital comprises all components of equity less unaccrued proposed dividends.

34. RESERVES (Continued)

e) Capital risk management (Continued)

During the year ended 31 March 2008, the Group's strategy, which unchanged from 2007, was to maintain the net debt-to-adjusted capital ratio as low as feasible. In order to maintain or adjust the ratio. The Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The debt-to-adjusted capital ratio at 31 March 2008 and 2007 were as follows:

	2008 HK$'000	2007 HK$'000
Trade and other payables	46,681	90,036
Bank loans and overdrafts	39,552	26,877
Finance leases payables	58	2,490
Convertible notes	855,213	–
Promissory notes	320,000	–
Total debt	1,261,504	119,403
Less: cash and bank balances	(119,338)	(45,245)
pledged deposits	(30,211)	(12,029)
Net debt	1,111,955	62,129
Total equity	658,187	144,239
Total capital	1,770,142	206,368
Debt-to-adjusted capital ratio	63%	30%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

35. MAJOR NON-CASH TRANSACTIONS

a) Moulds

During the year, the mould construction amounting to HK$4,803,000 (2007: HK$2,372,000) which were completed and transferred from mould deposits to moulds under property, plant and equipment.

b) Property, plant and equipment

During the year, addition to property, plant and equipment of the Group financed by new finance leases were HK$Nil (2007: HK$2,475,000).

36. ACQUISITION OF SUBSIDIARIES

a) On 28 November 2007, the Company entered into a sales and purchase agreement with Pure Hope Development Limited ("Pure Hope"), an independent third party, to acquire the entire issued share capital and shareholder's loan of Ling Kit for a total consideration of HK$1,828,000,000. Ling Kit is principally engaged in investment holding of 80% equity interest in Haicheng Dongxin which is principally engaged in the mining and processing of magnesite ore.

The consideration was satisfied by the Company in the following manner:

i) as to HK$416,000,000 by the issue and allotment 800,000,000 of new shares of HK$0.10 each in its ordinary share capital at the issue price of HK$0.52 per share. At the completion date, the fair value of the consideration share is at HK$0.265 per share, being the market price of the share of the Company (note 32(e));

ii) as to HK$320,000,000 by the issue of promissory notes (note 31); and

iii) as to HK$1,092,000,000 by the issue of convertible notes (note 30).

The acquisition was completed on 6 March 2008 upon the approval duly passed by the shareholders at the special general meeting held on 29 February 2008.

36. ACQUISITION OF SUBSIDIARIES (Continued)

(a) (Continued)

The net assets acquired in the transaction and the goodwill arising are as follows:

	Acquiree's carrying amount before combination	**Fair value adjustment**	**Fair value**
	HK$'000	HK$'000	HK$'000
Intangible assets	–	2,033,130	2,033,130
Plant and equipment	714	–	714
Trade and other receivables	294	–	294
Cash and bank balances	3,147	–	3,147
Trade and other payables	(4,771)	–	(4,771)
			2,032,514
Minority interests			(406,503)
Negative goodwill			(2,011)
Total consideration			1,624,000
Total consideration satisfied by:			
Fair value of the consideration shares at the issue price of HK$0.265 per share as at the completion date			212,000
Convertible notes			1,092,000
Promissory notes			320,000
			1,624,000

36. ACQUISITION OF SUBSIDIARIES (Continued)

(a) (Continued)

Analysis of the net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries:

	HK$'000
Total consideration settled in cash	–
Cash and cash equivalents in subsidiaries acquired	3,147
Cash inflow on acquisition of subsidiaries	3,147

Ling Kit and its subsidiary contributed loss of HK$63,000 to the Group's loss for the period between the date of acquisition and the balance sheet date.

It is not possible to estimate the amount that the above subsidiaries would have contributed to the revenue and net loss of the Group had the acquisition taken place at the beginning of the year as the above subsidiaries has a different year end and different accounting policies. The cost of preparing such information would be excessive.

b) On 1 November 2006, the Group acquired the entire equity interest of BIP (HK) for cash consideration of HK$3,068,000 and the amount of goodwill arising as a result of the acquisition was HK$2,327,000. BIP (HK) was principally engaged in building materials supply and installation.

On 20 October 2006, the Group acquired 30% equity interest of Ancen Properties for cash consideration of HK$18,967,000 and the amount of goodwill arising as a result of the acquisition was HK$4,957,000. Ancen Properties and its subsidiary ("Ancen Group") were principally engaged in real estate development. The Group originally held 40% equity interest of Ancen Group and was previously accounted for as an associate.

36. ACQUISITION OF SUBSIDIARIES (Continued)

(b) (Continued)

The net assets acquired in the transactions and the goodwill arising are as follows:

	BIP (HK)			Ancen Group			
	Acquiree's carrying amount before combination	**Fair value adjustment**	**Fair value**	**Acquiree's carrying amount before combination**	**Fair value adjustment**	**Fair value**	**Total fair value**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cash and bank balances	1,571	–	1,571	27,655	–	27,655	29,226
Inventories	–	–	–	19,525	32,769	52,294	52,294
Trade and other receivables	1,192	–	1,192	2,418	–	2,418	3,610
Amount due from customers for contract work	2,280	–	2,280	–	–	–	2,280
Trade and other payables	(2,570)	–	(2,570)	(12,902)	–	(12,902)	(15,472)
Provision for taxation	(166)	–	(166)	(3,930)	–	(3,930)	(4,096)
Due to shareholders	–	–	–	(8,022)	–	(8,022)	(8,022)
Deferred tax liabilities	–	–	–	–	(10,814)	(10,814)	(10,814)
Amount due to customers for contract work	(66)	–	(66)	–	–	–	(66)
Loan from a director	(1,500)	–	(1,500)	–	–	–	(1,500)
Minority interests	–	–	–	(7,423)	(6,587)	(14,010)	(14,010)
Net assets	741	–	741	17,321	15,368	32,689	33,430
Goodwill			2,327			4,957	7,284
			3,068			37,646	40,714

36. ACQUISITION OF SUBSIDIARIES (Continued)

(b) (Continued)

Analysis of the net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries:

	HK$'000
Total consideration settled in cash	(22,035)
Cash and cash equivalents in subsidiaries acquired	29,226
Cash inflow on acquisition of subsidiaries	7,191

BIP (HK) contributed loss of HK$1,344,000 to the Group's loss for the period between the date of acquisition and the balance sheet date.

Ancen Group contributed loss of HK$1,575,000 to the Group's loss for the period between the date of acquisition and the balance sheet date.

Goodwill is attributable to the benefit of expected synergies, revenue growth and future market development of BIP (HK) and Ancen Group. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

If the acquisitions had been completed on 1 April 2006, total group revenue for the year would have been changed to HK$216,234,000 and loss for the year would have been changed to HK$68,513,000. The pro-forma information is for illustrative purpose only and is not necessarily an indication of revenue and results of the Group that actually would have been achieved had the acquisition been completed on 1 April 2006, nor is it intended to be a projection of future results.

37. DISPOSAL OF SUBSIDIARIES

a) The net liabilities of Antec Group and AECL Group at 31 January 2008 being the date of disposal were as follows:

	Antec Group	AECL Group	Total
	HK$'000	HK$'000	HK$'000
Property, plant and equipment	16,290	1,667	17,957
Cash and bank balances	2,938	1,369	4,307
Inventories	17,535	–	17,535
Trade and other receivables	6,072	20,288	26,360
Bank loans and overdrafts	–	(12,751)	(12,751)
Trade and other payables	(12,550)	(16,580)	(29,130)
Amounts due to the Group	(4,529)	(167,155)	(171,684)
	25,756	(173,162)	(147,406)
Minority interests	–	–	–
Exchange reserve	–	172	172
	25,756	(172,990)	(147,234)
Assignment of amounts due to the Group			171,684
			24,450
Loss on disposal of subsidiaries (note 14)			(24,450)
Total consideration			–*
Satisfied by:			
Cash consideration			–*

37. DISPOSAL OF A SUBSIDIARY (Continued)

a) (Continued)

Analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries:

	HK$'000
Cash received	–*
Cash and bank balances disposed of	(4,307)
Bank overdrafts disposed of	8,615
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	4,308

* Total consideration of the disposal was HK$4.

37. DISPOSAL OF A SUBSIDIARY (Continued)

b) In March 2007, the Group disposed of Anex Japan Corporation, a company being dormant, to an independent third party. The net liabilities of Anex Japan Corporation at 31 March 2007 as the date of disposal were as follows:

	HK$'000
Property, plant and equipment	27
Cash and bank balances	38
Other receivables	8
Due from the Group	171
Other payables	(40)
	204
Minority interests	(10)
Exchange reserve	44
	238
Loss on disposal of a subsidiary	(67)
	171
Satisfied by:	
Cash consideration	–
Waiver of amount due from the Group	171
	171

Analysis of the net outflow of cash and cash equivalents in respect of the disposal of the subsidiary:

	HK$'000
Cash received	–
Cash and bank balances disposed of	(38)
Net outflow of cash and cash equivalents in respect of the disposal of the subsidiary	(38)

38. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year.

a) Key management personnel remuneration

The key management personnel of the Group are the directors of the Company. Details of the remuneration paid to them are set out in note 11 to the financial statements.

b) Other related party transactions

		The Group	
		2008	2007
	Notes	**HK$'000**	HK$'000
Rental of directors' quarter paid to a related company	(i)	**450**	540
Rental of office premises paid to a related company	(ii)	**880**	880
Management fee paid to a minority shareholder	(iii)	**864**	–
Rental of car park paid to a related company	(iv)	**15**	–
Motor vehicle purchased from a director	(v)	**–**	342
Acquisition of a subsidiary from a director	(vi)	**–**	3,068
Interest expense paid to a director	(vii)	**–**	163

i) A subsidiary of the Group has entered into a lease agreement with a related company, Mountain-Dew Limited, a company controlled by Mr. Kwok Hon Lam, a director of the Company, to lease directors' quarter for a period of 33 months commencing on 1 March 2006 at a monthly rental of HK$45,000 (2007: HK$45,000). The lease has been terminated on 31 January 2008. No outstanding balance at 31 March 2008 and 2007.

ii) A subsidiary of the Group has entered into a lease agreement with a related company, Gold Regent International Limited, a company controlled by Mr. Cheng, to lease an office premises for a period of two years commencing on 1 March 2006 at a monthly rental of HK$73,000 (2007: HK$73,000). No outstanding balance at 31 March 2008 and 2007.

38. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

b) Other related party transactions (Continued)

iii) Two subsidiaries of the Group have entered into two agreements with a minority shareholder, United Marble Company Limited, who provide project management services for the building material business to the two subsidiaries at aggregated monthly management fee of HK$64,000 (2007: Nil) commencing on 1 April 2007. HK$480,000 was outstanding as at 31 March 2008 (2007: HK$Nil).

iv) The Company has entered into a lease agreement with a related company, Gold Regent International Limited, a company controlled by Mr. Cheng, to lease a car park commencing on 1 December 2007 at a monthly rental of HK$3,850 (2007: HK$Nil). No outstanding balance at 31 March 2008.

v) The Company has entered into a transfer agreement with Mr. Cheng to transfer his motor vehicle to the Company on 1 April 2006 for a consideration of HK$342,000. The consideration was settled in cash of HK$143,000 and the transfer of the outstanding balance of a finance lease. The present value of the minimum lease payment at 31 March 2008 is HK$58,000 (2007: HK$134,000).

vi) During the year ended 31 March 2007, the Company acquired 100% equity interest in BIP (HK) for cash consideration of HK$3,068,000, in which Mr. Cheng and Mr. Cheng Tze Kit, Larry are shareholders and directors of BIP (HK). No outstanding balance at 31 March 2007 (note 36(b)).

vii) The interest expense related to an advance from a director of the Company, Mr. Cheng. The interest is calculated at a rate of 1% per annum over and above the Prime Rate. The advance has been fully settled on 29 June 2006.

39. CONTINGENT LIABILITIES

Financial guarantee issued

The Group

The subsidiary of the Company undertook the obligation under a buy-back undertaking entered into with a bank of approximately RMB17,750,000 (equivalent to approximately HK$19,703,000) (2007: HK$20,927,000) relating to the mortgage loans arranged for certain purchasers of the Group's properties sold. Pursuant to the terms of the undertaking, in the event of any default in mortgage payments by any of these purchasers, the subsidiary of the Company is responsible to repay the outstanding mortgage principal balances together with accrued interest and penalties owed by the defaulted purchasers and the subsidiary of the Company is entitled to take over the legal title and possession of the related properties. The subsidiary of the Company's guarantee period commences from the dates of the drawdown of the relevant mortgage loans and ends when the subsidiary of the Company obtains the "property title certificate" for the mortgagees.

A deposit of RMB2,395,000 (equivalent to HK$2,661,000) was pledged to a bank as security for the subsidiary of the Company's obligation under the above undertaking.

The subsidiary of the Company provided a corporate guarantee of HK$4,500,000 (2007: HK$Nil) and a deposit pledged of HK$6,150,000 (2007: HK$3,000,000) to a bank for the issuance of performance bond, in favour of an independent third party relating to the construction contracts, amounting to HK$6,150,000 (2007: HK$3,000,000).

No recognition was made because the fair value of the undertaking and guarantee as above were insignificant and that the directors did not consider it probable that a claim would be made against the Group under the undertaking or guarantee. The maximum liability of the Group at the balance sheet date under the undertaking is HK$22,381,000 (2007: HK$20,927,000).

39. CONTINGENT LIABILITIES (Continued)

Financial guarantee issued (Continued)

The Company

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	2008 HK$'000	2007 HK$'000
Guarantees granted to subsidiaries for:		
Banking facilities	57,500	42,000
Finance lease payables	–	2,355
	57,500	44,355

The Company is also one of the entities covered by a cross guarantee arrangement issued by the Company and its subsidiaries to a bank in respect of banking facilities granted to the Group which remains in force as long as the Group has drawn down under the banking facilities. Under the guarantee, the Company and all the subsidiaries that are a party to the guarantee are jointly and severally liable for all and any of the borrowings of each of them from the bank which is the beneficiary of the guarantee. The maximum liability of the Company at the balance sheet date under the corporate guarantee is the amount drawn down by the subsidiaries that are covered by the cross guarantee, being HK$39,552,000 (2007: HK$26,877,000).

No recognition was made because the fair value of the guarantee was insignificant and that the directors did not consider it probable that a claim would be made against the Company under the guarantee.

40. OPERATING LEASE COMMITMENTS

The Group leases certain of its directors' quarter and office premises under operating leases. Leases for these properties are negotiated for terms ranging one to two years.

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

	The Group		The Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**2,322**	1,970	**2,055**	807
In the second to fifth years, inclusive	**1,920**	714	**1,920**	–
	4,242	2,684	**3,975**	807

41. CAPITAL COMMITMENTS

Capital commitments outstanding as at 31 March 2008 not provided for in the financial statements were as follows:

	The Group	
	2008	2007
	HK$'000	HK$'000
Contracted, but not provided for	**6,271**	1,479

42. COMPARATIVE FIGURES

Due to the disposal of certain operations during the year, which constituted a discontinued operation under HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operation", certain comparative figures have been reclassified to conform with current year's presentation.

As a result of adopting HKFRS 7, Financial instruments: Disclosures, and the amendments to HKAS 1, Presentation of financial statements: Capital disclosures, certain comparative figures have been adjusted to conform with changes in disclosures in the current year and to show separately comparative amounts in respect of items disclosed for the first time in 2007. Further details of these developments are disclosed in note 3.

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

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

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

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

		Effective for accounting periods beginning on or after
HKAS 1 (Revised),	*Presentation of Financial Statements*	1 January 2009
HKAS 23 (Revised),	*Borrowing Costs*	1 January 2009
HKAS 27 (Revised),	*Consolidated and Separate Financial Statements*	1 July 2009
HKAS 32 & HKAS 1 Amendment,	*Amendments to HKAS 32 Financial Instruments: Presentation and HKAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*	1 January 2009
HKFRS 2 Amendment,	*Share-based Payment: Vesting Conditions and Cancellations*	1 January 2009
HKFRS 3 (Revised),	*Business Combinations*	1 July 2009
HKFRS 8,	*Operating Segments*	1 January 2009
HK(IFRIC) – Int 12,	*Service Concession Arrangement*	1 January 2008
HK(IFRIC) – Int 13,	*Customer Loyalty Programmes*	1 July 2008
HK(IFRIC) – Int 14,	*HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*	1 January 2008

RESULTS

	Year ended 31 March				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
				(Restated)	(Restated)
Turnover	**222,854**	209,701	182,324	280,937	239,205
(Loss)/profit attributable to equity shareholders of the Company	**(112,892)**	(55,027)	(59,736)	293	(8,999)

ASSETS AND LIABILITIES

	As at 31 March				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
				(Restated)	(Restated)
Total assets	**2,361,532**	299,792	197,596	222,794	230,882
Total liabilities	**1,283,928**	141,653	89,685	86,067	100,014
Net assets	**1,077,604**	158,139	107,911	136,727	130,868
EQUITY					
Equity attributable to equity shareholders of the Company	**658,187**	144,239	107,833	136,452	130,692
Minority interests	**419,417**	13,900	78	275	176
Total equity	**1,077,604**	158,139	107,911	136,727	130,868

The results for the years ended 31 March, 2004 and 2005, and the assets, liabilities and equity as at 31 March, 2004 and 2005 have been restated as a result of the prior year adjustment in respect of the adoption of Hong Kong Accounting Standards 1 "Presentation of Financial Statements", 17 "Leases" and 32 "Financial Instruments: Disclosure and Presentation" as well as Interpretation 21 "Income Tax – Recovery of Revalued Non-Depreciation Assets" issued by the Hong Kong Institute of Certified Public Accountants.

GROUP PROPERTIES

1. Property under development for sale

Location	Intended use	Stage of completion	Site area (approximate sq m)	Gross floor area (approximate sq m)	Group's interest (%)
A parcel of land situated on the North-west Junction between Wuhuan Road and Guanzhang Road, Hengkeng Village, Liaobu Town, Dongguan, Guangdong Province, the PRC	Commercial & Residential	Foundation stage	5,000	47,000	70

2. Properties held for sale

Location	Existing use	Gross floor area (sq m)	Group's interest (%)
Dongguan Jia Lake Mountain Villa, Jinyinling Section, Guanzhang Road, Hengkeng Village, Liaobu Town, Dongguan, Guangdong Province, the PRC	Street Shops and Shopping Mall	13,000	70