# PLUS HOLDINGS LIMITED

**(Provisional Liquidators Appointed)**

**（普納集團有限公司）**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1013)**

# Annual Report 2008

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# CORPORATE INFORMATION

**Executive Directors**

Mr. Zou Yishang *(Chairman & Chief Executive Officer)*
Mr. Hu Jian *(Chief Operating Officer)*
Mr. Cui Jingya
Mr. Zou Yicheng (retired on 23 May 2008)
Mr. Liu Yiquan (appointed on 16 May 2007 and retired on 23 May 2008)
Mr. Zhang Yi (appointed on 16 May 2007 and retired on 23 May 2008)

**Non-executive Director**

Mr. Weng Xianding

**Independent Non-executive Directors**

Mr. Chan Kin Sang (appointed on 1 November 2007)
Mr. Choi Man On (appointed on 1 November 2007)
Mr. Young Meng Cheung Andrew (appointed on 1 November 2007)
Mr. Zhao Renwei (resigned on 14 June 2007)

**Company Secretary**

Ms. Lee Ho Yee

**Auditors**

Morison Heng, Certified Public Accountants

**Provisional Liquidators**

Mr. Liu Yiu Keung Stephen
Mr. Robert Armor Morris

**Solicitors for the Provisional Liquidators**

*Bermuda:*
Appleby

*Hong Kong:*
Messrs. P.C. Woo & Co

**Principal Bankers**

Industrial and Commercial Bank of China (Asia) Limited
CITIC Ka Wah Bank Limited

**Share Registrars**
*Bermuda:*
Butterfield Corporate Services Limited
Rosebank Centre
11 Bermudiana Road
Pembroke, Bermuda

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

**Registered Office**
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

**Principal Place of Business**
18/F Two International Finance Centre
8 Finance Street
Central
Hong Kong

**Internet Address**
http://www.equitynet.com.hk/plusholdings

**Stock Code**
1013

# DIRECTORS' PROFILE

## EXECUTIVE DIRECTORS

**Mr. Zou Yishang**, aged 45, joined the Company as an executive director in February 2000 and now is the Chairman and Chief Executive Officer of the Company. Prior to joining the Company, Mr. Zou had worked for Goldman Sachs, Hong Kong for 4 years. He played a significant role in shaping the China business strategy and building up the capital market and finance business in China for that firm. From 1983 to 1991, Mr. Zou served in the Institute of Economics, Chinese Academy of Social Sciences. He holds three Master degrees in: Economics from Chinese Academy of Social Sciences; Development Economics from Williams College, U.S.A., and Business Administration from Yale University, School of Management. Mr. Zou is a substantial shareholder of the Company under Part XV of the Securities and Futures Ordinance. He is related to other current/former executive directors of the Company being son-in-law of Mr. Cui Jingya, and brother of Mr. Zou Yicheng and Mr. Liu Yiquan.

**Mr. Hu Jian**, aged 48, joined the Company in January 2001 and was appointed as an executive director in May 2004. Since September 2004, Mr. Hu was appointed as the Chief Operating Officer of the Company. He is also the Chief Executive Officer of Beijing HollyBridge System Integration Co., Limited, a major subsidiary of the Company. Mr. Hu, a former senior researcher at the Chinese Academy of Sciences, holds a Master Degree in Business Administration from the University of Houston, U.S.A. and has rich experience in information technology sector.

**Mr. Zou Yicheng**, aged 41, was appointed as an executive director of the Company in May 2005. Mr. Zou graduated from the Chinese People's Liberation Army Armoured Force Engineering College and holds a Bachelor Degree in Engineering. Mr. Zou served for the Chinese People's Liberation Army for over ten years. He has over 5 years' relevant experience in business management. Mr. Zou is related to other current/former executive director being the brother of Mr. Zou Yishang and Mr. Liu Yiquan. Mr. Zou was retired on 23 May 2008.

**Mr. Cui Jingya**, aged 70, was appointed as an executive director of the Company in May 2005. Mr. Cui holds a Bachelor Degree in Science from the China University of Science and Technology. Mr. Cui had worked for the government bureaus of the People's Republic of China for over 32 years. Mr. Cui is related to other executive director of the Company being the father-in-law of Mr. Zou Yishang.

**Mr. Liu Yiquan**, aged 32, from Hunan, was appointed as an executive director of the Company in May 2007. Mr. Liu, graduated from Beijing University of Aeronautics & Astronautics, holds a Bachelor Degree in Mechanical Engineering. Mr. Liu has over 7 years' relevant experience in business management. He also holds position as director in Plus Investment and Management Consulting (Shenzhen) Company Limited, a wholly owned subsidiary of the Company. Mr. Liu is the brother of Mr. Zou Yishang, chairman of the Company, and Mr. Zou Yicheng. Mr. Liu was retired on 23 May 2008.

**Mr. Zhang Yi**, aged 37, from Beijing, was appointed as an executive director of the Company in May 2007. Mr. Zhang, graduated from Nanjing Communication Engineering Institute, holds a Master Degree in Computer Communication. Mr. Zhang also holds position as Software Engineer in Beijing HollyBridge System Integration Co., Ltd., a subsidiary of the Company. Mr. Zhang is the brother-in-law of Mr. Zou Yishang, chairman of the Company. Mr. Zhang was retired on 23 May 2008.

## NON-EXECUTIVE DIRECTOR

**Mr. Weng Xianding**, aged 46, has been a non-executive director of the Company and was appointed in July 2001. Mr. Weng holds a Master degree in Economics from the Chinese Academy of Social Sciences. He served in various senior positions in the People's Republic of China government, such as Deputy Director General of the State Planning Commission (the current State Development and Reform Commission) Finance Department, Assistant Director General of the Shenzhen City Planning Department.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Chan Kin Sang**, aged 56, was appointed as an independent non-executive director of the Company in November 2007. He is also a member of the Audit Committee, Remuneration Committee and Nomination Committee (Chairman) of the Company. Mr. Chan is currently the sole proprietor of Messrs. Peter K. S. Chan & Co., Solicitors and Notaries. He has been a practising solicitor in Hong Kong since 1982. Mr. Chan graudated from the University of Hong Kong with a Bachelor of Laws degree in 1979. He was admitted as a Notary Public in 1997 and as a China-appointed Attesting Officer in 2000. He is a Fellow of the Hong Kong Institute of Directors. Mr. Chan is currently an independent non-executive director of 3 Singapore listed companies, namely People's Food Holdings Limited, Sunray Holdings Limited, Luxking Group Holdings Limited and 4 Hong Kong listed companies, namely Dynamic Energy Holdings Limited, China Force Oil & Grains Industrial Holdings Co., Limited, Golding Soft Limited and New Smart Energy Group Limited. Mr. Chan is also non-executive director of Pan Hong Property Group Limited, a Singapore listed company. Mr. Chan was formerly an independent non-executive director of LeRoi Holdings Limited, China Sciences Conservational Power Limited, Earnest Investments Holdings Limited and CHT (Holdings) Limited and an executive director of Massive Resources International Corporation Limited.

**Mr. Choi Man On**, aged 51, was appointed as an independent non-executive director of the Company in November 2007. He is also a member of the Audit Committee (Chairman), Remuneration Committee and Nomination Committee of the Company. Mr. Choi is a fellow member of the Institute of Chartered Accountant in England and Wales and a CPA (Practising) member of the Hong Kong Institute of Certified Public Accountants. Mr Choi is currently a director of Shu Lun Pan Horwath Hong Kong CPA Limited (formerly known as Horwath Hong Kong CPA Limited). He has more than 25 years of experience in audit and assurance work. During that period, he has been a partner and director of certified public accountancy firms for over 10 years in which he has been in charge of compliance work of listed companies both in Hong Kong and the People's Republic of China. He was an independent non-executive director of Shanghai Land Holdings Limited (In Members' Voluntary Liquidation).

**Mr. Young Meng Cheung, Andrew**, aged 48, was appointed as a director of the Company on 1 November 2007. He is also a member of the Audit Committee, Remuneration Committee (Chairman) and Nomination Committee of the Company. Mr. Young is a Chartered Professional Engineer of The Institution of Engineers, Australia. Mr. Young has over 20 years of experience in technology management, engineering consultation and management consulting industry. He has worked for The Hong Kong Polytechnic University ("PolyU") since 1998 and is currently the Director of Partnership Development. He is a non-executive director of Eco-Tek Holdings Limited, a director of the Hong Kong Plastics Technology Centre Ltd. and also the director of various private companies. Before the employment with PolyU, Mr. Young worked for Hong Kong Productivity Council as senior consultant for two years since 1996.

**Mr. Zhao Renwei**, aged 75, is a distinguished economist in China and the former Head of the Institute of Economics, Chinese Academy of Social Sciences. He joined the Company as an independent non-executive director in June 2000 until his resignation from office in June 2007.

The joint and several provisional liquidators (collectively, the "Provisional Liquidators") of Plus Holdings Limited (Provisional Liquidators Appointed) (the "Company") present the annual report and the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 March 2008.

The Provisional Liquidators were appointed under an order by the High Court of Hong Kong Court of First Instance ("Hong Kong Court") on 17 May 2007, and consequently, the Provisional Liquidators do not have the same detailed knowledge of the financial affairs of the Group as the directors of the Company would have, in particular transactions entered into by the Group prior to their appointment.

The board of directors of the Company (the "Board") has authorised the Provisional Liquidators to sign, approve, publish and do all such acts in connection with this annual report. The Provisional Liquidators are responsible for the accuracy and completeness of the contents of this report and the audited financial statements for the year ended 31 March 2008 in relation to (i) the affairs of the Group after the appointment of the Provisional Liquidators; and (ii) the preparation of the contents of this report and the audited financial statements for the year ended 31 March 2008 on the basis of the books and records made available to the Provisional Liquidators and, where applicable, having made all reasonable enquiries by them. Therefore, the Provisional Liquidators make no representation as to the completeness of the information contained in this annual report, notwithstanding their responsibility for the audited financial statements as set out in the Independent Auditors' Report.

## PRINCIPAL ACTIVITIES AND ANALYSIS OF OPERATIONS

The Company acts as an investment holding company. The principal activities of its associates and subsidiaries and are set out in detail in notes 20 and 37 to the consolidated financial statements respectively.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 9 to the consolidated financial statements.

The Company was struck off in the registrar of companies by the Registrar of Companies in Bermuda on 20 October 2006 due to non-payment of its 2006 annual government fees and late penalties. Upon their appointment, the Provisional Liquidators settled the outstanding annual government fees and late penalties and filed an affirmation to the Supreme Court of Bermuda (the "Bermuda Court") to reinstate the Company's registration status in Bermuda. On 7 February 2008, the

Bermuda Court ordered to restore the Company to the Register of Companies in Bermuda and pursuant to section 261 of The Companies Act 1981 of Bermuda (as amended), the Company is deemed to have continued in existence as if its name had not been struck off.

## BUSINESS REVIEW

The Company acts as an investment holding company. The principle activities of its subsidiaries and associates are:

– Provision of solutions on software and services;
– Trading of communication products;
– Provision of financial services;
– Investment holdings; and
– Provision of telecommunication infrastructure solution services.

Most of the Group's business activities and revenue are generated by two subsidiaries of the Company in the People's Republic of China (the "PRC"), Beijing HollyBridge System Integration Company Limited (北京合力金橋系統集成技術有限公司) ("Beijing HollyBridge") and Plus Financial Management Services Limited (北京普納天成理財諮詢服務有限公司). The remaining subsidiaries of the Company are generally inactive, except for Telecom Plus Investment Limited, a Hong Kong incorporated company which holds shares in a listed company in Hong Kong.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2008, the Group had net current liabilities of approximately HK$113.2 million, compared with the net current liabilities of approximately HK$96 million as at 31 March 2007, an increase of HK$17.2 million

As at 31 March 2008, the Company had outstanding convertible bonds amounted to US$1.8 million (equivalent to HK$14,040,000).

The Group's total borrowings amounted to approximately HK$42.6 million (2007: approximately HK$44.2 million). Total borrowings are due to pay within one year.

The Group had bank balances and cash of approximately HK$6.9 million (2007: approximately HK$1.6 million) as at 31 March 2008.

As at 31 March 2008, the Group's current ratio of current assets to current liabilities was 0.45 (2007: 0.40). The gearing ratio, as a ratio of total liabilities to total assets, was 2.15 (2007: 1.98).

The Group had limited exposure to foreign exchange rate fluctuations as most of its transactions, including borrowings, were mainly conducted in Hong Kong Dollars, US Dollars or Renminbi, and the exchange rates of these currencies were relatively stable throughout the year.

## CAPITAL STRUCTURE

For the year ended 31 March 2008, to the best of the knowledge of the Provisional Liquidators, there was no change in the capital structure and issued share capital of the Company.

## DIVIDEND

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

## WINDING-UP PETITION AND RESTRUCTURING OF THE GROUP

On 15 November 2006, Lolliman Finance Limited ("Lolliman"), a loan creditor of Holy (Hong Kong) Universal Limited, the indirect wholly owned subsidiary of the Company, presented a winding-up petition against the Company. Upon the application of Lolliman, Messrs. Liu Yiu Keung Stephen and Robert Armor Morris, both of Ernst & Young Transactions Limited, were appointed by the Hong Kong Court as the Provisional Liquidators on 17 May 2007 so as to preserve the assets of the Group and to consider and review all restructuring proposals to maximise the recovery of the creditors and shareholders of the Company.

The Company was put into the third and final stage of the delisting procedures pursuant to Practice Note 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and if no viable resumption proposal was submitted on or before 12 September 2007 (i.e. at least ten business days before 23 September 2007), the listing status of the Company would be cancelled.

Since then, the Provisional Liquidators have been in discussions with various investors with a view to restructure the Group.

On 5 July 2007, the Company, acting by the Provisional Liquidators, entered into the legally binding Heads of Agreement (as varied by a side-letter dated 26 July 2007) (the "Heads of Agreement") with an investor (the "Investor") in relation to the proposed restructuring of the Group. The Heads of Agreement was subsequently supplemented by a supplemental agreement dated 23 August 2007.

On 12 September 2007 and 19 November 2007, the Company submitted a resumption proposal and a supplement to the resumption proposal (the "Resumption Proposal") respectively to The Stock Exchange of Hong Kong Limited (the "Stock Exchange") setting out the principal terms of the proposed restructuring of the Group and requesting the in-principle approval from the Stock Exchange to the Resumption Proposal.

On 23 November 2007, the Stock Exchange wrote to the Provisional Liquidators confirming them that the Listing Committee decided to allow the Company to proceed with the Resumption Proposal, subject to compliance of certain conditions as set out in the in-principle approval letter within six months from 23 November 2007.

According to the Heads of Agreement, the Company, the Provisional Liquidators (acting as an agent of the Company), the Investor and Mr Lam Ching Kui (as guarantor) entered into the Debt Restructuring Agreement, the Subscription Agreement and Escrow Agreement on 31 March 2008 and the same was announced by the Company on 3 April 2008.

On 19 May 2008, the Stock Exchange granted an extension to the Company for fulfillment of the conditions as set out in its in-principle approval letter dated 23 November 2007 from 22 May 2008 to on or before 22 August 2008. The Provisional Liquidators and the Investor had also agreed on the said extension on 21 May 2008. The relevant announcement was published by the Provisional Liquidators on 22 May 2008.

The special general meeting of the Company (the "SGM") was duly convened on 23 June 2008 and all the resolutions regarding the implementation of the proposed restructuring were duly and unanimously passed by the shareholders (and independent shareholders as required by way of poll) attending and eligible to vote at the SGM. The details of the resolutions are set out in the Circular dated 30 May 2008 and the relevant announcement of the results of the SGM was published by the Provisional Liquidators on 23 June 2008.

The creditors' meetings of the Company to approve the scheme of arrangement in Hong Kong (the "Hong Kong Scheme") and Bermuda (the "Bermuda Scheme") (collectively the "Schemes") pursuant to section 166 of the Companies Ordinance (Cap. 32 of the laws of Hong Kong) and section 99 of The Companies Act 1981 of Bermuda (as amended) were held on 23 June 2008 and 14 July 2008 respectively. The Schemes were duly passed by the required majority of the creditors present and voting at the said creditors' meetings. The relevant announcements in respect of the results of the meetings of the Hong Kong Scheme and the Bermuda Scheme were published by the Provisional Liquidators on 23 June 2008 and 14 July 2008 respectively.

On 5 August 2008, the Hong Kong Court sanctioned the Hong Kong Scheme and ordered that the adjourned hearing of the winding-up petition against the Company presented to the Hong Kong Court by Lolliman on 15 November 2006 fixed for 1 September 2008 be vacated and dismissed and that the Provisional Liquidators be discharged upon the Hong Kong Scheme Administrators confirming to the Hong Kong Court that the restructuring is completed and that the Schemes are effective. The relevant announcement was published by the Provisional Liquidators on 5 August 2008.

On 8 August 2008 (Bermuda time), the Bermuda Court sanctioned the Bermuda Scheme and the same was announced by the Provisional Liquidators on 11 August 2008.

The court orders of sanction of both Schemes are expected to be filed with respective companies' registrar on or about 19 August 2008. The completion of the restructuring agreements (the "Completion") is expected to be on or about 20 August 2008.

The proposed restructuring, if successfully implemented, will, amongst other things, result in the following:

(a) restructuring of the Company through the subscription by the Investor of subscription shares, convertible preference shares and the options, which would give rise to a funding of HK$170 million cash proceeds to the Company (net of any advance made by the Investor);

(b) in the event that the Investor exercises its options in full, such exercise will result in an injection of an additional HK$200 million cash proceeds to the Company;

(c) all the creditors will discharge and waive their claims against the Company by way of the Hong Kong Scheme and the Bermuda Scheme, as appropriate; and

(d) the resumption of trading in the shares of the Company upon the Completion.

## PROSPECTS

The principal business activities of the subsidiaries and associated companies of the Company are set out in the notes to the consolidated financial statements. Beijing HollyBridge, which the Company holds 51% equity shares (the remaining 49% shareholders namely 北京旭亞榮泰科技發展有限公司 and 北京冠耀投資諮詢有限公司), is engaged in the manufacturing of software, provision of solutions and related services, and provision of telecommunication infrastructure solution services in the PRC. The existing operations of the Group are principally carried out through Beijing HollyBridge.

The Resumption Proposal has now been substantially implemented as at the date of this report.

It is anticipated that the financial position of the Group will be substantially improved upon the Completion as all liabilities arising from the creditors of the Company and the creditors of its subsidiaries holding guarantees given by the Company will be compromised and discharged through the Schemes.

Upon the Completion, the Company's shares will resume trading on the Stock Exchange subject to the approval of the Listing Division of the Stock Exchange. The Provisional Liquidators are of the opinion that the Resumption Proposal will be successfully implemented because the restructuring proposal has approached the completion stage, notwithstanding that it is subject to certain conditions precedent to be satisfied.

Since the entering into of the aforesaid Heads of Agreement, the Group, with the support of the Investor, is gradually rebuilding its trading position via Beijing HollyBridge. Upon the Completion, the Group will be in a better position to further expand and develop the system integration business carried out by Beijing HollyBridge.

On the basis of the above, it is expected that the trading position of the Group will also be substantially improved following the Completion. The higher level of activities of Beijing HollyBridge since the evolvement of the Resumption Proposal and the new and future contracts all bode well for the future prospect of the Group.

## PLEDGE OF ASSETS

Details are set out in note 31 to the consolidated financial statements.

## SHARE CAPITAL

There was no movement in the issued share capital during the year. Details are set out in note 28 to the consolidated financial statements.

## SUSPENSION OF TRADING

Trading in the shares of the Company on the Main Board of the Stock Exchange has been suspended since 17 December 2004.

## SEGMENTAL INFORMATION

Details are set out in note 9 to the consolidated financial statements.

## RETIREMENT BENEFIT SCHEMES

Details are set out in note 34 to the consolidated financial statements.

## RELATED PARTY TRANSACTIONS

Details are set out in note 35 to the consolidated financial statements.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2008 are set out in the consolidated income statement on page 26.

## RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in note 30 to the consolidated financial statements.

## PROPERTY, PLANT AND EQUIPMENT

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

## MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest suppliers of the Group accounted for approximately 55% of the Group's purchases. The largest supplier accounted for approximately 21% of the purchases of the Group.

Aggregate sales attributable to the Group's five largest customers accounted for approximately 69% of the total turnover. The largest customer accounted for approximately 25% of the total turnover of the Group.

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

## FIVE YEARS FINANCIAL SUMMARY

A summary of the published consolidated results, assets, liabilities and minority interests of the Group for the last five financial years is set out on page 81. This summary is for information only, it does not form part of the audited financial statements.

## DIRECTORS

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

*Executive directors:*

| | |
|---|---|
| Mr. Zou Yishang *(Chairman & Chief Executive Officer)* | |
| Mr. Hu Jian *(Chief Operating Officer)* | |
| Mr. Cui Jingya | |
| Mr. Zou Yicheng | (retired on 23 May 2008) |
| Mr. Liu Yiquan | (retired on 23 May 2008) |
| Mr. Zhang Yi | (retired on 23 May 2008) |

*Non-executive director:*

Mr. Weng Xianding

*Independent non-executive directors:*

| | |
|---|---|
| Mr. Chan Kin Sang | (appointed on 1 November 2007) |
| Mr. Choi Man On | (appointed on 1 November 2007) |
| Mr. Young Meng Cheung Andrew | (appointed on 1 November 2007) |
| Mr. Zhao Renwei | (resigned on 14 June 2007) |

Mr. Zou Yicheng, Mr. Zhang Yi and Mr. Liu Yiquan had retired from the Board at the annual general meeting ("AGM") held on 23 May 2008 and did not offer themselves for re-election at the said AGM.

Except for Mr. Zou Yishang, no director (including the non-executive directors and independent non-executive directors) has entered into any service agreements with the Company. In accordance with Bye-laws 87(1) and 87(2) of the Company's Memorandum of Association and Bye-laws ("Bye-laws"), the terms of office of the directors are subject to retirement by rotation at AGM.

At the SGM, various resolutions for the changes of the Board effective upon the Completion were approved.

Upon the Completion, Mr. Zou Yishang will resign as the Chairman, the Chief Executive Officer and an Executive Director; Mr. Hu Jian will resign as the Chief Operating Officer and an Executive Director; Mr. Cui Jingya will resign as an Executive Director; Mr. Weng Xianding will resign as an Non-executive Director; and Mr. Choi Man On, Mr. Young Meng Cheung Andrew and Mr. Chan Kin Sang will resign as the Independent Non-executive Directors of the Company ("INEDs"). To the extent that any of the aforementioned directors has not already resigned on or before the Completion, he will be removed on Completion pursuant to the resolution passed at the SGM.

The INEDs already indicated to the Provisional Liquidators that they would tender their resignation upon the Completion. Effective from the Completion, Mr. Lam Ching Kui will be appointed as the Chairman and an Executive Director, Mr. Zhang Xin and Mr. Li Tong will be appointed as Executive Directors; Mr. Edward Ko Ming Tung ("Mr. Ko"), Dr. Tang Tin Sek ("Dr. Tang") and Mr. Chan King Hung will be appointed as the Independent Non-executive Directors of the Company.

It is expected that the Completion will be taken place prior to the next AGM. Pursuant to Bye-law 87 of the Company's Bye-laws, Mr. Ko and Dr. Tang, who would be appointed as directors on the date of Completion, will retire as directors at the next AGM and both of them, being eligible, to offer themselves for re-election as directors at the next AGM.

No director proposed for re-election at the forthcoming AGM has a service contract which is not terminable by the Group within one year without payment of compensation, other than statutory compensation.

## DIRECTORS' INTERESTS IN SHARES

To the best of the knowledge of the Provisional Liquidators, as at 31 March 2008, the interests and short positions of the directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), were as follows:

*Long position in the shares of the Company:*

| Name of director/ ex-director | Capacity | Type of interests | Aggregate long position in shares and underlying shares | *Notes* | Approximate % of the issued share capital |
|---|---|---|---|---|---|
| Mr. Zou Yishang | Beneficial owner | Corporate | 264,730,790 | *(1)* | 19.03 |
| | Interest of spouse | Family | 698,000 | *(2)* | 0.05 |
| | Beneficial owner | Personal | 20,000,000 | *(5)* | 1.44 |
| Mr. Hu Jian | Beneficial owner | Personal | 3,800,000 | *(5)* | 0.27 |
| Mr. Liu Yiquan | Beneficial owner | Personal | 1,396,000 | *(3) & (4)* | 0.10 |
| Mr. Zou Yicheng | Beneficial owner | Personal | 1,350,000 | *(3) & (4)* | 0.10 |

*Notes:*

1. These 264,730,790 shares are beneficially owned by Able Technology Limited, which is wholly-owned by Mr. Zou Yishang.

2. These 698,000 shares are beneficially owned by Ms. Cui Xia, the spouse of Mr. Zou Yishang. By virtue of the SFO, Mr. Zou Yishang is taken to be interested in these 698,000 shares.

3. These 1,396,000 and 1,350,000 shares are beneficially owned by Mr. Liu Yiquan and Mr. Zou Yicheng, both are the brothers of Mr. Zou Yishang. By virtue of the SFO, Mr. Zou Yishang is taken to be interested in these 1,396,000 and 1,350,000 shares. Mr. Zou Yishang, Mr. Liu Yiquan and Mr. Zou Yicheng are considered to have 19.28% effective interest of the issued share capital of the Company.

4. In accordance with the Company's Bye-laws, Mr. Zou Yicheng and Mr. Liu Yiquan, who did not offer themselves for re-eletion, retired at the Company's AGM held on 23 May 2008.

5. These shares represent the interests of the directors under the Share Option Scheme of the Company which has not yet been exercised.

Save as disclosed above, as at 31 March 2008, to the best of the knowledge of the Provisional Liquidators, none of the directors or the chief executives of the Company and their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

The interests of the directors in the share options of the Company are separately disclosed in page 18 and in note 29 to the consolidated financial statements.

## SUBSTANTIAL SHAREHOLDERS

To the best of the knowledge of the Provisional Liquidators, as at 31 March 2008, other than the interests and short positions of the directors or chief executives of the Company as disclosed above, the following persons had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

*Long position in the shares of the Company*

| Name of substantial shareholder | Capacity | Type of interests | Number of issued ordinary shares held | *Note* | Percentage of the issued share capital of the Company |
|---|---|---|---|---|---|
| Poly (Hong Kong) Investments Limited (formerly known as "Continental Mariner Investment Co., Ltd.") | Interest of a controlled corporation | Corporate | 117,636,000 | | 8.46 |
| New Industries Investment Consultants (HK) Limited | Beneficial owner | Corporate | 107,710,000 | | 7.74 |
| Mr. Li Quan | Beneficial owner | Individual | 78,382,000 | | 5.63 |
| BAPEF Investments II Limited | Beneficial owner | Corporate | 61,995,547 | *(1)* | 4.46 |
| Baring Asia Private Equity Fund L.P.2 | Interest of a controlled corporation | Corporate | 61,995,547 | *(1)* | 4.46 |

*Note (1)* Baring Asia Private Equity Fund L.P.2, the controlling shareholders of BAPEF Investments II Limited ("BAPEF"), is an interested party to these 61,995,547 shares. Apart from these shares, to the best of the knowledge of the Provisional Liquidators, BAPEF had conversion rights over 58,142,448 shares to convert the principal amount of the convertible bonds of US$1.8 million. Please refer to note 27 to the consolidated financial statements for details.

Save as disclosed above, as at 31 March 2008, to the best of the knowledge of the Provisional Liquidators, the Company has not been notified by any persons (other than the directors or the chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

## SHARE OPTION SCHEME

Particulars of the Company's share option scheme and other details are set out in note 29 to the consolidated financial statements.

To the best of the knowledge of the Provisional Liquidators, the following share options were outstanding under the Company's share option scheme during the year:

| | Number of share options | | | | | | |
|---|---|---|---|---|---|---|---|
| **Name and category of participants** | **At 1 April 2007** | **Granted during the year** | **Lapsed during the year** | **At 31 March 2008** | **Date of Grant** | **Exercisable period** | **Exercise price/share** |
| **Directors/Ex-director** | | | | | | | |
| Mr. Zou Yishang | 20,000,000 | – | – | 20,000,000 | 29 August 2001 | 29 August 2001 to 28 August 2011 *(Note a)* | 0.3520 |
| Mr. Hu Jian | 3,800,000 | – | – | 3,800,000 | 29 August 2001 | 29 August 2001 to 28 August 2011 *(Note a)* | 0.3520 |
| Ms. Chow King Lin, Theresa | 1,000,000 | – | (1,000,000) | – | 3 August 2001 | 3 August 2001 to 2 August 2011 *(Notes b & c)* | 0.3672 |
| | 1,000,000 | – | (1,000,000) | – | 29 August 2001 | 29 August 2001 to 28 August 2011 *(Notes a & c)* | 0.3520 |
| | 25,800,000 | – | (2,000,000) | 23,800,000 | | | |
| Other employees in aggregate | 1,000,000 | – | (1,000,000) | – | 3 August 2001 | 3 August 2001 to 2 August 2011 *(Note b & d)* | 0.3672 |
| | 20,719,000 | – | – | 20,719,000 | 29 August 2001 | 29 August 2001 to 28 August 2011 *(Note a)* | 0.3520 |
| | 21,719,000 | – | (1,000,000) | 20,719,000 | | | |
| | 47,519,000 | – | (3,000,000) | 44,519,000 | | | |

*Note a:* The options have vested in four tranches in the proportion of 15%: 25%: 30%: 30%. The first, the second, the third and the fourth tranches of the options have vested on 1 April 2002, 1 April 2003, 1 April 2004 and 1 April 2005 respectively.

*Note b:* The options are immediately vested on the date of grant.

*Note c:* Subsequent to Ms Chow King Lin, Theresa's resignation on 29 March 2007, her share options of 2,000,000 shares were lapsed in June 2007.

*Note d:* Two employees' share options totalling 1,000,000 shares were lapsed in December 2007.

During the year, no options were cancelled by the Company and no options were exercised by the grantees.

The Provisional Liquidators do not consider it appropriate to disclose a theoretical value of the share options granted, because in the absence of a readily available market value for the share option in the ordinary shares of the Company, the Provisional Liquidators were unable to arrive at an accurate assessment of the value of the share options.

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Apart from as disclosed under the headings "Directors' interests in shares" and "Share Option Scheme" above, to the best of the knowledge of the Provisional Liquidators having made all reasonable enquiries, as at 31 March 2008, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

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

During the year, to the best of the knowledge of the Provisional Liquidators, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

To the best of the knowledge of the Provisional Liquidators, the Provisional Liquidators are not aware of any contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## LITIGATIONS

Details of legal actions are set out in note 33 to the consolidated financial statements.

## EMPLOYMENT AND REMUNERATION POLICIES

As at 31 March 2008, the Group had approximately 50 (2007: approximately 50) employees. Total staff cost (including directors' emoluments) incurred during the year amounted to approximately HK$5.11 million (2007: approximately HK$8.09 million).

Remuneration packages are generally structured by reference to market terms and individuals merits. Salaries are normally reviewed and bonuses paid on an annual basis based on performance appraisals and other relevant factors. Staff benefit plans maintained by the Group include mandatory provident fund scheme, share option scheme and medical insurance.

The emoluments of the directors of the Company are determined with reference to salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere in the Company and desirability of performance-based remuneration.

## PRE-EMPTIVE RIGHTS

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

## SUFFICIENCY OF PUBLIC FLOAT

As at the date of this annual report, the trading in shares of the Company remains in suspension, the sufficiency of public float as required by the Listing Rules is not applicable.

## APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors of the Company, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

## SIGNIFICANT POST-BALANCE SHEET EVENTS

Details of significant events occurring after the balance sheet date are set out in note 36 to the consolidated financial statements.

## CORPORATE GOVERNANCE

The Provisional Liquidators were appointed to the Company on 17 May 2007. Consequently, the Provisional Liquidators are unable to comment as to whether the Company complied with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules throughout the financial year ended 31 March 2008.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Provisional Liquidators were appointed to the Company on 17 May 2007. Consequently, the Provisional Liquidators are unable to comment as to whether the Company complied with the required standard set out in the Model Code in Appendix 10 to the Listing Rules as the code of conduct regarding the securities transactions by the directors throughout the financial year ended 31 March 2008.

## AUDIT COMMITTEE

To the best of the knowledge of the Provisional Liquidators, the Company had an audit committee comprising the three former Independent Non-executive Directors, namely Mr. Wang Xiangfei, Mr. Xu Xiaosheng and Mr. Zhao Renwei, until their resignation as directors. At the Company's board meeting held on 4 December 2007, the audit committee was resumed comprising the three newly appointed INEDs (as defined herein previously), namely Mr. Choi Man On (who also acts as the chairman of the audit committee), Mr. Young Meng Cheung Andrew and Mr. Chan Kin Sang. The audit committee will consider the Group's financial reporting and internal control and to maintain an appropriate relationship with the auditors of the Company in accordance with the requirements of the Code on Corporate Governance Practices.

## MANAGEMENT ANALYSIS

The Provisional Liquidators were appointed to the Company on 17 May 2007. Consequently, apart from the information disclosed in this Report of the Provisional Liquidators and the Notes to the Financial Statements for the year ended 31 March 2008, the Provisional Liquidators are unable to comment as to the performance of the Group as set out in paragraphs 32 and 40(2) in Appendix 16 to the Listing Rules throughout the year.

## AUDITORS

A resolution will be submitted to the forthcoming AGM to re-appoint Messrs. Morison Heng, Chartered Accountants, Certified Public Accountants, as auditors of the Company.

For and on behalf of
**Plus Holdings Limited**
*(Provisional Liquidators Appointed)*

**Liu Yiu Keung Stephen**
**Robert Armor Morris**
*Joint and Several Provisional Liquidators*
*who act without personal liabilities*

Hong Kong, 12 August 2008

**TO THE PROVISIONAL LIQUIDATORS OF**
**PLUS HOLDINGS LIMITED**
**(PROVISIONAL LIQUIDATORS APPOINTED)**
**普納集團有限公司**
*(已委任臨時清盤人)*
*(Incorporated in Bermuda with limited liability)*

We have audited the consolidated financial statements of Plus Holdings Limited (Provisional Liquidators Appointed) (the "Company') and its subsidiaries (collectively referred to as the "Group") set out on pages 26 to 80 which comprise the consolidated and the Company's 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, a summary of significant accounting policies and other explanatory notes.

## PROVISIONAL LIQUIDATORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

## AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of The Companies Act 1981 of Bermuda (as amended), and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Except as described in the basis for qualified opinion paragraph, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

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

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

## BASIS FOR QUALIFIED OPINION

## MATERIAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS

As explained in note 2 to the financial statements, all the resolutions regarding the implementation of the proposed restructuring were duly and unanimously passed by the shareholders (and independent shareholders as required by way of poll) at the Company's special general meeting held on 23 June 2008. In addition, the creditors' meetings to approve the schemes of arrangement in Hong Kong and Bermuda (the "Schemes") were held on 23 June 2008 and 14 July 2008 respectively. Both Schemes were also duly passed by the required majority of the creditors present and voting at the respective meetings. The Provisional Liquidators are of the opinion that the proposed resumption proposal (the "Resumption Proposal") is likely to be successfully implemented because the Resumption Proposal has approached the completion stage, notwithstanding that it is subject to certain relevant conditions precedent to be satisfied.

As at 31 March 2008, the Group and the Company had net current liabilities of approximately HK$113.2 million and approximately HK$62.2 million respectively, which indicate the existence of a material uncertainly which may cast significant doubt on the Group's and the Company's ability to continue as a going-concern. The financial statements have been prepared on a going concern basis on the assumption that the Resumption Proposal will be successfully completed and that, following the financial restructuring and implementing the Resumption Proposal, the financial position of the Group will be substantially improved upon the completion of the restructuring agreements as all liabilities arising from the creditors of the Company and the creditors of its subsidiaries holding guarantees given by the Company will be compromised and discharged through the Schemes.

In the opinion of the Provisional Liquidators, the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future. The financial statements do not include any adjustments that would result from a failure to complete the financial restructuring and implement the Resumption Proposal or to obtain other funding. However, in view of the extent of the uncertainties relating to the completion of the financial restructuring as at the balance sheet date, we qualify our opinion in respect of the material uncertainty relating to the going-concern basis.

## QUALIFIED OPINION ARISING FROM LIMITATION OF AUDIT SCOPE

In our opinion, except for the effects of any adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the material uncertainty relating to the going-concern basis as described above, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 March 2008 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Morison Heng**
*Certified Public Accountants*

Hong Kong: 12 August 2008

# CONSOLIDATED INCOME STATEMENT

*For the year ended 31 March 2008*

| | Notes | 2008 HK$'000 | 2007 HK$'000 |
|---|---|---|---|
| **Turnover** | 8 | 65,605 | 69,060 |
| Cost of sales | | (57,620) | (59,970) |
| **Gross profit** | | 7,985 | 9,090 |
| Other operating income | 10 | 2,540 | 10,233 |
| Selling and distribution expenses | | (330) | (661) |
| Administrative expenses | | (9,338) | (15,905) |
| Other operating expenses | | (22,696) | (39,000) |
| **Loss from operations** | 11 | (21,839) | (36,243) |
| Share of results of associates | | (1,636) | (1,069) |
| Finance costs | 12 | (4,218) | (17,954) |
| **Loss before taxation** | | (27,693) | (55,266) |
| Taxation | 15 | (81) | 1,427 |
| **Loss for the year** | | (27,774) | (53,839) |
| **Attributable to:** | | | |
| Equity holders of the Company | | (27,774) | (50,480) |
| Minority interests | | – | (3,359) |
| | | (27,774) | (53,839) |
| **Loss per share** | | | |
| Basic | 16 | (2.00) cents | (3.63) cents |
| Diluted | | N/A | N/A |

# CONSOLIDATED BALANCE SHEET

*As at 31 March 2008*

| | Notes | 2008 HK$'000 | 2007 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | *17* | 7 | 1,242 |
| Goodwill | *18* | – | 11,160 |
| Interests in associates | *20* | 2,532 | 3,824 |
| | | 2,539 | 16,226 |
| **Current assets** | | | |
| Inventories | *21* | 36,254 | 23,096 |
| Trade and other receivables, prepayments and deposits | *22* | 44,599 | 28,700 |
| Financial assets at fair value through profit or loss | *23* | – | 5,565 |
| Amounts due from related companies | *24* | 6,012 | 6,117 |
| Bank balances and cash | | 6,909 | 1,587 |
| | | 93,774 | 65,065 |
| **Current liabilities** | | | |
| Trade and other payables | *25* | 142,925 | 94,703 |
| Amount due to a related company | *35* | 4,269 | 3,898 |
| Amounts due to directors | *35* | 240 | 19 |
| Amount due to an associate | *35* | 167 | 152 |
| Tax payable | | 2,719 | 4,043 |
| Borrowings – due within one year | *26* | 42,582 | 44,231 |
| Convertible bonds – due within one year | *27* | 14,040 | 14,040 |
| | | 206,942 | 161,086 |
| **Net current liabilities** | | (113,168) | (96,021) |
| **Total assets less current liabilities** | | (110,629) | (79,795) |

| | Notes | 2008 HK$'000 | 2007 HK$'000 |
|---|---|---|---|
| **Capital and Reserves** | | | |
| Share capital | 28 | 139,116 | 139,116 |
| Reserves | 30 | (249,745) | (218,911) |
| Equity attributable to equity holders of the Company | | (110,629) | (79,795) |
| **Total equity** | | (110,629) | (79,795) |

The financial statements on pages 26 to 80 were approved and authorised for issue by the Provisional Liquidators on 12 August 2008:

**Stephen Liu Yiu Keung**
*(Provisional Liquidator)*

**Robert Armor Morris**
*(Provisional Liquidator)*

# BALANCE SHEET

*As at 31 March 2008*

| | Notes | 2008 HK$'000 | 2007 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Interests in subsidiaries | 19 | 10 | 10 |
| **Current assets** | | | |
| Other receivables, prepayments and deposits | | 315 | – |
| Amount due from a related company | | – | 50 |
| Bank balances and cash | | 3,935 | – |
| | | 4,250 | 50 |
| **Current liabilities** | | | |
| Other payables and accruals | | 40,783 | 23,540 |
| Amounts due to directors | | 81 | 81 |
| Amounts due to subsidiaries | | 86 | 60 |
| Borrowings – due within one year | 26 | 11,495 | 8,049 |
| Convertible bonds – due within one year | 27 | 14,040 | 14,040 |
| | | 66,485 | 45,770 |
| **Net current liabilities** | | (62,235) | (45,720) |
| **Total assets less current liabilities** | | (62,225) | (45,710) |
| **Capital and Reserves** | | | |
| Share capital | 28 | 139,116 | 139,116 |
| Reserves | 30 | (201,341) | (184,826) |
| | | (62,225) | (45,710) |

Approved by the Provisional Liquidators on 12 August 2008

| **Stephen Liu Yiu Keung** | **Robert Armor Morris** |
|---|---|
| *(Provisional Liquidator)* | *(Provisional Liquidator)* |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the year ended 31 March 2008*

| | Attributable to equity holders of the Company | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Share capital** | **Share premium** | **Translation reserve** | **Accumulated losses** | **Total** | **Minority interests** | **Total** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Balance at 31 March 2006 | 139,116 | 383,117 | 27 | (551,575) | (29,315) | 3,359 | (25,956) |
| Translation difference | – | – | (27) | 27 | – | – | – |
| Loss for the year | – | – | – | (50,480) | (50,480) | (3,359) | (53,839) |
| Balance at 31 March 2007 | 139,116 | 383,117 | – | (602,028) | (79,795) | – | (79,795) |
| Translation difference | – | – | (3,060) | – | (3,060) | – | (3,060) |
| Loss for the year | – | – | – | (27,774) | (27,774) | – | (27,774) |
| Balance at 31 March 2008 | 139,116 | 383,117 | (3,060) | (629,802) | (110,629) | – | (110,629) |

# CONSOLIDATED CASH FLOW STATEMENT

*For the year ended 31 March 2008*

| | 2008 | 2007 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| **Cash flow from operating activities** | | |
| Loss before taxation | (27,693) | (55,266) |
| Adjustments for: | | |
| Allowance for amounts due from related companies | 50 | 6,234 |
| Allowance for amount due from a director | 30 | – |
| Bad debts written off | – | 2,014 |
| Depreciation | 91 | 302 |
| Dividend income from financial assets at fair value through profit and loss | (82) | (894) |
| Impairment loss on goodwill | 11,160 | 11,159 |
| Interest expense | 4,218 | 17,954 |
| Interest income | (48) | (6) |
| (Gain)/Loss on disposal of property, plant and equipment | (1,403) | 9 |
| Provision for bad and doubtful debts | 4,891 | 10,439 |
| Realised (gain)/loss on financial assets at fair value through profit or loss | (880) | 1,937 |
| Share of results of associates | 1,636 | 1,069 |
| Unrealised loss on financial assets at fair value through profit or loss | – | 327 |
| Wavier of other payables and accruals | – | (6,168) |
| Written off of property, plant and equipment | – | 17 |
| Reversal of provisions for obsolete inventories | – | (461) |
| **Operating loss before working capital changes** | (8,030) | (11,334) |
| (Increase)/Decrease in inventories | (13,158) | 19,946 |
| (Increase)/Decrease in trade and other receivables | (18,040) | 2,736 |
| Decrease/(Increase) in amounts due from related companies | 55 | (3,955) |
| Increase/(Decrease) in trade and other payables | 46,912 | (4,732) |
| Increase in amount due to a related company | 371 | 836 |
| Increase/(Decrease) in amounts due to directors | 191 | (396) |
| Increase in amount due to an associate | 15 | 7 |
| **Cash generated from operations** | 8,316 | 3,108 |
| Interest paid | (4,218) | (17,954) |
| Tax paid | (95) | (76) |
| **Net cash from/(used in) operating activities** | 4,003 | (14,922) |

| | 2008 | 2007 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| **Cash flow from investing activities** | | |
| Interest received | 48 | 6 |
| Dividends received | 82 | 894 |
| Purchases of property, plant and equipment | (9) | (4) |
| Proceeds from disposals of financial assets at fair value through profit and loss | 6,445 | 10,793 |
| Proceeds on disposals of property, plant and equipment | – | 12 |
| **Net cash inflow from investing activities** | 6,566 | 11,701 |
| **Cash flow from financing activities** | | |
| New borrowings raised | – | 5,742 |
| Repayments of borrowings | (2,586) | (2,422) |
| **Net cash from financing activities** | (2,586) | 3,320 |
| **Net increase in cash and cash equivalents** | 7,983 | 99 |
| **Cash and cash equivalents at beginning of year** | 1,587 | 1,681 |
| **Effect of foreign exchange rate changes** | (2,661) | (193) |
| **Cash and cash equivalents at end of year** | 6,909 | 1,587 |
| **Analysis of the balances of cash and cash equivalents** | | |
| Bank balances and cash | 6,909 | 1,587 |

## 1. GENERAL

Plus Holdings Limited (Provisional Liquidators Appointed) (the "Company") was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") but have been suspended for trading since 17 December 2004.

The address of the registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda, and the principal place of business for the Company was Room C, 7th Floor, Sun House, 90 Connaught Road Central, Hong Kong. This Hong Kong office was surrendered to the landlord on 31 August 2007. The principal place of business is now the office of the joint and several provisional liquidators of the Company (the "Provisional Liquidators") at 18th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong.

The financial statements are presented in Hong Kong dollars, which is the functional currency of the company as the Company is a public company incorporated in Bermuda with its shares listed in the Stock Exchange, where most of its investors are located in Hong Kong. The majority of the Company's subsidiaries are operated in the People's Public of China (the "PRC") with Renminbi as their functional currency.

The principal activity of the Company is investment holding. The principal activities of its associates and subsidiaries are set out in notes 20 and 37 to the consolidated financial statements respectively.

## 2. BASIS OF PREPARATION

The Company and its subsidiaries (the "Group") incurred a consolidated loss attributable to equity holders of the Company of approximately HK$27,774,000 for the year ended 31 March 2008 (2007: approximately HK$50,480,000) and as at 31 March 2008 the Group had net current liabilities of approximately HK$113,168,000 (2007: approximately HK$96,021,000) and deficiency in the shareholders' fund of approximately HK$110,629,000 (2007: approximately HK$79,795,000). The Group had overdue borrowings of approximately HK$42,582,000 (2007: approximately HK$44,231,000). These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going-concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

On 15 November 2006, Lolliman Finance Limited ("Lolliman") petitioned for the winding-up of the Company. The Company, as guarantor, is required to repay the outstanding loan owed by Holy (Hong Kong) Universal Limited ("Holy HK"), an indirect wholly-owned subsidiary of the Company. Upon the application of Lolliman, Messrs. Liu Yiu Keung Stephen and Robert Armor Morris, both of Ernst & Young Transactions Limited, were appointed as the Provisional Liquidators of the Company on 17 May 2007 by the High Court of Hong Kong Court of First Instance (the "Hong Kong Court") so as to preserve the assets of the Group, to consider and review all restructuring proposals to maximise the recovery of the creditors and shareholders of the Company.

## 2. BASIS OF PREPARATION (continued)

As such, the Provisional Liquidators do not have the same knowledge of the financial affairs of the Group as the directors of the Company would have, particularly in relation to the transactions entered into by the Group prior to the appointment date. The board of directors of the Company has also authorised the Provisional Liquidators to approve, publish and do all such acts in connection with the publication of this annual report and the relevant announcements.

The Provisional Liquidators are responsible for the accuracy and completeness of the contents of these audited financial statements for the year ended 31 March 2008 in relation to: (i) the affairs of the Group after the appointment of the Provisional Liquidators; and (ii) the preparation of the contents of these audited financial statements for the year ended 31 March 2008 based on the books and records made available to the Provisional Liquidators.

The Provisional Liquidators make no representation as to the completeness of the information contained in these financial statements.

Trading in the Company's shares on the Stock Exchange has been suspended since 17 December 2004. The Company has been placed into the third and final stage of delisting procedures in accordance with Practice Note 17 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") on 24 March 2007. If no viable resumption proposal was submitted at least ten business days before 23 September 2007, the listing status of the Company would be cancelled.

The Provisional Liquidators have appointed financial advisers to the Company (the "Financial Advisers"). Since then, the Provisional Liquidators and the Financial Advisers have been in discussion and negotiation with various potential investors with a view to restructuring the Company and submitting a viable resumption proposal to the Stock Exchange.

On 5 July 2007, the Company, acting by the Provisional Liquidators, entered into the legally binding Heads of Agreement (as varied by a side-letter dated 26 July 2007) (the "Heads of Agreement") with an investor (the "Investor") in relation to the proposed restructuring of the Group. The Heads of Agreement was subsequently supplemented by a supplemental agreement dated 23 August 2007.

On 12 September 2007, and 19 November 2007, the Company submitted a resumption proposal and a supplement to the resumption proposal respectively to the Stock Exchange setting out the principal terms of the proposed restructuring of the Group and requesting the in principle approval from the Stock Exchange to the resumption proposal (the "Resumption Proposal").

On 23 November 2007 the Stock Exchange wrote to the Provisional Liquidators confirming them that the Listing Committee decided to allow the Company to proceed with the Resumption Proposal, subject to compliance of certain conditions as set out in the in-principle approval letter within six months from 23 November 2007.

## 2. BASIS OF PREPARATION (continued)

According to the Heads of Agreement, the Company, the Provisional Liquidators (acting as an agent of the Company), the Investor and Mr Lam Ching Kui (as guarantor) entered into the Debt Restructuring Agreement, the Subscription Agreement and Escrow Agreement on 31 March 2008 and the same was announced by the Company on 3 April 2008.

On 19 May 2008, the Stock Exchange granted an extension to the Company for fulfillment of the conditions as set out in its in-principle approval letter dated 23 November 2007 from 22 May 2008 to on or before 22 August 2008. The Provisional Liquidators and the Investor had also agreed on the said extension on 21 May 2008. The relevant announcement was published by the Provisional Liquidators on 22 May 2008.

The special general meeting of the Company (the "SGM") was duly convened on 23 June 2008 and all the resolutions regarding the implementation of the proposed restructuring were duly and unanimously passed by the shareholders (and independent shareholders as required by way of poll) attending and eligible to vote at the SGM. The details of the resolutions are set out in the Circular dated 30 May 2008 and the relevant announcement of the results of the SGM was published by the Provisional Liquidators on 23 June 2008.

The creditors' meetings of the Company to approve the scheme of arrangement in Hong Kong (the "Hong Kong Scheme") and in Bermuda (the "Bermuda Scheme") (collectively the "Schemes") pursuant to section 166 of the Companies Ordinance (Cap. 32 of the Laws of Hong Kong) and section 99 of The Companies Act 1981 of Bermuda (as amended) were held on 23 June 2008 and 14 July 2008 respectively. The Schemes were duly passed by the required majority of the creditors present and voting at the said creditors' meetings. The relevant announcements in respect of the results of the meetings of the Hong Kong Scheme and the Bermuda Scheme were published by the Provisional Liquidators on 23 June 2008 and 14 July 2008 respectively.

On 5 August 2008, the Hong Kong Court sanctioned the Hong Kong Scheme and ordered that the adjourned hearing of the winding-up petition against the Company presented to the Hong Kong Court by Lolliman on 15 November 2006 fixed for 1 September 2008 be vacated and dismissed and that the Provisional Liquidators be discharged upon the Hong Kong Scheme Administrators confirming to the Hong Kong Court that the restructuring is completed and that the Schemes are effective. The relevant announcement was published by the Provisional Liquidators on 5 August 2008.

On 8 August 2008 (Bermuda time), the Supreme Court of Bermuda (the "Bermuda Court") sanctioned the Bermuda Scheme and the same was announced by the Provisional Liquidators on 11 August 2008.

The court orders of sanction of both Schemes are expected to be filed with the respective companies' registrar on or about 19 August 2008. The completion of the restructuring agreements (the "Completion") is expected to be on or about 20 August 2008.

The proposed restructuring, if successfully implemented, will, amongst other things, result in the following:

(a) a restructuring of the Company through the subscription by the Investor of subscription shares, convertible preference shares and the options, which would give rise to a funding of HK$170 million cash proceeds to the Company (net of any advance made by the Investor);

(b) in the event that the Investor exercises its options in full, such exercise will result in an injection of an additional HK$200 million cash proceeds to the Company;

(c) all the creditors will discharge and waive their claims against the Company by way of the Hong Kong Scheme and the Bermuda Scheme, as appropriate; and

(d) the resumption of trading in the shares of the Company upon the Completion.

## 2. BASIS OF PREPARATION (continued)

Having received and considered the operations and affairs of the Company and its subsidiaries, the magnitude of the claims against the Company, and the third and final stage of delisting procedures, the Provisional Liquidators concluded that the proposed restructuring represents the best means available for the Company to be returned to solvency and to continue with the development and enhancement of its business.

The Provisional Liquidators are of the view that, in the absence of unforeseen circumstances and subject to the Completion, the proposed restructuring provides more favourable terms rather than under a liquidation scenario and therefore represents the best option currently available to the Company, its creditors and shareholders as:

(a) all liabilities of the Company will be compromised and discharged through the Schemes; and

(b) the restructured Group will have sufficient working capital for its on-going operations following the Completion.

Upon the Completion, the Company's shares will resume trading on the Stock Exchange subject to the approval of the Listing Division of the Stock Exchange. Based on the above, the Provisional Liquidators are of the opinion that the restructuring proposal is likely to be successfully implemented because the restructuring proposal has approached the completion stage, notwithstanding that it is subject to certain relevant conditions precedent to be satisfied.

Should the Group be unable to achieve a successful restructuring as mentioned above, and continue in business as a going-concern, adjustments might have to be made to restate the values of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities to current assets and liabilities, respectively.

## 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new standards, amendment and interpretations ("New HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective for accounting periods beginning on or after 1 April 2007.

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

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

## 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

The Group has not early applied the following new and revised standards, amendment or interpretations that have been issued but are not yet effective. The Group is in the process of making an assessment of what the impact of these New HKFRS is expected to be in the period of the initial application.

| | |
|---|---|
| HKAS 1 (Revised) | Presentation of financial statements[1] |
| HKAS 23 (Revised) | Borrowing Costs[1] |
| HKAS 27 (Revised) | Consolidated and separate financial statements[2] |
| HKAS 32 and HKAS 1 (Amendments) | Puttable Financial Instruments and Obligation Arising on Liquidation[1] |
| HKFRS 2 (Amendment) | Vesting conditions and cancellations[1] |
| HKFRS 3 (Revised) | Business combinations[2] |
| HKFRS 8 | Operating Segments[2] |
| HK(IFRIC) – INT 12 | Service Concession Arrangements[3] |
| HK(IFRIC) – INT 13 | Customer loyalty programmes[4] |
| HK(IFRIC) – INT 14 | HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction[3] |

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

## 4. SIGNIFICANT ACCOUNTING POLICIES

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

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

*Basis of consolidation*

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

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

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

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

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

*Business combinations*

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3. Business Combinations are recognised at recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

*Goodwill*

Goodwill arising on acquisitions prior to 1 January 2005

Goodwill arising on an acquisition of a subsidiary for which the agreement date is before 1 January 2005 represents the excess of cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant subsidiary at the date of acquisition.

For previously capitalised goodwill arising on acquisition of subsidiaries, the Group has discontinued amortisation from 1 April 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash generating unit to which the goodwill relates may be impaired.

Goodwill arising on acquisitions on or after 1 January 2005

Goodwill arising on an acquisition of a subsidiary for which the agreement date is on or after 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the consolidated balance sheet.

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

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

*Associated companies*

An associate is an entity over which the Group has significant influence and that is not a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

*Revenue recognition*

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably on the following bases:

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

Integration services, services income and contract income are recognised upon receipt of acceptance from outside customers.

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

Dividend income from investments is recognised when the shareholder's rights to receive payment is established.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

*Property, plant and equipment*

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

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives, using the straight-line method, at the following rates per annum:

| | |
|---|---|
| Building | 2%-4% |
| Leasehold improvements | 20% or over the terms of the lease, whichever is the shorter |
| Furniture, fixtures and office equipment | 20% |

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

*Financial instruments*

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

*Financial assets*

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

*Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated as at fair value through profit or loss on initial recognition.

A financial asset is classified as held for trading if:

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

A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

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

*Loans and receivables*

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

*Impairment of financial assets*

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

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

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

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, observable changes in national or local economic conditions that correlate with default on receivables.

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

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

*Financial liabilities and equity instruments*

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

The Group's financial liabilities are generally classified into other financial liabilities.

*Other financial liabilities*

Other financial liabilities including trade and other payables, amounts due to related company, amounts due to directors, amounts due to an associate, borrowings and convertible bonds are subsequently measured at amortised cost, using the effective interest method.

*Borrowings*

Bank borrowings are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowing is recognised over the term of the borrowings.

*Derecognition*

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

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

*Inventories*

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

*Provisions*

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

*Taxation*

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

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

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

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

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

Deferred tax is calculated at the rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charges or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

*Leased assets*

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals applicable to such operating leases are charged to the income statement on the straight-line basis over the lease terms.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

*Foreign currencies*

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the year in which they arise. Exchange differences arising on the retranslation of nonmonetary items carried at fair value are included in profit or loss for the period.

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

*Retirement benefit schemes*

The Group operates a defined contribution retirement benefits scheme (the Mandatory Provident Fund ("MPF")) under the MPF Schemes Ordinance, for all of its employees who are eligible to participate in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in the retirement benefits schemes (the "PRC RB Schemes") operated by the respective local municipal government in provinces of the PRC that the Group's subsidiaries operate. These subsidiaries are required to contribute a certain percentage of their payroll costs to the PRC RB Schemes to fund the benefits. The only obligation of the Group with respect to the PRC RB Schemes is to pay the ongoing required contributions under the PRC RB Schemes. Contributions under the PRC RB Schemes are charged to the income statement as they become payable in accordance with the rule of the PRC RB Schemes.

*Borrowing costs*

All borrowing costs are recognised as expenses in the year in which they are incurred.

## 5. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists equity attributable to equity holders of the Group, comprising issued share capital and reserves.

## 6. FINANCIAL INSTRUMENTS

*(i) Summary of financial assets and liabilities*

The carrying amounts of the Company's financial assets and liabilities recognised as at 31 March 2008 are as follows:

| | **31.3.2008** | **31.3.2007** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Financial assets: | | |
| Inventories | 36,254 | 23,096 |
| Trade and other receivables, prepayments and deposits | 44,599 | 28,700 |
| Financial assets at fair value through profit or loss | – | 5,565 |
| Amounts due from related companies | 6,012 | 6,117 |
| Bank balances and cash | 6,909 | 1,587 |
| Financial liabilities: | | |
| Trade and other payables | 142,925 | 94,703 |
| Amount due to a related company | 4,269 | 3,898 |
| Amounts due to directors | 240 | 19 |
| Amount due to an associate | 167 | 152 |
| Borrowings – due within one year | 42,582 | 44,231 |
| Convertible bonds – due within one year | 14,040 | 14,040 |

## 6. FINANCIAL INSTRUMENTS (continued)

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

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

*Currency risk*

Several subsidiaries of the Company have foreign currency sales and borrowings denominated in foreign currencies which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

*Fair value interest rate risk*

The Group's fair value interest rate risks and cash flow interest rate risk relate primarily to fixed-rate and variable-rate borrowings, respectively (see Note 26 for details of these borrowings). The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate change exposure and consider hedging significant interest rate change exposure should the need arise.

*Credit risk*

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 March 2008 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

*Liquidity risk*

The Group exposed to significant liquidity risk as at the balance sheet date, it is in net current liabilities of approximately HK$113,168,000.

## 6. FINANCIAL INSTRUMENTS (continued)

*(iii) Fair value of financial instruments*

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

– the fair value of financial assets and financial liabilities (including derivative instruments) with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively; and

– the fair value of other financial assets and financial liabilities (including derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

The Company considers that the carrying amounts of financial assets and financial liabilities recorded in the financial statements approximated their fair values.

## 7. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies which are described in Note 4, management has made the following judgements that have significant effect on the amounts recognised in the financial statements. The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also discussed below.

*Going-concern basis*

These financial statements have been prepared on a going-concern basis, the validity of which depends upon being able to achieve a successful restructuring and continue its business. Details are explained in note 2 to the financial statements.

*Provision for bad and doubtful debts*

The policy for provisions for bad and doubtful debts of the Group is based on the evaluation of collectability and aged analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional provisions may be required. Provision for bad and doubtful debts of approximately HK$4,891,000 was made for the year ended 31 March 2008.

*Contingent liabilities in respect of litigations and claims*

The Group has been engaged in a number of litigations and claims in the past. Contingent liabilities arising from these litigations and claims have been assessed by management with reference to legal advice. Provisions on the possible obligation, if appropriate, are made based on management's best estimates and judgements.

## 8. TURNOVER

Turnover represents the net amounts received and receivable for goods sold and services provided by the Group to outside customers during the year. Details are summarised as follows:

| | 2008 | 2007 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Turnover | | |
| Sales and integration services | 54,154 | 50,999 |
| Services income | 8,075 | 14,555 |
| Contract income | 3,376 | 3,506 |
| | 65,605 | 69,060 |

## 9. BUSINESS AND GEOGRAPHICAL SEGMENTS

*Business segments*

For management purposes, the Group is currently organised into three operating divisions-sales and integration services, services income and contract income. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

| | | |
|---|---|---|
| Sales and integration services | – | income from sales and service, provision of integration services of computer and communication systems |
| Services income | – | income from design, consultation, production of information system software and management training services |
| Contract income | – | income in connection with the sale of communication systems equipment for intelligent buildings and provision of installation services |

## 9. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

*Business segments (continued)*

Segment information about the business is presented below:

**For the year ended 31 March 2008**

*Consolidated Income Statement*

| | Sales and integration services *HK$'000* | Services income *HK$'000* | Contract income *HK$'000* | Consolidated *HK$'000* |
|---|---|---|---|---|
| **TURNOVER** | | | | |
| External sales | 54,154 | 8,075 | 3,376 | 65,605 |
| **SEGMENT RESULTS** | (5,857) | (1,395) | 1,148 | (6,104) |
| Unallocated corporate income | | | | 6,132 |
| Unallocated corporate expenses | | | | (21,867) |
| Loss from operations | | | | (21,839) |
| Share of results of associates | | | | (1,636) |
| Finance costs | | | | (4,218) |
| Loss before taxation | | | | (27,693) |
| Taxation | | | | (81) |
| Loss for the year | | | | (27,774) |

## 9. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

*Business segments (continued)*

*Other information*

| | Sales and integration services | Services income | Contract income | Others | Consolidated |
|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Capital additions | 7 | 1 | 1 | – | 9 |
| Depreciation | 68 | 19 | 4 | – | 91 |
| Allowance for amounts due from related companies | – | – | – | 50 | 50 |
| Allowance for amount due from a director | – | – | – | 30 | 30 |
| Impairment loss on goodwill | 9,212 | 1,374 | 574 | – | 11,160 |
| Provision for bad and doubtful debts | 4,031 | 609 | 251 | – | 4,891 |

**As at 31 March 2008**

*Consolidated Balance Sheet*

| | Sales and integration services | Services income | Contract income | Consolidated |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **ASSETS** | | | | |
| Segment assets | 70,362 | 8,478 | 4,386 | 83,226 |
| Unallocated corporate assets | | | | 13,087 |
| Consolidated total assets | | | | 96,313 |
| **LIABILITIES** | | | | |
| Segment liabilities | 93,141 | 18,063 | 5,806 | 117,010 |
| Unallocated corporate liabilities | | | | 89,932 |
| Consolidated total liabilities | | | | 206,942 |

## 9. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

*Business segments (continued)*

**For the year ended 31 March 2007**

*Consolidated Income Statement*

| | Sales and integration services<br>*HK$'000* | Services income<br>*HK$'000* | Contract income<br>*HK$'000* | Consolidated<br>*HK$'000* |
|---|---|---|---|---|
| **TURNOVER** | | | | |
| External sales | 50,999 | 14,555 | 3,506 | 69,060 |
| **SEGMENT RESULTS** | (33,077) | (2,587) | 1,300 | (34,364) |
| Unallocated corporate income | | | | 6,966 |
| Unallocated corporate expenses | | | | (8,845) |
| Loss from operations | | | | (36,243) |
| Share of results of associates | | | | (1,069) |
| Finance costs | | | | (17,954) |
| Loss before taxation | | | | (55,266) |
| Taxation | | | | 1,427 |
| Loss for the year | | | | (53,839) |

*Other information*

| | Sales and integration services<br>*HK$'000* | Services income<br>*HK$'000* | Contract income<br>*HK$'000* | Others<br>*HK$'000* | Consolidated<br>*HK$'000* |
|---|---|---|---|---|---|
| Capital additions | 3 | 1 | – | – | 4 |
| Depreciation | 216 | 69 | 15 | 2 | 302 |
| Bad debts written off | 1,480 | 432 | 102 | – | 2,014 |
| Allowance for amounts due from related companies | 4,603 | 1,314 | 317 | – | 6,234 |
| Impairment loss on goodwill | 8,241 | 2,352 | 566 | – | 11,159 |
| Provision for bad and doubtful debts | 6,891 | 2,002 | 474 | 1,072 | 10,439 |
| Written off of property, plant and equipment | – | – | – | 17 | 17 |
| Loss on disposal of property, plant and equipment | 6 | 2 | 1 | – | 9 |

## 9. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

*Business segments (continued)*

**As at 31 March 2007**

*Consolidated Balance Sheet*

| | Sales and integration services | Services income | Contract income | Consolidated |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **ASSETS** | | | | |
| Segment assets | 40,975 | 9,929 | 2,817 | 53,721 |
| Unallocated corporate assets | | | | 27,570 |
| Consolidated total assets | | | | 81,291 |
| **LIABILITIES** | | | | |
| Segment liabilities | 57,627 | 19,730 | 3,962 | 81,319 |
| Unallocated corporate liabilities | | | | 79,767 |
| Consolidated total liabilities | | | | 161,086 |

*Geographical segments*

No geographical segment analysis is provided as substantially all of the Group's turnover and contribution to results were derived from the PRC.

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

| | Carrying amount of segment assets | | Additions to property, plant and equipment | |
|---|---|---|---|---|
| | **2008** | **2007** | **2008** | **2007** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Hong Kong | 39,497 | 24,475 | – | – |
| PRC, excluding Hong Kong | 56,816 | 56,816 | 9 | 4 |
| | 96,313 | 81,291 | 9 | 4 |

## 10. OTHER OPERATING INCOME

Other operating income comprises:

| | THE GROUP 2008 HK$'000 | THE GROUP 2007 HK$'000 |
|---|---|---|
| Bank interest income | 48 | 6 |
| Dividend income from financial assets at fair value through profit and loss | 82 | 894 |
| Gain on disposal of property, plant and equipment | 1,403 | – |
| Other operating income | 127 | 2,704 |
| Realised gain on financial assets at fair value through profit and loss | 880 | – |
| Reversal of provisions for obsolete inventories | – | 461 |
| Waiver of other payables and accruals | – | 6,168 |
| | 2,540 | 10,233 |

## 11. LOSS FROM OPERATIONS

| | THE GROUP 2008 HK$'000 | THE GROUP 2007 HK$'000 |
|---|---|---|
| Loss from operations has been arrived after charging: | | |
| Allowance for amounts due from related companies | 50 | 6,234 |
| Allowance for amount due from a director | 30 | – |
| Auditors' remuneration | 400 | 360 |
| Bad debts written off | – | 2,014 |
| Depreciation of property, plant and equipment | 91 | 302 |
| Impairment loss on goodwill | 11,160 | 11,159 |
| Loss on disposal of property, plant and equipment | – | 9 |
| Realised loss on financial assets at fair value through profit and loss | – | 1,937 |
| Staff costs (including directors' emoluments – note 13) | | |
| – salaries and allowance | 5,058 | 8,012 |
| – provident fund contributions | 48 | 74 |
| Unrealised loss on financial assets at fair value through profit and loss | – | 327 |
| Exchange loss | 63 | 821 |
| Provision for bad and doubtful debts | 4,891 | 10,439 |
| Written off of property, plant and equipment | – | 17 |
| Written off of unidentified bank balances | – | 1,120 |

## 12. FINANCE COSTS

| | THE GROUP | |
|---|---|---|
| | **2008** | **2007** |
| | *HK$'000* | *HK$'000* |
| Interest on convertible bonds | 276 | – |
| Interest on borrowings wholly repayable within five years | 3,624 | 17,954 |
| Other interests | 318 | – |
| | 4,218 | 17,954 |

## 13. DIRECTORS' EMOLUMENTS

The emoluments paid and payable to each of the 11 (2007: 9) directors of the Company were as follows:

| **Name of director/ex-director** | **Fees** | **Salaries and other benefits** | **Provident fund contribution** | **2008 Total emoluments** |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Executive directors** | | | | |
| Zou Yishang | – | 235 | 2 | 237 |
| Hu Jian | – | 136 | 28 | 164 |
| Cui Jingya | – | 15 | – | 15 |
| Zou Yicheng | – | 38 | – | 38 |
| Liu Yiquan | – | – | – | – |
| Zhang Yi | – | – | – | – |
| | – | 424 | 30 | 454 |
| **Independent non-executive directors** | | | | |
| Choi Man On | 50 | – | – | 50 |
| Young Meng Cheung, Andrew | 50 | – | – | 50 |
| Chan Kin Sang | 50 | – | – | 50 |
| Zhao Renwei | – | – | – | – |
| | 150 | – | – | 150 |
| **Non-executive director** | | | | |
| Weng Xianding | 30 | – | – | 30 |
| | 180 | 424 | 30 | 634 |

## 13. DIRECTORS' EMOLUMENTS (continued)

| Name of director/ex-director | Fees | Salaries and other benefits | Provident fund contribution | 2007 Total emoluments |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Executive directors** | | | | |
| Zou Yishang | – | 2,000 | 12 | 2,012 |
| Chow King Lin, Theresa | – | 624 | 12 | 636 |
| Hu Jian | – | 159 | 26 | 185 |
| Cui Jingya | – | 120 | – | 120 |
| Zou Yicheng | – | 300 | – | 300 |
| | – | 3,203 | 50 | 3,253 |
| **Independent non-executive directors** | | | | |
| Wang Xiangfei | 90 | – | – | 90 |
| Xu Xiaosheng | 95 | – | – | 95 |
| Zhao Renwei | – | – | – | – |
| | 185 | – | – | 185 |
| **Non-executive director** | | | | |
| Weng Xianding | 240 | – | – | 240 |
| | 425 | 3,203 | 50 | 3,678 |

## 14. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2007: three) were directors of the Company whose emoluments are included in the disclosures in note 13 above. The emoluments of the remaining three (2007: two) individuals were as follows:

| | THE GROUP 2008 | 2007 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Salaries and other benefits | 661 | 639 |
| Provident fund contributions | 15 | 20 |
| | 676 | 659 |

| | Number of employees 2008 | 2007 |
|---|---|---|
| Their emoluments were within the following band: | | |
| HK$1,000,000 or below | 3 | 2 |

## 15. TAXATION

| | THE GROUP | |
|---|---|---|
| | **2008** | **2007** |
| | *HK$'000* | *HK$'000* |
| Taxation charge comprises: | | |
| Taxation in the PRC: | | |
| – current year | 81 | 76 |
| Deferred tax: | | |
| – credit for the year | – | (1,503) |
| | 81 | (1,427) |

No Hong Kong Profits Tax has been provided in the financial statements as the Company has sustained a loss for the year (2007: Nil).

Taxation in the PRC is calculated at the rates of taxation prevailing in the PRC.

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

| | **2008** | **2007** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Loss before taxation | (27,693) | (55,266) |
| Tax at the applicable income tax rate | (4,569) | (9,672) |
| Tax effect of expenses not deductible for tax purposes | 6,630 | 26,740 |
| Tax effect of income not taxable for tax purposes | (1,941) | (17,672) |
| Tax losses carried forward | – | 604 |
| Deferred taxation | – | (1,503) |
| Utilisation of tax losses not previously recognised | (120) | – |
| Effect of PRC taxation | 81 | 76 |
| Taxation charge | 81 | (1,427) |

## 16. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss attributable to shareholders of HK$27,774,000 (2007: HK$50,480,000) and on weighted average number of ordinary shares in issue during the year of 1,391,162,483 (2007: 1,391,162,483) shares.

Diluted loss per share amounts for the years ended 31 March 2008 and 2007 have not been calculated because the share options outstanding during these years had an anti-dilutive effect on the basic loss per share.

## 17. PROPERTY, PLANT AND EQUIPMENT

### THE GROUP

| | Building | Leasehold improvements | Furniture, fixtures and office equipment | Total |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| COST | | | | |
| At 1 April 2006 | 2,325 | 68 | 6,296 | 8,689 |
| Additions | – | – | 4 | 4 |
| Disposals | – | – | (5,245) | (5,245) |
| Write-off | – | (68) | (145) | (213) |
| Exchange adjustments | 120 | – | 282 | 402 |
| At 31 March 2007 | 2,445 | – | 1,192 | 3,637 |
| Additions | – | – | 9 | 9 |
| Disposals | (2,889) | – | – | (2,889) |
| Exchange adjustments | 444 | – | (96) | 348 |
| At 31 March 2008 | – | – | 1,105 | 1,105 |
| DEPRECIATION | | | | |
| At 1 April 2006 | 1,463 | 68 | 5,644 | 7,175 |
| Provided for the year | 128 | – | 174 | 302 |
| Eliminated on disposals | – | – | (5,224) | (5,224) |
| Eliminated on write-off | – | (68) | (128) | (196) |
| Exchange adjustments | 64 | – | 274 | 338 |
| At 31 March 2007 | 1,655 | – | 740 | 2,395 |
| Provided for the year | 23 | – | 68 | 91 |
| Eliminated on disposals | (1,526) | – | – | (1,526) |
| Exchange adjustments | (152) | – | 290 | 138 |
| At 31 March 2008 | – | – | 1,098 | 1,098 |
| NET BOOK VALUE | | | | |
| At 31 March 2008 | – | – | 7 | 7 |
| At 31 March 2007 | 790 | – | 452 | 1,242 |

This Building was disposed of subsequently in June 2007 to one of its suppliers who lodged a claim against a subsidiary of the Company. Such disposal represented the repayment of a substantial amount of this subsidiary's debts to the supplier (note 33(e)).

## 18. GOODWILL

| | THE GROUP |
|---|---|
| | *HK$'000* |
| COST | |
| At 1 April 2006 | 22,319 |
| Impairment loss | (11,159) |
| At 31 March 2007 | 11,160 |
| Impairment loss | (11,160) |
| At 31 March 2008 | – |
| CARRYING AMOUNT | |
| At 31 March 2008 | – |
| At 31 March 2007 | 11,160 |

During the year ended 31 March 2008, the management determined that the goodwill was impaired by HK$11,160,000 (2007: $11,159,000).

## 19. INTERESTS IN SUBSIDIARIES

| | THE COMPANY | |
|---|---|---|
| | **2008** | **2007** |
| | *HK$'000* | *HK$'000* |
| Unlisted shares, at cost | 108,202 | 108,202 |
| Less: Impairment loss | (108,192) | (108,192) |
| | 10 | 10 |

Particulars of the Company's subsidiaries as at 31 March 2008 are set out in note 37 to the consolidated financial statements.

## 20. INTERESTS IN ASSOCIATES

| | THE GROUP | |
|---|---|---|
| | **2008** | **2007** |
| | *HK$'000* | *HK$'000* |
| Share of net assets | 5,116 | 6,408 |
| Discount on acquisition of an associate | (2,584) | (2,584) |
| | 2,532 | 3,824 |

## 20. INTERESTS IN ASSOCIATES (continued)

Details of the Group's associates at 31 March 2008 are as follows:

| Name | Place of establishment | Principal place of operation | Proportion of nominal value of registered capital held by the Group | Nature of business |
|---|---|---|---|---|
| 北京合力金橋軟件技術有限責任公司 | PRC | PRC | 39% | Provision of telecommunication infrastructure solution service |
| 北京合力紅帆自動化技術有限公司 | PRC | PRC | 25.5% | Business licence suspended on 25 November 2005 |

The summarized financial information in respect of the Group's associates is set out below:

| | 2008<br>*HK$'000* | 2007<br>*HK$'000* |
|---|---|---|
| Total assets | 42,509 | 37,889 |
| Total liabilities | (18,730) | (9,401) |
| Net assets | 23,779 | 28,488 |
| Group's share of associates' net assets | 4,730 | 5,666 |
| Exchange adjustments | 386 | 742 |
| Less: Provision for bad and doubtful debts | (2,584) | (2,584) |
| | 2,532 | 3,824 |
| Revenue | 6,839 | 8,302 |
| Loss for the year | (8,223) | (5,375) |
| Group's share of associates' loss for the year | (1,636) | (1,069) |

## 21. INVENTORIES

| | THE GROUP 2008 HK$'000 | 2007 HK$'000 |
|---|---|---|
| Raw materials and consumables | – | – |
| Work-in-progress | 36,254 | 23,096 |
| | 36,254 | 23,096 |

## 22. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

According to the contracts entered into with trade customers, an average of 90% of the contract revenue is normally repayable within 90 days from the date of receipt of customers' acceptance, whereas the remaining 10% of trade receivables represent retentions held by customers which are normally due one year after project completed. The following is an aging analysis of trade receivables included in trade and other receivables, prepayments and deposits at the balance sheet date:

| | 2008 HK$'000 | 2007 HK$'000 |
|---|---|---|
| Trade receivables | 26,279 | 30,150 |
| Less: Provision for bad and doubtful debts | (17,344) | (12,453) |
| | 8,935 | 17,697 |
| Other debtors, prepayments and deposits | 35,664 | 11,003 |
| | 44,599 | 28,700 |

The following is an aged analysis of trade receivables net of allowance for bad and doubtful debts at the balance sheet date:

| | 2008 HK$'000 | 2007 HK$'000 |
|---|---|---|
| 0-30 days | 856 | 846 |
| 31-90 days | 1,671 | 7,280 |
| Over 90 days | 6,408 | 9,571 |
| | 8,935 | 17,697 |

## 22. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (continued)

Movement in provision for bad and doubtful debts of trade receivables:

| | **2008** | **2007** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Balance at beginning of the year | 12,453 | – |
| Provision for bad and doubtful debts | 4,891 | 10,439 |
| Bad debts written off | – | 2,014 |
| Balance at end of the year | 17,344 | 12,453 |

The fair value of the Group's trade and other receivables, prepayments and deposits as at 31 March 2008 and 2007 approximates to the corresponding carrying amount.

## 23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | **THE GROUP** | |
|---|---|---|
| | **2008** | **2007** |
| | *HK$'000* | *HK$'000* |
| Listed investments | | |
| – Equity shares in Hong Kong, at market value | – | 5,565 |

## 24. AMOUNTS DUE FROM RELATED COMPANIES

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

## 25. TRADE AND OTHER PAYABLES

The following is an aging analysis of trade payables included in trade and other payables at the balance sheet date:

| | **THE GROUP** | |
|---|---|---|
| | **2008** | **2007** |
| | *HK$'000* | *HK$'000* |
| Trade payables: | | |
| 0-90 days | 2,985 | 3,612 |
| 91-180 days | 8,167 | 3,942 |
| Over 180 days | 28,418 | 41,291 |
| | 39,570 | 48,845 |
| Other payables | 103,355 | 45,858 |
| | 142,925 | 94,703 |

## 26. BORROWINGS

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2008** | **2007** | **2008** | **2007** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Borrowings | 42,582 | 44,231 | 11,495 | 8,049 |
| Analysed as: | | | | |
| Secured | 6,441 | 4,896 | – | – |
| Unsecured | 36,141 | 39,335 | 11,495 | 8,049 |
| | 42,582 | 44,231 | 11,495 | 8,049 |

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2008** | **2007** | **2008** | **2007** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Borrowings are repayable: | | | | |
| Within one year | 42,582 | 44,231 | 11,495 | 8,049 |
| Less: Amount due within one year shown under current liabilities | (42,582) | (44,231) | (11,495) | (8,049) |
| Balance due after one year | – | – | – | – |

The repayment term of all other borrowings amounting to approximately HK$42,582,000 have matured before the year end date. As described in note 2, the Provisional Liquidators are in the process of carrying out a restructuring exercise for the Company and its subsidiaries and are negotiating with its creditors to reschedule the repayment terms of the existing borrowings.

Details of the assets of the Group pledged to secure other borrowings are set out in note 31 to the consolidated financial statements.

## 27. CONVERTIBLE BONDS

Pursuant to the subscription letter dated 20 May 1998 made between Baring Asia Flagship Investments B.V. and the Company, the convertible bonds (the "Bonds") in the principal amount of US$6,000,000 (equivalent to approximately HK$46,476,000) were issued by the Company at the direction of Baring Asia Flagship Investments B.V. on 30 June 1998 to Baring Asia Investments II B.V. The Bonds were transferred in or about July 2000 to BAPEF Investments II Limited (the "Bondholder").

The Bonds were, at the option of the Bondholder, convertible on or after 1 July 1998 up to and including 30 June 2001, into fully paid ordinary shares of the Company with a par value of HK$0.10, at an initial conversion price of HK$0.588 per share, subject to adjustment under certain events.

## 27. CONVERTIBLE BONDS (continued)

Unless previously redeemed, converted, purchased or cancelled, the Company is required to redeem the Bonds on the original maturity date at 133.75%. An amount of US$2,400,000 (equivalent to approximately HK$18,600,000) was cancelled upon repurchase by the Company during the year ended 31 March 1999. As at 31 March 2000 and 31 March 2001, the outstanding balance of the Bonds was US$3,600,000 (equivalent to approximately HK$28,031,000).

On 7 June 2001, the Company entered into an agreement with Able Technology Limited and the Bondholder pursuant to which the maturity date of the convertible bonds would be extended to 30 June 2003. The conversion price has been revised to HK$0.25 per share, subject to adjustment under certain customarily events. The conversion time of the Bonds is fixed at 31 December 2001, 30 June 2002, 31 December 2002 and 30 June 2003 (or such other time as the Company and Bondholder may agree) to convert US$900,000 (equivalent to approximately HK$7,020,000) on each date. In addition, all accrued interest from 30 June 1998 to the completion of the agreement was waived by the Bondholder in August 2001 upon issuance of 6.88 million ordinary shares of the Company to the Bondholder. In accordance with the supplemental deed entered into by the Company and the Bondholder on 9 August 2001, subject to the due performance by the Company and there being no event of default or potential event of default, the Bonds will not bear any interest. In the circumstances where there is any event of default or potential event of default, interest will be payable on the outstanding principal amount of the Bonds at 2% per annum.

On 28 December 2001, approximately 30.7 million ordinary shares of the Company at a conversion price of HK$0.2366 were issued to the Bondholder to convert the principal amount of Bonds of US$900,000 (equivalent to approximately HK$7,020,000) together with the administrative charges of US$31,770 (equivalent to approximately HK$248,000).

On 30 June 2002, approximately 32.5 million ordinary shares of the Company at a conversion price of HK$0.2236 were issued to the Bondholder to convert the principal amount of Bonds of US$900,000 (equivalent to approximately HK$7,020,000) together with the administrative charges of US$31,770 (equivalent to approximately HK$248,000).

The Bondholder did not exercise the rights to convert the principal amount of Bonds of US$1,800,000 which were fixed to be converted on 31 December 2002 and 30 June 2003.

In June 2008, the Bondholder has made a claim against the Company on the outstanding principal amount of the Bonds, and accrued interests aggregated to US$254,370 (equivalent to HK$2,079,052).

Changes in the balance of the convertible bonds are as follows:

| | THE GROUP & THE COMPANY | |
|---|---|---|
| | *USD'000* | *HK$'000* equivalent |
| Balance as at 1 April 2007 and 31 March 2008 | 1,800 | 14,040 |

## 28. SHARE CAPITAL

| | Number of shares *'000* | Share capital *HK$'000* |
|---|---|---|
| Ordinary shares of HK$0.10 each | | |
| Authorised: | | |
| At 31 March 2007 and 31 March 2008 | 3,000,000 | 300,000 |
| Issued and fully paid: | | |
| At 31 March 2007 and 31 March 2008 | 1,391,163 | 139,116 |

## 29. SHARE OPTION SCHEME

The Company's share option scheme (the "Option Scheme") was adopted pursuant to a resolution passed on 22 January 2001.

*Summary of the Option Scheme*

(a) Purpose of the Option Scheme

The purpose of the Option Scheme is to provide incentives and rewards to eligible participants who contribute to the success of the Group and to retain the services of the employees who will continue to make valuable contribution to the Group.

(b) Participants of the Option Scheme

Pursuant to the Option Scheme, the Board may grant options to any full-time employees of the Company or its subsidiaries, including executive directors in full-time employment of the Company or any subsidiary, to subscribe for shares in the Company.

(c) Total number of shares available for issue under the Option Scheme

As at 31 March 2008, the total number of shares of the Company available for issue under the options granted pursuant to the Scheme was 44,519,000, representing approximately 3.2% of the issued share capital of the Company as at 31 March 2008.

The total number of shares, in respect of which options may be granted under the Option Scheme, is not permitted to exceed 10% of the shares of the Company in issue at any point of time.

(d) Maximum entitlement of each participant

No participant shall be granted an option which, if exercised in full, would result in such person's maximum entitlement exceeding 25% of the aggregate number of shares of the Company for the time being issued and issuable under the Option Scheme.

## 29. SHARE OPTION SCHEME (continued)

(e) Time of exercise of options

Pursuant to the Option Scheme, an option may be exercised in accordance with the terms of the Option Scheme at any time during a period to be notified by the Board to each grantee and in any event shall not exceed 10 years from the date of offer of the option.

(f) Payment on acceptance of option

Pursuant to the Option Scheme, HK$1 is payable by each grantee to the Company on acceptance of the option within the period to be notified by the Board.

(g) Basis of determining the subscription price

The subscription price per share under the Option Scheme is determined by the Board and notified to the grantee and shall be no less than the higher of:

(i) the average closing price of the Company's shares as quoted on the Stock Exchange for the five trading days immediately preceding the date of grant;

(ii) the closing price of the Company's shares as quoted on the Stock Exchange on the date of grant; and

(iii) the nominal value of the share of the Company.

(h) Remaining life of the Option Scheme

The Option Scheme will remain valid until 21 January 2011.

## 29. SHARE OPTION SCHEME (continued)

*Share Options*

The following table discloses details of the Company's share options held by employees (including directors) and movement in such holdings during the year.

| | | | Number of share options | | |
|---|---|---|---|---|---|
| **Date of grant** | **Exercisable period** | **Subscription Price per share** *HK$* | **Outstanding at 1 April 2007** | **Lapsed during the year** | **Outstanding at 31 March 2008** |
| 3 August 2001 | 3 August 2001 to 2 August 2011 *(Note a & c)* | 0.3672 | 2,000,000 | 2,000,000 | – |
| 29 August 2001 | 29 August 2001 to 28 August 2011 *(Note b & c)* | 0.3520 | 45,519,000 | 1,000,000 | 44,519,000 |
| | | | 47,519,000 | 3,000,000 | 44,519,000 |

*Note a:* The options are immediately vested on the date of grant.

*Note b:* The options have vested in four tranches in the proportion of 15%: 25%: 30%: 30%. The first, the second, the third and the fourth tranches of the options has vested on 1 April 2002, 1 April 2003, 1 April 2004 and 1 April 2005 respectively.

*Note c:* As at the date of this annual report, the share options in a total amount of 2,000,000 shares (at a subscription price of HK$0.3672 per share) and 1,000,000 shares (at a subscription price of HK$0.3520 per share) granted to a former director and two employees were lapsed in June and December 2007 respectively due to their resignation, bringing the total amount of the options to 44,519,000 shares.

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the share options are exercised, and no charge is recorded in the income statement or balance sheet for their cost. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Share options which are lapsed or cancelled prior to their exercise date are deleted from the register of outstanding share options.

## 30. RESERVES

*THE GROUP*

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of changes in equity.

*THE COMPANY*

| | Share premium *HK$'000* | Contributed surplus *HK$'000* | Accumulated losses *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|
| At 1 April 2006 | 383,117 | 107,992 | (672,579) | (181,470) |
| Loss for the year | – | – | (3,356) | (3,356) |
| At 31 March 2007 | 383,117 | 107,992 | (675,935) | (184,826) |
| Loss for the year | – | – | (16,515) | (16,515) |
| At 31 March 2008 | 383,117 | 107,992 | (692,450) | (201,341) |

The contributed surplus of the Company represents the difference between the fair value of the consolidated net assets of Chun Tai (BVI) Limited acquired and the nominal value of the Company's shares issued in exchange therefore.

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

a) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or

b) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

To the best of the knowledge of the Provisional Liquidators, the Company had no reserves available for distribution to its shareholders as at 31 March 2007 and 2008.

## 31. PLEDGE OF ASSETS

As at 31 March 2008, no financial assets at fair value through profit or loss (2007: approximately HK$5,565,000) was pledged to secure the other borrowings of the Group.

## 32. OPERATING LEASE ARRANGEMENTS

*The Group as lessee*

| | THE GROUP | |
|---|---|---|
| | **2008** | **2007** |
| | *HK$'000* | *HK$'000* |
| Minimum lease payments paid under operating leases during the year | 1,000 | 1,238 |

At 31 March 2008, the Group had total future minimum lease payments under non-cancellable operating leases in respect of land and building as follows:

| | THE GROUP | |
|---|---|---|
| | **2008** | **2007** |
| | *HK$'000* | *HK$'000* |
| Within one year | 95 | 581 |

Operating lease payments represent rentals payable by the Group for certain of its office premises. The lease typically runs for an initial period of two years, with an option to renew after two years, when all terms can be renegotiated.

## 33. LITIGATIONS

(a) Shenzhen Longtai Technology Limited ("Shenzhen Longtai") initiated legal proceedings against the Company for a sum of approximately HK$1.1 million arising out of alleged monies payable for goods sold and delivered to a former subsidiary of the Company. On 5 May 2004, the Hong Kong Court ordered Shenzhen Longtai to place a deposit of HK$300,000 as security costs by 10 August 2004. Court proceedings will only be resumed after the deposit is placed. As at the date of this annual report, the Company has not been informed by the Hong Kong Court that Shenzhen Longtai has made such deposit.

Further, Shenzhen Longtai has yet to lodge a claim against the Company as at the date of this annual report. The said litigation is therefore withheld at this stage. The Company is currently seeking legal advice in respect of this claim.

(b) Showa Leasing (Hong Kong) Limited ("Showa HK"), a hire purchase creditor, obtained a judgement from the Hong Kong Court on 13 March 2003 ("High Court Action No. 4034 of 2002") that the Company owed in aggregate approximately HK$6.2 million together with the default interest of approximately HK$0.2 million. On May 2003, Showa HK filed a winding-up petition against the Company. On 18 August 2003, the winding-up petition was dismissed and the Company agreed with Showa HK to settle the principal amount and related interest payable by 30 monthly installments starting from August 2003. On 7 November 2003, the Company also executed a debenture charging all undertakings, assets and receivables as a continuing security for payment of the indebtedness.

## 33. LITIGATIONS (continued)

On 26 February 2004, the Company served a Writ of Summons upon Showa HK ("High Court Action No. 445 of 2004"). By an assignment made and dated 14 March 2002, Showa HK had assigned and transferred all its benefits, interests and title of certain machineries under various lease agreements to the Company. Despite repeated requests from the Company, Showa HK has not yet fulfilled its obligations to deliver the machineries to the Company under the assignment.

On 1 August 2006, the Company signed a settlement agreement and a Consent Order with Showa HK. Upon signing of the Consent Order, Showa HK will not enforce the judgement granted in High Court Action No. 4034 of 2002 against the Company within 35 days from the date of the Consent Order and the Company will pay a sum of HK$821,000 to Showa HK within thirty-five days from the date of the Consent Order. Upon compliance of all the terms above, each party be discharged from (a) all liabilities arising out of all the subject matters of both High Court Action No. 4034 of 2002 and High Court Action No. 445 of 2004; (b) performance of any order which has not yet been performed and (c) all liabilities arising out of all disputes whatsoever between the parties up to the date hereof. As at the date of this annual report, Showa HK filed a claim of approximately HK$11.1 million against the Company and no further action has been taken by Showa HK against the Company upon the appointment of the Provisional Liquidators.

It is proposed that the claim made by Showa HK will form part of the claim under the proposed Schemes as secured creditor. The outstanding amount due to Showa Leasing will therefore be settled and discharged upon the Completion.

(c) On 14 August 2003, New China Trust and Investment Co., Ltd. ("New China"), an unsecured creditor of Beijing HollyBridge System Intergration Co., Ltd.-北京合力金橋軟件技術有限責任公司 ("Beijing HollyBridge") instituted legal proceedings against Beijing HollyBridge for its inability to repay a loan of approximately RMB19.1 million together with an accrued interest of approximately RMB2.7 million. The Company together with the remaining two shareholders of Beijing HollyBridge namely北京旭亞榮泰科技發展有限公司and北京冠耀投資諮詢有限公司 (collectively the "PRC Shareholders") issued a guarantee to New China for the loan granted to Beijing HollyBridge. On 17 November 2004, the Chongqing Intermediate People's Court (the "Intermediate Court") ruled was liable to the outstanding loan principal of approximately RMB19.1 million together with an interest of approximately RMB2.7 million. The Intermediate Court also discharged the guarantee provided by the shareholders to New China. On 8 December 2004, a notice of Appeal was filed by New China to the Chongqing Supreme People's Court (the "Supreme Court") regarding the calculation of the accrued interest and its objection on the discharge of the guarantee given by the PRC Shareholders.

**33. LITIGATIONS (continued)**

On 22 November 2005, the Supreme Court ruled that the outstanding loan principal and interest that Beijing HollyBridge owed to New China were approximately RMB 18.4 million and RMB1.5 million respectively. The Supreme Court also ruled that the guarantee provided by the shareholders to New China would remain in force. On 28 June 2006, an execution notice was issued by the Intermediate Court. Beijing HollyBridge was requested to repay the said outstanding loan principal and interest before 20 July 2006 and also to declare all its assets to the Intermediate Court within seven days from the date of issue of the execution notice. Accordingly, Beijing HollyBridge paid a principle sum of RMB0.22 million and all the shares of the PRC Shareholders in Beijing HollyBridge were frozen by the Intermediate Court.

Furthermore, a total amount of approximately RMB0.68 million was withdrawn from Beijing HollyBridge's bank accounts by the Intermediate Court in September 2006 and January 2008 respectively. According to the Notice of Claim filed by New China in June 2008, a claim totalling approximately RMB23.6 million, including interest of approximately RMB5.2 million (interest accrued as at 17 May 2007), was lodged against the Company. No further action had been taken by New China against the Company after the appointment of the Provisional Liquidators.

A settlement agreement has been made between New China, Beijing HollyBridge and the Investor on 20 June 2008. It is proposed that part of the claim made by New China will be discharged under the proposed Schemes while the remaining portion of New China's claim will be settled by Beijing HollyBridge upon the Completion.

(d) Lolliman, a finance company, has on 15 November 2006 issued a winding-up petition against the Company for an alleged loan amount of USD900,000. Lolliman is a creditor of Holy HK, an indirect wholly-owned subsidiary of the Company. By an order granted by the Hong Kong Court dated 5 August 2008, the court hearing for the winding-up petition was vacated and will be dismissed upon the Hong Kong Scheme Administrators confirming to the Hong Kong Court that the restructuring is completed and that the Schemes are effective. As at the date of this annual report, a claim amounted to approximately HK$28.8 million (including interests accrued as at 15 May 2007 and legal costs) was lodged against the Company.

It is proposed that the claim made by Lolliman will form part of the proposed Schemes and the outstanding balances will therefore be deemed to be settled and discharged upon the Completion

## 33. LITIGATIONS (continued)

(e) On 20 May 2006, Beijing Shou Chuang Electrical Technology Company (北京首創電子技術有限公司) ("Shou Chuang"), a supplier of Beijing HollyBridge, filed a lawsuit against Beijing HollyBridge for not paying an amount of approximately RMB3.6 million. The Court ruled against Beijing HollyBridge for the repayment of the said amount plus accrued interest to Shou Chuang. Subsequently, both parties entered into a voluntary repayment scheme dated 20 April 2007 (the "Repayment Scheme"), where Beijing HollyBridge disposed of its buildings at a consideration of approximately RMB2.6 million plus a cash payment of approximately RMB0.59 million to settle the debt. The remaining balance of approximately RMB0.49 million was payable by 10 August 2007. Further, the interest accrued up to end of October 2007 amounted to approximately RMB0.49 million. As at the date of this report, the remaining balance and interest payable had been fully repaid.

However, despite Beijing HollyBridge's repeated requests, Shou Chuang did not provide value-added tax invoices ("Fa Piao") upon receipt of the repayments from Beijing HollyBridge as required in the Repayment Scheme. Thus Beijing Holly Bridge initiated litigation against Shou Chuang requesting the provision of Fa Piao on or before 1 February 2008. As at the date of this annual report, Shou Chuang has already issued the requested Fa Piao to Beijing HollyBridge and Beijing HollyBridge has withdrawn the said litigation.

(f) Another supplier of Beijing HollyBridge, Beijing Zheng Tong Company (北京北方證通電子技術有限公司), also filed a lawsuit against Beijing HollyBridge for non-settlement of the amount of approximately RMB0.11 million. The court ruled that Beijing HollyBridge has to repay this outstanding balance together with default payment and the legal costs amounted to approximately RMB0.14 million. A settlement agreement has been signed on 16 August 2007 and it has been agreed that the total outstanding balance being repaid in three installments. The first, second and third installments in the amount of approximately RMB48,000, RMB50,000 and RMB50,000 were paid in August, October and December 2007 respectively (i.e. all the outstanding had been fully repaid).

(g) On 27 March 2006, 3D Networks Co. Ltd. (三力網絡有限公司) filed a civil claim against Beijing HollyBridge alleging the non-payment of approximately RMB0.49 million under the sale and purchase of goods contract dated 8 August 2002. On 31 October 2007, the People's Court of Haidian District of Beijing City ("Haidian Court") ruled that the principal together with a default payment for breaching contract of RMB150,000 had to be paid by Beijing HollyBridge. Beijing HollyBridge has lodged appeal to the Haidian Court on 7 December 2007 and the Court ruled that the judgement dated 31 October 2007 remained unchanged at the appeal hearing on 3 April 2008. The management of Beijing HollyBridge is seeking advice in respect of the proposed settlement of the outstanding sums.

**33. LITIGATIONS (continued)**

(h) On 18 September 2007, Beijing HollyBridge received an Acceptance Notice from the Haidian Court pursuant to which Haidian Court accepted to take up the case made by the claimant, Beijing Double Flag Sunshine Technology Company Limited (北京雙旗陽光科技有限公司) ("Beijing Double Flag") for the outstanding amount of RMB310,000 arising under a sale contract entered into on 1 November 2006. Currently one of the bank accounts of Beijing HollyBridge was frozen by Haidian Court due to the proceedings instigated by Beijing Double Flag. On 31 January 2008, the Haidian Court ruled that Beijing HollyBridge was required to repay RMB310,000 together with default payment of approximately RMB81,000 to Beijing Double Flag. A settlement agreement was made between Beijing Hollybridge and Beijing Double Flag on 20 May 2008 that the outstanding balance would be repaid by three installments. The three installments of approximately RMB0.4 million were repaid. The bank account of Beijing HollyBridge was therefore no longer frozen by the Haidian Court as a settlement was reached between the parties.

(i) On 8 September 2007, Beijing HollyBridge received a reply notice from the Beijing Arbitration Commission in relation to a claim made by Beijing Nine Stage Equipment Company Limited (北京九段智能設備有限公司) ("Nine Stage Equipment") relating to the outstanding payment of approximately RMB0.34 million arising under a construction in progress contract entered into on 27 May 2005. At the hearing on 7 November 2007, the Nine Stage Equipment proposed a settlement with Beijing HollyBridge which the outstanding amount is approximately RMB0.22 million. As at the date of this annual report, Beijing HollyBridge has repaid approximately RMB0.17 million and the remaining balance of approximately RMB0.05 million will be repaid by November 2008.

(j) On 27 March 2006, 深圳市齊普生信息科技有限公司("齊普生") filed a lawsuit against Beijing HollyBridge for a non-payment of approximately RMB1.38 million, being the remaining unpaid balances for goods sold to Beijing HollyBridge in June 2004. On 28 August 2006, The People's Court of Futian District of Shenzhen ("Futian Court") ruled that Beijing HollyBridge has to pay approximately RMB0.53 million together with accrued interest of approximately RMB70,000 and litigation and administrative costs of approximately RMB16,000. Subsequently in June 2007, Beijing HollyBridge appealed to The People's Mediate Court of Shenzhen but the judgment remained unchanged. Beijing HollyBridge was again required to pay the litigation costs for the appeal in full based on the judgment issued on 8 June 2007. On 21 November 2007, Beijing HollyBridge proposed to Futian Court to repay the outstanding by eight months installments. The judge advised that 齊普生 might not accept the proposal. On 18 April 2008, approximately RMB0.62 million was withdrawn from Beijing HollyBridge's bank account by the Haidian Court. The management of Beijing HollyBridge is currently seeking legal advice as to the settlement of this case.

## 33. LITIGATIONS (continued)

(k) In October 2007, 北京元鼎時代有限公司 filed a lawsuit against Beijing HollyBridge requested a repayment of principle amount of RMB391,600, interest of RMB2,467 and damages of RMB7,832. A settlement was reached under the direction of the court that Beijing HollyBridge had to settle the principle amount together with assets security charge and relevant legal charge totalling RMB401,899 by 6 November 2007. A bank account of Beijing HollyBridge was frozen by the Haidian Court due to the non-repayment of the settlement sum. As at the date of this annual report, all the outstanding amount has been fully repaid.

(l) In October 2007, 北京華測偉業科技有限公司 ("華測偉業") applied to the Haidian Court to take guarantee protective measures and seized a bank account of Beijing HollyBridge. Beijing HollyBridge applied to Haidian Court for appeal in terms of governing jurisdiction on 26 October 2007. On 29 October 2007, the management of Beijing HollyBridge negotiated with the lawyers of 華測偉業 and a settlement has been reached in November 2007. Under the settlement, 華測偉業 agreed to waive the default payment of RMB10,750 and interest of RMB2,000 and Beijing Hollybridge had to repay the principal of RMB215,000 and the litigation cost of RMB4,000. The Haidian Court has withdrawn approximately RMB0.22 million from Beijing HollyBridge's bank account as full and final settlement of this case.

(m) In November 2007, 北京方正奧德計算機系統有限公司 ("方正奧德") filed a lawsuit against Beijing HollyBridge requested for a repayment of RMB220,000 together with default interest of RMB2,000. On 5 December 2007, Haidian Court issued a summons to Beijing HollyBridge and notified that the case would be heard on 29 January 2008. Settlement was reached in February 2008. As at the date of this annual report, all the outstanding amount has been fully repaid

(n) Upon the Provisional Liquidators' investigation of the Group's shareholding in Dynamic Holdings Limited ("Dynamic"), which is held through Telecom Plus Investment Limited ("Telecom Plus"), a wholly owned subsidiary of the Company, it was noted that Mr. Zou Yicheng, former director of the Company, instructed securities firm to withdraw 1,000,000 shares of Dynamic from Telecom Plus' securities trading account on 10 May 2007 (the "1M Shares").

**33. LITIGATIONS (continued)**

The 1M Shares was standing in the name of HKSCC Nominees Limited and the share registrar of Dynamic notified the Provisional Liquidators that an application was received for a purported transfer of the 1M Shares (the "Transfer"). On 29 May 2007, an application was made to the Hong Kong Court under HCMP1037/2007 (the "New Action") to obtain an order to restrain Telecom Plus, Dynamic and its share registrar from transferring the 1M Shares. An Interim Order and an Order were granted on 30 May 2007 and 1 June 2007 respectively to restrain and further restrain the Transfer until further order.

Meanwhile, Mr. Yang Dawei, an alleged buyer of the 1M Shares (the "Alleged Buyer"), appeared at the hearing on 30 May 2007 attempting to claim his alleged entitlement to the 1M Shares.

Given the Alleged Buyer did not take further legal action in relation to the 1M Shares, as advised by the Company's representing lawyers and Counsel, a Notice of Motion was issued on 8 January 2008 (the "Notice") in order to recover the 1M Shares. On 30 January 2008, the Alleged Buyer filed an Inter-parte Summons and an Affirmation with the Hong Kong Court applying to join as a party to the New Action and to oppose the Company's application under the Notice.

On 5 February 2008, the Alleged Buyer deposited the said share certificate pursuant to the Order granted at the hearing on 1 February 2008. The hearing date of this proceedings was fixed on 11 September 2008 and later re-scheduled to 12 September 2008 under the direction of the Judge of the Hong Kong Court.

(o) On 19 May 2008, 北京神州聯迪科技有限公司 ("聯迪科技") initiated a legal proceedings against Beijing Hollybridge for a repayment of approximately RMB0.95 million and default interest of approximately RMB80,000. On 23 May 2008, the Haidian Court issued a summons to Beijing HollyBridge and notified that the case would be heard on 12 June 2008. Under the Haidian Court's direction, the parties reached a settlement on 6 June 2008 that Beijing HollyBridge repaid RMB0.15 million to 聯迪科技 as full and final settlement of the claim on the even date and 聯迪科技 would withdraw the litigation accordingly. The RMB0.15 million was paid and the litigation was withdrawn by 聯迪科技.

To the best of the knowledge of the Provisional Liquidators, adequate provision has been made against the above claims and no additional provision is required.

## 34. RETIREMENT BENEFITS SCHEMES

The Group operates a MPF for all qualifying employees in Hong Kong under the MPF Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

During the year, the total amount contributed by the Group to the MPF Scheme amounted to approximately HK$48,383 (2007: approximately HK$73,655).

The Group is also required to make contributions to state pension schemes in the PRC based on a certain percentage of the monthly salaries of the employees of its PRC subsidiaries. The Group has no other obligation under the state pension schemes in the PRC other than the contribution payments.

The Group has provided approximately HK$708,156 (2007: approximately HK$1,397,019) for the year to cover the contributions payable to the state pension schemes.

## 35. RELATED PARTY DISCLOSURES

The amounts due to a related company and an associate are unsecured, interest free and repayable on demand.

The amounts due to directors are unsecured, carrying interest at 5% annually and repayable on demand.

The related company, the associate and the directors did not indicate to the Company that they will demand for repayment in the foreseeable future.

## 36. SIGNIFICANT POST-BALANCE SHEET EVENTS

Details of significant events which took place subsequent to 31 March 2008 are set out as follows:

*1) Extension of the long stop date*

On 19 May 2008, the Stock Exchange granted an extension to the Company for fulfillment of the conditions set out in its in-principle approval letter dated 23 November 2007 from 22 May 2008 to on or before 22 August 2008. The Provisional Liquidators and the Investor had also agreed on the said extension on 21 May 2008. The relevant announcement was published by the Provisional Liquidators on 22 May 2008.

*2) Convening of the SGM*

The SGM was duly convened on 23 June 2008 and all the resolutions regarding the implementation of the proposed restructuring were duly and unanimously passed by the shareholders (and independent shareholders as required by way of poll) attending and eligible to vote at the SGM.

The amendments to the Company's Memorandum of Association and Bye-laws (the "Bye-laws") and adoption of the new Bye-laws in respect of the proposed restructuring became effective on the date of passing the relevant resolutions at the SGM. A copy of the new Bye-laws was filed with Hong Kong's Companies Registry on 14 July 2008. The other resolutions proposed and passed at the SGM will be effective upon the Completion. The details of the resolutions are set out in the Circular dated 30 May 2008 and the relevant announcement of the results of the SGM was published by the Provisional Liquidators on 23 June 2008.

*3) Convening of the meetings for creditors approving the Schemes*

The meetings for creditors to approve the Hong Kong Scheme and the Bermuda Scheme were held on 23 June 2008 and 14 July 2008 respectively. The Schemes were duly passed by the required majority of the creditors present and voting at the said creditors' meetings. The relevant announcements in respect of the results of the meetings of the Hong Kong Scheme and the Bermuda Scheme were published by the Provisional Liquidators on 23 June 2008 and 14 July 2008 respectively.

The Hong Kong Scheme was sanctioned by the Hong Kong Court on 5 August 2008 and the Bermuda Scheme was sanctioned by the Bermuda Court on 8 August 2008 (Bermuda time). The relevant announcements were published by the Provisional Liquidators on 5 August 2008 and 11 August 2008 respectively.

*4) Dismissal of the winding-up petition and discharge of the Provisional Liquidators*

On 5 August 2008, the Hong Kong Court has ordered that the adjourned hearing of the winding-up petition against the Company presented to the Hong Kong Court by Lolliman on 15 November 2006 fixed for 1 September 2008 be vacated and dismissed and that the Provisional Liquidators be discharged upon the Hong Kong Scheme Administrators confirming to the Hong Kong Court that the restructuring is completed and that the Schemes are effective.

As at the date of this annual report, the Provisional Liquidators are in the course of preparing the relevant documents for the Completion which is expected to be on or about 20 August 2008. The above is the estimated date for Completion which may be subject to change.

## 37. SUBSIDIARIES

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

| Name of subsidiaries | Place of incorporation/ establishment and operations | Issued share/paid-up registered capital | Percentage of equity interest attributable to the Company | | Principal activities |
|---|---|---|---|---|---|
| | | | Direct | Indirect | |
| Allnet Company Limited *(Note i)* | PRC | HK$2,000,000 | – | 100% | Business licence suspended on 1 February 2005 |
| Beijing HollyBridge *(Note i)* | PRC | RMB20,000,000 | – | 51% | Provide solutions, software and service |
| Chun Tai (BVI) Limited | British Virgin Islands | US$100 | 100% | – | Business licence suspended on 1 May 2005 |
| Chun Tai Novelty Company Limited | Hong Kong | HK$10,000 | – | 100% | Inactive |
| Chun Tai Printing Limited | Hong Kong | HK$10,000 | – | 90% | Inactive |
| Full Hope Enterprises Limited | Hong Kong | HK$10,000 | 100% | – | Investment holding |
| Holy HK | Hong Kong | HK$300,000 | – | 100% | Trading of communication products |
| Plus Financial Distribution Holdings Limited | Hong Kong | HK$2 | 100% | – | Provision of financial services |
| Telecom Plus Investment Limited | Hong Kong | HK$2 | 100% | – | Investment holding |
| Plus Financial Management Services Limited | PRC | USD150,000 | – | 100% | Provision of financial services |
| Plus Investment & Management Consulting Company Limited *(Note i)* | PRC | HK$10,000,000 | – | 100% | Inactive, under cessation |
| Telecom Plus Technology Holdings Limited | Hong Kong | HK$2 | 100% | – | Investment holding |
| Telecom Plus Technology Limited | Hong Kong | HK$1,000,000 | – | 100% | Investment holding |
| Up Hill Investments Limited | British Virgin Islands | US$1 | 100% | – | Inactive |
| Zhongshan Modern Colour Printing and Packaging Products Factory Company Limited *(Note i)* | PRC | HK$11,000,000 | – | 90% | Business licence suspended on 27 February 2006 |

**37. SUBSIDIARIES (continued)**

To the best of the knowledge of the Provisional Liquidators, none of the subsidiaries had any debt securities in issue at the end of the year.

*Note (i):* The English name is directly translated from the Chinese name shown in the PRC business licence.

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

# SUMMARY OF FINANCIAL INFORMATION

| | For the years ended 31 March | | | | |
|---|---|---|---|---|---|
| | **2004** | **2005** | **2006** | **2007** | **2008** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **RESULTS** | | | | | |
| Turnover | 163,116 | 137,280 | 77,229 | 69,060 | 65,605 |
| Loss before taxation | (30,707) | (13,683) | (1,000) | (55,266) | (27,693) |
| Taxation | 29 | (22) | (388) | 1,427 | (81) |
| Loss for the year | (30,678) | (13,705) | (1,388) | (53,839) | (27,774) |
| Attributable to: | | | | | |
| Equity holders of the Company | (28,291) | (13,737) | (1,210) | (50,480) | (27,774) |
| Minority interests | (2,387) | 32 | (178) | (3,359) | – |
| | (30,678) | (13,705) | (1,388) | (53,839) | (27,774) |

| | As at 31 March | | | | |
|---|---|---|---|---|---|
| | **2004** | **2005** | **2006** | **2007** | **2008** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **ASSETS AND LIABILITIES** | | | | | |
| Total assets | 155,334 | 187,149 | 143,736 | 81,291 | 96,313 |
| Total liabilities | (166,197) | (211,717) | (169,692) | (161,086) | (206,942) |
| | (10,863) | (24,568) | (25,956) | (79,795) | (110,629) |
| Equity attributable to equity holders of the Company | (14,368) | (28,105) | (29,315) | (79,795) | (110,629) |
| Minority interests | 3,505 | 3,537 | 3,359 | – | – |
| | (10,863) | (24,568) | (25,956) | (79,795) | (110,629) |