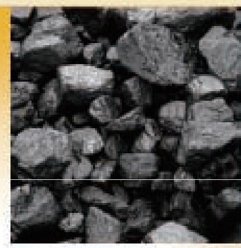
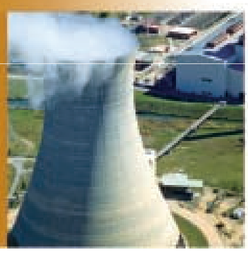
東方明珠創業有限公司

Pearl Oriental Innovation Limited

Stock Code: 0632





ANNUAL REPORT

NINE MONTHS 2007

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors:

Wong Yuk Kwan (alias: Wong Kwan) *(Chairman)*
Chan Yiu Keung
Cheung Kwok Yu
Zhou Li Yang
Zheng Yingsheng
Johnny Yuen

Independent Non-executive Directors:

Dong Zhixiong
Fung Hing Chiu, Cyril
Lai Shi Hong, Edward

SOLICITORS

Hastings & Co.
Lau Kwong & Hung

PRINCIPAL BANKERS

Hang Seng Bank
Industrial and Commercial Bank of China (Asia) Limited

COMPANY SECRETARY

Cheung Kwok Yu

AUDITORS

KPMG

AUTHORISED REPRESENTATIVES

Wong Kwan
Cheung Kwok Yu

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal office:

Suite 1908, 19th Floor
9 Queen's Road Central
Hong Kong

BERMUDA RESIDENT REPRESENTATIVE

John C.R. Collis

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Services Limited
2 Church Street
Hamilton HM11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
26/F, Tesbury Centre
28 Queen's Road East, Wanchai
Hong Kong

WEBSITE AND OTHER INFORMATION

For more information on the Company, please find us on the World-Wide-Web at www.pearloriental.com

To access the Company on Bloomberg, please type "632 HK".

FINANCIAL HIGHLIGHTS

	As at 31 December 2007 HK$'000	As at 31 March 2007 HK$'000
For the period/year		
Turnover	**55,620**	65,344
Operating loss	**(23,531)**	(46,247)
Net Profit/(loss) attributable to shareholders	**38,422**	(53,278)
Earnings/(Loss) per share		
Basic (cents)	**10**	(20)
Diluted (cents)	**N/A**	N/A
Average shareholders' equity	**447,936**	227,084
Average capital employed	**480,651**	230,005
At 31 December/31 March		
Total indebtedness	**64,416**	57,587
Shareholders' equity	**476,245**	427,742
Capital employed	**533,560**	427,742
Ratio		
Return on average capital employed (%)	**6.9%**	(24%)
Return on average equity (%)	**8.6%**	(23%)
Total debt to total capital (%)	**12%**	12%

Notes:

1. Total indebtedness = total bank borrowings

2. Capital employed = shareholders' funds + minority interests + non-current liabilities

3. Return on average capital employed = operating (loss) profit after tax and interest/average capital employed

4. Return on average equity = net (loss) profit attributable to shareholders/average shareholders' equity

5. Total debt to total capital = debt/(shareholders' funds + minority interests + debt)

CHAIRMAN'S STATEMENT

During the Period, the operations and development of Pearl Oriental Innovation Limited and its subsidiaries (collectively the "Group") has entered into a new phase. The results of the Group have a significant growth during the nine-month period ended 31 December 2007 with turnover of HK$55.62 million and profit attributable to equity shareholders of the Company is HK$38.42 million, basic earnings per share is HK10 cents, turned around the loss-making for the past two financial years. This is a collective achievement of the board of directors and management who have worked as a team after Company's change of its shareholding ownership.

In order to reserve sufficient funds for expansion in the future, the Board recommended not to distribute any dividend to its shareholders for the Period. However, if the operating results in the coming year have substantial growth, under certain conditions, all our shareholders can share the results.

China Coal Energy Holdings Limited ("CCEH"), in which the Group owns a 40% equity interest has a distinctive operation performance, the profit after tax has a 200% growth in comparison with the last year. As the energy demand in China still exceeds its supply, we expect the coal business is still in the growth stage. The listing plan of CCEH in a recognized stock exchange is smooth in progress, we are currently negotiating with and inviting international investors as CCEH's strategic shareholders which will increase the chance of success in the future listing.

Our associate, Euro Resources China Limited ("ERC") has extended its business to North America, South Korea and etc. ERC has entered into a joint venture agreement to set up a plastic recycling and trading company in Shunde, Guangdong Province, will share the rapid growth of the recycling resources market in Mainland China.

Our subsidiary, Guangzhou Pearl Oriental Logistics Limited, has a steady growth in its traditional logistic business. The Group now tries to explore the high potential growth logistics of e-commerce, at the moment, we have already established a network in 101 cities in China and we will, increase our competitive power, we expect a better operation by end of this year.

The controlling shareholder of the Group has great confidence in the Company's future. In March 2008, it has spent approximately HK$77.46 million to increase its shareholdings in the Company, representing 16.67% of the enlarged issued share capital of the Company, this action has further increased the financial strength of the Company to prepare for new business opportunities.

I would like to thank all of our staff for their hard working, diligence and the support of public shareholders, I, together with the management team, have every confidence that Pearl Oriental Innovation Limited will stably move its step forward!

By Order of the Board
Pearl Oriental Innovation Limited
Wong Kwan
Chairman and Chief Executive

Hong Kong, 25 April 2008

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

PROFILES OF DIRECTORS

Executive Directors

Mr. Wong Kwan *(Chairman)*
Aged 60, is currently the Chairman and chief executive of the Company, Mr. Wong is a veteran in the investment and property development fields and has over 30 years of experience in diversified investment, operation & management in Hong Kong, China and overseas. Mr. Wong is also well known in the Asian business world with extensive business connections in the Asia Pacific region.

Mr. Chan Yiu Keung
Aged 46, has over 24 years working experience in finance, investment and banking. He has held senior positions in the investment banking and private equity businesses of Standard Chartered Bank and Citibank. He was involved in investment banking, corporate finance, private equity, capital markets and project finance, and has extensive experience in the Asia Pacific region and China. Mr. Chan obtained Master Degree of Business Administration from the Chinese University of Hong Kong, Bachelor Degree of Laws from University of London and Bachelor Degree of Arts from Hong Kong University. Mr. Chan is also a Chartered Financial Analyst.

Mr. Cheung Kwok Yu
Aged 38, has over 17 years of experience with international accounting firms and law firms and listed companies in direct investment, accounting, legal, corporate finance and mergers and acquisitions. Mr. Cheung is a Chartered Financial Analyst charterholder and a professional accountant in Hong Kong, and is also qualified as a solicitor in Hong Kong. Mr. Cheung has a Master degree in Applied Finance from Macquarie University in Sydney and a Bachelor of Arts degree in Accountancy from Hong Kong Polytechnic University.

Mr. Zhou Li Yang
Aged 49, is currently the Managing Director of the Company. Mr. Zhou is responsible for execution of the strategic development and daily operation of the Group. Mr. Zhou has substantial experience in listed company management, mergers and acquisitions, direct investment, corporate finance and fund management acquired from more than 10 years managerial and professional work experience for 5 listed companies, an investment fund and a banking institute of Hong Kong. He also has more than 10 years management working experience in a provincial government and a conglomerate of China. Mr. Zhou holds a Bachelor degree in Physics from Central-South University, PRC and a Master degree in Business/Finance from University of Baltimore, USA.

Mr. Zheng Yingsheng
Aged 47, has had over 25 years working experience in logistics management and transportation operations. Mr. Zheng is responsible for overseeing the logistics business of the Group. He had worked for several sizeable and reputable transportation and logistics companies at senior management level being respectively in charge of land transportation, ocean cargo forwarding, warehouse management, fleet management and container terminal operations, etc. He is particularly experienced in transportation and logistics work flow and systems designs and management. Mr. Zheng holds a Bachelor of Economics degree in Marine Economics from School of Economics & Management, Shanghai Maritime University and a Diploma in Business Administration from Zhejiang University, the PRC.

Mr. Johnny Yuen
Aged 62, American Chinese, he is one of the management experts in the first group whom came back to China at the end of 1985. He has more than 30 years of hotel, property investment and management experiences. He is currently the Chairman of Renel Group Co. Ltd and also the Chairman of the Les Amis d'Escoffier Society, Asia-Pacific region. Mr. Yuen also serves as the life member of US Republican Presidential Task Force. He has been awarded successively with the "Foreign Expert Friendship Award of People's Republic of China" and the "Outstanding Contribution Award of Guangzhou City" etc.

Independent Non-executive Directors ("INEDs")

Mr. Dong Zhixiong

Aged 61, has 40 years solid experience in metallurgy, steel industry and mining operation. He has joined China Metallurgy Import and Export Company in 1982 and become the General Manager of one of its mining subsidiaries. Mr. Dong has subsequently been promoted to the Vice President of China Sinosteel Group Company and be responsible for its investments in international resources, development and supervision. Mr. Dong has also been the Chairman of ASA Metal Co. Ltd, the largest mining company for chromate mines in South Africa for 10 years. Mr. Dong has graduated from the Faculty of Automatization of University of Science and Technology of Beijing (formerly known as Beijing Institute of iron and Steel Engineering) and has a bachelor degree in Industrial Studies.

Mr. Fung Hing Chiu, Cyril

Aged 68, is a prominent international and Hong Kong entrepreneur. Mr. Fung graduated from Harvard Graduate School of Business Administration with an Master Degree in Business Administration in 1965. He had worked for Morgan Guaranty Trust in New York head office and Bank of East Asia. Mr. Fung was the Managing Director of Fung Ping Fan Holdings. He was also the Co-founder and Chairman of the first venture capital fund in Asia, Inter-Asia Management Co. Ltd. and succeeded in bringing McDonald's to Hong Kong and Singapore. Mr. Fung's strong strategic sense, proven value-enhancement expertise and very diverse business experience made him a distinct business investment consulting professional.

Mr. Lai Shi Hong, Edward

Aged 43, has more than 19 years of experience in finance, accounting and business management, specializing in the stockbroking and corporate finance aspects. Mr. Lai graduated from the University of Hong Kong and is a Member of the Hong Kong Institute of Certified Public Accountants and a Fellow Member of the Association of Chartered Certified Accountants. He is currently the Chief Financial Officer of Dragon Hill Holdings Limited, a company listed on the main board of The Stock Exchange of Hong Kong Limited and an executive Director of CDW Holding Limited, a company listed in Singapore.

PROFILES OF SENIOR MANAGEMENT

Accounting and Financial

Mr. Yu Kin Wing

Aged 36, is the Finance Manager and Assistant Company Secretary of the Company. Mr. Yu obtained his bachelor of business administration degree in accounting from the Hong Kong University of Science and Technology and his master of business administration in the University of South Australia. He is a member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He has extensive knowledge in the accounting field and had worked for several Hong Kong listed companies before joining the Group.

Logistics

Mr. Zhang Wei

Aged 49, is the General Manager of Pearl Oriental Warehouse (Shenzhen) Ltd. Mr. Zhang has extensive experience in administration and has worked for the China Merchants Group companies for a number of years. Before joining Pearl Oriental Warehouse (Shenzhen) Ltd. he has been the administrative controller of Shenzhen Mingdu Hotel. Mr. Zhang holds a bachelor degree in Water Carriage Management from Shanghai Maritime Transportation University in the PRC.

Mr. Fred Wu

Aged 36, is the Managing Director of Guangzhou Pearl Oriental Logistics Limited. Mr. Wu graduated from The China University of Geology. He has been the operating manager of ST-ANDA and logistics director of ECS Technology. He has extensive practical experience in logistics operation. Mr. Wu was one of the founders of Guangzhou Pearl Oriental Logistics Limited.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS AND REVIEW OF OPERATION

For the 9-month period ended 31 December 2007 (the "Period"), the Group recorded a consolidated turnover of HK$55,620,000 (31 March 2007: HK$65,344,000), implying an annualized increase of approximately 13.5%. The share of profit from associated companies for the period was HK$61,884,000 (31 March 2007: loss of HK$1,201,000). Basic earnings per share was 10 HK cents for the period ended 31 December 2007 as compared to the basic loss per share of 20 HK cents for the year ended 31 March 2007.

BUSINESS REVIEW

The financial status of the Group has further improved. The profit attributable to shareholders for the Period amounted to HK$38,422,000 (31 March 2007: Loss HK$53,278,000), turnaround from loss to profit. Such increases were mainly attributable to the share of profit from associates.

LOGISTICS

Logistics is still the major source of revenue for the Group. For the period ended 31 December 2007, Guangzhou Pearl Oriental Logistics Limited reallocated its resources on the high potential growth e-commerce logistics, while the warehouse operations of Pearl Oriental Logistics (Shenzhen) Ltd still have steady growth.

COAL INDUSTRY

The Group's share its associates, China Coal Energy Holdings Limited ("CCEH"), for the period ended 31 December 2007 was approximately HK$67 million.

On 9 November 2007, CCEH entered into an agreement with two independent partners to acquire 89.4% equity interest of Shanxi Qinhe Coal Company Limited ("Qinhe Coal") at a consideration of RMB142 million. After the shareholding restructuring, Qinhe Coal holds 100% coal mining equity interests of Qinhe Coal Mine in Shanxi Province. After reorganising, the area of the coal mining is 1.416 square kilometers. It will exploit the fourth, seventh and nineth strata of the coal mine. The coking coal reserve is 26.42 million tonnes and the exploitable reserve is 11.39 million tonnes, with the current annual production limit of 300,000 tonnes.

The Group believes that as the demand for coal will increase in foreseeable future, the contribution from CCEH will keep increasing.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group generally finances its operations with internally generated resources and loan facilities granted by principal bankers in the PRC and Hong Kong.

As at 31 December 2007, the Group's gearing ratio had decreased to 10% (calculated on the basis of the Group's bank borrowings over total assets) from 11% as at 31 March 2007. At the Period end date, the Group's total bank borrowings amounted to HK$64 million (31 March 2007: HK$58 million), which was secured by certain properties of the Group located in the PRC. The Group has adopted a conservative approach to financial risk management with limited borrowing during the Period.

Furthermore, the Group's cash and bank balances as at 31 December 2007 have increased to HK$31,617,000 from approximately HK$11,184,000 as at 31 March 2007. The current ratio (calculated on the basis of the Group's current assets over current liabilities) has increased to 0.58 as at 31 December 2007 (31 March 2007: 0.28).

At 31 December 2007, the Group's bank loan facilities are subject to the fulfilment of covenants relating to certain capital requirements, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 31 December and 31 March 2007, none of the covenants relating to drawn down facilities had been breached.

During the Period, the Group conducted its business transactions principally in Renminbi, Hong Kong dollars, or in the local currencies of the operating subsidiaries. The Directors considered that the Group had no significant exposure to foreign exchange fluctuations and believed it was not necessary to hedge against any exchange risk. Nevertheless, the Management will continue to monitor the foreign exchange exposure position and will take any future prudent measure it deems appropriate.

LITIGATIONS

The Group had three pending litigation claims from the ex-directors of a disposed subsidiary who claim against the Group for a sum of not less than HK$11.4 million. Witness statements of both parties have been made and the Group will proceed to trial. The actions are at the initial stage and will proceed to trial and the Group and its legal representative are unable to ascertain the possible effects of the claims.

In addition, the Company took a legal action (the "Legal Action") by issuing a writ of summons on 31 August 2006 against Dichain Holdings Limited ("DiChain Holdings"), 3 former Directors, namely Fan Di, Li Xinggue and Wu Shiyue, Hero Vantage Limited and 大連雙喜商貿發展有限公司 (Dalian Shuangxi Trade Development Limited) for damages of a sum of RMB64.5 million. A default judgment has been entered against the three former Directors and a summary judgment against DiChain Holdings was obtained on 28 January 2008. The Company will keep the Shareholders well informed of its status when necessary and appropriate.

On 18 October 2006, DiChain Holdings issued an originating summons against, inter alia, the Company to seek the court's orders, determination and/or directions in respect of the interpretation of the Subscription Agreements.

It is a term and condition in the Subscription Agreements and an obligation (the "Obligation") for DiChain Holdings to pledge one billion Shares (or 20,000,000 Consolidated Shares of HK$ 0.50 each) upon completion of the Subscription Agreements, as collateral to compensate the Company of any economic loss (if any) arising from any breach of warranties (if any) provided by DiChain Holdings under the Subscription Agreements. As DiChain Holdings has not yet performed the Obligations under the Subscription Agreements, the Company issued a writ of summons against DiChain Holdings on 31 October 2006, inter alia, in respect of the breach of warranties given by DiChain Holdings under the Subscription Agreements. The Company obtained a summary judgment against DiChain Holdings on 13 December 2007 in respect of its non-performance of obligations and breach of warranties under the Subscription Agreements. On 7 January 2008, China Minsheng Banking Corporation Limited (Shenzhen Branch) ("Minsheng Bank") applied to the court to join as the intervener of this case and has applied to the court for appeal, and Minsheng Bank obtained an order on 15 April 2008 that the appeal against the summary judgment entered by the Company on 13 December 2007 be allowed. The Company will seek legal advice upon receiving the judgment form the court and may consider to petition to the court for a winding order of DiChain Holdings in order to protect the interests of the Company.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2007, the number of employees of the Group was about 422. The remuneration packages of employees are maintained at competitive levels and include monthly salaries, mandatory provident fund, medical insurance and share option schemes; other employee benefits include meal and traveling allowances and discretionary bonuses.

PROSPECTS

Energy and Natural Resources Sectors

To further enhance the value in the Company, the Company has been actively exploring various new business opportunities for the Group. In view of the limited supply but ever increasing demand for energy and natural resources in China, the Management will continue to formulate prompt and appropriate operation and investment strategies to capitalize on any business opportunities and to timely expand into the new energy and resources business with high potential growth. Management is also of the opinion that diversification of the Group's business into the coal mining and related business can provide additional dividend revenue to the Group and reduce the Group's business risk.

Management believes that China's economic development will continuously expand within the next decade thus there will be a strong increasing demand for energy and other natural resources, providing a great opportunity for the Company to capitalize on them. Given the broad reach of the Board of Directors, and the Management Team's extensive experience and ability in business development, the Management strongly believes that the Company will, while retaining the logistics business which has collaborative and synergy effect, strengthen its energy and natural resources business and bring very good investment return to the shareholders.

COAL INDUSTRY

The Group has actively expanded its business in the energy and natural resources, in October 2006, the Company has successfully completed the acquisition of 40% equity interests of a coal mining company, Shanxi Taiyuan Sanxing Coal Gasification (Group) Company Limited at a consideration of HK$400 million, through China Coal Energy Holdings Limited ("CCEH"), an associate of the Company which has already made profit contribution to the Group during the Period. Subsequently, CCEH is in the process to acquire one to two more coking coal mines in Shanxi and there will be more acquisitions for CCEH.

DEMANDS FOR COAL IN CHINA

In a recent National Development and Reform Commission's release of statistics of the Coal Industry of China, China has become a net importer of coal which is expected on a sustained basis given the strong demand from the power and steel industries in China and the tighter regional supply of coal.

With China being the second largest consumer of energy in the world and with coal contributing over 60% of China's energy consumption, demand for coal in China is stronger than ever. China is the world's largest coal producer, and the majority of coal produced in China is derived from Shanxi, and in fact Shanxi is also the largest producer of raw coal and coking coal in China.

It is believed that coal producers in China are enjoying a confluence of positive factors that will result in strong growth in the next few years. We have witnessed a surge in coal prices during the Period, management of CCEH maintains its optimistic view on coal prices, especially for the coking coal. CCEH exploits and sells coking coal in the domestic market. CCEH's coke products include mainly metallurgical coke. They process coking coal into coke in CCEH's coking plant pursuant to specifications given by its customers.

Chinese coking coal prices increased significantly in the 2nd half of 2007 due to the strong demand from the steel industry. Representative prices in Shanxi province were up greater than 40% in the 2nd half of 2007.

In addition, CCEH produces diversified coal-based chemicals in its coking plant and ancillary facilities. CCEH's main chemical products include coal gas, refined tar and benzene. All the coal gas CCEH produced will be supplied to Shanxi Taiyuan City under a coal gas supply agreement.

CCEH owns a coke plant in Shanxi Taiyuan with a production capacity of 600,000 tonnes of coke per year and also 3 coal mines near Shanxi Taiyuan City which have coking coal reserves of around 67.5 million tonnes, 26 million tonnes and 19 million tonnes respectively, totalling over 110 million tonnes of coking coal. It is expected that the total annual coal production of these 3 coal mines of CCEH will be around 1.8 million tonnes in 2008.

Given the strategic importance of coal in its energy needs, the Chinese government has been keen to improve the industry structure so as to achieve more efficient and safe mining of the country's coal resources. The thrust of the government's policy direction has been towards 'bigger and stronger' coal mining operations. As such, we believe the sizeable coal producers like CCEH are well-positioned to benefit from consolidation opportunities in the industry.

CCEH's customers are predominantly domestic coke plants and steel companies, which should continue to expand at a fast pace. Pricing for its product is determined through negotiations with customers, and recent settlements in the current coal markets show that customers are still willing to pay ever-higher prices to secure supplies.

Coal is one of the resources that China has abundantly, and given the strategic importance of this resource in China's energy mix, we see greater efforts by the Chinese government to improve the structure of the coal industry. Such moves, we expect, will benefit the sizeable coal producers, who can partake of opportunities to consolidate smaller players and improve their already-strong production profiles.

A combination of fast-rising demand, persisting supply deficit, severe bottle neck in transportation, control of coal export in China and less government interference in setting coal prices shall enable sizeable Chinese coal companies to achieve strong earnings growth over the next few years.

CCEH plans to become a leading non-State-Owned coking coal and coke producer in Shanxi of China. Its development strategies are to focus on growth in Shanxi Province by acquiring more resources and expand production capacity and to further improve its mining, coal processing and production efficiency.

PLASTIC RECYCLING INDUSTRY

The Group has 50% equity interests in Euro Resources China Limited ("ERC"). This plastic resources recycling project has great development potential and also its products have huge demand in the PRC market and the management will also explore opportunities of expanding its market for plastic to North America, other Asian Countries like Vietnam and Cambodia, Malaysia, Korea, Japan and etc.

The Group expected that ERC will have contribution from Year 2008 as another major source of income of the Group

CHINA'S DEMAND FOR WASTE PLASTIC RAW MATERIAL

Plastics as raw materials have been increasingly used in today's industry as an ideal substitute to replace other materials such as iron, wood and paper. In 2000, China alone produced 13 million tonnes of plastics products; in 2005, 32 million tonnes, representing an annual growth rate of 13%. The demand for plastics packaging materials reached 5 million tonnes in 2005. Increasing use of plastics has caused serious environmental problems. Recycling has become the most recognized solution. The demand for the recycled waste plastic materials in the Guangdong and Southern China district is over 1,000,000 tonnes per year.

China is the world's largest importer for waste and recycled plastics, consisting of 18% of demands for polypropylene and 15% for polyethylene ("PE").

China is the world's largest market for PE film, a market greater in size than the USA or Western Europe as a whole. There are over 10,000 converters with an estimated capacity of more than 11 million tonnes in 2004.

Apart from the recycling factory in France, the management of Euro Resources is in negotiation for acquisitions of few recycling factories and collection facilities in Europe like United Kingdom, Germany, Italy and etc. Furthermore, ERC has already formed a joint-venture in Shunde of Guangdong province, China to generate more profits and broaden the customer base in the manufacturing process of plastic granulation.

It is expected that the coal mining project and plastic resources recycling project will bring long-term stable income to the Group.

To expedite the appreciation of the Group's investment projects and generate overall benefits for our shareholders, the management team is planning to spin off the coal mining project for listing on recognized stock markets as soon as possible. The Board expects that CCEH, upon listing, will generate very satisfactory returns to the Group.

The Company will operate and invest bilaterally in energy and natural resources business as well as logistics business. As the energy and resources projects require more capital investment thus will account for as high as 70% of the total net assets of the Company.

FINANCIAL POSITIONS OF THE GROUP

After Mr. Wong Kwan became the new controlling shareholder of the Company on 24 May 2006, the financial positions of the Group have been improved immediately. Apart from the net proceeds of HK$77.46 million from the placing of new shares in the Company in March 2008, an unsecured loan facility of HK$70 million has been granted by Mr. Wong Kwan to the Group as additional working capital which is beneficial to the Group's various investing and operating activities. As a whole, all of our major bankers, customers and business partners have great confidence in the Group's future development. Therefore, the Group will be in a better position to grasp various business and investment opportunities in the future.

As at 31 December 2007, the Group has outstanding bank loans in aggregate of approximately HK$64 million (31 March 2007: HK$58 million).

DIVIDEND

The Directors do not recommend the payment of a dividend for the Period (31 March 2007: Nil).

CONTINGENT LIABILITY

As at 31 December 2007, approximately HK$64 million (31 March 2007: HK$58 million) of guarantee was given by the Company to banks in respect of banking facilities granted to a subsidiary of the Company. The extent of such facilities utilized by the subsidiary at 31 December 2007 amounted to approximately HK$64 million (31 March 2007: HK$58 million).

ASSETS PLEDGED

As at 31 December 2007, assets with an aggregate carrying value of approximately HK$100 million (31 March 2007: HK$100 million) were pledged with banks as security for loan facilities granted to the Group.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 21 June 2002, which enables the Company to grant share options to eligible persons as an incentive or reward for their contribution to the Group. The terms of the share option scheme fully comply with the provisions of Chapter 17 of the Listing Rules. No share options had been granted under the scheme during the Period.

AUDIT COMMITTEE

As at 31 December 2007, the Audit Committee comprises the three independent non-executive directors, namely Mr. Lai Shi Hong, Edward (Chairman of the Audit Committee), Mr. Dong Zhixiong and Mr. Fung Hing Chiu, Cyril. The Audit Committee held two meetings during the Period. The Audit Committee is provided with sufficient resources to discharge its duties. The terms of reference of the Audit Committee follow the guidelines set out in the CG Code. The principal duties of the Audit Committee include the review of the financial reporting and internal control system of the Group, review of half-yearly and annual reports and accounts, review and monitor the appointment of the auditors and their independence.

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the nine-month period ended 31 December 2007.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 25 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the period ended 31 December 2007 are set out in the consolidated income statement on page 21.

The directors do not recommend the payment of a dividend for the period.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the period in the property, plant and equipment of the Group are set out in note 14 to the financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

At 31 December 2007, no aggregate amount of distributable reserves was available for distribution to equity shareholders of the Company.

SHARE CAPITAL

Details of the movements during the period in the share capital of the Company are set out in note 24 to the financial statements.

DIRECTORS

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

Executive directors:

Wong Kwan
Chan Yiu Keung
Cheung Kwok Yu
Zhou Li Yang
Zheng Yingsheng
Johnny Yuen

Non-Executive directors:

Robert Fung Hing Piu (resigned on 1 June 2007)

Independent non-executive directors:

Dong Zhixiong	(appointed on 8 October 2007)
Fung Hing Chiu, Cyril	(appointed on 13 July 2007)
Lai Shi Hong, Edward	(appointed on 26 July 2007)
Victor Yang	(resigned on 1 June 2007)
Lee G. Lam	(resigned on 9 July 2007)
Anwar Ibrahim	(retired on 25 September 2007)

In accordance with Clauses 86 and 87 of the Company's Bye-Laws, Mr. Johnny Yuen, Mr. Zheng Ying Sheng, Mr. Dong Zhixiong and Mr. Lai Shi Hong, Edward will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. All other remaining directors continue in office.

Other than as disclosed above, no director being proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 December 2007, the interests of the directors and their associates in the shares, underlying shares and convertible bonds of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long positions

(a) *Ordinary shares of HK$0.50 each of the Company*

	Number of Shares held in the Capacity of					
Name of Directors	**Beneficial owner**	**Family interest**	**Held by controlled corporation**	**Held by trust**	**Total number of Shares held**	**Percentage of the issued share capital of the Company**
Wong Kwan *(note)*	–	–	180,218,800	–	180,218,800	46.53%
Johnny Yuen	300,000	–	–	–	300,000	0.08%
Fung Hing Chiu, Cyril	–	–	–	1,272,090	1,272,090	0.33%

Note: These Shares were held by Orient Day Developments Limited, which is wholly-owned by Mr. Wong Kwan.

(b) Share options

Name of director	Capacity	Number of options held	Number of underlying shares
Wong Kwan	Beneficial owner	2,400,000	2,400,000
Chan Yiu Keung	Beneficial owner	1,000,000	1,000,000
Cheung Kwok Yu	Beneficial owner	1,000,000	1,000,000
Zheng Yingsheng	Beneficial owner	2,030,000	2,030,000
Zhou Li Yang	Beneficial owner	1,410,000	1,410,000
Johnny Yuen	Beneficial owner	1,000,000	1,000,000

Other than as disclosed above, none of the directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 December 2007.

SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance shows that, as at 31 December 2007, other than the interests disclosed above in respect of certain directors, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Long positions

Name of substantial shareholder	Capacity	Number of issued ordinary shares held	Percentage of issued share capital of the Company
Orient Day Developments Limited	Beneficial owner	180,218,800	46.53%

Note: Orient Day Developments Limited is wholly owned by Mr. Wong Kwan.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31 December 2007.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

EMOLUMENT POLICY

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

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

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out in note 27 to the financial statements.

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.

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

During the period under review, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

MAJOR CUSTOMERS AND SUPPLIERS

During the period, the aggregate sales attributable to the Group's largest customers and five largest customers taken together accounted for 27.7% and 65.8% respectively of the Group's total sales for the period.

The aggregate purchases attributable to the Group's largest supplier and five largest suppliers taken together accounted for 7.9% and 18.3% respectively of the Group's total purchases for the period.

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

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the period ended 31 December 2007.

POST BALANCE SHEET EVENTS

Details of the post balance sheet events of the Group are set out in note 33 to the financial statements.

AUDITORS

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board

Cheung Kwok Yu
Executive Director & Company Secretary
25 April 2008

CORPORATE GOVERNANCE PRACTICES

The board of Directors of the Company (the "Board") is committed to achieving high standard of corporate governance.

In the opinion of the Board, the Company has complied throughout the period ended 31 December 2007 (the "Period") with the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), which was in force on 1 January 2005, save for the following:

(a) The Chairman and the Managing Director are not subject to retirement by rotation pursuant to Bye-laws of the Company.

(b) Pursuant to Bye-law 87(1) of the Company, at each annual general meeting one-third of the Directors for the time being, (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation provided that, the Chairman of the Board and/or the Managing Director of the Company shall not whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard set out in the Model code and the code of conduct regarding securities transactions by directors adopted by the Company throughout the period ended 31 December 2007.

BOARD OF DIRECTORS

The Board is collectively responsible for the oversight of the management of the business and affairs of the Group with the objective of enhancing shareholders value. It is responsible for the formulation and the approval of the Group's development and business strategies and policies, approval of annual budgets and business plans, and supervision of management in accordance with the governing rules. The management of the Company is responsible for the oversight of the realization of the objectives set by the Board and the day-to-day operations of the Group.

As at 31 December 2007, the Board comprises nine members, six of whom are executive directors, and three are independent non-executive directors. One-third of the Board is independent non-executive directors and more than one of them have appropriate professional qualifications or accounting or related financial management expertise.

Each of the independent non-executive directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all independent non-executive directors to be independent under the guidelines set out in Rule 3.13 of the Listing Rules.

During the Period, three board meetings have been held, the attendance of each Director, on named basis and by category at Board meetings, Audit Committee meetings is set out below:

	Meetings attended/held	
	Board Meetings	Audit Committee Meetings
Executive Directors:		
Wong Kwan *(Chairman & Chief Executive)*	3/3	N/A
Chan Yiu Keung	1/3	N/A
Cheung Kwok Yu	3/3	N/A
Zhou Li Yang	3/3	N/A
Zheng Yingsheng	2/3	N/A
Johnny Yuen	1/3	N/A
Independent Non-executive Directors:		
Dong Zhixiong *(Member of Audit Committee) (note 1)*	1/3	0/2
Fung Hing Chiu, Cyril *(Member of Audit Committee)*	2/3	2/2
Lai Shi Hong, Edward *(Chairman of Audit Committee)*	2/3	2/2

Notes:

(1) Appointed on 8 October 2007.

To the best knowledge of the Board, there is no relationship (including financial, business, family or other relationship) among members of the Board as at 31 December 2007. All of them are free to exercise their individual judgments.

Chairman and Managing Director

For the Period, Mr. Wong Kwan, the Chairman and Mr. Zhou Li Yang, the Managing Director, had segregated and clearly defined roles.

Remuneration of Directors

On 14 February 2006, the Board has approved to establish of a Remuneration Committee and the Remuneration Committee was established on 13 June 2006. The Remuneration Committee has 3 members, comprising Messrs. Dong Zhixiong, Fung Hing Chiu, Cyril and Lai Shi Hong, Edward, all independent non-executive directors. The Remuneration Committee is chaired by Lai Shi Hong, Edward.

The Remuneration Committee is responsible for making recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration.

Nomination of Directors

The Company does not have a Nomination Committee. The Board as a whole is responsible for the procedure of agreeing to the appointment of its members and for nominating appropriate person for election by shareholders at the annual general meeting, either to fill a casual vacancy or as an addition to the existing directors.

The notice of annual general meeting contains detailed information on election of directors including detailed biography of all directors standing for election or re-election to enable shareholders to make an informed decision on their election.

Internal Control

The Board acknowledges its responsibility to ensure that a sound and effective internal control system, which serves as an integral part of the Company's management system, is maintained. The Board is responsible for approving and reviewing internal control policy, while the responsibility of day-to-day management of operational risks and implementation of mitigation measures lies with the management. An internal control system is designed to provide reasonable, but not absolute, assurance that material misstatement or loss can be avoided, and to manage and minimise risks of failure in operational systems. Key control procedures include:

- establishing a structure with defined authority and proper segregation of duties
- monitoring the strategic plan and performance
- designing an effective accounting and information system
- encouraging internal reporting on serious concern about malpractice
- conducting internal independent review by internal audit function

The Company places great value upon creating an environment where employees maintain the highest standard of integrity. To this end, the Board encourages the raising of concerns by employees about internal malpractice directly to the Board which will review complaints and decide how the investigation should be conducted.

The Board has also carefully reviewed and taken appropriate actions regarding matters in respect of Wuhan Pearl (see note 7) during the Period, and has proposed preventative measures for future.

Auditors' Remuneration

During the Period, fees paid to the Company's external auditors for audit services totaled HK$1,469,000, compared with HK$1,800,000 in the previous year.

AUDIT COMMITTEE

As at 31 December 2007, the Audit Committee comprises the three independent non-executive directors, namely Mr. Lai Shi Hong, Edward (Chairman of the Audit Committee), Mr. Dong Zhixiong and Mr. Fung Hing Chiu, Cyril. The Audit Committee held two meetings during the period. The Audit Committee is provided with sufficient resources to discharge its duties. The terms of reference of the Audit Committee follow the guidelines set out in the CG Code. The principal duties of the Audit Committee include the review of the financial reporting and internal control system of the Group, review of half-yearly and annual reports and accounts, review and monitor the appointment of the auditors and their independence.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of the financial statements of the Company and ensure that they are prepared in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of such financial statements.

The statement of the external auditors of the Company, KPMG, with regard to their reporting responsibilities on the Company's financial statements is set out in the Independent Auditor's Report on page 20.

INDEPENDENT AUDITOR'S REPORT

To the shareholders of **Pearl Oriental Innovation Limited**
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Pearl Oriental Innovation Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 21 to 77, which comprise the consolidated and company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the nine-month period then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the Group's profit and cash flows for the nine-month period 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.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

25 April 2008

CONSOLIDATED INCOME STATEMENT

for the period from 1 April 2007 to 31 December 2007
(Expressed in Hong Kong dollars)

	Note	Period from 1 April 2007 to 31 December 2007 $'000	Year ended 31 March 2007 $'000
Turnover	4 & 13	**55,620**	65,344
Cost of sales		**(40,272)**	(51,061)
Gross profit		**15,348**	14,283
Other revenue and net income	5	**7,361**	4,218
Selling and distribution expenses		**(7,175)**	(4,912)
General and administrative expenses		**(23,482)**	(26,189)
Equity-settled share-based payment expenses		**(4,126)**	(20,297)
Impairment loss on available-for-sale securities		**–**	(9,357)
Impairment losses on property, plant and equipment		**–**	(3,993)
Impairment losses of assets in respect of a subsidiary	7	**(11,457)**	–
Loss from operations		**(23,531)**	(46,247)
Finance costs	6(a)	**(4,125)**	(6,868)
Share of profits less losses of associates	16(b)	**61,884**	(1,201)
Profit/(loss) before taxation	6	**34,228**	(54,316)
Income tax	8(a)	**(1,103)**	(1,168)
Profit/(loss) for the period/year		**33,125**	(55,484)
Attributable to:			
Equity shareholders of the Company	11 & 24(a)	**38,422**	(53,278)
Minority interests	24(a)	**(5,297)**	(2,206)
Profit/(loss) for the period/year		**33,125**	(55,484)
Earnings/(loss) per share	12		
Basic		**10 cents**	(20) cents
Diluted		**N/A**	N/A
Dividends payable to equity shareholders of the Company attributable for the period/year			
Final dividend proposed after the balance sheet date		**–**	–

The notes on pages 28 to 77 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

At 31 December 2007
(Expressed in Hong Kong dollars)

	Notes	31 December 2007 $'000	31 March 2007 $'000
Non-current assets			
Property, plant and equipment	14	**100,156**	95,730
Interests in leasehold land held for own use under operating leases	15	**18,329**	18,155
Interests in associates	16	**460,490**	398,564
Deferred tax assets	23(b)	**1,419**	1,419
		580,394	513,868
Current assets			
Trade and other receivables	18	**22,530**	21,561
Current tax recoverable	23(a)	**–**	89
Interests in leasehold land held for own use under operating leases	15	**526**	513
Available-for-sale securities	17	**–**	–
Amounts due from minority shareholders of subsidiaries	19(a)	**11**	22
Amount due from an associate	19(b)	**9,930**	19
Cash and cash equivalents	20	**31,617**	11,184
		64,614	33,388
Current liabilities			
Trade and other payables	21	**23,980**	17,506
Amounts due to related companies	19(c)	**63,903**	28,125
Short-term bank loans	22	**7,101**	57,587
Other short-term loans	22	**–**	506
Income tax payable	23(a)	**16,464**	15,790
		111,448	119,514
Net current liabilities		**(46,834)**	(86,126)
Total assets less current liabilities		**533,560**	427,742
Interest-bearing borrowings	22	**57,315**	–
NET ASSETS		**476,245**	427,742
CAPITAL AND RESERVES	24(a)		
Share capital		**193,641**	190,821
Reserves		**276,307**	235,103
Total equity attributable to equity shareholders of the Company		**469,948**	425,924
Minority interests		**6,297**	1,818
TOTAL EQUITY		**476,245**	427,742

Approved and authorised for issue by the board of directors on 25 April 2008.

Wong Kwan
Director

Cheung Kwok Yu
Director

The notes on pages 28 to 77 form part of these financial statements.

BALANCE SHEET

At 31 December 2007
(Expressed in Hong Kong dollars)

	Notes	31 December 2007 $'000	31 March 2007 $'000
Non-current assets			
Investments in subsidiaries	25	**488,576**	435,250
Current assets			
Other receivables	18	**–**	75
Available-for-sale securities	17	**–**	–
Cash and cash equivalents	20	**20,271**	8,966
		20,271	9,041
Current liabilities			
Other payables	21	**2,554**	2,770
Amount due to related companies	19(c)	**63,903**	8,160
		66,457	10,930
Net current liabilities		**(46,186)**	(1,889)
Total assets less current liabilities		**442,390**	433,361
Non-current liabilities			
Amounts due to subsidiaries	19(d)	**5,207**	5,215
NET ASSETS		**437,183**	428,146
CAPITAL AND RESERVES	24(b)		
Share capital		**193,641**	190,821
Reserves		**243,542**	237,325
TOTAL		**437,183**	428,146

Approved and authorised for issue by the board of directors on 25 April 2008.

Wong Kwan
Director

Cheung Kwok Yu
Director

The notes on pages 28 to 77 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the nine-month period from 1 April 2007 to 31 December 2007
(Expressed in Hong Kong dollars)

	Note	**Nine-month period from 1 April 2007 to 31 December 2007 $'000**	Year ended 31 March 2007 $'000
Total equity at 1 April		**427,742**	32,267
Net income recognised directly in equity:			
Exchange differences on translation of financial statements of subsidiaries	24(a)	**(1,732)**	1,123
Changes in fair value of available-for-sale securities	24(a)	**–**	(3,055)
Net income for the period/year recognised directly in equity		**(1,732)**	(1,932)
Net profit/(loss) for the period/year	24(a)	**33,125**	(55,484)
Total recognised income and expenses for the period/year		**31,393**	(57,416)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the nine-month period from 1 April 2007 to 31 December 2007
(Expressed in Hong Kong dollars)

	Note	**Nine-month period from 1 April 2007 to 31 December 2007 $'000**	Year ended 31 March 2007 $'000
Attributable to:			
Equity shareholders of the Company		**36,690**	(55,210)
Minority interests		**(5,297)**	(2,206)
		31,393	(57,416)
Movements in equity arising from capital transactions:			
Shares issued pursuant to share subscription		**–**	40,000
Issue of convertible bonds		**–**	2,263
Shares issued pursuant to exercise of convertible notes		**–**	27,737
Shares issued under share option scheme		**–**	40
Shares issued upon exercise of share options		**–**	10,000
Issue of new shares for acquisition of associates	24(a)	**–**	352,554
Disposal of treasury shares		**3,208**	–
Equity settled share-based transactions	24(a)	**4,126**	20,297
Increase in minority interests arising from acquisition of subsidiaries	24(a)	**9,776**	–
		17,110	452,891
Total equity at 31 December/31 March		**476,245**	427,742

The notes on pages 28 to 77 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the nine-month period from 1 April 2007 to 31 December 2007
(Expressed in Hong Kong dollars)

	Note	Nine-month period from 1 April 2007 to 31 December 2007 $'000	Year ended 31 March 2007 $'000
Operating activities			
Profit/(loss) before taxation		**34,228**	(54,316)
Adjustments for:			
– Impairment losses on property, plant and equipment		**–**	3,993
– Impairment losses on assets in respect of a subsidiary		**11,457**	–
– Impairment loss on available-for-sale securities		**–**	9,357
– Share of (profits)/losses of associates		**(61,884)**	1,201
– Depreciation		**3,231**	3,905
– Amortisation of interests in leasehold land for own use under operating leases		**395**	513
– Loss on disposal of fixed assets		**103**	–
– Finance costs		**4,125**	6,868
– Interest income		**(115)**	(673)
– Equity settled share-based payment expenses		**4,126**	20,297
Operating loss before changes in working capital		**(4,334)**	(8,855)
Increase in trade and other receivables		**(2,244)**	(3,400)
Decrease in amount due from a related company		**–**	2,149
Increase in trade and other payables		**7,211**	3,490
Cash generated from/(used in) operations		**633**	(6,616)
Income tax paid		**(341)**	(995)
Net cash generated from/(used in) operating activities		**292**	(7,611)
Investing activities			
Payment for purchase of property, plant and equipment		**(1,572)**	(2,583)
Net proceeds from purchase of subsidiaries	3	**214**	–
Proceeds from disposal of treasury shares		**3,309**	–
Payment for purchase of associates		**–**	(100,401)
Amounts due from an associate		**(9,911)**	–
Interest received		**115**	673
Net cash used in investing activities		**(7,845)**	(102,311)

CONSOLIDATED CASH FLOW STATEMENT

for the nine-month period from 1 April 2007 to 31 December 2007
(Expressed in Hong Kong dollars)

	Note	**Nine-month period from 1 April 2007 to 31 December 2007 $'000**	Year ended 31 March 2007 $'000
Financing activities			
Interest paid		**(3,444)**	(6,868)
Repayment of other short-term loans		**(506)**	(2,720)
Repayment of bank loans		**(60,178)**	(31,380)
Repayment from minority shareholders		**11**	67
Advance from ultimate holding company		**34,348**	8,101
Proceeds from bank and other loans		**64,416**	–
Net proceeds from issuance of shares		**–**	112,876
Net proceeds from exercise of share options		**–**	10,248
Net proceeds from issuance of convertible notes		**–**	30,000
Net cash generated from financing activities		**34,647**	120,324
Net increase in cash and cash equivalents		**27,094**	10,402
Cash and cash equivalents at 1 April		**11,184**	1,785
Effect of foreign exchange rate changes		**(6,661)**	(1,003)
Cash and cash equivalents at 31 December/31 March	20	**31,617**	11,184

The notes on pages 28 to 77 form part of these financial statements.

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

Pursuant to the board of directors' meeting on 2 January 2008, the financial year end date of the Group and the Company has been changed from 31 March to 31 December in order to a conterminous financial year end as that of its major operating subsidiaries and associates engaged in the business of energy, natural resources and logistics. As a result, the consolidated financial statements are presented covering a period of nine months from 1 April 2007 to 31 December 2007. Accordingly, the comparative figures (which cover a period of twelve months from 1 April 2006 to 31 March 2007) for the consolidated income statement, consolidated cash flow statement, consolidated statement of changes in equity and related notes to financial statements are not comparable with those of the current period.

As at 31 December 2007, current liabilities of the Group exceeded its current assets by approximately $46,834,000 (31 March 2007: $86,126,000). The immediate holding company and the controlling shareholder of the Company have undertaken to provide financial assistance as is necessary to maintain the Company as a going concern. Based on the above assessment, the directors are of the opinion that the Group will have sufficient working capital to finance its normal operations and to meet its financial obligations as they fall due for the foreseeable future and have prepared the consolidated financial statements on a going concern basis.

The consolidated financial statements for the nine-month period ended 31 December 2007 comprise the Group and the Group's interests in associates.

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

– buildings (see note 1(g)),

– financial instruments classified as available-for-sale securities (see note 1(f)).

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

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation of the financial statements *(Continued)*

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 36.

(c) Subsidiaries and minority interests

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

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

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

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

Loans from holders of minority interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet in accordance with notes 1(k) or 1(l) depending on the nature of the liability.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 1(i)).

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Associates

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

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets. The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associates for the year, including any impairment loss on goodwill relating to the investment in associates recognised for the period (see notes 1(e) and 1 (i)).

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

(e) Goodwill

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

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 1(i)). In respect of associates, the carrying amount of goodwill is included in the carrying amount of the interest in the associate.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associate is recognised immediately in profit or loss.

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

(f) Other investments in debt and equity securities

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries and associates, are as follows:

Investments in debt and equity securities are initially stated at cost, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

– Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss.

– Dated debt securities that the Group and/or the Company have the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated in the balance sheet at amortised cost less impairment losses (see note 1(i)).

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Other investments in debt and equity securities *(Continued)*

– Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses (see note 1(i)).

– Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised directly in equity, except foreign exchange gains and losses in respect of monetary items such as debt securities which are recognised directly in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss. When these investments are derecognised or impaired (see note 1(i)), the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss.

Investments are recognised/derecognised on the date the Group and/or the Company commits to purchase/sell the investments on the date of expiry.

(g) Property, plant and equipment

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

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

Other property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 1(i)).

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

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

Buildings	Over the shorter of lease term and their estimated useful lives
Leasehold improvements	Over the shorter of the terms of the lease, land use rights or 5 years
Furniture, fixtures and office equipment	4-5 years
Motor vehicles	3-6 years

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

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Leased assets

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

(i) Classification of assets leased to the Group

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

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

(ii) Operating lease charges

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

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

(i) Impairment of assets

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

Investments in debt and equity securities (other than investment in subsidiaries and associates: see note 1 (i)(ii)) and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Impairment of assets *(Continued)*

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

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

– For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.

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

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

– For available-for-sale securities, the cumulative loss that had been recognised directly in equity is removed from equity and is recognised in profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in equity.

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

(ii) Impairment of other assets

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

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

– pre-paid interests in leasehold land classified as being held under an operating lease;

– investments in subsidiaries and associates; and

– goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Impairment of assets *(Continued)*

(ii) Impairment of other assets (Continued)

– Calculation of recoverable amount

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

– Recognition of impairment losses

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

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the period/year in which the reversals are recognised.

(j) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts (see note 1(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts (see note 1(i)).

(k) Interest-bearing borrowings

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

(l) Trade and other payables

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

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(n) Repurchase of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, is net of any tax effect, and is recognised as a deduction from total equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from retained earnings.

(o) Employee benefits

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

(ii) *Share-based payments*
The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the Black-Scholes Option Pricing Model ("BS-Model") taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

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

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

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Income tax

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

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

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

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

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Income tax *(Continued)*

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

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

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

  - the same taxable entity; or

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

(q) Provisions and contingent liabilities

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

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

(r) Revenue recognition

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

(i) *Revenue from logistic services*
Revenue from the provision of logistic services is recognised when the services are rendered.

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

(iii) *Interest income*
Interest income is recognised as it accrues using the effective interest method.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Translation of foreign currencies

(i) *Functional and presentation currency*
Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("functional currency"). The financial statements are presented in Hong Kong Dollars ("presentation currency").

(ii) *Transactions and balance*
Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

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

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

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

(t) Borrowing costs

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

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(u) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Related parties *(Continued)*

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

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

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

(v) Segment reporting

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

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

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

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

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

2 CHANGE IN ACCOUNTING POLICIES

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

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

As a result of the adoption of HKFRS 7, the financial statements include expanded disclosure about the significance of the Group's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32, "Financial instruments: Disclosure and presentation". These disclosures are provided throughout these financial statements, in particular in note 28.

2 CHANGE IN ACCOUNTING POLICIES *(Continued)*

The amendment to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Group's and the Company's objectives, policies and processes for managing capital. These new disclosures are set out in note 24(g).

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

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 37).

3 BUSINESS COMBINATIONS – PEARL ORIENTAL LOGISTICS SINO LIMITED ("PEARL ORIENTAL SINO")

On 4 April 2007, the Group acquired 60% equity interest of Pearl Oriental Sino, which business was carried out through Wuhan Pearl Oriental Logistics Limited ("Wuhan Pearl"), at a consideration of $14,664,000 from an independent third party Ms. Yang Yu Qing. Details of Pearl Oriental Sino at 31 December 2007 are set out as below:

Name of company	Share capital	Percentage of equity interest acquired	Results contributed by the company from the date of acquisition to 31 December 2007 $'000	Principal activities
Pearl Oriental Logistics Sino Limited	$22,000,000	60%	(10,169)	Logistics business

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

Acquirees' net assets at the acquisition date

	Recognised values on acquisition $'000	Fair value adjustments $'000	Pre-acquisition carrying amounts $'000
Treasury shares in the Company (note 24(c))	14,664	–	14,664
Customer relationships recognised as intangible assets	8,987	8,987	–
Property, plant and equipment (note 14)	1,267	101	1,166
Cash and cash equivalents	214	–	214
Other net liabilities	(692)	–	(692)
	24,440	9,088	15,352
Minority Interests	(9,776)		
	14,664		
Consideration paid – satisfied by shares issued	14,664		
Consideration paid, satisfied in cash	–		
Cash acquired	214		
New cash inflow	214		

4 TURNOVER

The principal activities of the Group are operating bonded warehouse, provision of logistics and related services.

Turnover represents the service income from logistics and other services excluding sales taxes and surcharges.

5 OTHER REVENUE AND NET INCOME

	Nine-month period from 1 April 2007 to 31 December 2007 $'000	Year ended 31 March 2007 $'000
Interest income from bank deposits	**88**	574
Other interest income	**27**	99
Net foreign exchange gain	**6,629**	3,516
Others	**617**	29
	7,361	4,218

6 PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is arrived at after charging:

		Nine-month period from 1 April 2007 to 31 December 2007 $'000	Year ended 31 March 2007 $'000
(a)	Finance costs:		
	Interest on bank advances and other borrowings wholly repayable within five years	**1,775**	4,870
	Interest on other loans	**1,482**	1,141
	Other borrowing costs	**868**	857
	Total borrowing costs	**4,125**	6,868
(b)	Staff costs:		
	Contributions to defined contribution retirement plans	**619**	726
	Equity-settled share-based payment expenses	**4,126**	20,297
	Salaries, wages and other benefits	**10,883**	8,808
		15,628	29,831
(c)	Other items:		
	Amortisation of land lease premium	**395**	513
	Depreciation of other assets	**3,231**	3,905
	Bad debts written off	**290**	352
	Auditors' remuneration		
	– current period/year	**1,469**	2,000
	– prior year	**–**	227
	Operating lease charges: minimum lease payments – property rentals	**2,330**	1,943

7 IMPAIRMENT LOSSES OF ASSETS IN RESPECT OF A SUBSIDIARY

Impairment losses have been made for the following items due to prospect of recovery is remote.

	The Group	
	Nine-month period from 1 April 2007 to 31 December 2007 $'000	Year ended 31 March 2007 $'000
Impairment losses consisted of		
– Deposit and other receivables	**1,274**	–
– Intangible assets	**8,987**	–
– Furniture and fixtures	**1,196**	–
	11,457	–

Subsequent to the Group's acquisition of Wuhan Pearl, it is suspected that there might have been misappropriation of assets by a director of Wuhan Pearl, Ms. Yang Yu Qing ("Ms. Yang"), who is the key management member of Wuhan Pearl. Management of the Company has taken appropriate actions against Ms. Yang to protect its interests and recover the loss suffered by Wuhan Pearl from such misappropriation of assets. Moreover, certain key customers had terminated business relationship with Wuhan Pearl upon departure of Ms. Yang, resulting in management's decision to cease all business of Wuhan Pearl during the period.

In light of the above, management of the Company considered that the assets attributable to the operations of Wuhan Pearl as disclosed in above were fully impaired at 31 December 2007.

8 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	Nine-month period from 1 April 2007 to 31 December 2007 $'000	Year ended 31 March 2007 $'000
Current tax		
Provision for PRC enterprise income tax	**1,103**	1,767
Deferred tax		
Origination and reversal of temporary differences	**–**	(599)
	1,103	1,168

Pursuant to the rules and regulations of Bermuda and the British Virgin Islands, the Group is not subject to any income tax in Bermuda and the British Virgin Islands during the period (31 March 2007: Nil).

No provision for Hong Kong Profits Tax has been made as the Group did not have any assessable profits subject to Hong Kong Profits Tax during the period (31 March 2007: Nil).

Pursuant to the income tax rules and regulations of the PRC, taxation for PRC subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant cities in the PRC which was the applicable rate for the nine-month period ended 31 December 2007 ranged from 15% to 33% (31 March 2007: 15%).

8 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT *(Continued)*

(a) Taxation in the consolidated income statement represents: *(Continued)*

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the corporate Income Tax Law of the PRC ("new tax law") which takes effect on 1 January 2008. Thereafter, the State Council passed Circular 39 on 26 December 2007, to clarify the grandfathering treating for existing enterprises that are entitled to preferential tax treatments. As a result of new tax law and Circular 39, the income tax rate of certain PRC subsidiaries are reduced from 33% to 25% from 1 January 2008; the tax rate of certain PRC subsidiaries in Shenzhen gradually increases from 15% to 25% over a five-year transitional period (being 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012 and thereafter).

Pursuant to the new tax law, a 10% withholding tax is levied on dividends declared to foreign investors from the PRC effective from 1 January 2008. A lower withholding tax rate may be applied if there is a tax treaty arrangement between the PRC and the jurisdiction of foreign investors. On 22 February 2008, Caishui (2008) was promulgated by the tax authorities to specify that dividends and remitted out of the PRC from the retained earnings as at 31 December 2007 are exempted from withholding tax.

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

	Period from 1 April 2007 to 31 December 2007 $'000	Year ended 31 March 2007 $'000
Profit/(loss) before tax	**34,228**	(54,316)
Notional tax on profit/(loss) before taxation, calculated at the rate applicable to profits in the countries concerned (31 March 2007: 15%)	**5,134**	(8,147)
Tax effect of non-deductible expenses	**5,042**	11,404
Tax effect of share of profits less loss of associate	**(9,282)**	180
Tax effect of non-taxable income	**(1,018)**	(3,808)
Tax effect of different tax rates in subsidiaries	**1,227**	1,539
Actual tax expense	**1,103**	1,168

9 DIRECTORS' REMUNERATION

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

	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Share-based payments $'000	Retirement scheme contributions $'000	Nine-month period from 1 April 2007 to 31 December 2007 Total $'000
Executive directors					
Wong Yuk Kwan	225	–	777	9	1,011
Chan Yiu Keung	225	–	324	9	558
Cheung Kwok Yu	–	400	324	9	733
Zheng Yingsheng	–	315	324	15	654
Zhou Li Yang	–	364	324	9	697
Johnny Yuen	225	–	987	9	1,221
	675	1,079	3,060	60	4,874
Non–executive director					
Robert Fung Hing Piu (resigned on 1 June 2007)	–	–	–	–	–
Independent non–executive directors					
Dong Zhixiong (appointed on 8 October 2007)	35	–	–	–	35
Fung Hing Chiu, Cyril (appointed on 13 July 2007)	70	–	–	–	70
Lai Shi Hong, Edward (appointed on 26 July 2007)	63	–	–	–	63
Anwar Ibrahim (retired on 25 September 2007)	150	–	–	–	150
Lee G. Lam (resigned on 9 July 2007)	81	–	–	–	81
Victor Yang (resigned on 1 June 2007)	50	–	–	–	50
	449	–	–	–	449

9 DIRECTORS' REMUNERATION *(Continued)*

	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Share-based payments $'000	Retirement scheme contributions $'000	Year ended 31 March 2007 Total $'000
Executive directors					
Wong Yuk Kwan	256	–	2,831	9	3,096
Chan Yiu Keung	256	–	1,180	9	1,445
Chen Gang	200	–	–	–	200
Cheung Kwok Yu	256	–	1,180	9	1,445
Johnny Yuen	75	–	319	3	397
Lin Xizhong (resigned on 1 January 2007)	115	–	–	5	120
Zheng Yingsheng	–	425	1,381	18	1,824
Zhou Li Yang	–	490	1,205	12	1,707
	1,158	915	8,096	65	10,234
Non-executive directors					
Robert Fung Hing Piu (resigned on 1 June 2007)	–	–	1,180	–	1,180
	–	–	1,180	–	1,180
Independent non–executive directors					
Anwar Ibrahim (retired on 25 September 2007)	256	–	2,359	–	2,615
Lee G. Lam (resigned on 9 July 2007)	256	–	2,359	–	2,615
Victor Yang (resigned on 1 June 2007)	250	–	1,180	–	1,430
	762	–	5,898	–	6,660

The above emoluments include the value of share options granted to certain directors under the Company's share option scheme as estimated at the date of grant. The details of these benefits in kind are disclosed under the paragraph "Share Option Scheme" in the directors' report and note 27.

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, all of them (31 March 2007: five) are directors whose emoluments are disclosed in note 9.

11 PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes loss of $9,753,000 (31 March 2007: $38,953,000) which has been dealt with in the financial statements of the Company.

12 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic and diluted earnings/(loss) per share is based on the profits/(loss) attributable to ordinary equity shareholders of the Group of $38,422,000 (31 March 2007: loss of $53,278,000) and the weighted average of 387,220,000 ordinary shares (31 March 2007: 270,462,000 ordinary shares after adjusting for the share consolidation in 2006) in issue during the period/year, calculated as follows:

Weighted average number of ordinary shares

	Nine-month period from 1 April 2007 to 31 December 2007 Number of shares in '000	Year ended 31 March 2007 Number of shares in '000
Issued ordinary shares at 1 April	**381,642**	5,438,098
Effect of share consolidation	**–**	(5,329,337)
Effect of shares issued to controlling shareholder	**–**	68,164
Effect of convertible notes exercised	**–**	47,837
Effect of share options exercised	**–**	11,282
Effect of shares issued for acquisition of subsidiaries/associates	**5,578**	33,529
Effect of shares issued in respect of a top up placing	**–**	889
Weighted average number of ordinary shares	**387,220**	270,462

For the purpose of the calculation of earnings/(loss) per share, the share consolidation, details of which are set out in note 24, is deemed to have been to take place at 1 April 2006.

(b) Diluted earnings/(loss) per share

No diluted earnings/(loss) per share is presented as the exercise of the Company's outstanding share options for the period/year could result in an increase in earnings per share (31 March 2007: decrease in loss per share).

13 SEGMENT REPORTING

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

Business segments

During the period/year under review, the Group principally operates a single business segment which is the provision of logistics and related services. Accordingly, no business segment information is presented.

Geographical segments

The Group's operations are principally located in Hong Kong and the People's Republic of China (the "PRC"). The Group's administrative function is carried out in Hong Kong and the PRC and the operating activities are carried out mainly in the PRC.

All of the Group's sales were made to customers in the PRC. Accordingly, no geographical analysis of sales is presented.

In presenting information on the basis of geographical segments, segment assets and capital expenditure are based on the geographical location of the assets.

	The PRC		**Hong Kong**	
	Nine-month period from 1 April 2007 to 31 December 2007 $'000	Year ended 31 March 2007 $'000	**Nine-month period from 1 April 2007 to 31 December 2007 $'000**	Year ended 31 March 2007 $'000
Segment assets	**567,444**	503,691	**77,564**	43,565
Capital expenditure incurred during the period/year	**10,710**	2,384	**197**	199

14 PROPERTY, PLANT AND EQUIPMENT

(a) The Group

	Buildings $'000	Leasehold improvements $'000	Furniture, fixtures and office equipment $'000	Motor vehicles $'000	Total $'000
Cost or valuation:					
At 1 April 2006	82,110	1,429	20,561	629	104,729
Exchange adjustments	4,808	51	1,031	43	5,933
Additions	–	83	1,795	705	2,583
Fair value adjustment	(3,993)	–	–	–	(3,993)
Less: Elimination of accumulated depreciation	(1,840)	–	–	–	(1,840)
At 31 March 2007	81,085	1,563	23,387	1,377	107,412
Representing:					
Cost	–	1,563	23,387	1,377	26,327
Valuation – 31 March 2007	81,085	–	–	–	81,085
	81,085	1,563	23,387	1,377	107,412
At 1 April 2007	81,085	1,563	23,387	1,377	107,412
Acquisition through business combination	–	–	1,267	–	1,267
Exchange adjustments	6,298	75	1,287	72	7,732
Additions	–	244	1,328	–	1,572
Less: Disposal	–	–	(42)	–	(42)
Elimination of accumulated depreciation	(2,262)	–	–	–	(2,262)
Written off during the period	–	(411)	–	–	(411)
At 31 December 2007	85,121	1,471	27,227	1,449	115,268
Representing:					
Cost	–	1,471	27,227	1,449	30,147
Valuation – 31 December 2007	85,121	–	–	–	85,121
	85,121	1,471	27,227	1,449	115,268

14 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(a) The Group *(Continued)*

	Buildings $'000	Leasehold improvements $'000	Furniture, fixtures and office equipment $'000	Motor vehicles $'000	Total $'000
Accumulated depreciation:					
At 1 April 2006	–	638	8,398	100	9,136
Exchange adjustments	–	30	442	9	481
Charged for the year	1,840	356	1,566	143	3,905
Eliminated on revaluation	(1,840)	–	–	–	(1,840)
At 31 March 2007	–	1,024	10,406	252	11,682
At 1 April 2007	–	1,024	10,406	252	11,682
Exchange adjustments	897	52	646	20	1,615
Charged for the period	1,365	211	1,457	198	3,231
Impairment loss	–	–	1,196	–	1,196
Less: Elimination on revaluation	(2,262)	–	–	–	(2,262)
Written back on disposal	–	(343)	(7)	–	(350)
At 31 December 2007	–	944	13,698	470	15,112
Net book value:					
At 31 December 2007	85,121	527	13,529	979	100,156
At 31 March 2007	81,085	539	12,981	1,125	95,730

The following properties held by the Group for own use were revalued at 31 December 2007 by the directors by reference to an independent valuation at 31 January 2008 carried out by Mr. Philip C.Y. Tsang, who is a member of the Hong Kong Institute of Surveyors and a qualified surveyor of DTZ Debenham Tie Leung Limited with recent experience in the location and category of property being valued:

	31 December 2007 $'000	31 March 2007 $'000
Buildings	**85,121**	81,085

No revaluation gain or loss in respect of the buildings has been transferred to profit or loss during the period ended 31 December 2007. Impairment loss of $3,993,000 had been recognised in last year after comparing the fair value as at 31 March 2007 and the deficits were charged to profit or loss of the Group.

Had these properties held for own use been carried at cost less accumulated depreciation, the carrying amounts would have been $94,582,000 (31 March 2007: $90,546,000).

14 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(b) The analysis of net book value of properties is as follows:

	31 December 2007 $'000	31 March 2007 $'000
Outside Hong Kong		
– medium-term leases	**85,121**	81,085

15 INTERESTS IN LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASES

The interests in leasehold land held for own use under operating leases represent lease prepayments for the land use rights in respect of land located in the PRC on which the Group's warehouse is situated. The remaining period of the land use right of the Group is 43 years. The analysis of net book value of the lease prepayments is as follows:

	31 December 2007 $'000	31 March 2007 $'000
Outside Hong Kong – medium leases		
– non-current portion	**18,329**	18,155
– current portion	**526**	513
	18,855	18,668

16 INTERESTS IN ASSOCIATES

	The Group	
	31 December 2007 $'000	31 March 2007 $'000
Share of net assets	**391,334**	329,408
Goodwill	**69,156**	69,156
	460,490	398,564

(a) Particulars of associates

The following are the principal associates of the Group which in the opinion of the directors, principally affect the results and net assets of the Group.

16 INTERESTS IN ASSOCIATES *(Continued)*

(a) Particulars of associates *(Continued)*

Name of associates	Form of business structure	Place of incorporation and operation	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
China Coal Energy Holdings Limited	Incorporated	Hong Kong	$100,000,000	39.93%	–	39.93%	Coal gasification and coal mining
Euro Resources China Limited	Incorporated	Hong Kong	$10,000	50%	–	50%	Recycling business

(b) Summary financial information on associates

	31 December 2007 100% $'000	31 December 2007 Group's effective interest $'000	31 March 2007 100% $'000	31 March 2007 Group's effective interest $'000
Assets	**1,799,366**	**726,235**	1,692,638	677,534
Liabilities	**(832,669)**	**(334,901)**	(874,779)	(348,126)
Equity	**966,697**	**391,334**	817,859	329,408
Revenue	**489,776**	**196,177**	147,166	58,892
Profit/(loss) before taxation	**157,534**	**61,884**	(2,781)	(1,201)
Income tax	**–**	**–**	–	–
Profit/(loss) for the period/year	**157,534**	**61,884**	(2,781)	(1,201)

(c) Impairment tests for cash-generating units of associates containing goodwill

Goodwill is allocated to the associates' cash-generating unit ("CGU") as follows:

	31 December 2007 $'000	31 March 2007 $'000
China Coal Energy Holdings Limited ("CCEH")	**55,891**	55,891
Euro Resources China Limited ("Euro Resources")	**13,265**	13,265
	69,156	69,156

The recoverable amount of CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

16 INTERESTS IN ASSOCIATES *(Continued)*

(c) Impairment tests for cash-generating units of associates containing goodwill *(Continued)*

Key assumptions used for value-in-use calculations:

	CCEH		Euro Resources	
	31 December 2007 %	31 March 2007 %	**31 December 2007 %**	31 March 2007 %
Gross margin	**51**	15	**46**	70
Growth rate	**59**	20	**71**	43
Discount rate	**20**	15	**20**	15

Management determined the budgeted gross-margin based on past performance and its expectation for market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

In determining the value of CGUs, the profit guarantees provided to the Company as set out below have been taken into account.

Pursuant to a conditional agreement dated 15 July 2006 between the Company and Mr. Zhang Jingyuan (the "Vendor"), the Vendor guaranteed the Company that the audited net profit of CCEH determined in accordance with HKFRSs for the three financial years ending 31 December 2009 shall in aggregate be not less than $600,000,000. Should the aggregate audited net profit fall below $600,000,000, the Vendor will pay the shortfall on a dollar-to-dollar basis to CCEH after the issuance of CCEH's audit report for the financial year ending 31 December 2009.

Pursuant to a conditional sale and purchase agreement dated 29 July 2006 between the Group and Mr. Laurent Kim and Mr. Ung Phong as the Vendors (collectively, "the ER Vendors"), the ER Vendors guaranteed the Company that the audited net profit of Euro Resources determined in accordance with International Financial Reporting Standards for each of the three financial years ending 31 December 2009 shall not be less than Euro 4,000,000 (equivalent to approximately $48,000,000). Should any of the audited net profit for the financial years ending 31 December 2009 of Euro Resources falls below Euro 4,000,000, the ER Vendors have to pay the shortfall on a dollar-to-dollar basis to the Company after the issuance of the audit report of Euro Resources for each of the financial years ending 31 December 2009.

17 AVAILABLE-FOR-SALE SECURITIES

	The Group		The Company	
	31 December 2007 $'000	31 March 2007 $'000	**31 December 2007 $'000**	31 March 2007 $'000
Equity securities, at fair value	**–**	–	**–**	–

Name	**Place of incorporation and operation**	**Principal activities**	**Percentage of interest**
China Technology Global Corporation	British Virgin Islands	Designs, manufacture and sales of customisable software and hardware	5.3%

The above investment represents equity securities which were designated as available-for-sale financial assets on 1 January 2005. The securities have been fully impaired because China Technology Global Corporation was de-listed from the Over-The-Counter Balletin Board of the United States of America in 2006.

18 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	31 December 2007 $'000	31 March 2007 $'000	**31 December 2007 $'000**	31 March 2007 $'000
Bill receivables	**430**	–	**–**	–
Trade receivables	**15,925**	16,682	**–**	–
Less: allowance for doubtful debts	**(1,042)**	–	**–**	–
	14,883	16,682	**–**	–
Other receivables, deposits and prepayments	**7,217**	4,879	**–**	75
	22,530	21,561	**–**	75

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

(a) Ageing analysis

Included in trade and other receivables are trade receivables (net of impairment losses for bad and doubtful debts) with the following ageing analysis as of the balance sheet date:

	The Group	
	31 December 2007 $'000	31 March 2007 $'000
Current or less than 3 months past due	**12,217**	14,663
More than 3 months past due but less than 6 months past due	**2,427**	1,638
More than 6 months past due but less than 12 months past due	**164**	295
Over 1 year past due	**75**	86
	14,883	16,682

The Group's credit policy is set out in note 28(a).

18 TRADE AND OTHER RECEIVABLES *(Continued)*

(b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly (see note 1 (i)(i)).

The movement in the allowance for doubtful debts during the period/year is as follows:

	The Group	
	31 December 2007 $'000	31 March 2007 $'000
At 1 April	**–**	–
Impairment loss recognised	**1,042**	–
At 31 December/31 March	**1,042**	–

At 31 December 2007, the Group's trade receivables of $1,042,000 (31 March 2007: Nil) were individually determined to be impaired. The individually impaired receivables related to Wuhan Pearl's customers that management assessed that the recovery of the amounts are remote. The Group does not hold any collateral over these balances.

19 AMOUNTS DUE FROM/(TO) MINORITY SHAREHOLDERS OF SUBSIDIARIES, AN ASSOCIATE, RELATED COMPANIES AND SUBSIDIARIES

(a) Amounts due from minority shareholders of subsidiaries

The amounts due from minority shareholders of subsidiaries are unsecured, interest-free and repayable on demand.

(b) Amount due from an associate

The amount due from an associate is unsecured, interest-free and repayable on demand.

(c) Amounts due to related companies

The balances consisted of $63,903,000 due to Orient Day Developments Limited ("Orient Day").

The Company entered into a loan facilities agreement with Orient Day in relation to the grant of a loan facility of not exceeding $70,000,000. Orient Day is a company incorporated in the British Virgin Islands and is wholly owned by a director of the Company. The amount of $42,473,000 due to Orient Day is unsecured, bears interest at Prime Rate as quoted by HSBC and repayable at the end of each calendar month commencing from one year after the drawdown date. Another amount of $21,430,000 due to Orient Day is unsecured, interest-free and repayable within one year.

(d) Amounts due to subsidiaries

The amounts due to subsidiaries are unsecured, interest-free with no fixed repayment terms.

20 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	31 December 2007 $'000	31 March 2007 $'000	**31 December 2007 $'000**	31 March 2007 $'000
Cash at bank and in hand in the balance sheets and consolidated cash flow statement	**31,617**	11,184	**20,271**	8,966

Included in cash and cash equivalents of the Group are amounts denominated in Renminbi of approximately $6,500,000 (31 March 2007: approximately $9,800,000). Renminbi is not a freely convertible currency and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

21 TRADE AND OTHER PAYABLES

	The Group		The Company	
	31 December 2007 $'000	31 March 2007 $'000	**31 December 2007 $'000**	31 March 2007 $'000
Trade payables	**9,800**	8,973	**–**	–
Other payables and accrued charges	**13,423**	7,768	**2,554**	2,770
Deposits received	**757**	765	**–**	–
	23,980	17,506	**2,554**	2,770

All of the trade an other payables are expected to be settled or recognised as income within one year.

The amount due to director was unsecured, interest-free and repayable within one year.

The Group's exposure to liquidity risks related to trade and other payables is disclosed in note 28(b).

Included in trade and other payables are trade payables with the following ageing analysis as of the balance sheet date:

	The Group	
	31 December 2007 $'000	31 March 2007 $'000
Due within 3 months or on demand	**7,503**	7,651
Due after 3 months but within 6 months	**1,634**	1,065
Due after 6 months but within 12 months	**363**	6
Due after 1 year	**300**	251
	9,800	8,973

22 BANK AND OTHER SHORT-TERM BORROWINGS

At 31 December 2007, bank and other short-term borrowings were repayable as follows:

	The Group	
	31 December 2007 $'000	31 March 2007 $'000
Bank loans, secured		
– Within 1 year or on demand as classified under current liabilities	**7,101**	57,587
Bank loans, secured		
– After 1 year but within 2 years	**7,707**	–
– After 2 years but within 5 years	**27,301**	–
– Over 5 years	**22,307**	–
	57,315	–
Other short-term loans, secured		
– Within 1 year or on demand as classified under current liabilities	**–**	506
	64,416	58,093

At 31 December 2007, certain of the Group's leasehold land and buildings situated in Shenzhen, with an aggregate carrying value of $103,976,000 (31 March 2007: $99,753,000) were pledged to a bank to secure a loan facility granted to the Group. Corporate guarantees for the secured bank loan were given by the Company and a subsidiary of the Company.

At 31 December 2007, the Group's bank loan facilities are subject to the fulfilment of covenants relating to certain capital requirements, as are commonly found in lending arrangements with financial institutions (notes 24(g)). If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 31 December 2007, none of the covenants relating to drawn down facilities had been breached (31 March 2007: Nil).

Further details of the Group's management of liquidity risk are set out in note 28(b).

23 INCOME TAX IN THE BALANCE SHEET

(a) Current taxation in the consolidated balance sheet represents:

	The Group	
	31 December 2007 $'000	31 March 2007 $'000
PRC enterprise income tax recoverable	**–**	(89)
Provision for PRC enterprise income tax for the period/year	**763**	915
Balance of PRC enterprise income tax relating to prior years	**15,701**	14,875
	16,464	15,790
	16,464	15,701

23 INCOME TAX IN THE BALANCE SHEET *(Continued)*

(b) Deferred tax assets and liabilities recognised:

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

	Revaluation of property in the PRC $'000
Deferred tax arising from:	
At 1 April 2006	820
Revaluation of property	599
At 31 March 2007	1,419
At 1 April 2007 and at 31 December 2007	1,419

	The Group	
	31 December 2007 $'000	31 March 2007 $'000
Net deferred tax assets recognised on the balance sheet	**1,419**	1,419

(c) Deferred tax assets not recognised

As 31 December 2007, the Company has no temporary differences relating to the undistributed profits of subsidiaries (31 March 2007: $58,000). No deferred tax liabilities (31 March 2007: $12,000) have been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits will not be distributed in the foreseeable future.

24 CAPITAL AND RESERVES

(a) The Group

	Attributable to equity shareholders of the Company									
	Share capital $'000	Share premium $'000	Treasury shares $'000	Capital reserve $'000	Exchange reserve $'000	Fair value reserve $'000	Accumulated losses $'000	Total $'000	Minority interests $'000	Total equity $'000
At 1 April 2006	54,381	38,445	–	406,687	3,874	3,055	(478,199)	28,243	4,024	32,267
Shares issued pursuant to share subscription	40,000	–	–	–	–	–	–	40,000	–	40,000
Equity portion of convertible notes issued	–	–	–	2,263	–	–	–	2,263	–	2,263
Shares issued pursuant to exercise of convertible notes	30,000	–	–	(2,263)	–	–	–	27,737	–	27,737
Shares issued under share option scheme	40	67	–	(67)	–	–	–	40	–	40
Issue of share options	–	–	–	56,800	–	–	(56,800)	–	–	–
Shares issued upon exercise of share options	10,000	–	–	(56,800)	–	–	56,800	10,000	–	10,000
Issue of new shares	56,400	296,154	–	–	–	–	–	352,554	–	352,554
Exchange difference on translation of financial statements of subsidiaries outside Hong Kong	–	–	–	–	1,123	–	–	1,123	–	1,123
Equity settled share-based transactions	–	–	–	20,297	–	–	–	20,297	–	20,297
Share options expired under share option scheme	–	–	–	(1,553)	–	–	1,553	–	–	–
Available-for-sale securities: – changes in fair value										
Loss for the year	–	–	–	–	–	(3,055)	–	(3,055)	–	(3,055)
	–	–	–	–	–	–	(53,278)	(53,278)	(2,206)	(55,484)
At 31 March 2007	190,821	334,666	–	425,364	4,997	–	(529,924)	425,924	1,818	427,742
At 1 April 2007	190,821	334,666	–	425,364	4,997	–	(529,924)	425,924	1,818	427,742
Issue of new shares	2,820	11,844	(14,664)	–	–	–	–	–	–	–
Disposal of treasure shares	–	(900)	4,108	–	–	–	–	3,208	–	3,208
Exchange difference on translation of financial statements of subsidiaries outside Hong Kong	–	–	–	–	(1,732)	–	–	(1,732)	–	(1,732)
Equity settled share-based transactions	–	–	–	4,126	–	–	–	4,126	–	4,126
Share options expired under share option scheme	–	–	–	(9,060)	–	–	9,060	–	–	–
Profit for the period	–	–	–	–	–	–	38,422	38,422	(5,297)	33,125
Increase in minority interests arising from acquisition of subsidiaries	–	–	–	–	–	–	–	–	9,776	9,776
At 31 December 2007	193,641	345,610	(10,556)	420,430	3,265	–	(482,442)	469,948	6,297	476,245

24 CAPITAL AND RESERVES *(Continued)*

(b) The Company

	Attributable to equity shareholders of the Company						
	Share capital $'000	Share premium $'000	Contribution surplus $'000	Capital reserve $'000	Fair value reserve $'000	Accumulated losses $'000	Total $'000
At 1 April 2006	54,381	38,445	45,348	2,836	3,055	(126,802)	17,263
Shares issued pursuant to share subscription	40,000	–	–	–	–	–	40,000
Equity portion of convertible notes issued	–	–	–	2,263	–	–	2,263
Shares issued pursuant to exercise of convertible notes	30,000	–	–	(2,263)	–	–	27,737
Shares issued under share option scheme	40	67	–	(67)	–	–	40
Issue of share options	–	–	56,800	–	–	(56,800)	–
Shares issued upon exercise of share options	10,000	–	(56,800)	–	–	56,800	10,000
Issue of new shares	56,400	296,154	–	–	–	–	352,554
Equity settled share-based transactions	–	–	–	20,297	–	–	20,297
Share options expired under share option scheme	–	–	–	(1,553)	–	1,553	–
Available-for-sale securities: – changes in fair value	–	–	–	–	(3,055)	–	(3,055)
Loss for the year	–	–	–	–	–	(38,953)	(38,953)
At 31 March 2007	190,821	334,666	45,348	21,513	–	(164,202)	428,146
At 1 April 2007	190,821	334,666	45,348	21,513	–	(164,202)	428,146
Issue of new shares	2,820	11,844	–	–	–	–	14,664
Equity settled share-based transactions	–	–	–	4,126	–	–	4,126
Share options expired under share option scheme	–	–	–	(9,060)	–	9,060	–
Loss for the period	–	–	–	–	–	(9,753)	(9,753)
At 31 December 2007	193,641	346,510	45,348	16,579	–	(164,895)	437,183

24 CAPITAL AND RESERVES *(Continued)*

(c) Share capital

(i) Authorised and issued share capital

Authorised:

	Ordinary shares of $0.50 each No. of shares '000	Amount $'000
At 1 April 2007 and 31 December 2007	**600,000**	**300,000**

Issued and fully paid:

	Ordinary shares of $0.50 each No. of shares '000	Amount $'000
At 1 April 2007	**381,641**	**190,821**
Issue of new shares for acquisition of Pearl Oriental Sino *(note (ii))*	**5,640**	**2,820**
At 31 December 2007	**387,281**	**193,641**

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(ii) Issue of new shares

On 4 April 2007, the Company had acquired 60% equity interest of Pearl Oriental Sino by issuing 5,640,000 shares of the Company to Pearl Oriental Sino. At 31 December 2007, 4,060,000 ordinary shares of the Company remained with Pearl Oriental Sino which was accounted for as a reduction in the Company's equity.

(Expressed in Hong Kong dollars)

24 CAPITAL AND RESERVES *(Continued)*

(c) Share capital *(Continued)*

(iii) Terms of unexpired and unexercised share options at balance sheet date

Exercise periods	Exercise price $	31 December 2007 No. of shares	31 March 2007 No. of shares
20 May 2004 to 21 June 2012	6.0000	**270,000**	300,000
18 August 2005 to 20 June 2012	3.1000	**406,800**	476,800
28 September 2005 to 20 June 2012	3.1200	**–**	40,000
29 August 2006 to 20 June 2012	3.1500	**1,550,000**	2,370,000
13 June 2007 to 20 June 2012	3.3750	**9,700,000**	16,000,000
1 January 2008 to 20 June 2012	3.3750	**1,000,000**	1,000,000

Each option entitles the holder to subscribe for one ordinary share in the Company. Further details of these options are set out in note 27 to the financial statements.

(d) Nature and purpose of reserves

(i) Capital and contributed surplus

The capital reserve of the Group represents the difference between the nominal value of the share capital issued by the Company and the aggregate of the share capital and the share premium account of the subsidiaries acquired pursuant to the Group reorganisation in 1996.

The contributed surplus of the Company represents the difference between the nominal value of the share capital issued by the Company and the aggregate net asset value of the subsidiaries acquired at the date of acquisition pursuant to the Group reorganisation in 1996. Under the Companies Act 1981 of Bermuda (as amended), the Company may make distributions to its members out of contributed surplus in certain circumstances.

(ii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Hong Kong. The reserve is dealt with in accordance with the accounting policies set out in note 1(s).

(iii) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale securities held at the balance sheet date and is dealt with in accordance with the accounting policies in note 1(f).

(iv) Treasury shares reserve

The reserve for the Company's own shares comprises the cost of the Company's shares held by the Group. At 31 December 2007 the Group held 4,060,000 ordinary shares of the Company (31 March 2007: Nil).

24 CAPITAL AND RESERVES *(Continued)*

(e) Distributability of reserves

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

(i) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium.

In the opinion of the directors, at 31 December 2007, the Company did not have any reserves available for distribution to equity shareholders (31 March 2007: Nil).

(f) Capital reserves

The capital reserves of the Group mainly represented the difference between the nominal value of the shares of the subsidiary acquired pursuant to the Group reorganisation on 29 October 1992 and 26 August 2002 over the nominal value the Company's shares and issued in exchange thereof respectively.

(g) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

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

Consistent with industry practice, the Group monitors its capital structure on the basis of a net debt-to-adjusted capital ratio. For this purpose the Group defines net debt as total debt (which includes trade and other payables, bank loans and overdrafts and interest-bearing borrowings) less cash and cash equivalents. Adjusted capital comprises all components of equity and redeemable preference shares, other than amounts recognised in equity relating to cash flow hedges, less unaccrued proposed dividends.

24 CAPITAL AND RESERVES *(Continued)*

(g) Capital management *(Continued)*

The net-to-adjusted capital ratio at 31 December 2007 and 31 March 2007 was as follows:

		The Group	
	Note	**31 December 2007 $'000**	31 March 2007 $'000
Current liabilities			
Trade and other payables	21	**23,980**	17,506
Amount due from related companies	19(c)	**63,903**	28,125
Short-term bank loans	22	**7,101**	57,787
Other short-term loans	22	**–**	506
		94,984	103,924
Non-current liabilities			
Interest-bearing borrowings	22	**57,315**	–
Total debt		**152,299**	103,924
Less: Cash and cash equivalents	20	**(31,617)**	(11,184)
Net debt		**120,682**	92,740
Total equity	24	**476,245**	427,742
Net debt-to-adjusted capital ratio		**25%**	22%

The Company is not subject to external capital requirements. In addition, certain subsidiaries of the Group are required to maintain the capital pursuant to the granting conditions of the relevant bank loans, unless a written approval has been obtained from the bank.

25 INVESTMENTS IN SUBSIDIARIES

	The Company	
	31 December 2007 $'000	31 March 2007 $'000
Unlisted shares, at cost	**–**	–
Amounts due from subsidiaries	**488,576**	435,250
	488,576	435,250

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

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

				Proportion of ownership interest		
Name	**Place of incorporation/ establishment**	**Principal activities and place of operation**	**Particulars of issued share paid up capital**	**Group's effective interest**	**Held by the company**	**Held by a subsidiary**
PO (SZ) Logistics Limited	The British Virgin Islands	Provision of logistics services	US$1	100%	–	100%
Grand Huge International Limited	Hong Kong	Provision of corporate services	$10,000	100%	–	100%
Guangzhou Pearl Oriental Logistics Limited	PRC *(note (iii))*	Provision of logistics services	RMB9,500,000	60%	–	60%
Inner Mongolia Pearl Oriental Logistics Co., Limited (formerly known as Inner Mongolia DiChain Logistics Co., Limited)	PRC *(note (i))*	Provision of logistics services	RMB2,500,000	60%	–	100%
Jiangxi Pearl Oriental Logistics Limited	PRC *(note (iii))*	Provision of logistics services	RMB500,000	60%	–	60%
Pearl Oriental Logistics (Shenzhen) Limited	PRC *(note (ii))*	Provision of logistics services	US$400,000	100%	–	100%

(Expressed in Hong Kong dollars)

25 INVESTMENTS IN SUBSIDIARIES *(Continued)*

				Proportion of ownership interest		
Name	**Place of incorporation/ establishment**	**Principal activities and place of operation**	**Particulars of issued share paid up capital**	**Group's effective interest**	**Held by the company**	**Held by a subsidiary**
Pearl Oriental Warehouse (Shenzhen) Limited	PRC *(note (ii))*	Provision of logistics services and property and investment holding	$35,000,000	100%	–	100%
Pearl Oriental Services Ltd.	The British Virgin Islands	Investment holding	US$1	100%	100%	–
Pearl Oriental Energy & Resources Limited	The British Virgin Islands	Investment holding	US$1	100%	100%	–
Champion Merry Investment Limited	The British Virgin Islands	Investment holding	US$1	100%	–	100%
Pearl Oriental Logistics Holdings Limited	The British Virgin Islands	Investment holding	US$1	100%	100%	–
Good Value Holdings Limited	The British Virgin Islands	Investment holding	US$7	100%	–	100%
Hong Kong Good Value Holdings Limited	Hong Kong	Dormant	$200	100%	–	100%
PO (GZ) Logistics Limited	The British Virgin Islands	Investment holding	US$1	100%	–	100%
Southland Enterprises Limited	The British Virgin Islands	Investment holding	US$1	100%	–	100%
Well Assessed Limited	Hong Kong	Dormant	$2	100%	–	100%
Pearl Oriental International Assets Limited	Hong Kong	Provision of corporate services	$1	100%	–	100%
Pearl Oriental Financial Services Limited	Hong Kong	Dormant	$1	100%	–	100%
Grand Ascend Investments Limited	The British Virgin Islands	Investment holding	US$1	100%	–	100%
Oriental Gold Mining Limited	Hong Kong	Dormant	$1	100%	–	100%
Union Honour Investment Limited	Hong Kong	Dormant	$2	100%	–	100%
Pearl Oriental Logistics Sino Limited	Hong Kong	Investment holding	$22,000,000	60%	–	60%
Wuhan Pearl Oriental Logistics Limited	PRC (note (iii))	Provision of logistics services	RMB4,007,157	60%	–	100%

25 INVESTMENTS IN SUBSIDIARIES *(Continued)*

Notes:

(i) These entities established in the PRC are domestic owned enterprises.

(ii) There entities established in the PRC are wholly foreign owned enterprises.

(iii) These entities established in the PRC are sino foreign joint-venture enterprises.

(iv) The English translation of the company names of the companies established in the PRC is for reference only. The official names of these companies are in Chinese.

All of these are controlled subsidiaries as defined under note 1(c) and have been consolidated into the consolidated financial statements.

The above table includes the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the period/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 directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities during the period or at the end of the period.

26 DEFINED CONTRIBUTION RETIREMENT PLAN

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement plan. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of $20,000. Contributions to the plan vest immediately.

Employees of subsidiaries in the PRC are members of a state-managed retirement benefit scheme (the "PRC Scheme") operated by the relevant local government authorities in the PRC. The Group is required to contribute 8% to 23.5% of its payroll costs to the PRC Scheme to fund the benefits.

The only obligation of the Group with respect to the MPF Scheme and the PRC Scheme is to make the specified contributions. The amount contributed to the MPF Scheme and the PRC Scheme amounted to $114,000 (31 March 2007: $216,000) and $505,000 (31 March 2007: $510,000) respectively.

27 SHARE OPTIONS

(a) Equity settled share-based transactions

The Company has a share option scheme ("the Scheme") which was adopted on 21 June 2002 whereby, pursuant to a written resolution of the sole shareholder, was set up for the primary purpose of providing incentives to directors and eligible employees, and which will expire on 20 June 2012. Under the Scheme, the directors of the Company may grant options to eligible employees, including directors of any companies in the Group, to subscribe for shares in Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 30% of the issued share capital of the Company from time to time, without prior approval from shareholders of the Company. The number of shares in respect of which options may be granted to an individual in any one year is not permitted to exceed 1% of the Company's issued share capital or with a value in excess of $5,000,000; otherwise it must be approved by the shareholders of the Company.

27 SHARE OPTIONS *(Continued)*

(a) Equity settled share-based transactions *(Continued)*

The options may be exercised at any time from 12 months from the date of acceptance of the offer to the tenth anniversary of the date of grant. The exercise price is determined by the directors of the Company, and shall not be less than the higher of the closing price of the Company's shares on the date of grant, the average closing price of the shares for the five business days immediately preceding the date of grant and the nominal value of the shares of the Company. The options vest from 12 months from the date of grant and are then exercisable within a period up to 20 June 2012. Each option gives the holder the right to subscribe for one ordinary share in the Company.

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

	31 December 2007		31 March 2007	
	Weighted average exercise price $	**Number of options '000**	Weighted average exercise price $	Number of options '000
Outstanding at the beginning of the period/year	**3.381**	**20,187**	0.069	429,000
Share consolidation	**–**	**–**	–	(420,420)
Exercised during the period/year	**–**	**–**	3.100	(80)
Lapsed during the period/year	**3.356**	**(7,260)**	3.602	(6,813)
Granted during the period/year	**–**	**–**	3.375	18,500
Outstanding at the end of the period/year	**3.394**	**12,927**	3.381	20,187
Exercisable at the end of the period/year	**3.3958**	**11,927**	3.412	3,187

The options outstanding at 31 December 2007 had an exercise price ranged from $3.1 to $6 (31 March 2007: exercise price ranged form $3.1 to $6) and a weighted average remaining contractual life of 4.47 years (31 March 2007: 5.03 years).

(c) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a Black-Scholes Option Pricing Model ("BS-Model"). The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the BS-Model.

28 FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. These risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These receivables are due within 60 days from the date of billing. Credit periods will extend to 180 days for some major customers. Debtors with balances that are more than three months overdue are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers. The impairment losses on bad and doubtful accounts are within management's expectation.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 18.

(b) Liquidity risk

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

The Group

	31 December 2007						31 March 2007		
	Carrying amount $'000	Total contractual undiscounted cash flow $'000	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	More than 5 years $'000	Carrying amount $'000	Total contractual undiscounted cash flow $'000	Within 1 year or on demand $'000
Bank loans	64,416	79,112	11,302	11,302	33,905	22,603	57,587	57,587	57,587
Amounts due to related companies	63,903	63,903	63,903	–	–	–	28,125	28,125	28,125
Other short-term loans	–	–	–	–	–	–	506	506	506
Trade and other payables	23,980	23,980	23,980	–	–	–	17,506	17,506	17,506
	152,299	166,995	99,185	11,302	33,905	22,603	103,724	103,724	103,724

The Company

	31 December 2007						31 March 2007		
	Carrying amount $'000	Total contractual undiscounted cash flow $'000	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	More than 5 years $'000	Carrying amount $'000	Total contractual undiscounted cash flow $'000	Within 1 year or on demand $'000
Amounts due to shareholders	63,903	63,903	63,903	–	–	–	8,160	8,160	8,160
Amounts due to subsidiaries	5,207	5,207	5,207	–	–	–	5,215	5,215	5,215
Trade and other payables	2,554	2,554	2,554	–	–	–	2,770	2,770	2,770
	71,664	71,664	71,664	–	–	–	16,145	16,145	16,145

28 FINANCIAL INSTRUMENTS *(Continued)*

(c) Interest rate risk

(i) Interest rate profiles

The following table details the interest rate profile of the Group's net assets and borrowings at the balance sheet date.

	31 December 2007		31 March 2007	
	Effective interest rate %	**One year or less $'000**	Effective interest rate %	One year or less $'000
Variable rate borrowings:				
Cash and cash equivalents	**0.72% – 4.31%**	**31,617**	0.72% – 4.31%	4,180
Short term bank loans and interest-bearing borrowings	**8.22%**	**(64,416)**	–	–
		(32,799)		4,180
Net fixed rate borrowings				
Cash and cash equivalents	**–**	**–**	3.6%	7,004
Short term bank loans and interest-bearing borrowings	**–**	**–**	7.37%	(57,587)
Other short term loans	**–**	**–**	6%	(506)
		–		(51,089)

(ii) Sensitivity analysis

At 31 December 2007, it is estimated that a general increase of 100 basis points in interest rates, with other variables held constant, would decrease/increase the Group's profit/loss after tax and retained profits by approximately $328,000 (31 March 2007: $511,000), and there is no impact on other components of the consolidated equity, except for retained profits of the Group.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at the date. The 100 basis points increase represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for the year ended 31 March 2007.

(d) Foreign currency risk

As most of the Group's monetary assets and liabilities are denominated in Hong Kong Dollars, and Renminbi, and the Group conducted its business transactions principally in Hong Kong Dollars and Renminbi, all of which were relatively stable during the period under review, the Group experiences only immaterial exchange rate fluctuations. The Group considers that as the exchange rate risk of the Group is not significant, the Group did not employ any financial instruments for hedging purposes.

28 FINANCIAL INSTRUMENTS *(Continued)*

(d) Foreign currency risk *(Continued)*

Renminbi is not freely convertible into foreign currencies. All foreign exchange transactions involving Renminbi must take place through the People's Bank of China or other institutions authorised to buy and sell foreign exchange. The exchange rate adopted for the foreign exchange transactions are the rates of exchange quoted by the People's Bank of China that are determined largely by supply and demand. Changes in exchange rate affect the Renminbi value of sales proceeds assets and liabilities of the Group that are denominated in Renminbi.

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

The Group

	As at 31 December 2007		As at 31 March 2007	
	US$'000	**RMB'000**	US$'000	RMB'000
Cash and cash equivalents	**56**	**6,007**	10	858
Trade and other receivables	**51**	**16,596**	51	16,517
Interest-bearing borrowings	**–**	**(60,000)**	(4,000)	(15,256)
Trade and other payables	**–**	**(12,520)**	–	(10,725)
Gross balance sheet exposure	**107**	**(49,917)**	(3,939)	(8,606)

The Group is not subject to currency risk on the forecasted transactions as the Group does not hedge its foreign currency risk.

The following significant exchange rates applied during the relevant period/year:

	Average rate		**Reporting date mid-spot rate**	
	Nine-month period from 1 April 2007 to 31 December 2007	Year ended 31 March 2007	**Nine-month period from 1 April 2007 to 31 December 2007**	Year ended 31 March 2007
	2007	2007	**2007**	2007
	$	$	**$**	$
US$1	**7.7971**	7.7806	**7.8015**	7.8105
RMB1	**1.0402**	0.9874	**1.0736**	1.0123

(Expressed in Hong Kong dollars)

28 FINANCIAL INSTRUMENTS *(Continued)*

(d) Foreign currency risk *(Continued)*

Sensitivity analysis

A 10 percent weakening of the Hong Kong Dollars against the following currencies at 31 December and 31 March 2007 would have increased/(decreased) profit or loss by the amounts shown below. A 10 percent strengthening of the Hong Kong Dollars against the above currencies would have had the equal but opposite effect on the below currencies to the amounts shown above, on the basis that all other variables remain constant.

This sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to each of the Group entities' exposure to currency risk for non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for the year ended 31 March 2007.

The Group	**Nine-month period from 1 April 2007 to 31 December 2007 $**	Year ended 31 March 2007 $
Profit or loss		
United States dollars	**9**	(335)
Renminbi	**(4,242)**	(732)
	(4,233)	(1,067)

(e) Fair values

The carrying amounts of significant financial assets and liabilities approximate their respective fair values as at 31 March and 31 December 2007 except for certain amount due from/to related companies, loan from ultimate holding company and loan from shareholders are interest-free and have no fixed repayment terms. Given these terms, it is not meaningful to disclose their fair values.

(f) Estimation of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purpose based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

28 FINANCIAL INSTRUMENTS *(Continued)*

(f) Estimation of fair values *(Continued)*

(i) *Trade and other receivables*

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(ii) *Non-derivative financial liabilities*

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principle and interest cash flow, discounted at the market rate of interest at the reporting date.

(iii) *Share-based payment transactions*

The fair value of employees stock options is measured using the binomial lattice model. Measurement inputs include share price on the measurement date, exercise price of the instrument, expected volatility (based on historical volatility and expected growth), weighted average expected life of the instruments (based on general option holder behaviour), expected dividends, and the risk-free interest rate. Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

29 COMMITMENTS

(a) Capital commitments outstanding at 31 December 2007 not provided for in the financial statements were as follows:

	The Group	
	31 December 2007 $'000	31 March 2007 $'000
Contracted for	**6,442**	1,012

(b) At 31 December 2007, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group	
	31 December 2007 $'000	31 March 2007 $'000
Within 1 year	**4,312**	4,968
After 1 year but within 5 years	**6,256**	3,808
After 5 years	**5,037**	–
	15,605	8,776

The Group is the lessee in respect of a number of properties held under operating leases. The leases typically run for an initial period of one to four years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

30 CONTINGENT ASSETS AND LIABILITIES

As at 31 December 2007, guarantees of approximately $64,416,000 (31 March 2007: $58,000,000) were given by the Company to banks in respect of banking facilities granted to a subsidiary. The extent of such facilities utilised by the subsidiary at 31 December 2007 amounted to approximately $64,416,000 (31 March 2007: $57,587,000). The Company has not recognised any deferred income in respect of the guarantee as its fair value cannot be reliably measured and its transaction price was insignificant.

31 LITIGATIONS

(a) Litigation with the ex-directors of a disposed subsidiary

The Group had three pending litigation claims from the ex-directors of a disposed subsidiary who claim against the Group for a sum of not less than $11,400,000. Witness statements of both parties have been made and the Group will proceed to trial. The actions are at the initial stage and the Group and its legal representative are unable to ascertain the possible effects of the claims.

(b) Litigation with DiChain Holdings Limited

(i) The Company took a legal action (the "Legal Action") by issuing a writ of summons on 31 August 2006 against Dichain Holdings Limited ("DiChain Holdings"), three former directors, namely Fan Di, Li Xinggue and Wu Shiyue, Hero Vantage Limited and 大連雙喜商貿發展有限公司 (Dalian Shuangxi Trade Development Limited) for damages of a sum of RMB64,500,000. A default judgment has been entered against the three former directors and a summary judgment against DiChain Holdings was obtained on 28 January 2008. The Company will keep the shareholders well informed of its status when necessary and appropriate.

(ii) On 18 October 2006, DiChain Holdings issued an originating summons against, inter alia, the Company to seek the court's orders, determination and/or directions in respect of the interpretation of the subscription agreements entered into between Orient Day, DiChain Holdings and the Company (the "Subscription Agreements").

It is a term and condition in the Subscription Agreements and an obligation (the "Obligation") for DiChain Holdings to pledge one billion shares (or 20,000,000 Consolidated Shares of $0.50 each) upon completion of the Subscription Agreements, as collateral to compensate the Company of any economic loss (if any) arising from any breach of warranties (if any) provided by DiChain Holdings under the Subscription Agreements. As DiChain Holdings has not yet performed the Obligation under the Subscription Agreements, the Company issued a writ of summons against DiChain Holdings on 31 October 2006, inter alia, in respect of the breach of warranties given by DiChain Holdings under the Subscription Agreements. The Company obtained a summary judgment against DiChain Holdings on 13 December 2007 in respect of its non-performance of obligations and breach of warranties under the Subscription Agreements. On 7 January 2008, China Minsheng Banking Corporation Limited (Shenzhen Branch) ("Minsheng Bank") applied to the court to join as the intervener of this case and has applied to the court for appeal, and Minsheng Bank obtained an order on 15 April 2008 that the appeal against the summary judgment entered by the Company on 13 December 2007 be allowed. The Company will seek legal advice upon receiving the judgment form the court and may consider to petition to the court for a winding order of DiChain Holdings in order to protect the interests of the Company.

32 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions during the period.

(a) Transactions with key management personnel

All members of key management personnel are the directors of the Company, and the remuneration for them is disclosed in note 9.

(b) Transactions with other related parties

Except for a sum of $640,000 paid to a related company as administrative fees. In addition, the payment of loan interest to Orient Day, during the period was disclosed in note 19.

33 POST BALANCE SHEET EVENT

(a) Post balance changes in applicable tax rate

On 27 February 2008, the Financial Secretary of the Government of the Hong Kong Special Administrative Region announced the 2008-09 budget which proposes the corporation profits tax rate will be lowered from 17.5% to 16.5% with effect from the year of assessment 2007-08 and a one-off reduction of 75% of the final tax for the year of assessment 2007-08, subject to a ceiling of $25,000. In accordance with the Group's accounting policy set out in note 1(p), no adjustments have been made to these financial statements as a result of this announcement. The directors estimate the impact of these proposed changes will not have material effects on the net assets and profit or loss of the Group.

(b) Subscription of new shares, application for whitewash waiver and increase in share capital

Pursuant to an resolutions passed at the Special General Meeting on 19 February 2008, the Company resolved to:

(i) Issue and allot 77,456,000 ordinary shares of $0.5 each. The subscriber is a company wholly owned by the Company's majority shareholder, Mr. Wong Kwan. The subscriber subscribed the Company's share at a price of $1 each.

(ii) Increase its share capital from $300,000,000 divided into 600,000,000 shares of $0.5 each to $3,000,000,000 divided into 6,000,000,000 shares of $0.5 each. Such arrangement will create an additional 5,400,000,000 un-issued shares.

(c) Acquisition of Foshan Shunde Euro Resources Wanhai Manufacturing Limited

A conditional sale and purchase agreement was entered into between Mr. He Zhaorong and Euro Resources on 14 July 2007 in relation to of the acquisition of a 60% equity interest in Foshan Shunde Euro Resources Wanhai Manufacturing Limited (the "Acquisition") at a total consideration of $9,662,400 (equivalent to RMB9,000,000). The Acquisition will be settled by cash and is still in progress at the date of this report.

34 COMPARATIVE FIGURES

As a result of adopting HKFRS 7, Financial instruments: Disclosures, and the amendments to HKAS 1, Presentation of financial statements: Capital disclosures, certain comparative figures have been adjusted to conform with changes in disclosures in the current year and to show separately comparative amounts in respect of items disclosed for the first time in 2007. Further details of these development are disclosed in note 2.

35 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2007, the directors consider the immediate parent and ultimate controlling party of the Group to be Orient Day Developments Limited, which is incorporated in the British Virgin Islands. This entity does not produce financial statements available for public use.

36 ACCOUNTING ESTIMATES AND JUDGEMENTS

Key sources of estimation uncertainty

Notes 14, 27 and 28 contain information about the assumptions relating to the valuation of fair value of property, plant and equipment, share options granted and financial instruments. Other sources of estimation uncertainty are as follows:

(i) *Impairments*

In considering the impairment losses that may be required for certain of the Group's assets which include property, plant and equipment, trade and other receivables, available-for-sale equity securities and investments in its subsidiaries and associates, recoverable amount of the asset needs to be determined. The recoverable amount is the greater of the net selling prices and the value in use. It is difficult to precisely estimate selling prices because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the assets are discounted to their present value, which requires significant judgement relating to items such as level of sale volume, selling price and amount of operating costs. The Group uses all readily available information in determining an amount that is reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as sale volume, selling price and amount of operating costs.

In considering the impairment losses that may be required for current receivables, future cash flows need to be determined. One of the key assumptions that has to be applied is about the ability of the debtors to settle the receivables. Despite that the Group has used all available information to make this estimation, inherent uncertainty exists and actual write-offs may be higher than the amount estimated.

(ii) *Depreciation*

Items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technologies changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(Expressed in Hong Kong dollars)

36 ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(iii) *Income taxes liability*

The Group is subject to income taxes in various jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are transactions during the ordinary course of business, for which calculation of the ultimate tax determination are uncertain during the ordinary course of business. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

Recognition of deferred tax assets, which principally related to tax losses, depends on the management's expectation of future taxable profit that will be available against which the tax losses can be utilised. The outcome of their actual utilisation may be different.

(iv) *Valuation on property*

The Group performs annual review of the carrying amount of owned property with reference to the assumption that the properties are sold in the open market in its existing state without the benefit of deferred terms contract, leaseback and joint venture. Due to changes in market condition, carrying amount of owned properties may be different from estimation and profit or loss could be affected by differences in this estimation.

37 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE PERIOD ENDED 31 DECEMBER 2007

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the period ended 31 December 2007 and which have not been adopted in these financial statements.

Of these developments, the following relate to matters that may be relevant to Group's operations and the financial statements:

		Effective for accounting periods beginning on or after
HKFRS 8	Operating segments	1 January 2009
HKFRS 1 (revised)	Presentation of financial statements	1 January 2009
HKAS 23 (revised)	Borrowing costs	1 January 2009

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

FINANCIAL SUMMARY

(Expressed in Hong Kong dollars)

	31 March 2004 $'000	31 March 2005 $'000	31 March 2006 $'000 (restated)	31 March 2007 $'000	**31 December 2007 $'000**
Results					
Turnover	27,769	34,145	75,157	65,344	**55,620**
Net profit/(loss) for the year/period	14,262	(19,591)	(84,134)	(55,484)	**33,125**
Assets and liabilities					
Total assets	243,235	243,009	150,222	547,256	**645,008**
Total liabilities	(124,046)	(117,823)	(117,955)	(119,514)	**(168,763)**
Minority interests	–	(3,317)	(4,024)	(1,818)	**(6,297)**
Shareholders' funds	119,189	121,869	28,243	425,924	**469,948**