PALMPAY CHINA (HOLDINGS) LIMITED

中國掌付(集團)有限公司*

(incorporated in Bermuda with limited liability)

Stock Code: 8047

Palmpay

07-08 Annual Report

* For identification purpose only

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This report, for which the directors of Palmpay China (Holdings) Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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Corporate Information

BOARD OF DIRECTORS

Executive Directors
Chan Francis Ping Kuen *(Deputy Chairman)*
Chan Hin Wing, James
Hsu Tung Sheng *(Chief executive officer)*
Hsu Tung Chi

Non-executive Director
Ho Hoi Lap *(Chairman)*

Independent Non-executive Directors
Kwok Chi Sun, Vincent
Yeung Kam Yan
Chan Kai Wing

COMPANY SECRETARY

Law Ho Ming *ACCA, CPA*

QUALIFIED ACCOUNTANT

Law Ho Ming *ACCA, CPA*

COMPLIANCE OFFICER

Chan Francis Ping Kuen

AUTHORISED REPRESENTATIVES

Chan Francis Ping Kuen
Law Ho Ming

AUDIT COMMITTEE

Kwok Chi Sun, Vincent
Yeung Kam Yan
Chan Kai Wing

AUDITORS

Vision A. S. Limited

LEGAL ADVISER

Michael Li & Co.

PRINCIPAL BANKER

Standard Chartered Bank (Hong Kong) Limited

REGISTERED OFFICE

Clarendon House,
2 Church Street,
Hamilton HM 11,
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1601, 16/F.,
Ruttonjee House, Ruttonjee Centre,
11 Duddell Street, Central,
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN CHINA

2/F., Suite 2, HuayuanShoufu Tower,
No. 18 Anwaixibinghe Rd.,
Dongcheng District, Beijing,
China, 100011

SHARE REGISTRARS AND TRANSFER OFFICERS

Principal registrar
The Bank of Bermuda Limited
Bank of Bermuda Building,
6 Front Street,
Hamilton HM 11,
Bermuda

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

WEBSITE

www.palmpaychina.com
www.palmpay.net.cn

STOCK CODE

8047

Chairman's Statement

On behalf of the board of directors (the "Board"), we hereby present the Annual Report of Palmpay China (Holdings) Limited (the "Company") and its subsidiaries (together, the "Group") for the year ended 31 March 2008 to our shareholders.

BUSINESS OVERVIEW

The Group is principally engaged in the provision of mobile payment gateway services in the PRC. The Group is authorized by China Unicom Limited (中國聯通股份有限公司) ("China Unicom 中國聯通"), on an exclusive basis, for the provision of the Group's mobile payment gateway system to the subscribers of China Unicom (中國聯通) in 23 major provinces / municipal cities in the PRC, through which a variety of virtual and service products, including the IP Cards of China Unicom (中國聯通), virtual game cards of Baidu (百度) and Shanda (盛大), accident insurance products of PICC Life Insurance Company Limited (中國人民人壽保險股份有限公司) could be purchased by the subscribers of China Unicom (中國聯通) through mobile phones.

The business of mobile payment gateway has developed significantly during the year. As at 1 April 2007, such business operated in four major provinces/municipal cities in the PRC and extended to 12 major provinces/municipal cities in the PRC as at 31 March 2008. The Group commenced the trial launch of the provision of mobile payment gateway services for accident insurance products of PICC Life Insurance Company Limited (中國人民人壽保險股份有限公司) in October 2007. As at 31 March 2008 trial launch of such service has commences in Shanghai, Liaoning, Guangxi and Jilin and turnover of approximately RMB1,500,000 was recorded for the first quarter of 2008. The Group is the first operator to provide mobile payment gateway for the sale of accident insurance products in the PRC.

The Group further acquired 24% shareholding interest in Media Magic Technology Limited ("Media Magic") and its subsidiaries ("Media Magic Group") is principally engaged in the provision of mobile payment gateway services in the PRC. Following such acquisition, the Group owns as to 75% shareholding interest in Media Magic.

The Group disposed its manufacturing and trading of electronic devices and internet appliances businesses during the year. After such disposal, the Group has no bank borrowing and the administrative expenses was down by approximately 37%. Moreover, the Group could direct all its resources and manpower to the mobile payment gateway services business.

Following the aforesaid disposals and acquisition, the Group focuses on engaging in the provision of mobile payment gateway services in the PRC.

FINANCIAL OVERVIEW

The Group recorded an increase of approximately 29% in its turnover for the year ended 31 March 2008 to approximately HK$142.4 million as compared to approximately HK$110.1 million in the previous year. It was mainly attributable to the significant increase of 1,049% of turnover of the provision of mobile payment gateway business. Such significant increase was due to the fact that the mobile payment gateway business grew substantially during the year. The turnover of mobile payment gateway business increased at an average rate of approximately 41.8% on a quarterly basis during the year.

The Group recorded an increase in gross profit of approximately 98% to HK$48.0 million in the current year as compared to approximately HK$24.3 million in the previous year mainly due to the increase contribution from turnover of the provision of mobile payment gateway services and the higher gross profit margin of such business.

During the year, Media Magic Group recorded a net profit after tax of approximately HK$21 million (which is 250% of the guaranteed profit guaranteed by Mr. Hsu Tung Sheng of RMB8 million for the acquisition of 31% shareholding interest in Media Magic in January 2007), of which approximately HK$11.3 million was attributable to the Company. Net loss attributable to equity holders of the Company for the year amounted to approximately HK$18.8 million (2007: net loss of approximately HK$9.1 million), which was mainly attributable to the one-off loss on disposal of the trading of electronic devices and internet appliances businesses of approximately HK18.0 million, recognition of equity-settled share-based payment of approximately HK3.7 million and one-off disposal of subsidiary's loan of approximately HK$1.5 million.

PROSPECTS

The Group is optimistic about the prospects of the Group for the coming years owing to the fast growth of the economic environment, growing consumption power and living standard of people in the PRC. Going forward, the Group will look for other investment opportunities which are complementory to existing business of the Group to diversify its revenue base, explore new markets and develop new products. The Group will also continue to explore investment opportunities so as to optimize its shareholders' interests.

The Group has commenced operation of its mobile payment gateway business in 12 major provinces and municipal cities in the PRC covering Liaoning, Shanghai, Guangxi, Hunan, Jilin, Guizhou, Gansu, Hubei, Chongqing, Shaanxi, Inner Mongolia and Heilongjiang, of which, only Shanghai, Liaoning, Guangxi and Jilin were in full operation during the year, the other eight provinces/principal cities were in testing stage and is expected to commence full operation in near future. It is expected that such full operation will further expand to additional eleven other major provinces and municipal cities in the PRC such as Guangdong, Beijing, Fujian and Shandong. In addition to the sale of IP cards, virtual game cards, accident insurance products, the Company will launch additional virtual and service products which include entertainment products, educational and information products from the Group's strategic partners, such as China Unicom NewSpace (聯通新時訊), kuro.cn (酷樂), an electronic magazine and an e-learning business.

Chairman's Statement

The investment of the Group in iPeer Multimedia International Limited ("iPeer Multimedia"), an online music service provider in Taiwan since 2006 and expands into the digital music market in the PRC as one of the leading online music services providers under the brand name "kuro.cn (酷樂)" in late 2007. Through co-operation with more than 20 domestic and international label companies, including EMI, Sony BMG, Warner Music and Universal, kuro.cn (酷樂) currently has more than 1 million authorised music contents. iPeer Multimedia also has 40% interest in a Taiwanese label company, HIM International Music Inc., which is a company, engaged in the production of musical content and agency business to pop singing groups such as S.H.E. Fahrenheit (飛輪海), Tank, Power Station (動力火車) and Stars Reunion (星光幫) in Taiwan. In the PRC, More than 400,000 mobile phones embedded with iPeer Multimedia's proprietary digital rights protection technology have been distributed. The Group will handle the payment of subscription fee by the members of kuro.cn. (酷樂) through its payment gateway platform on an exclusive nation-wide basis.

The Group is in the process of finalising a co-operation arrangement with China Unicom NewSpace (聯通新時訊), a wholly owned subsidiary of China Unicom (中國聯通) and is engaged in the provision of music, comic and animation to the subscribers of China Unicom (中國聯通), through which the Group's payment gateway services will be further extended.

In effort to develop the payment gateway business of the Group into a new dimension, the Group will, base on the Near Field Communication Technology ("NFC"), in addition to the mobile phone, develop another payment gateway platform. The Group is in final negotiation stage with a globally well-known developer of NFC in Japan to introduce such contactless integrated circuit card industry in the PRC. Such technology is already widely adopted globally, i.e. Octopus in Hong Kong, NTT DoCoMo and KDDI mobile wallets (NTT DoCoMo and KDDI are two of the largest telecommunication providers in Japan) in Japan and EZ-Link in Singapore. The Group has entered into a preliminary agreement with China Network Communications Group Corporation (中國網絡通信集團公司) for the introduction and operation of such NFC media in Jiangsu, the PRC. The Group is also finalising the co-operation arrangements with its strategic partners and other telecommunication conglomerates in the PRC for the introduction and operation of such NFC media in other provinces of the PRC.

Finally, on behalf of the Board, I would like to take this opportunity to express my gratitude to all members of the Board and staff for their dedication and contribution to the Group and to those who have supported us. We will continue to make our best efforts in developing our businesses to produce good economic results and better return for our shareholders.

Ho Hoi Lap
Chairman

Hong Kong, 25 June 2008

Management Discussion and Analysis

BUSINESS REVIEW

General

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The Group disposed its manufacturing and trading of electronic devices and internet appliances businesses during the year. After such disposal, the Group has no bank borrowing and the administrative expenses was down by approximately 37%. Moreover, the Group could direct all its resources and manpower to the mobile payment gateway services business.

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As for the accident insurance products, the Group's has secured a co-operation agreement with PICC Life Insurance Company Limited (中國人民人壽保險股份有限公司) on a national basis for the sale of accident insurance products through the mobile payment gateway during this year. Trial launch has been carried out in Guangxi, Liaoning, Jilin and Shanghai. It is expected that sale of accident insurance products will rapidly expand to other major provinces/municipal cities. The Group is the first operator to provide mobile payment gateway for the sale of accident insurance products in the PRC. The Directors expect that sale of accident insurance products through the mobile payment gateway will grow significantly as the services penetrate into other major provinces/municipal cities.

Management Discussion and Analysis

Other than the joint promotion with China Unicom (中國聯通) for the sale of virtual and service products through the short message service (SMS), in order to strengthen the marketing efforts, a tele-marketing centre has been opened in Guangxi Province and has been operating very successfully. The Group will establish similar marketing centres in other major provinces/municipal cities in an effort to further improve its business.

The investment of the Group in iPeer Multimedia International Limited ("iPeer Multimedia"), an online music service provider in Taiwan since 2006 and expands into the digital music market in the PRC as one of the leading online music services providers under the brand name "kuro.cn (酷樂)" in late 2007. Through co-operation with more than 20 domestic and international label companies, including EMI, Sony BMG, Warner Music and Universal, kuro.cn (酷樂) currently has more than 1 million authorised music contents. iPeer Multimedia also has 40% interest in a Taiwanese label company, HIM International Music Inc., which is a company, engaged in the production of musical content and agency business to pop singing groups such as S.H.E. Fahrenheit (飛輪海), Tank, Power Station (動力火車) and Stars Reunion (星光幫) in Taiwan. In the PRC, More than 400,000 mobile phones embedded with iPeer Multimedia's proprietary digital rights protection technology have been distributed. The Group will handle the payment of subscription fee by the members of kuro.cn. (酷樂) through its payment gateway platform on an exclusive nation-wide basis.

FINANCIAL REVIEW

Results

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The Group recorded an increase in gross profit of approximately 98% to HK$48.0 million in the current year as compared to approximately HK$24.3 million in the previous year mainly due to the increase contribution from turnover of the provision of mobile payment gateway services and the higher gross profit margin of such business.

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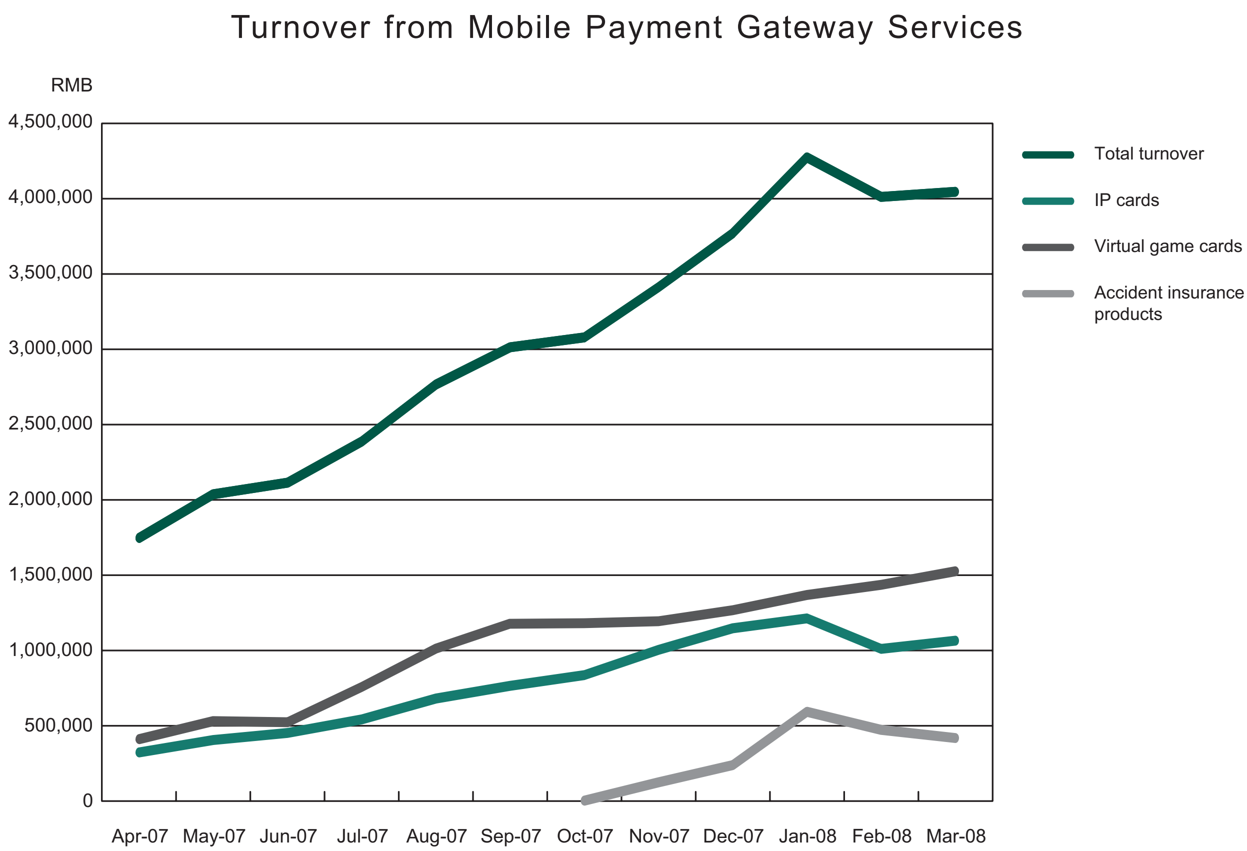

notes

1. As a result of the fact that (1) communication networks were affected by heavy snow; and (2) SMS and telephone were forbidden for promotion activities during the Chinese New Year, turnover of February 2008 dropped slightly.

2. Due to the fact that the National People's Congress was held from 3 to 18 March, during which SMS and telephone were forbidden for promotion activities, turnover of March 2008 dropped slightly.

Liquidity, financial resources and capital structure

As at 31 March 2008, the Group had total assets of approximately HK$313.0 million (2007: approximately HK$216.9 million), including net cash and bank balances of approximately HK$31.8 million (2007: approximately HK$33.8 million).

For the year ended 31 March 2008, the Group financed its operations mainly with its own working capital and there was no general banking facilities (2007: approximately HK$77.0 million was granted and approximately HK$64.0 million was utilised). There was no charge on the Group's assets as at 31 March 2008 (2007: approximately HK$16.0 million was charged).

As at 31 March 2008, the gearing ratio (defined as the ratio between total bank borrowings and total assets) was zero (2007: 0.30). The Group had no bank borrowings as at 31 March 2008 (2007: approximately HK$65.7 million).

Management Discussion and Analysis

Most of the transactions of the Group are denominated in United States Dollars ("USD"), Hong Kong Dollars ("HKD") and Renminbi ("RMB"). The Group adopts a conservative treasury policy with most of the bank deposits being kept in HKD, or in the local currencies of the operating subsidiaries to minimize exposure to foreign exchange risks. As at 31 March 2008, the Group had no foreign exchange contracts, interests or currency swaps or other financial derivatives for hedging purposes.

Segment information

The revenue of the Group comprises the sales of internet appliances and related products, trading and manufacturing electronic devices and components, design and engineering services and provision of a variety of mobile payment gateway services.

There was no revenue from the sales of internet appliances and related products because of the discontinued operation. Revenue from the trading and manufacturing of electronic devices and components increased by approximately HK$4.1 million and approximately 4%. Revenue from the design and engineering services decreased by approximately HK$3.1 million and approximately 64%. Revenue from mobile payment gateways services increased by approximately HK$33.3 million and approximately 1,049%.

As to the geographical segments, sale of the Group generated in the Asia & Middle East, USA, UK and Europe market were approximately HK$68 million, HK$8 million, HK$38 million and HK$28 million respectively during the year ended 31 March 2008 (2007: approximately HK$32 million, HK$20 million, HK$31 million and HK$27 million respectively).

Please also refer to note 6 to the financial statements in this annual report for details of segment information.

New products and services

During the year, the Group continued to develop new products to increase its products range and strengthen its competitive position.

Significant investments

As at 31 March 2008, the Group did not have any significant investment (2007: HK$150,000).

Please also refer to note 17 to the financial statements in this annual report for details of investment.

Material acquisitions or disposals of subsidiaries and affiliated companies

During the year, the Group has further acquired 24% equity interest in Media Magic. After completion of the acquisition, the Company indirectly owned 75% equity interest in Media Magic Group. The Media Magic Group is principally engaged in the provision of diversified mobile payment gateway services.

Details of this acquisition are disclosed in the Company's circular dated 3 December 2007.

The Group disposed of the entire issued share capital of Union Bridge Group Limited and its subsidiaries for a consideration of HK$10,500,000.

Details of this disposal are disclosed in the Company's circular dated 20 February 2008.

Future plans for material investments and expected source of funding

On 20 March 2008, Beaming Investments Limited, an indirect wholly-owned subsidiary of the Company, entered into the shares purchase agreement with iPeer Multimedia International Limited to subscribe 1,500,000 Series A Preferred Share for a subscription price of USD1,500,000. Details of the subscription are disclosed in the Company's circular dated 14 April 2008. The transaction was completed on 30 April 2008.

On 14 May 2008, the Company entered into a share exchange agreement to purchase 2,000,000 iPeer Multimedia International Limited ordinary shares at a price of USD1.00 per share. Details of the transaction are disclosed on the Company's circular dated 5 June 2008. The transaction was completed on 30 May 2008.

Save as disclosed above, the Group did not have any plan for material investment or acquisition of material capital assets as at 31 March 2008. However, the Group is constantly looking for opportunities for investments or capital assets to enhance shareholders' value.

Contingent liabilities

The Group had no contingent liability as at 31 March 2008. The Group had a contingent liability in respect of possible future long service payments to employees under the Hong Kong Employment Ordinance, with a maximum possible amount of HK$1,144,000 as at 31 March 2007. The contingent liability has arisen because, at the balance sheet date, a number of current employees have achieved the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance if their employment is terminated under certain circumstances. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

Employees and remuneration policies

As at 31 March 2008, the Group had 51 (2007: 537) employees including directors. Total staff costs (excluding directors' emoluments) amounted to approximately HK$16.7 million for the year ended 31 March 2008 (2007: approximately HK$18.0 million). Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. Year-end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to statutory mandatory provident fund scheme to its employees in Hong Kong and basic insurance for the elderly, basic medical insurance, work injury insurance and unemployment insurance to its employees in the PRC. 33,400,000 and 45,400,000 share options have been granted to directors, employees and business associates whereby HK$12,260,500 options money was received during the year.

Directors and Senior Management

EXECUTIVE DIRECTORS

Chan Francis Ping Kuen, aged 49, the executive director and deputy chairman of the Company, holds a bachelor's degree in economics from the University of Sydney in Australia. He is an associate member of the Institute of Chartered Accountants in Australia and also a member of the Hong Kong Institute of Certified Public Accountants. Mr. Chan has over 20 years of experience in auditing, accounting and financial management and previously worked for an international accounting firm and a number of companies listed in Hong Kong and the United States. He was appointed as an executive director and the deputy chairman on 22 May 2007. He is an independent non-executive director of Sinocop Resources (Holdings) Limited (Stock Code: 476) and Earnest Investments Holdings Limited (Stock Code: 339). The two companies are listed on main board of the Stock Exchange.

Chan Hin Wing, James, aged 59, the executive director of the Company, graduated from Hong Kong Polytechnic University majoring in marketing, economics and finance. Mr. Chan is also a member of American Marketing Association, British Institute of Management and Chartered Institute of Marketing. Mr. Chan has over 35 years of experience in sales, marketing, franchising, and chain store establishments in the Asia Pacific region. Mr. Chan is currently the managing director of a company principally engaging in the field of nanotechnology.

Hsu Tung Sheng, aged 42 was appointed as an executive director and chief executive officer on 2 October 2007. Mr. Hsu holds a bachelor's degree in law from the National Chengchi University (Taiwan) (國立政治大學(台灣)) Mr. Hsu has over 10 years' experience in advisory on management, operation and strategic planning. Mr. Hsu is currently working as a consultant of Toyota Tsusho Corporation ("Toyota Tsusho") and participated in numerous large investment projects for Toyota Tsusho. Mr. Hsu has built up a good relationship with enterprises in Japan. Mr. Hsu is currently a consultant and the president of two companies in the PRC, both of which are principally engaged in the information technology industry. Mr. Hsu is responsible for marketing, management function and business operation of Media Magic Group which are currently principally engaged in the provision of mobile payment gateway services in the PRC.

Hsu Tung Chi, aged 39 was appointed as an executive director on 12 March 2008. Mr. Hsu holds a bachelor's degree in Economics from Fu Jen Catholic University (輔仁大學) in Taiwan. Mr. Hsu has over 10 years' experience in advisory on management, operation and strategic planning. Mr. Hsu is responsible for the management function and business operation of Media Magic Group which are currently principally engaged in the provision of mobile payment gateway services in the PRC.

NON-EXECUTIVE DIRECTOR

Ho Hoi Lap, aged 59, was appointed as an non-executive director and chairman of the Company on 15 June 2007. Dr. Ho holds BA (Hon) from the Chinese University of Hong Kong, MSL from W. Michigan University, Ph.D. from the University of Chicago, and his J.D. from the John Marshall Law School, Chicago. Dr. Ho is an attorney of the United States specialising in international trade and investment and government regulatory work.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Kwok Chi Sun, Vincent, aged 45, who was also appointed as an audit committee member, is the sole proprietor of Vincent Kwok & Co. and is a Certified Public Accountant. He is also an independent non-executive director of five other listed companies in Hong Kong, i.e. Shun Ho Resources Holdings Limited, Shun Ho Technology Holdings Limited, Magnificent Estates Limited, Emperor Capital Group Limited and Shen Nong China (Group) Limited, the former four named companies are listed on main board of the Stock Exchange while the last named company is listed on GEM.

Yeung Kam Yan, aged 55, who was also appointed as an audit committee member, is a member of the Air & Waste Management Association - Hong Kong Section. Mr. Yeung has over 8 years of experience in accounting, sales and marketing in different international companies including Olivetti (Hong Kong) Ltd. from 1979 to 1982, O.P.D. Limited from 1982 to 1985 and Henry Boot Far East Limited from 1986 to 1990. Mr. Yeung also operated his own trading and investment business in the PRC from 1990 to 1998.

Chan Kai Wing, aged 36, who was also appointed as an audit committee member, holds a Master’s degree in Electrical Engineering from Cornell University, and a Bachelor's degree in Electrical Engineering and Computer Sciences (with highest distinction) from the University of Wisconsin-Madison. Mr. Chan is a veteran in the technology industry with more than 14 years of entrepreneurship, management of major corporate activities and professional services experience.

SENIOR MANAGEMENT

Yuan Sheng Jun, is the director of PalmPay Technology Co. Ltd., being a subsidiary of the Company. He graduated with a double degree of law and economics from the Renmin University (人民大學) of the PRC. He is responsible for the technical and operation aspects of the Media Magic Group. He has over 10 years’ experience in senior management in the telecommunication sector in the PRC.

Law Ho Ming, is the Qualified Accountant, Company Secretary and Authorised Representative of the Company. He is an associate member of the Association of Chartered Certified Accountants and also a member of the Hong Kong Institute of Certified Public Accountants. He holds a degree of Bachelor of Arts in Accountancy. He was first appointed as an assistant financial controller of the Company in May 2006.

Report of the Directors

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

CHANGE OF NAME

Pursuant to a special resolution passed at annual general meeting held on 23 August 2007, the name of the Company was changed from Union Bridge Holdings Limited (聯僑集團控股有限公司) to Palmpay China (Holdings) Limited (中國掌付(集團)有限公司).

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 18 to the financial statements in this annual report.

SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to results by principal activities and geographical areas of operations for the year is set out in note 6 to the financial statements in this annual report.

RESULTS AND DIVIDENDS

The Group's consolidated loss for the year ended 31 March 2008 and the state of affairs of the Company and the Group at that date are set out in the financial statements in this annual report on pages 34 to 110.

The directors do not recommend the payment of any dividends during the year.

BONUS ISSUE OF SHARES

The directors will propose to make a bonus issue of share on the basis of one new ordinary share of HK$0.05, credited as fully paid, for every five existing shares held by the shareholders of the Company whose names are on the register of members of the Company on the record date at the forthcoming annual general meeting of the Company. Necessary resolution(s) will be proposed at the forthcoming annual general meeting of the Company and if passed, share certificates for the bonus share will be posted. A circular containing, among other things, further details and timetable of the proposed bonus issue of share will be dispatched to the shareholders of the Company as soon as practicable. All these measures reflect the Board's optimism towards the prospects of the Group.

SUMMARY FINANCIAL INFORMATION

The following is a summary of the published results of the Group for each of the five years ended 31 March 2008 and of the assets, liabilities and minority interests of the Group as at 31 March 2008, 2007, 2006, 2005 and 2004.

Consolidated results

	Year ended 31 March				
	2008	2007	2006	2005	2004
	HK'000	HK'000	HK$'000	HK$'000	HK$'000
Turnover	**142,363**	110,074	42,474	38,864	96,804
(Loss)/Profit before income tax	**(6,468)**	(5,966)	(8,013)	(25,110)	2,752
Tax	**(2,544)**	(2,652)	353	1,841	(1,221)
(Loss)/Profit for the year	**(9,012)**	(8,618)	(7,660)	(23,269)	1,531
Attributable to:					
Equity holders of the Company	**(18,751)**	(9,117)	(7,649)	(23,143)	1,532
Minority interests	**9,739**	499	(11)	(126)	(1)
	(9,012)	(8,618)	(7,660)	(23,269)	1,531

Consolidated assets and liabilities and minority interests

	As at 31 March				
	2008	2007	2006	2005	2004
	HK'000	HK'000	HK$'000	HK$'000	HK$'000
Total assets	**312,961**	216,949	127,170	29,935	54,432
Total liabilities	**(94,246)**	(124,021)	(106,140)	(11,118)	(11,065)
Minority interests	**(6,850)**	(4,567)	(1,988)	(1,999)	(2,125)
	211,865	88,361	19,042	16,818	41,242

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 16 to the financial statements.

SHARE CAPITAL

Details of movements in the Company's issued share capital are set out in note 29 to the financial statements.

Report of the Directors

ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

During the year under review, the Group further acquired 24% share capital of Media Magic. The Media Magic Group is principally engaged in the provision of diversified mobile payment gateway services. The provision of diversified mobile payment gateway services is of great potential and prospect in PRC as there is an increasing number of mobile phone users in the PRC under the environment of fast economic growth in the PRC.

The Group disposed the entire issued share capital of Union Bridge Group Limited and its subsidiaries for a consideration of HK$10,500,000.

The Group disposed the entire issued share capital of Smart Time Development Limited and its subsidiaries.

Other than the above, the Group did not have any material acquisitions and disposals of subsidiaries and investments during the year.

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, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 38 of the annual report and in note 31 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 March 2008, the Company's reserves available for cash distribution and/or distribution in specie amounted to zero (2007: HK$3,426,000), as computed in accordance with the Companies Act 1981 of Bermuda. In addition, the Company's share premium account with a balance of HK$179,624,000 as at 31 March 2008 (2007: HK$57,163,000) may be distributed in the form of fully paid bonus shares.

POST BALANCE SHEET EVENTS

On 30 April 2008, Beaming Investments Limited ("Beaming Investments"), an indirectly wholly-owned subsidiary of the Company, completed the shares purchase agreement, pursuant to which, iPeer Multimedia International Ltd. ("iPeer Multimedia"), as issuer, had agreed to allot and issue, and Beaming Investments, as subscriber, had agreed to subscribe for 1,500,000 iPeer Multimedia series A preferred shares for a total subscription price of USD1,500,000 which has been settled in cash.

On 30 May 2008, the Company completed the share exchange agreement, pursuant to which, the Company had agreed to purchase 2,000,000 ordinary shares of iPeer Multimedia at a price of USD1 per iPeer Multimedia's share, which has been settled by the Company allotment and issurance 22,967,646 new shares of the Company at a price of HK$0.68 per Company's share as the consideration.

On 25 June 2008, the directors of the Company proposed to make a bonus issue of share on the basis of one new ordinary share of HK$0.05, credited as fully paid, for every five existing shares held by the shareholders of the Company.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, turnover made to the Group's five largest customers accounted for 56% (2007: 71%) of the total turnover for the year. Turnover made to the largest customer included therein accounted for 20% (2007: 22%) of the total turnover for the year.

During the year, purchases from the Group's five largest suppliers accounted for 26% (2007: 42%) of the total purchases for the year. Purchases from the Group's largest supplier included therein accounted for 11% (2007: 26%) of the total purchases for the year.

As far as the directors are aware, neither the directors of the Company, any of their associates nor any shareholders which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital had any beneficial interests in the Group's five largest customers or five largest suppliers during the year.

DIRECTORS

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

Executive directors:

Mr. Chan Francis Ping Kuen	(Appointed on 22 May 2007)
Mr. Chan Hin Wing, James	
Mr. Hsu Tung Sheng	(Appointed on 2 October 2007)
Mr. Hsu Tung Chi	(Appointed on 12 March 2008)
Mr. Wong Tak Shing	(Resigned on 22 May 2007)
Mr. Cheng Kwong Chung	(Resigned on 11 July 2007)
Mr. Wan Kin Chung	(Resigned on 24 August 2007)
Mr. Lo Ka Tong	(Resigned on 12 March 2008)

Non-executive director:

Dr. Ho Hoi Lap	(Appointed on 15 June 2007)

Independent non-executive directors:

Mr. Kwok Chi Sun Vincent
Mr. Yeung Kam Yan
Mr. Chan Kai Wing (Appointed on 1 May 2008)
Mr. Chan Wing Chiu (Resigned on 1 May 2008)

In accordance with Bye-law of the Company and the Appendix 15 of the GEM Listing Rules, Chan Francis Ping Kuen, Chan Hin Wing, James, Ho Hoi Lap, Kwok Chi Sun, Vincent and Yeung Kam Yan will hold office only until the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election; meanwhile, Hsu Tung Sheng, Hsu Tung Chi and Chan Kai Wing shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting.

The Company confirmed that it has received from each of its independent non-executive directors the annual confirmation of his independence pursuant to Rule 5.09 of the Rules Governing the Listing of Securities on Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and considered them to be independent as at the date of this report.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 12 to 13 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors and independent non-executive directors of the Company has entered into a letter of appointment with the Company for a term of one year commencing from the date of appointment, will continue thereafter until terminated by either party giving not less than one month's notice in writing to the other party.

Save as aforesaid, none of the directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No director of the Company had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries was a party during the year.

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

As at 31 March 2008, the interests and short position of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO, including interests or short positions which they were deemed or taken to have under such provisions of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register to therein, or which were required, pursuant to the rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors, to be notified to the Company and the Stock Exchange, were as follows:

(i) Interest in Shares:

Name of director	Nature of interests	Number of the Shares held	Approximate percentage of issued share capital
Hsu Tung Chi *(Note 1)*	Beneficial	135,107,121(L)	10.54%
Hsu Tung Sheng	Beneficial	2,000,000 (L)	0.16%
Ho Hoi Lap	Beneficial	2,120,000 (L)	0.17%

(L) denotes Long position

Note:

1 Mr. Hsu Tung Chi ("Mr. Hsu") is interested in 80,561,667 shares. According to the sale and purchase entered into between Upper Power Limited ("Upper Power"), a wholly-owned subsidiary of the Company and Mr. Hsu on 5 November 2007, the Company has allotted 2,181,818 convertible bonds to Mr. Hsu on 21 December 2007; subject to fulfillment of certain conditions, the Company will further allot 52,363,636 convertible bonds to Mr. Hsu. As at 31 March 2008, Mr. Hsu has not converted any convertible bonds.

(ii) Interest in share options:

Name of director	Number of share options outstanding	Approximate percentage of issued share capital
Hsu Tung Sheng	3,200,000#	0.25%
Hsu Tung Chi	3,200,000#	0.25%
Ho Hoi Lap	11,000,000*	0.86%
Chan Hin Wing, James	3,200,000#	0.25%
Chan Francis Ping Kuen	11,000,000*	0.86%
	1,800,000#	0.14%

* The exercise price of the share options is HK$0.52 per Share with exercise period commencing from 14 August 2007 and ending on 13 August 2017.

\# The exercise price of the share options is HK$0.465 per Share with exercise period commencing from 21 December 2007 and ending on 20 December 2017.

Save as disclosed above, as at 31 March 2008, none of the directors nor the chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have under such provisions of the SFO); or are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or are required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to the securities transactions by directors to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the heading "Directors and chief executives' interests in shares" above, at no time since the incorporation of the Company were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or of any other body corporate granted to any directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors, their respective spouse or children under 18 years of age to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 March 2008, other than the interests of a director of the Company as disclosed under the heading "Directors and chief executives' interests in shares" above, the interests and short positions of persons, in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or substantial shareholders as recorded in the register of substantial shareholders required to be kept by the Company under Section 336 of the SFO were as follows:

Name	Nature of interests	Number of the Shares held	Approximate percentage of issued share capital
Starryland Profits Limited *(Note 1)*	Beneficial	347,795,000(L)	27.12%
Lau Kim Hung, Jack *(Note 1)*	Interests in controlled corporation	347,795,000(L)	27.12%
	Beneficial	9,340,000(L)	0.73%
Chan Yiu Kan, Katie *(Note 1)*	Deemed	357,135,000(L)	27.85%
Big Well Investments Limited *(Note 2)*	Beneficial	223,000,000(L)	17.39%
Chong Tin Lung *(Note 2)*	Interests in controlled corporation	223,000,000(L)	17.39%
Lo Yee Man *(Note 2)*	Deemed	223,000,000(L)	17.39%
Pang Hong Tao *(Note 3)*	Beneficial	178,590,202(L)	13.93%
Wang Jing *(Note 3)*	Deemed	178,590,202(L)	13.93%
Hsu Tung Chi *(Note 4)*	Beneficial	138,307,121(L)	10.79%
Chuang Meng Hua *(Note 4)*	Deemed	138,307,121(L)	10.79%

(L) denotes Long position

Notes:

1. Starryland Profits Limited, a company incorporated in BVI, is wholly and beneficially owned by Mr. Lau Kim Hung, Jack ("Mr. Lau"). By virtue of the SFO, Mr. Lau and Ms. Chan Yiu Kan, Katie, being the wife of Mr. Lau, are deemed to be interested in 347,795,000 Shares held by Starryland Profits Limited.

2. Big Well Investments Limited ("Big Well") is a company incorporated in the British Virgin Islands which is a subscriber of 223,000,000 non-listed warrants under the private placing of non-listed warrants as disclosed in the announcements of the Company dated 27 August 2007 and 1 September 2007 conferring rights to Big Well to subscribe for 223,000,000 Shares. Big Well is wholly-owned by Mr. Chong Tin Lung and he is therefore deemed to be interested in those Shares. By virtue of Ms. Lo Yee Man being the spouse of Mr. Chong Tin Lung, she is also deemed to be interested in those 223,000,000 Shares as well.

3. Mr. Pang Hong Tao ("Mr. Pang") is interested in 87,681,111 Shares. According to the sale and purchase agreement entered into between Upper Power and Mr. Pang on 5 November 2007, the Company has allotted 3,636,364 convertible bonds to Mr. Pang on 21 December 2007; subject to fulfillment of certain conditions, the Company will further allot 87,272,727 convertible bonds to Mr. Pang. As at the Latest Practicable Date, Mr. Pang has not converted any convertible bonds. Ms. Wang Jing is deemed to be interested in 87,681,111 Shares and 90,909,091 convertible bonds of the Company by virtue of her being the spouse of Mr. Pang.

4. Mr. Hsu Tung Chi ("Mr. Hsu") is interested in 80,561,667 Shares. According to the sale and purchase agreement entered into between Upper Power and Mr. Hsu on 5 November 2007, the Company has allotted 2,181,818 convertible bonds to Mr. Hsu Tung Chi on 21 December 2007, subject to fulfillment of certain conditions, the Company will further allot 52,363,636 convertible bonds to Mr. Hsu. Mr. Hsu is also interest in 3,200,000 share options. As at the Latest Practicable Date, Mr. Hsu Tung Chi has not converted any convertible bonds and nor exercise any share options.

   Ms. Chuang Meng Hua is deemed to be interested in 80,561,667 Shares, 54,545,454 convertible bonds and 3,200,000 share options of the Company by virtue of her being the spouse of Mr. Hsu.

Save as disclosed above, as at 31 March 2008, the directors of the Company were not aware of any other person (other than the directors of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO or, who is directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") on 18 October 2001 pursuant to a written resolution of the Company. Details of the movements in the number of share options during the year under the scheme were as follows:

Categories of grantees	Date of grant	Exercisable period	Exercise price per share HK$	Outstanding as at 31/3/2007	Granted during the year	Exercised during the year	Outstanding as at 31/3/2008
Directors							
Mr. Wong Tak Shing (Resigned on 22 May 2007)	12/03/2007	12/03/2007 – 11/03/2017	0.31	5,800,000	–	5,800,000	–
Mr. Chan Hin Wing, James	12/03/2007	12/03/2007 – 11/03/2017	0.31	9,550,000	–	9,550,000	–
	21/12/2007	21/12/2007 – 20/12/2017	0.465	–	3,200,000	–	3,200,000
Mr. Chan Francis Ping Kuen	14/08/2007	14/08/2007 – 13/08/2017	0.52	–	11,000,000	–	11,000,000
	21/12/2007	21/12/2007 – 20/12/2017	0.465	–	1,800,000	–	1,800,000
Mr. Hsu Tung Sheng	21/12/2007	21/12/2007 – 20/12/2017	0.465	–	3,200,000	–	3,200,000
Mr. Hsu Tung Chi	21/12/2007	21/12/2007 – 20/12/2017	0.465	–	3,200,000	–	3,200,000
Dr. Ho Hoi Lap	14/08/2007	14/08/2007 – 13/08/2017	0.52	–	11,000,000	–	11,000,000
Employees	12/03/2007	12/03/2007 – 11/03/2017	0.31	24,200,000	–	24,200,000	–
	17/12/2007	17/12/2007 – 16/12/2017	0.453	–	19,000,000	–	19,000,000
	21/12/2007	21/12/2007 – 20/12/2017	0.465	–	6,400,000	–	6,400,000
Consultants	17/12/2007	17/12/2007 – 16/12/2017	0.453	–	20,000,000	–	20,000,000
				39,550,000	78,800,000	39,550,000	78,800,000

Report of the Directors

The Company operates a share option scheme (the "Scheme") for the purpose of recognising significant contributions of the employees of the Group to the growth of the Group, by rewarding them with opportunities to obtain an ownership interest in the Company and to further motivate and give an incentive to these persons to continue to contribute to the Group's long term success and prosperity.

Eligible participants of the Scheme include any employees, consultants, suppliers or customers of the Company and its subsidiaries, including any independent non-executive directors of the Company. The Scheme became effective on 1 November 2001 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period up to the date of grant, is limited to 1% of the shares of the Company in issue at that date of grant. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

The offer of a grant of share options may be accepted in writing within 21 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. Any share option may be exercised in accordance with the terms of the Scheme at any time during a period to be notified by the board of directors to an eligible participant but may not be exercised after the expiry of 10 years from the date of grant of the share option.

The exercise price of the share options is determinable by the board of directors, but may not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of offer of the option, which must be a business day, (ii) the average of the closing prices of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer of the option, or (iii) the nominal value of the Company's shares on the date of offer.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year under review, none of the directors or the management shareholders or substantial shareholders or their respective associates (as defined in the GEM Listing Rules) of the Company had an interest in a business which competed with or might compete with the business of the Group.

CONTINUING CONNECTED TRANSACTION

On 15 June 2007, the Company entered into an agreement to Multi Channel Technology Limited ("Multi Channel") (a non-wholly owned subsidiary of the Company) to conditionally grant Multi Channel a revolving facility by way of Revolving Facility Letter of up to a maximum amount of HK$22 million at any time during the period commencing from the date of the Revolving Facility Letter and ending on 31 March 2010.

The foresaid continuing connected transaction has been reviewed by independent non-executive directors. The independent non-executive directors confirmed that the continuing connected transaction set out in above was entered into:

1. in the ordinary and usual course of business of the Company;

2. either on normal commercial terms or on terms no less favorable to the Company than terms available to or from independent third parties; and

3. in accordance with the relevant agreement governing it on terms that are fair and reasonable and in the interest of the shareholders of the Company as a whole.

The Company has complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules in respect of the above transactions.

Save as disclosed herein were no other transactions required to be disclosed as connected transactions and/or continuing connected transactions in accordance with the requirements of the GEM Listing Rule.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company has applied the principles in the Code and complied with the code provisions set out in the Code for the year ended 31 March 2008 except that: (i) no nomination committee of the Board is established.

Report of the Directors

AUDIT COMMITTEE

The Company set up an audit committee (the "Committee") on 18 October 2001, with written terms of reference in compliance with the GEM Listing Rules, for the purpose of reviewing and providing supervision over the financial reporting process and internal control of the Group. During the year, the Committee comprises the three independent non-executive directors of the Company, namely, Mr. Kwok Chi Sun, Vincent, Mr. Yeung Kam Yan and Mr. Chan Wing Chiu. During the year, the audit committee held four meetings to review and supervise the financial reporting process, and to provide advice and recommendations to the board of directors. The financial statements of the Group for the year ended 31 March 2008 have been reviewed by the Committee, who is of the opinion that such statements comply with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made. Mr. Chan Wing Chiu resigned on 1 May 2008 and was replaced by Mr. Chan Kai Wing.

AUDITORS

The consolidated financial statements for the year ended 31 March 2007 were audited by World Link CPA Limited. Vision A. S. Limited was appointed as auditors of the Company by the shareholders of the Company at the Annual General Meeting held on 23 August 2007.

The consolidated financial statements for the year ended 31 March 2008 have been audited by Vision A. S. Limited who will retire and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

ON BEHALF OF THE BOARD

Chan Francis Ping Kuen
Executive Director

Hong Kong
25 June 2008

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

Subject to the deviation as disclosed in this report, the Company has complied with all the code provisions on Corporate Governance Practices as set out in the GEM Listing Rules by establishing formal and transparent procedures to protect and maximize the interests of shareholders during the period under review.

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors, the directors have complied with such code of conduct and the required standard of dealings regarding securities transactions throughout the year ended 31 March 2008.

BOARD OF DIRECTORS AND BOARD MEETINGS

The Board members for the year ended 31 March 2008 were:

Executive directors:

Mr. Chan Francis Ping Kuen	(Appointed on 22 May 2007)
Mr. Chan Hin Wing, James	
Mr. Hsu Tung Sheng	(Appointed on 2 October 2007)
Mr. Hsu Tung Chi	(Appointed on 12 March 2008)
Mr. Wong Tak Shing	(Resigned on 22 May 2007)
Mr. Cheng Kwong Chung	(Resigned on 11 July 2007)
Mr. Wan Kin Chung	(Resigned on 24 August 2007)
Mr. Lo Ka Tong	(Resigned on 12 March 2008)

Non-executive director:

Dr. Ho Hoi Lap	(Appointed on 15 June 2007)

Independent non-executive directors:

Mr. Kwok Chi Sun Vincent	
Mr. Yeung Kam Yan	
Mr. Chan Kai Wing	(Appointed on 1 May 2008)
Mr. Chan Wing Chiu	(Resigned on 1 May 2008)

The board of directors (the "Board") is responsible for the Group's corporate policy formulation, business strategies planning, business development, risk management, major acquisitions, disposals and capital transactions, and other significant operational and financial matters. Major corporate matters that are specifically delegated by the Board to the management include the preparation of annual, interim and quarterly accounts for board approval before public reporting, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations.

Corporate Governance Report

The directors' biographical information is set out on pages 12 to 13 of this Annual Report. All executive directors have given sufficient time and attention to the affairs of the Group. Each executive director has sufficient experience to hold the position so as to carry out his duties effectively and efficiently. There is no relationship among the members of the Board.

The Company appointed three independent non executive directors who have appropriate and sufficient experience and qualification to carry out their duties so as to protect the interests of shareholders. All of them have been appointed for a term of one year commencing from the date of appointment and will continue thereafter until terminated by either party giving each other not less than one month's notice. Every director should be subject to retirement by rotation at least once every three years.

Pursuant to the requirements of the GEM Listing Rules, the Company has received written confirmation from each independent non-executive director of his independence to the Company. Based on such confirmations of independence, the Company considers all of the independent non-executive directors to be independent.

The Board held a full board meeting for each quarter.

Details of the attendance of the meetings of the Board are as follows:

Directors		**Attendance**
Mr. Chan Francis Ping Kuen	(Appointed on 22 May 2007)	4/4
Mr. Chan Hin Wing, James		4/4
Mr. Hsu Tung Sheng	(Appointed on 2 October 2007)	2/4
Mr. Hsu Tung Chi	(Appointed on 12 March 2008)	0/4
Dr. Ho Hoi Lap	(Appointed on 15 June 2007)	4/4
Mr. Kwok Chi Sun Vincent		4/4
Mr. Yeung Kam Yan		4/4
Mr. Chan Kai Wing	(Appointed on 1 May 2008)	0/4
Mr. Wong Tak Shing	(Resigned on 22 May 2007)	0/4
Mr. Cheng Kwong Chung	(Resigned on 11 July 2007)	1/4
Mr. Wan Kin Chung	(Resigned on 24 August 2007)	2/4
Mr. Lo Ka Tong	(Resigned on 12 March 2008)	4/4
Mr. Chan Wing Chiu	(Resigned on 1 May 2008)	4/4

Apart from the above regular board meetings of the year, the Board will meet on other occasions when a board-level decision on a particular matter is required.

Chairman and Chief Executive Officer

The roles of Chairman and chief executive officer of the Company are segregated and are not exercised by the same individual, the chairman is responsible for leading the Board in formulating overall strategies of the Company, while the chief executive office is to manage the operation of the Group's business.

Non-executive Director

Code provision A.4.1 provides that non-executive director should be appointed for a specific term and subject to re-election. The Company's non-executive director has been appointed for specific term and subject to re-election.

Remuneration of Directors

The remuneration committee was established in January 2006 with written terms of reference in compliance with the code provision. The remuneration committee consists of four members, of which three are independent non-executive directors, namely Mr. Kwok Chi Sun, Vincent, Mr. Yeung Kam Yan and Mr. Chan Kai Wing, and one is executive director being Mr. Chan Francis Ping Kuen. The chairman of the committee is Mr. Kwok Chi Sun, Vincent. Mr. Chan Wing Chiu resigned on 1 May 2008 and was replaced by Mr. Chan Kai Wing.

The role and function of the remuneration committee include the determination of the specific remuneration packages of all executive directors, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of non-executive directors.

During the period under review, a meeting of the remuneration committee was held in February 2008. Details of the attendance of the meeting of the remuneration committee are as follows:

Members		**Attendance**
Mr. Chan Francis Ping Kuen	(Appointed on 24 August 2007)	1/1
Mr. Kwok Chi Sun, Vincent		1/1
Mr. Yeung Kam Yan		1/1
Mr. Chan Kai Wing	(Appointed on 1 May 2008)	0/1
Mr. Chan Wing Chiu	(Resigned on 1 May 2008)	1/1

Nomination of Directors

No nomination committee was established by the Company. The Board is mainly responsible for identifying suitable candidates for members of the Board when there is a vacancy or an additional director is considered necessary. The Board will review the qualifications of the relevant candidate for determining the suitability to the Group on the basis of his qualifications, experience and background.

Auditors' Remuneration

The Company has appointed Vision A. S. Limited as the auditors of the Group (the "Auditors"). The Board is authorised in the annual general meeting to determine the remuneration of the Auditors. During the year, the Auditors performed the work of statutory audit for the year ended 31 March 2008 and involved non-audit assignment of the Group. The Auditors received approximately HK$680,000 and HK$750,000 for audit service and non-audit services respectively.

Corporate Governance Report

Audit Committee

The Company established an audit committee with written terms of reference in compliance with Rules 5.28 and 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system of the Group and provide advice and comments on the Company's draft annual reports and accounts, half year reports and quarterly reports to directors. The audit committee comprises three members, Mr. Kwok Chi Sun, Vincent, Mr. Yeung Kam Yan and Mr. Chan Wing Chiu, all of them are independent non-executive directors. The chairman of the audit committee is Mr. Kwok Chi Sun, Vincent. Mr. Chan Wing Chiu resigned on 1 May 2008 and was replaced by Mr. Chan Kai Wing.

The audit committee held 4 meetings during the year under review. Details of the attendance of the audit committee meetings are as follows:

Members		**Attendance**
Mr. Kwok Chi Sun, Vincent		4/4
Mr. Yeung Kam Yan		4/4
Mr. Chan Kai Wing	(Appointed on 1 May 2008)	0/4
Mr. Chan Wing Chiu	(Resigned on 1 May 2008)	4/4

The Group's unaudited quarterly and interim results and annual audited results for the year ended 31 March 2008 have been reviewed by the audit committee during the year, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

Internal Control

The board is responsible for maintaining the Group's internal controls and for reviewing the effectiveness of these controls. Internal control systems are designed to meet the particular needs of the Group and the risk to which it is exposed,

In consideration of the size of the Group, the Board does not consider to establish an internal audit team at present. However, the key control procedures established by the Group are day-to-day supervision of the business by the executive directors, supported by the managers responsible for the operation and the key division support functions of finance, information system and human resources. Key elements of internal controls described below have been in place throughout the year under review:

– procedures for the approval of capital expenditure and payments;

– regular financial information provided to management for reviewing the Group's performance;

– clearly defined management structure and lines of responsibility.

Directors' and Auditors' Responsibility for the Financial Statements

The Directors acknowledge their responsibility for the preparation of the financial statements of the Group. In preparing the financial statements, the generally accepted accounting standards in Hong Kong have been adopted, appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgments and estimates have been made.

The Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board has continued to adopt the going concern basis in preparing the financial statements.

The auditors' responsibilities are set out in the Auditors' Report.

Independent Auditor's Report

Vision A. S. Limited Certified Public Accountants
泓信會計師行有限公司

Room A, 15th Floor,
Fortis Bank Tower,
77-79 Gloucester Road,
Wanchai, Hong Kong

To the members of
PALMPAY CHINA (HOLDINGS) LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Palmpay China (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 34 to 110, which comprise the consolidated and Company balance sheets as at 31 March 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

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

Vision A. S. Limited
Certified Public Accountants
Hong Kong, 25 June 2008

Cheung Man Yau, Timothy
Practising Certificate No.: P01417

Consolidated Income Statement

Year ended 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
TURNOVER	7		
Continuing operation		**36,523**	3,178
Discontinued operations		**105,840**	106,896
		142,363	110,074
Cost of sales		**(94,391)**	(85,818)
Gross profit		**47,972**	24,256
Other revenues and gains	7	**3,519**	1,329
Distribution costs		**(4,076)**	(1,217)
Administrative expenses		**(29,594)**	(21,216)
Provision for impairment loss of available-for-sale financial assets		**–**	(570)
Loss on disposal of subsidiaries, net		**(17,975)**	–
Finance costs	8	**(6,314)**	(8,361)
Share of loss from an associate		**–**	(187)
PROFIT/(LOSS) BEFORE TAX	9		
Continuing operation		**(5,351)**	(7,311)
Discontinued operations	13	**(1,117)**	1,345
		(6,468)	(5,966)
Tax	11		
Continuing operation		**(2,170)**	(497)
Discontinued operations		**(374)**	(2,155)
		(2,544)	(2,652)
LOSS FOR THE YEAR			
Continuing operation		**(7,521)**	(7,808)
Discontinued operations	13	**(1,491)**	(810)
		(9,012)	(8,618)

	Notes	2008 HK$'000	2007 HK$'000
ATTRIBUTABLE TO:			
Equity holders of the Company		**(18,751)**	(9,117)
Minority interests		**9,739**	499
LOSS FOR THE YEAR		**(9,012)**	(8,618)
DIVIDENDS	*14*	**–**	–
LOSS PER SHARE	*15*		
From continuing and discontinued operations			
– basic (cents)		**(1.64)**	(1.78)
– diluted (cents)		**N/A**	N/A
From continuing operation			
– basic (cents)		**(1.51)**	(1.62)
– diluted (cents)		**N/A**	N/A

Consolidated Balance Sheet

31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**16,045**	39,822
Available-for-sale financial assets	17	**–**	150
Intangible assets	19	**232,931**	60,730
Deferred tax assets	32	**–**	430
Total non-current assets		**248,976**	101,132
CURRENT ASSETS			
Inventories	20	**–**	38,484
Trade receivables	21	**28,739**	21,756
Prepayments, deposits and other receivables		**3,494**	7,469
Tax prepaid		**–**	64
Pledged time deposits	22	**–**	14,260
Cash and cash equivalents	22	**31,752**	33,784
Total current assets		**63,985**	115,817
CURRENT LIABILITIES			
Trade payables	23	**–**	20,087
Accrued expenses and other payables		**6,730**	7,886
Interest-bearing bank borrowings	24	**–**	64,517
Current portion of finance lease payables	25	**–**	2,778
Other loans	26	**–**	1,044
Due to a director	27	**253**	–
Due to a director of a subsidiary	27	**5,859**	–
Due to a shareholder	27	**–**	215
Due to a shareholder of a subsidiary	27	**–**	13,741
Promissory notes	28	**–**	6,158
Tax payable		**1,813**	854
Total current liabilities		**14,655**	117,280
NET CURRENT ASSETS/(LIABILITIES)		**49,330**	(1,463)
TOTAL ASSETS LESS CURRENT LIABILITIES		**298,306**	99,669

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	24	–	1,153
Finance lease payables	25	–	4,005
Convertible notes	33	**2,791**	–
Other payables	35	**76,800**	–
Provision for long service payment		–	171
Deferred tax liabilities	32	–	1,412
Total non-current liabilities		**79,591**	6,741
Net assets		**218,715**	92,928
EQUITY			
Issued capital	29	**64,117**	48,471
Reserves		**147,748**	39,890
		211,865	88,361
Minority interests		**6,850**	4,567
Total equity		**218,715**	92,928

Chan Francis Ping Kuen
Director

Chan Hin Wing, James
Director

Consolidated Statement of Changes in Equity

Year ended 31 March 2008

	Attributable to equity holders of the Company										
	Issued share capital HK'000	**Share premium** HK$'000	**Contri–buted surplus** HK$'000	**Ex–change reserve** HK$'000	**Conver–tible notes reserve** HK$'000	**Share option reserve** HK$'000	**Warrant reserve** HK$'000	**Accumu–lated losses** HK$'000	**Sub–total** HK$'000	**Minority interests** HK$'000	**Total** HK$'000
At 1 April 2006	18,750	11,152	6,015	96	885	–	–	(17,856)	19,042	1,988	21,030
Acquired on acquisition of subsidiaries	–	–	–	10	–	–	–	–	10	2,080	2,090
Issue of share capital – *note 29 (a) (ii), (vi)*	18,924	18,185	–	–	–	–	–	–	37,109	–	37,109
Recognition of equity–settled share-based payment – *note 30*	–	–	–	–	–	3,719	–	–	3,719	–	3,719
Issue of consideration shares – *note 29 (a) (iv)*	1,500	4,500	–	–	–	–	–	–	6,000	–	6,000
Share option exercised – *note 29 (a) (i), (vii)*	2,200	7,519	–	–	–	(1,239)	–	–	8,480	–	8,480
Exercise of warrants – *note 29(a) (iii)*	4,650	10,695	–	–	–	–	–	–	15,345	–	15,345
Conversion of convertible notes – *note 29 (a) (v)*	2,447	7,737	–	–	(885)	–	–	–	9,299	–	9,299
Share issue expenses	–	(2,625)	–	–	–	–	–	–	(2,625)	–	(2,625)
Exchange realignment	–	–	–	1,099	–	–	–	–	1,099	–	1,099
Net loss for the year	–	–	–	–	–	–	–	(9,117)	(9,117)	499	(8,618)
At 31 March 2007 and at 1 April 2007	48,471	57,163	6,015	1,205	–	2,480	–	(26,973)	88,361	4,567	92,928
Issue of shares under placing – *note 29 (a) (viii)*	5,500	46,200	–	–	–	–	–	–	51,700	–	51,700
Recognition of equity–settled share-based payment – *note 30*	–	–	–	–	–	3,736	–	–	3,736	–	3,736
Share option exercised – *note 29 (a) (ix)*	1,977	12,763	–	–	–	(2,480)	–	–	12,260	–	12,260
Issue of consideration shares – *note 29 (a) (x)*	8,169	65,351	–	–	–	–	–	–	73,520	–	73,520
Share issue expenses	–	(1,853)	–	–	–	–	–	–	(1,853)	–	(1,853)
Issue of warrants – *note 29 (c) (ii)*	–	–	–	–	–	–	1,561	–	1,561	–	1,561
Warrants issue expenses	–	–	–	–	–	–	(221)	–	(221)	–	(221)
Issue of convertible notes – *note 33*	–	–	–	–	443	–	–	–	443	–	443
Acquired on acquisition of additional interest in subsidiaries	–	–	–	–	–	–	–	–	–	(5,469)	(5,469)
Disposal of subsidiaries	–	–	–	(2,518)	–	–	–	–	(2,518)	(1,987)	(4,505)
Exchange realignment	–	–	–	3,627	–	–	–	–	3,627	–	3,627
Net loss for the year	–	–	–	–	–	–	–	(18,751)	(18,751)	9,739	(9,012)
At 31 March 2008	64,117	179,624	6,015	2,314	443	3,736	1,340	(45,724)	211,865	6,850	218,715

The contributed surplus of the Group arose as a result of the group reorganisation for the listing of the Company's shares on the Growth Enterprise Market and represents the difference between the nominal value of the aggregate share capital of the subsidiaries acquired under the group reorganisation, over the nominal value of the Company's shares in exchange therefor.

Consolidated Cash Flow Statement

Year ended 31 March 2008

	2008 HK$'000	2007 HK$'000
OPERATING ACTIVITIES		
Profit/(loss) before tax		
Continuing operation	**(5,351)**	(7,311)
Discontinued operations	**(1,117)**	1,345
Adjustments for:		
Depreciation of property, plant and equipment	**7,228**	4,879
Amortisation of product development costs	**2,035**	2,143
Loss/(gain) on disposals of property, plant and equipment	**100**	(71)
Provision for impairment loss on available-for-sale financial assets	**–**	570
Share-based payments	**3,736**	3,719
Share of loss from an associate	**–**	187
Interest expenses	**6,314**	8,361
Interest income	**(2,809)**	(711)
Gain arising from fair value change of derivative financial instruments	**(146)**	–
Loss on disposal of subsidiary's loan	**1,500**	–
Impairment allowances for bad and doubtful debt	**54**	–
Loss on disposal of subsidiaries, net	**17,975**	–
Operating cash flows before movements in working capital changes	**29,519**	13,111
Increase in inventories	**(16,139)**	(17,628)
Decrease/(increase) in trade receivables	**(17,652)**	12,597
Decrease/(increase) in prepayment, deposits and other receivables	**(4,448)**	285
Increase in trade payables	**8,941**	9,757
Increase in accrued expenses and other payables	**3,004**	3,759
Increase in amount due to a director	**253**	–
Increase in amount due to a director of a subsidiary	**5,859**	–
Cash generated from operations	**9,337**	21,881
Hong Kong profits tax refunded	**–**	4
Hong Kong profits tax paid	**(580)**	(264)
NET CASH FROM OPERATING ACTIVITIES	**8,757**	21,621
INVESTING ACTIVITIES		
Interest received	**2,809**	711
Sales proceeds from disposal of property, plant and equipment	**13**	1,000
Sales proceeds from disposal of subsidiary's loan	**4,500**	–
Decrease in financial assets at fair value through profit or loss	**–**	2,325
Increase in derivative financial instruments	**(3,080)**	–
Acquisition of subsidiaries	**(50,983)**	(9,468)
Proceeds from disposal of subsidiaries	**37,191**	–
Decrease/(increase) in pledged time deposits	**2,951**	(3,021)
Payment for purchases of property, plant and equipment	**(13,583)**	(14,189)
Product development costs paid	**(4,141)**	(4,364)
NET CASH USED IN INVESTING ACTIVITIES	**(24,323)**	(27,006)

Consolidated Cash Flow Statement

Year ended 31 March 2008

	2008 HK$'000	2007 HK$'000
FINANCING ACTIVITIES		
Interest paid	**(6,280)**	(6,191)
Payment of obligations under finance leases	**(1,972)**	(2,905)
Proceeds from new bank loans	**–**	1,333
Net proceeds from issue of shares	**62,107**	58,308
Net proceeds from issue of warrant	**1,340**	–
Repayment of bank loans	**(3,261)**	–
Repayment of bank export and import loan	**(3,532)**	(1,680)
Repayment of promissory notes	**(6,158)**	(17,120)
Repayment of other loans	**(40)**	(90)
NET CASH FROM FINANCING ACTIVITIES	**42,204**	31,655
NET INCREASE IN CASH AND CASH EQUIVALENTS	**26,638**	26,270
Cash and cash equivalents at the beginning of year	**4,677**	(22,124)
Effect of foreign exchange rates change, net	**437**	531
CASH AND CASH EQUIVALENTS AT END OF YEAR	**31,752**	4,677
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**31,752**	33,784
Bank overdraft	**–**	(29,107)
	31,752	4,677

Non-cash transactions:

(1) No finance lease arrangement was entered by the Group during the year. In last year, the Group entered into finance lease arrangements in respect of property, plant and equipment with a total capital value at the inception of the leases of HK$6,105,000.

Balance Sheet

31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Investment in subsidiaries	*18*	**–**	13,172
Due from subsidiaries	*18*	**–**	13,158
Total non-current assets		**–**	26,330
CURRENT ASSETS			
Due from subsidiaries	*18*	**270,002**	59,767
Cash and cash equivalents	*22*	**30,713**	31,948
Total current assets		**300,715**	91,715
CURRENT LIABILITIES			
Accrued expenses and other payables		**766**	347
Promissory notes	*28*	**–**	6,158
Total current liabilities		**766**	6,505
NET CURRENT ASSETS		**299,949**	85,210
TOTAL ASSETS LESS CURRENT LIABILITIES		**299,949**	111,540
NON-CURRENT LIABILITIES			
Convertible notes	*33*	**2,791**	–
Other payables	*35*	**76,800**	–
Total non-current liabilities		**79,591**	–
Net assets		**220,358**	111,540
EQUITY			
Issued capital	*29*	**64,117**	48,471
Reserves	*31*	**156,241**	63,069
Total equity		**220,358**	111,540

Chan Francis Ping Kuen
Director

Chan Hin Wing, James
Director

1. CORPORATION INFORMATION

Palmpay China (Holdings) Limited ("the Company") was incorporated in Bermuda on 7 June 2001 as an exempted company with limited liability under the Companies Act 1981 of Bermuda. The shares of the Company were listed on the Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited ("the Stock Exchange") on 1 November 2001. Details of the group reorganisation are set out in the Company's prospectus dated 24 October 2001.

The Company's registered office is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is situated at Unit 1601, 16/F., Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong.

The Company's principal activity has not changed during the year and consisted of investment holding. The principal activity of its subsidiary is the provision of mobile payment gateway services. Its subsidiaries also engaged in the research, development and provision of information-on-demand ("IOD") system solutions and the provision of related products and services as well as a full range of design, engineering and manufacturing services to high-end brand-named users in the industry, which were discontinued upon the disposal of subsidiaries in current year, further details of which are set out in note 13 to the financial statements.

By a special resolution passed on 23 August 2007, the name of the Company was changed from "Union Bridge Holdings Limited 聯僑集團控股有限公司" to "Palmpay China (Holdings) Limited 中國掌付(集團)有限公司".

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") 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. In addition, the financial statements comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules"). They have been prepared under the historical cost convention, except for available-for-sale financial assets, derivative financial instruments and financial assets at fair value through profit or loss, which have been measured at fair value and promissory notes which have been measured at amortised cost. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

3. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, the following new standards, amendment and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's financial statements of the year.

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

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

The adoption of the new HKFRSs has given rise to additional disclosures as follows:

HKAS 1 (Amendment) – Capital Disclosures
In accordance with the HKAS 1 (Amendment) – Capital Disclosures, the Group now reports on its capital management objectives, policies and procedures in each annual financial report. The new disclosures that become necessary due to this change are detailed in note 42.

HKFRS 7 – Financial Instruments: Disclosures
HKFRS 7 – Financial Instruments: Disclosures is mandatory for reporting periods beginning on 1 January 2007 or later. The new standard replaces and amends the disclosure requirements previously set out in HKAS 32 Financial Instruments: Presentation and Disclosures and has been adopted by the Group in its consolidated financial statements for the year ended 31 March 2008. All disclosures relating to financial instruments including the comparative information have been updated to reflect the new requirements. In particular, the Group's consolidated financial statements now feature:

- a sensitivity analysis explains the Group's market risk exposure in regard to its financial instruments, and

- a maturity analysis that shows the remaining contractual maturities of financial liabilities,

each as at the balance sheet date. The first-time application of HKFRS 7, however, has not resulted in any prior-period adjustments on cash flows, net income or balance sheet items.

3.1 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – Int 12	Service Concession Arrangements[2]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[3]
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[2]

Notes:

1 Effective for annual periods beginning on or after 1 January 2009

2 Effective for annual periods beginning on or after 1 January 2008

3 Effective for annual periods beginning on or after 1 July 2008

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements included the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2008. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The acquisition of subsidiaries during the year has been accounted for using purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

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

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is initially recognised in the consolidated balance sheet as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination, from the acquisition date, allocated to each of the Group's cash generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required other than inventories and financial assets, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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 the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at each balance sheet date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) directly, or indirectly through one or more intermediaries, the party (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly controlled entity;

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties *(Continued)*

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

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

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses, except that when an item of property, plant and equipment is classified as held for sale, it is not depreciated and is measured at the lower of carrying amount and fair value less costs to sell. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment and the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Land and buildings	2%
Tooling	20%
Leasehold improvements	Over the remaining lease terms
Furniture and fixtures	20%
Computer and office equipment	20%
Motor vehicles	10%-20%
Plant and machinery	10%-20%

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation *(Continued)*

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the asset.

Available-for-sale financial assets

Available-for-sale financial assets are initially recognised at fair value plus transaction costs. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised directly in equity, except for impairment loss and, in the case of monetary items such as debt securities, foreign exchange gains and losses which are recognised directly in the income statement. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in the income statement.

Intangible assets (other than goodwill)

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each balance sheet date.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets (other than goodwill) *(Continued)*

Research and development costs

All research costs are charged to the income statement as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the projects are clearly defined; the expenditure is separately identifiable and can be measured reliably; there is reasonable certainty that the projects are technically feasible; and the products have commercial value. Product development expenditure which does not meet these criteria is expenses when incurred.

Deferred development costs are amortised using the straight-line basis over the commercial lives of the underlying products of not exceeding five years, commencing from the date when the products are put into commercial production.

Technical know-how

Technical know-how with indefinite useful lives is tested for impairment annually either individually or at the cash-generating unit level and are not amortised. The useful life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment form indefinite to finite is accounted for on a prospective basis.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalized at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalized finance leases are included in property, plant and equipment and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment and other financial assets

Financial assets in the scope of HKAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date i.e., the date that the Company commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category “financial assets at fair value through profit or loss”. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on investments held for trading are recognised in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortised cost less any allowance for impairment. Amortised cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contracts that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment and other financial assets *(Continued)*

Available-for-sale financial assets

Available-for-sales financial assets are those non-derivative financial assets in listed and unlisted equity securities that are designated as available-for-sale or are not classified in any of the other three categories. After initial recognition available-for-sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; a discounted cash flow analysis and option pricing models.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Assets carried at amortised cost (Continued)

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the income statement. Impairment losses on equity instruments classified as available-for-sale are not reversed through profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial asset) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existed liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derivative financial instruments and hedging

The Group uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes on fair value on derivatives that do not qualify for hedge accounting are taken directly to net profit or loss for the year.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability; or

- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecast transaction.

A hedge of the foreign currency risk of a firm commitment is accounted for as a cash flow hedge.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedge item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derivative financial instruments and hedging *(Continued)*

Hedges which meet the strict criteria for hedge accounting are accounted for as follow:

Fair value hedges

Fair value hedges are hedges of the Group's exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss. For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged, the derivative is remeasured at fair value and gains and losses from both are taken to profit or loss.

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through profit or loss over the remaining terms to maturity. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest method is used is amortised to profit or loss.

Amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss. The changes in the fair value of the hedging instrument are also recognised on profit or loss.

The Group discontinues fair value hedge accounting of the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Group revokes the designation. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest method is used is amortised to profit or loss. Amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

Cash flow hedges

Cash flow hedges are hedges of the Group's exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derivative financial instruments and hedging *(Continued)*

Cash flow hedges (Continued)

Amounts taken to equity are transferred to the income statement when the hedged transaction affects profits or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale or purchase occurs. Where the hedged item is the cost if a non-financial asset or liability, the accounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, the amounts previously recognised in equity are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, the amounts previously recognised in equity remain in equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to profit or loss.

Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a similar way to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised directly in equity while any gains or losses relating to the ineffective portion are recognised in profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recognised directly in equity is transferred to profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis, and in the case of work in progress and finished goods, comprises direct materials, direct labor and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Trade receivables

Trade receivables, which generally have credit terms of not more than 90 days, except for certain well established customers, where the terms are extended to not more than 180 days, are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost less impairment losses for bad and doubtful debts. A provision of impairment of accounts receivable is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement and bad debts are written off as incurred.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category "financial assets at fair value through profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on investments held for trading are recognised in the income statement.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheets, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provision

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement or in equity if it relates to items that are recognised in the same or a different period, directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Convertible notes

Convertible notes that can be converted to share capital at the option of the holder, where the number of shares issued does not vary with changes in their fair value, are accounted for as compound financial instruments which contain both a liability component and an equity component. At initial recognition the liability component of the convertible notes is calculated as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

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

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

Promissory notes

Promissory notes are initially recognised at fair value and thereafter stated at amortised cost.

Revenue recognition

Revenue is measured at the fair value of the consideration received and receivable and represent amounts receivable for services provided in the normal course of business, net of discount and sales related taxes. Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) Revenue from the sales of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

(b) Revenue from provision of computer network setup service is recognised when the customer accepts the delivery and that the system is operating satisfactorily.

(c) Revenue from provision of design and engineering services is recognised, when services are rendered.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

(d) Revenue from provision of mobile payment gateway services is recognised, when services are rendered.

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

(f) Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established. Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Employee retirement benefits

The Group, other than the subsidiaries in the People's Republic of China ("PRC") operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF scheme. The assets of MPF Scheme are held separately from those of the Group in an independently administrated fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which will be refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

The PRC subsidiaries contributions to a local municipal government retirement scheme in the PRC are expensed as incurred while the local municipal government in the PRC undertakes to assume the retirement benefit obligations of all existing and future retirees of the qualified staff in the PRC.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

(c) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employees services received in exchange for the grant of the options is recognised as an expense. The total amount to be expended over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of non-market vesting conditions (for example, profitability and sales growth potential).

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

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.

Foreign currencies

The financial statements are presented in Hong Kong dollars, which is the Group's functional and presentation currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

On consolidation, the financial statements of overseas subsidiaries are translated into Hong Kong dollars using the net investment method. The income statements of the overseas subsidiaries are translated into Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet dates. The resulting translation differences are included in the exchange fluctuation reserve.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

For the purpose of the consolidated cash flow statement, the cash flows of the overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of the overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past event that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

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 form those of other segments.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimates and judgements used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimate and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities are discussed below:

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates, such as discount rates, future profitability and growth rates.

Useful lives of property, plant and equipment

Management determines the estimated useful lives and residual values for its property, plant and equipment. Management will revise the depreciation charge where useful lives are different from previously estimated ones, or it will write-off or write-down obsolete or non-strategic assets that have been abandoned or sold.

Income taxes

The Group is subject to incomes taxes in a number of jurisdictions. Significant judgement is required in determining the provision for income taxes for each entity in the Group. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for potential tax exposures based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters 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.

Deferred tax is provided using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities, and their carrying amounts for financial reporting purposes. Deferred tax assets are recognised for unused tax losses carried forward to the extent it is probable (i.e. more likely than not) that future taxable profits will be available against which the unused tax losses can be utilised, based on all available evidence. Recognition primarily involves judgement regarding the future performance of the particular legal entity or tax group in which the deferred tax asset has been recognised. A variety of other factors are also evaluated in considering whether there is convincing evidence that is probable that some portion or all of the deferred tax assets and related financial models and budgets are reviewed at each balance sheet date and to the extent that there is insufficient convincing evidence that sufficient taxable profits will be available within the utilisation periods to allow utilisation of the carry forward tax losses, the asset balance will be reduced and charged to the income statement.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Impairment of assets

In determining whether an asset is impaired or whether the event previously causing the impairment no longer exists, the Group has to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value, or such an event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows, which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could have a material effect on the net present value used in the impairment test.

6. SEGMENTAL INFORMATION

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

- The internet appliances segment provides internet appliances and related products;
- The electronic devices and components segment provides power devices, magnetic and printed circuit board assembly;
- The design and engineering services segment provides design of power devices, magnetic and printed circuit board assembly; and
- The mobile payment gateway services segment provides e-payment services.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers and assets are attributed to the segments based on the location of assets.

6. SEGMENTAL INFORMATION *(Continued)*

(a) Business segments

The following tables present revenues, results and certain assets, liabilities and expenditure information for the Group's business segments.

	Continuing operation		Discontinued operations							
	Mobile payment gateway services		Internet appliances and related products		Electronic devices and components		Design and engineering services		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
TURNOVER	**36,523**	3,178	**–**	2,147	**104,116**	99,972	**1,724**	4,777	**142,363**	110,074
RESULTS										
Segments results	**33,331**	3,178	**–**	192	**15,299**	18,821	**(658)**	2,065	**47,972**	24,256
Other revenues and gains									**3,519**	1,329
Distribution costs									**(4,076)**	(1,217)
Administrative expenses									**(29,594)**	(21,216)
Provision for impairment loss on available-for–sale financial assets									**–**	(570)
Loss on disposal of subsidiaries, net									**(17,975)**	–
Finance costs									**(6,314)**	(8,361)
Share of loss from an associate									**–**	(187)
Loss before tax									**(6,468)**	(5,966)
Tax									**(2,544)**	(2,652)
Loss for the year									**(9,012)**	(8,618)

6. SEGMENTAL INFORMATION *(Continued)*

(a) Business segments *(Continued)*

	Continuing operation		Discontinued operations							
	Mobile payment gateway services		Internet appliances and related products		Electronic devices and components		Design and engineering services		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
BALANCE SHEET										
ASSETS										
Segments assets	**45,823**	9,319	**–**	241	**–**	38,506	**–**	14,776	**45,823**	62,842
Unallocated assets									**267,138**	154,107
Total assets									**312,961**	216,949
LIABILITIES										
Segments liabilities	**–**	–	**–**	36	**–**	20,051	**–**	–	**–**	20,087
Unallocated liabilities									**94,246**	103,934
Total liabilities									**94,246**	124,021
Other segment information:										
Depreciation	**2,211**	266	**28**	248	**3,529**	3,002	**–**	–	**5,768**	3,516
Depreciation – unallocated									**1,460**	1,363
Capital expenditure – unallocated									**13,583**	18,917

6. SEGMENTAL INFORMATION *(Continued)*

(b) Geographical segments

A summary of the geographical segments as at 31 March 2008 is set out as follows:

	Asia & Middle East		United States of America ("USA")		United Kingdom ("UK")		Europe		Others		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Turnover:												
Continuing operation	**36,523**	3,178	**–**	–	**–**	–	**–**	–	**–**	–	**36,523**	3,178
Discontinued operations	**31,440**	29,284	**7,998**	19,580	**38,691**	31,147	**27,711**	26,877	**–**	8	**105,840**	106,896
External turnover	**67,963**	32,462	**7,998**	19,580	**38,691**	31,147	**27,711**	26,877	**–**	8	**142,363**	110,074
Capital expenditure	**13,583**	18,917	**–**	–	**–**	–	**–**	–	**–**	–	**13,583**	18,917
Assets:												
Segment assets	**312,961**	198,971	**–**	5,944	**–**	4,948	**–**	5,674	**–**	1,412	**312,961**	216,949

7. TURNOVER, OTHER REVENUES AND GAINS

Turnover represents the net invoiced value of goods sold, after sales discounts where applicable services rendered. All significant intra-group transactions have been eliminated on consolidation.

An analysis of the Group's turnover, other revenues and gains for the year is as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
TURNOVER		
CONTINUING OPERATION		
Mobile payment gateway services	**36,523**	3,178
DISCONTINUED OPERATIONS		
Trading of internet appliances and related products	**–**	2,147
Trading and manufacturing of electronic devices and components	**104,116**	99,972
Design and engineering services	**1,724**	4,777
	105,840	106,896
	142,363	110,074
OTHER REVENUES AND GAINS		
Interest income	**2,809**	711
Exchange gains, net	**215**	321
Gain on disposal of property, plant and equipment	**–**	71
Gain arising from fair value change of derivative financial instruments	**146**	–
Sundry income	**349**	226
	3,519	1,329

8. FINANCE COSTS

	Group 2008 HK$'000	2007 HK$'000
Interest on:		
Bank overdrafts, bills and loans wholly repayable within five years	**5,366**	5,570
Finance leases	**372**	486
Convertible notes	**34**	885
Promissory notes repayable within five years	**542**	1,285
Other loans	**–**	135
	6,314	8,361

9. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after crediting and charging the following:

	Group 2008 HK$'000	2007 HK$'000
Crediting:		
Interest income	**2,809**	711
Exchange gains, net	**215**	321
Gain on disposal of property, plant and equipment	**–**	71
Gain arising from fair value change of derivative financial instruments	**146**	–
Charging:		
Auditors' remuneration	**680**	648
Amortisation of product development costs	**2,035**	2,143
Cost of sales	**94,391**	85,818
Depreciation of property, plant and equipment	**7,228**	4,879
Loss on disposal of property, plant and equipment	**100**	–
Provision for impairment loss of available-for-sale financial assets	**–**	570
Minimum lease payments under operating leases on land and buildings	**1,214**	2,106
Loss on disposal of subsidiaries, net	**17,975**	–
Staff costs (excluding directors' remuneration – *note 10)*		
Salaries and allowances	**14,792**	14,709
Pension scheme contributions	**259**	686
Share-based payments	**1,619**	2,618
Loss of disposal of subsidiary's loan	**1,500**	–
Impairment allowances for bad and doubtful debt	**54**	–

Staff costs and directors' remuneration amounting to HK$3,742,000 (2007: HK$3,943,000) in relation to research and development are capitalised in "product development costs" during the year.

10. DIRECTORS' REMUNERATION AND SENIOR EXECUTIVES

(a) Details of directors' remuneration disclosed pursuant to the Rules Governing the Listing Rules of Securities on GEM and Section 161 of the Hong Kong Companies Ordinance, are as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Independent non-executive directors:		
Fees	**275**	180
Salaries, allowances and benefits in kind	**–**	–
Pension scheme contributions	**5**	–
Share-based payments	**813**	–
	1,093	180
Executive directors:		
Salaries, allowances and benefits in kind	**1,909**	1,430
Pension scheme contributions	**26**	23
Share-based payments	**1,304**	1,102
	3,239	2,555
	4,332	2,735

The remuneration of the directors of the Company fell within the following bands:

	Number of directors	
	2008	2007
Emolument band		
Nil to HK$1,000,000	**9**	7
HK$1,000,000 to HK$2,000,000	**1**	1

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2007: Nil). In addition, no emoluments were paid by the Group to the directors as an inducement to join, or upon joining the Group or as a compensation for loss of office (2007: Nil).

10. DIRECTORS' REMUNERATION AND SENIOR EXECUTIVES *(Continued)*

(b) The emolument of each director of the Company for the year is set out below:

	2008					2007
	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contri-butions HK$'000	Share–based payments HK'000	Total HK$'000	Total HK$'000
Executive Directors						
Chan Hin Wing, James	–	120	6	138	264	654
Hsu Tung Chi (appointed on 12 March 2008)	–	55	–	138	193	–
Hsu Tung Sheng (appointed on 2 October 2007)	–	399	3	138	540	–
Chan Francis Ping Kuen (appointed on 22 May 2007)	–	104	5	890	999	–
Lo Ka Tong (resigned on 12 March 2008)	–	1,214	11	–	1,225	1,317
Wan Kin Chung (resigned on 24 August 2007)	–	–	–	–	–	4
Cheng Kwong Chung (resigned on 11 July 2007)	–	–	–	–	–	45
Wong Tak Shing (resigned on 22 May 2007)	–	17	1	–	18	535
Sub-total	–	1,909	26	1,304	3,239	2,555
Non-executive Directors						
Kwok Chi Sun Vincent	60	–	–	–	60	60
Yeung Kam Yan	60	–	–	–	60	60
Chan Wing Chiu	60	–	–	–	60	60
Ho Hoi Lap (appointed on 15 June 2007)	95	–	5	813	913	–
Sub-total	275	–	5	813	1,093	180
Total	275	1,909	31	2,117	4,332	2,735

10. DIRECTORS' REMUNERATION AND SENIOR EXECUTIVES *(Continued)*

(c) The five highest paid employees during the year included one (2007: Nil) director, details of whose remuneration are set out above. Details of the remuneration of the remaining four (2007: five), non-director, highest paid employees are set out as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**2,292**	3,201
Pension scheme contributions	**46**	60
	2,338	3,261

The remuneration of each of the above five highest paid employees fell within the following bands:

	Number of employee	
	2008	2007
Emolument band		
Nil to HK$1,000,000	**5**	4
HK$1,000,000 to HK$2,000,000	**–**	1

During the year, no remuneration was paid by the Group to any of the five highest paid employees as an inducement to join or upon joining the Group, or as compensation for loss of office (2007: Nil).

There was no arrangement under which any of the five highest paid employees waived or agreed to waive any remuneration during the year (2007: Nil).

11. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2007: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable outside Hong Kong have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

The amount of tax in the consolidated income statement represents:

	Group	
	2008	2007
	HK$'000	HK$'000
Current tax-provision for Hong Kong profits tax		
Current year	**429**	292
Over provision in prior years	**–**	(208)
Current tax-provision for the PRC tax		
Current year	**1,721**	–
Under provision in prior years	**223**	–
	2,373	84
Deferred tax – *note 32*	**171**	2,568
Tax charge for the year	**2,544**	2,652
Attributable to:		
Continuing operation	**2,170**	497
Discontinued operations – *note 13*	**374**	2,155
	2,544	2,652

11. TAX *(Continued)*

A reconciliation of the tax expense applicable to loss before tax using the statutory rate for the countries in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rate, are as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Loss before tax	**(6,468)**	(5,966)
Tax at the domestic tax rate of 17.5% (2007: 17.5%)	**(1,132)**	(1,044)
Effect of different tax rates in other jurisdictions	**2,143**	219
Tax effect of non-deductible expenses	**6,323**	2,716
Tax effect of non-taxable income	**(981)**	(1,506)
Tax effect on accelerated depreciation allowance	**(793)**	(35)
Tax effect on unused tax losses not recognised	**850**	2,510
Under provision in the prior years	**223**	–
Over provision in the prior years	**–**	(208)
Tax rebate	**(75)**	–
Tax concession	**(4,014)**	–
Tax charge for the year	**2,544**	2,652

Details of movement of the Group's deferred tax are set out in note 32 to the financial statements.

12. NET LOSS ATTRIBUTABLE TO SHAREHOLDERS

Net loss attributable to shareholders for the year ended 31 March 2008 dealt with in the financial statements of the Company was HK$25,396,000 (2007: HK$6,855,000).

13. DISCONTINUED OPERATIONS

On 29 September 2007, the Company entered into a sale and purchase agreement with a third party to dispose of its entire equity interest in Smart Time Development Limited, which held subsidiaries engaged in trading of internet appliances and related products.

Besides, on 11 January 2008, Great Plan Group Limited, a wholly-owned subsidiary of the Company, entered into agreements to sell 100% of the total issued shares of Union Bridge Group Limited, which held subsidiaries engaged in trading and manufacturing of electronic devices and components, and design and engineering services. The disposal of the entire interest in Union Bridge Group Limited and it subsidiaries was completed on 12 March 2008.

13. DISCONTINUED OPERATIONS *(Continued)*

The operating result associated with the business of trading of internet appliances and related products, trading and manufacturing of electronic devices and components, and design and engineering services for the year and gain on disposal of subsidiaries related to the discontinued operations are presented below:

	Notes	2008 HK$'000	2007 HK$'000
Turnover	7	**105,840**	106,896
Cost of sales		**(91,199)**	(85,818)
Gross profit		**14,641**	21,078
Other revenues and gains		**1,107**	1,186
Distribution costs		**(241)**	(1,217)
Administrative expenses		**(10,886)**	(12,940)
Provision for impairment loss of available-for-sale financial assets		**–**	(570)
Finance costs		**(5,738)**	(6,192)
PROFIT/(LOSS) BEFORE TAX		**(1,117)**	1,345
Tax	11	**(374)**	(2,155)
LOSS FOR THE YEAR		**(1,491)**	(810)

The net cash flows incurred by the disposed group are as follows:

	2008 HK$'000	2007 HK$'000
Operating activities	**25,403**	25,692
Investing activities	**(5,134)**	(17,633)
Financing activities	**(14,543)**	(9,533)
Net cash inflow/(outflow)	**5,726**	(1,474)

14. DIVIDENDS

No dividends have been paid or declared by the Company during the year (2007: Nil).

15. LOSS PER SHARE

Basic loss per share is calculated by dividing the net loss attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

	2008	2007
	HK$'000	HK$'000
For continuing and discontinued operations		
Loss attributable to shareholders	**(18,751)**	(9,117)
For continuing operation		
Loss attributable to shareholders	**(17,260)**	(8,307)
	Number of shares	
Weighted average number of ordinary shares in issue during the year	**1,146,633,275**	513,322,041

Diluted loss per share is not presented as the convertible notes and share options had anti-dilutive effects on the basic loss per share.

16. PROPERTY, PLANT AND EQUIPMENT

Group

	Land and buildings HK$'000	Tooling HK$'000	Leasehold improve– ments HK$'000	Furniture and fixture HK$'000	Computer and office equipment HK$'000	Motor vehicles HK'000	Plant and machinery HK$'000	Total HK$'000
Cost/Carrying value								
At 1 April 2006	5,083	789	1,974	193	3,338	9	12,814	24,200
Arising on acquisition of subsidiaries	–	–	336	13	4,811	–	–	5,160
Additions	–	636	4,754	334	1,413	–	11,780	18,917
Disposals	–	–	–	–	–	–	(2,819)	(2,819)
Exchange realignment	–	19	220	49	139	–	728	1,155
At 31 March 2007 and at 1 April 2007	5,083	1,444	7,284	589	9,701	9	22,503	46,613
Additions	–	272	200	85	12,567	438	21	13,583
Disposal	–	–	(484)	–	(25)	–	–	(509)
Disposal of subsidiaries	(5,083)	(1,741)	(7,113)	(666)	(5,320)	(447)	(23,790)	(44,160)
Exchange realignment	–	25	745	86	1,340	–	1,266	3,462
At 31 March 2008	–	–	632	94	18,263	–	–	18,989
Accumulated depreciation								
At 1 April 2006	29	18	697	94	488	9	1,879	3,214
Charge for the year	215	256	668	55	1,274	–	2,411	4,879
Written back on disposals	–	–	–	–	–	–	(1,889)	(1,889)
Exchange realignment	–	6	127	48	(31)	–	437	587
At 31 March 2007 and at 1 April 2007	244	280	1,492	197	1,731	9	2,838	6,791
Charge for the year	204	326	923	79	2,977	54	2,665	7,228
Written back on disposals	–	–	(393)	–	(3)	–	–	(396)
Disposal of subsidiaries	(448)	(623)	(2,077)	(324)	(2,303)	(63)	(6,056)	(11,894)
Exchange realignment	–	17	280	62	303	–	553	1,215
At 31 March 2008	–	–	225	14	2,705	–	–	2,944
Net book value								
At 31 March 2008	–	–	407	80	15,558	–	–	16,045
At 31 March 2007	4,839	1,164	5,792	392	7,970	–	19,665	39,822

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Notes:

(i) The Group's land and buildings are held under medium-term leases and are situated in Hong Kong.

(ii) The net book value of the Group's property, plant and equipment held under finance leases (included in plant and machinery) as at 31 March 2008 amounted to HK$nil (2007: HK$11,177,000).

(iii) The Group had no pledged of assets as at 31 March 2008. As at 31 March 2007, the Group's land and buildings with net book value of HK$4,839,000 were all pledged to secure banking facilities granted to the Group's subsidiaries.

(iv) As the prepaid land lease payment cannot be allocated reliably between the land and building elements, the entire lease payment is included in the cost of land and buildings as a finance lease in property, plant and equipment in accordance with HKAS17.

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets represent an investment in a company listed in Hong Kong.

	Group	
	2008	2007
	HK$'000	HK$'000
Listed equity securities, at cost	**–**	10,800
Transfer from capital reserve account	**–**	(1,200)
Provision for impairment loss	**–**	(9,450)
	–	150

In April 2007, the Group disposed of its entire shareholdings in MP Logistics International Holdings Limited, a company listed in GEM, through disposal of its entire interest in one of the subsidiary, Sunny Sky Investments Management Limited, to an independent third party at a consideration of HK$150,000.

Provision for impairment loss as at 31 March 2007 amounting to HK$9,450,000 is determined based on the consideration received after the year ended 31 March 2007 as mentioned above.

Particulars of available-for-sale financial assets held by the Group are as follows:

Name	**Place of incorporation**	**Class of shares**	**Percentage holding**	**Nature of business**
MP Logistics International Holdings Limited	Cayman Islands	Ordinary	3%	Provision of logistics services

18. INTERESTS IN SUBSIDIARIES

	Company 2008 HK$'000	2007 HK$'000
Unlisted shares, at cost	**–**	13,172
Due from subsidiaries	**270,002**	72,925
	270,002	86,097

The amounts due from subsidiaries are unsecured, interest-free and will not be demanded for repayment in the next forthcoming year except the amounts due from subsidiaries included in the Company's current assets of HK$270,002,000 (2007: HK$59,767,000) have no fixed terms of repayment. The carrying amounts of these amounts due from subsidiaries approximate their fair values.

Particulars of principal subsidiaries are as follows:

Name of subsidiary	Place of incorporation/ registration and operations	Nominal value of ordinary share/ registered capital	Attributable equity interest held by the Company Directly	Attributable equity interest held by the Company Indirectly	Principal activities
Smart Time Development Limited *	British Virgin Islands	US$800,000	100%	–	Investment holding
Internet Appliances (Hong Kong) Limited *	Hong Kong	HK$1,000,000	–	100%	Trading of internet appliances
深圳毅興科技企業有限公司 *	The People's Republic of China	HK$20,000,000	–	90%	Dormant
Shencai (Hong Kong) Holding Limited *	British Virgin Islands	US$10,000	–	100%	Dormant
Innotech Development Limited *	British Virgin Islands	US$1,000	–	100%	Holding of fixed assets

18. INTERESTS IN SUBSIDIARIES *(Continued)*

Particulars of principal subsidiaries are as follows: *(Continued)*

Name of subsidiary	**Place of incorporation/ registration and operations**	**Nominal value of ordinary share/ registered capital**	**Attributable equity interest held by the Company**		**Principal activities**
			Directly	Indirectly	
Global Form Limited *	British Virgin Islands	US$50,000	–	100%	Investment holding
Sunny Sky Investments Management Limited *	British Virgin Islands	US$1	–	100%	Investment holding
IA Enterprise Limited *	Hong Kong	HK$1,000,000	–	100%	Trading of internet appliances
Great Plan Group Limited	British Virgin Islands	US$1	100%	–	Investment holding
Union Bridge Group Limited *	British Virgin Islands	US$3,750	–	100%	Investment holding
Union Bridge International Limited *	Hong Kong	HK$10,000	–	100%	Trading of electronic devices
Union Bridge Investment Limited *	Hong Kong	HK$80,767	–	100%	Investment holding and trading of electronic devices
Popbridge Industrial Limited *	Hong Kong	HK$8,230,603	–	100%	Investment holding and trading of electronic devices and provision of design and engineering services

18. INTERESTS IN SUBSIDIARIES *(Continued)*

Particulars of principal subsidiaries are as follows: *(Continued)*

Name of subsidiary	Place of incorporation/ registration and operations	Nominal value of ordinary share/ registered capital	Attributable equity interest held by the Company		Principal activities
			Directly	Indirectly	
Popbridge Manufacturing Limited *	Hong Kong	HK$10,000	–	100%	Investment holding and subcontracting services of electronic devices
Dongguan Popbridge Electronic Co., Limited *	The People's Republic of China	HK$18,650,000	–	100%	Manufacturing of electronic devices
Popbridge Group Limited *	British Virgin Islands	US$1	–	100%	Dormant
Sun Bridge Group Limited *	British Virgin Islands	US$1	–	100%	Investment holding
Sun Bridge Industrial Company Limited *	Hong Kong	HK$10,000	–	100%	Dormant
Upper Power Limited	British Virgin Islands	US$1	100%	–	Investment holding
Beaming Investments Limited **	British Virgin Islands	US$1	–	100%	Investment holding
Media Magic Technology Limited	British Virgin Islands	US$55,556	–	75%	Investment holding
Multi Channel Technology Limited	Hong Kong	HK$100	–	75%	Investment holding

18. INTERESTS IN SUBSIDIARIES *(Continued)*

Particulars of principal subsidiaries are as follows: *(Continued)*

Name of subsidiary	Place of incorporation/ registration and operations	Nominal value of ordinary share/ registered capital	Attributable equity interest held by the Company		Principal activities
			Directly	Indirectly	
PalmPay Technology Co. Ltd. *** 北京互聯視通科技有限公司	The People's Republic of China	RMB21,000,000	–	75%	Provision of mobile payment gateway services
Beijing Hu Lian Hui Zhong Technology Company Limited*** 北京互聯匯眾科技有限公司 (formerly known as Beijing Dong Fang Hui Zhong Enterprise Management Limited *** 北京東方匯眾企業管理有限公司)	The People's Republic of China	HK$1,000,000	–	75%	Dormant

* These companies were disposed during the year.

** The company was incorporated during the year.

*** English translation of company names are for identification purpose only.

19. INTANGIBLE ASSETS

Group

	Goodwill	Product development costs	Technical know-how	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Cost				
At 1 April 2006	14,483	11,215	–	25,698
Arising on acquisition of subsidiaries	23,358	–	9,614	32,972
Additions	–	4,364	–	4,364
At 31 March 2007 and at 1 April 2007	37,841	15,579	9,614	63,034
Arising on acquisition of additional interest in subsidiaries	199,034	–	–	199,034
Additions	–	4,141	–	4,141
Exchange realignment	–	–	925	925
Disposal of subsidiaries	(14,483)	(19,720)	–	(34,203)
At 31 March 2008	222,392	–	10,539	232,931
Accumulated amortisation				
At 1 April 2006	–	161	–	161
Charge for the year	–	2,143	–	2,143
At 31 March 2007 and at 1 April 2007	–	2,304	–	2,304
Charge for the year	–	2,035	–	2,035
Disposal of subsidiaries	–	(4,339)	–	(4,339)
At 31 March 2008	–	–	–	–
Net book value				
At 31 March 2008	222,392	–	10,539	232,931
At 31 March 2007	37,841	13,275	9,614	60,730

19. INTANGIBLE ASSETS *(Continued)*

Notes:

(i) Goodwill is allocated to the Group's cash-generating units ("CGU") identified according to the country of operation and business segment as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Manufacturing and trading of electronic products	**–**	14,483
Mobile payment gateway services	**222,392**	23,358
	222,392	37,841

As at 31 March 2008, these CGU are the provision of mobile payment gateway services in the PRC. The recoverable amounts of the CGU are determined based on value-in-use calculations using cash flow projections based on the financial budgets covering a five-year period for CGU as approved by the directors.

Key assumptions used for value-in-use calculations:

	Mobile payment gateway services	
	2008	2007
	%	%
Growth rate	**10-50***	10-50
Discount rate	**5.25**	7.75

* The turnover will increase by 50%, 40%, 30%, 20% and 10% in the coming five years.

The directors believe that the possible changes in any of these assumptions would not cause the aggregate carrying amount of goodwill to exceed the recoverable amount.

At 31 March 2008, the directors of the Group are of the opinion that there is no impairment of goodwill.

(ii) Product development costs are amortised on a straight-line basis over its estimated useful life of five years.

(iii) The technical know-how, named 通用消息服務系統技術, is a newly developed technology from Short Message Sub-Gateway Services. The technical know-how is treated as having an indefinite useful life because, in the opinion of the directors, there is no foreseeable limit to the period over which the technical know-how may be used to generate cash flows to the Group. Technical know-how with indefinite useful lives is tested for impairment annually and is not amortised. The technical know-how is allocated to the CGU-Mobile payment gateway services. The assumption of the CGU is disclosed in (i) above.

20. INVENTORIES

	Group 2008 HK$'000	Group 2007 HK$'000
Raw materials	–	27,244
Work in progress	–	10,363
Finished goods	–	877
	–	38,484

21. TRADE RECEIVABLES

The aging analysis of trade receivables (net of impairment allowances for bad and doubtful debts) at the balance sheet date, based on the date of goods delivered, is as follows:

	Group 2008 HK$'000	Group 2007 HK$'000
Within 30 days	**4,490**	8,327
31 – 60 days	**4,453**	3,774
61 – 90 days	**4,722**	4,164
91 – 120 days	**3,971**	1,473
Over 120 days	**11,103**	4,018
	28,739	21,756

Included in the Group's trade receivables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	Group 2008 HK$'000	Group 2007 HK$'000
United States Dollars	–	18,714
Renminbi	**28,739**	2,992
	28,739	21,706

22. CASH AND CASH EQUIVALENTS

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**31,752**	6,784	**30,713**	4,948
Pledged time deposits	**–**	14,260	**–**	–
Short-term time deposits	**–**	27,000	**–**	27,000
	31,752	48,044	**30,713**	31,948
Pledged time deposits	**–**	(14,260)	**–**	–
Cash and cash equivalents in the balance sheet	**31,752**	33,784	**30,713**	31,948
Bank overdrafts – *note 24*	**–**	(29,107)		
Cash and cash equivalents in the consolidated cash flow statement	**31,752**	4,677		

The Group had no pledged time deposit as at 31 March 2008. As at 31 March 2007, the time deposits have been pledged to secure general banking facilities to the Group's subsidiaries.

23. TRADE PAYABLES

The aging analysis of trade payables at the balance sheet date, based on the date of goods received, is as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Within 30 days	–	5,170
31 – 60 days	–	3,149
61 – 90 days	–	3,032
91 – 120 days	–	1,270
Over 120 days	–	7,466
	–	20,087

Included in the Group's trade payables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	Group	
	2008	2007
	HK$'000	HK$'000
United States Dollars	–	2,065
Euro	–	194
Renminbi	–	5,854
	–	8,113

Notes to the Financial Statements

31 March 2008

24. INTEREST-BEARING BANK BORROWINGS

Group

	2008			2007		
	Effective interest rate (%)	**Maturity or interest reprice date, whichever is earlier**	**HK$'000**	Effective interest rate (%)	Maturity or interest reprice date, whichever is earlier	HK$'000
Bank export and import loans, secured	–	–	–	6.75 – 9.75	2007	32,007
Bank overdrafts, secured	–	–	–	8.05 – 9.75	on demand	29,107
Bank loans, secured	–	–	–	7.00 – 9.25	2007 – 2009	4,556
			–			65,670

24. INTEREST-BEARING BANK BORROWINGS *(Continued)*

At 31 March 2008, the Group's interest-bearing bank borrowings were repayable as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Within 1 year or on demand	**–**	64,517
In second to fifth years, inclusive	**–**	1,153
	–	65,670

The Group had no interest-bearing bank borrowings as at 31 March 2008.

At 31 March 2007, the Group's banking facilities with an aggregate amount of HK$76,993,000, of which a total of HK$64,008,000 were utilised, are secured and/or guaranteed by:

(i) legal charges on two residential properties situated in Hong Kong owned by a director of a subsidiary and an independent third party;

(ii) legal charges on the Group's land and buildings situated in Hong Kong with aggregate net book value of HK$4,839,000;

(iii) legal charges on all of the Group's pledged deposits;

(iv) personal guarantees executed by a director of the Company and a director of certain subsidiaries of the Group.

25. FINANCE LEASE PAYABLES

At 31 March 2008, the Group had obligations under finance leases payables as follows:

Group

	Minimum lease payments		Present value of minimum lease payments	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable:				
Within 1 year or on demand	–	3,150	–	2,778
In the second to fifth years, inclusive	–	4,418	–	4,005
Total minimum finance lease payments	–	7,568	–	6,783
Total future finance charges	–	(785)		
Present value of lease obligations	–	6,783		
Portion classified as current liabilities	–	(2,778)		
Portion classified as non-current liabilities	–	4,005		

26. OTHER LOANS

	Group	
	2008	2007
	HK$'000	HK$'000
Interest bearing of 12% per annum	–	215
Non-interest bearing	–	829
Carrying amount of liabilities	–	1,044

The amounts are unsecured and have no fixed terms of repayment.

27. DUE TO A DIRECTOR/A DIRECTOR OF A SUBSIDIARY/A SHAREHOLDER/ A SHAREHOLDER OF A SUBSIDIARY

These amounts are unsecured, interest-free and have no fixed terms of repayment.

28. PROMISSORY NOTES

On 20 March 2006, the Company issued the interest free promissory note with a nominal value of HK$13,700,000 to an independent noteholder. The promissory note is unsecured and matures on 19 March 2008. The Company recorded a discount of HK$1,064,000 for the imputed interest on the note, which was calculated using an effective interest rate and this discount has been deducted from the nominal amount of the promissory note. During the year, HK$6,158,000 (2007: HK$7,000,000) of the promissory note was repaid.

On 5 January 2007, the Company issued another interest free promissory note with a nominal value of HK$10,120,000 to an independent noteholder. The promissory note is unsecured and matures on 2 July 2007. The Company recorded a discount of HK$763,000 for the imputed interest on the note, which was calculated using an effective interest rate and this discount has been deducted from the nominal amount of the promissory note. The promissory note was fully repaid during the year ended 31 March 2007.

29. SHARE CAPITAL

(a) Shares

	2008	2007
	HK$'000	HK$'000
Authorised:		
2,000,000,000 ordinary shares of HK$0.05 each	**100,000**	100,000
Issued and fully paid:		
1,282,345,278 (2007: 969,417,500) ordinary shares of HK$0.05 each	**64,117**	48,471

29. SHARE CAPITAL *(Continued)*

(a) Shares *(Continued)*

A summary of the movements of the Company's issued capital and share premium is as follows:

	Notes	Number of shares in issue	Issued capital HK$'000	Share premium HK$'000	Total HK$'000
At 1 April 2006		375,000,000	18,750	11,152	29,902
Share options exercised	*(i)*	30,000,000	1,500	3,001	4,501
Placement of new shares	*(ii)*	60,000,000	3,000	15,000	18,000
Warrants exercised	*(iii)*	93,000,000	4,650	10,695	15,345
Issue of consideration shares	*(iv)*	30,000,000	1,500	4,500	6,000
Conversion of convertible notes	*(v)*	48,945,000	2,447	7,737	10,184
Open offer new shares	*(vi)*	318,472,500	15,924	3,185	19,109
Share options exercised	*(vii)*	14,000,000	700	4,518	5,218
Share issue expenses		–	–	(2,625)	(2,625)
At 31 March 2007 and at 1 April 2007		969,417,500	48,471	57,163	105,634
Issue of shares under placing	*(viii)*	110,000,000	5,500	46,200	51,700
Share options exercised	*(ix)*	39,550,000	1,977	12,763	14,740
Issue of consideration shares	*(x)*	163,377,778	8,169	65,351	73,520
Share issue expenses		–	–	(1,853)	(1,853)
At 31 March 2008		1,282,345,278	64,117	179,624	243,741

Notes:

(i) On 8 May 2006, the subscription rights attaching to 30,000,000 share options were exercised at subscription prices as HK$0.138 per share, resulting in the issue of 30,000,000 ordinary shares of HK$0.05 each for a total cash consideration before expenses of HK$4,140,000.

(ii) On 16 June 2006, the Company allotted and issued a total of 60,000,000 ordinary shares of HK$0.05 each for cash to independent third parties at a price of HK$0.30.

(iii) On 22 December 2006, 8 January 2007 and 11 January 2007, 10,000,000, 45,000,000 and 38,000,000 warrants were exercised respectively and 93,000,000 new ordinary shares of HK$0.05 each were allotted and issued at a subscription price of HK$0.15 per share for a total cash consideration, before expenses, of HK$15,345,000.

29. SHARE CAPITAL *(Continued)*

(a) Shares *(Continued)*

Notes: (Continued)

(iv) On 5 January 2007, the Company entered into a sale and purchase agreement with an independent third party to acquire 5,556 shares of Media Magic Technology Limited at a consideration of HK$16,120,000, which was satisfied by the issue of 30,000,000 ordinary shares of the Company of HK$0.20 each and by the issue of promissory note at HK$10,120,000. Further details of the sale and purchase agreement were also set out in a circular of the Company dated 14 December 2006.

(v) On 25 January 2007, 48,945,000 new ordinary shares of HK$0.19 each of the Company were issued upon the conversion of the convertible notes with face values aggregating HK$9,300,000 issued by the Company.

(vi) On 2 March 2007, an open offer of one offer share for every two existing shares held by members on the register of members on 1 February 2007 was made, at an issue price of HK$0.06 per offer share, resulting in the issue of 318,472,500 ordinary shares of HK$0.05 each for a total cash consideration, before expenses, of approximately HK$19,109,000.

(vii) On 20 March 2007, the subscription rights attaching to 14,000,000 share options were exercised at subscription prices at HK$0.31 per share, resulting in the issue of 14,000,000 ordinary shares of HK$0.05 each for a total cash consideration before expenses of HK$4,340,000.

(viii) On 12 April 2007, the Company entered into a placing agreement to place 110,000,000 new shares to not less than six placees at the placing price of HK$0.47 per share. On 23 April 2007, the placing has been completed, thereof creating an additional 110,000,000 shares in issue at that date.

(ix) On 24 April 2007, 25 May 2007 and 10 July 2007, the subscription rights attaching to 580,000, 5,220,000 and 33,750,000 share options were exercised respectively at subscription prices at HK$0.31 per share, resulting in the issue of 39,550,000 ordinary shares of HK$0.05 each for a total cash consideration before expenses of HK$12,260,500.

(x) On 5 November 2007, the Company entered into sale and purchase agreements to acquire 13,333 shares of Media Magic Technology Limited at a consideration of HK$203,520,000, which was satisfied by cash of HK$50,000,000, the allotment and issue of 163,377,778 ordinary shares of the Company of HK$0.45 each in the amount of HK$73,520,000 and by the issue of convertible bonds in the principal amount of HK$80,000,000. Further details of the sale and purchase agreements were also set out in a circular of the Company dated 3 December 2007.

(b) Share options

Details of the Company's share option scheme and share option issued under the scheme are set out in note 30 to the financial statements.

29. SHARE CAPITAL *(Continued)*

(c) Warrants

(i) Pursuant to an ordinary resolution passed on 26 October 2006, the Company entered into a warrant placing agreement with Rich Regent Inc. in relation to a private placing of 93,000,000 warrants at issue price of HK$0.015 per warrant. Each warrant entitles Rich Regent Inc. to subscribe for one ordinary share of the Company of HK$0.05 at a subscription price of HK$0.15 per share, payable in cash, from 12 October 2006 to 11 April 2008. During the year ended 31 March 2007, 93,000,000 warrants were exercised for 93,000,000 ordinary shares of HK$0.05 each at a price of HK$0.15 per share. Details are set out in note 29 (a) (v).

(ii) On 11 September 2007, the Company completed the private placing of 223,000,000 warrants at an issue price of HK$0.007 per warrant. The warrantholder can subscribe for one new share at the subscription of HK$0.543 per share within a period of 30 months from the date of issue of warrants.

30. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of recognising significant contributions of the employees of the Group to the growth of the Group, by rewarding them with opportunities to obtain an ownership interest in the Company and to further motivate and give an incentive to these persons to continue to contribute to the Group's long term success and prosperity.

Eligible participants of the Scheme include any employees, consultants, suppliers or customers of the Company and its subsidiaries, including any independent non-executive directors of the Company. The scheme became effective on 1 November 2001 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period up to the date of grant, is limited to 1% of the shares of the Company in issue at that date of grant. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

The offer of a grant of share options may be accepted in writing within 21 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. Any share option may be exercised in accordance with the terms of the Scheme at any time during a period to be notified by the board of directors to an eligible participant but may not be exercised after the expiry of 10 years from the date of grant of the share option.

30. SHARE OPTION SCHEME *(Continued)*

The exercise price of the share options is determinable by the board of directors, but may not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of offer of the option, which must be a business day, (ii) the average of the closing prices of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer of the option, or (iii) the nominal value of the Company's shares on the date of offer.

Detail of share options, outstanding at the balance sheet date, which are all of a call option type, are as follows:

Date of grant	Exercise period	Exercise price	Fair value at grant date
14 August 2007	From date of grant to 13 August 2017	HK$0.520	HK$0.0729
17 December 2007	From date of grant to 16 December 2017	HK$0.453	HK$0.0403
21 December 2007	From date of grant to 20 December 2017	HK$0.465	HK$0.0399

In accordance with the terms of the share-based arrangement, options issued vest at the date of grant.

Options were priced using the Black-Scholes-Merton Option Pricing Model. Expected volatility is based on extracts from the Bloomberg's information based on 260 trading days (around 1 year).

Inputs into the model

	Share option grant date		
	14 August 2007	17 December 2007	21 December 2007
Weighted average share price	0.520	0.453	0.465
Exercise price	0.520	0.453	0.465
Expected volatility	30.60%	16.50%	16.40%
Expected option period	1 year	1 year	1 year
Dividend yield	–	–	–
Risk-free interest rate	4.48%	4.48%	4.48%
Option type	Call	Call	Call

30. SHARE OPTION SCHEME *(Continued)*

The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

The Group recognised the total expenses of HK$3,736,000 for the year ended 31 March 2008 (2007: HK$3,719,000) in relation to share options granted by the Company.

Movements of the Company's share options held by employees, directors and business associates during the year are:

Grantee	At 1 April 2007	Granted during the year	Exercised during the year	At 31 March 2008	Date of grant	Share price of the Company at the grant date	Exercise price	Exercise period of share options
Directors								
Wong Tak Shing	5,800,000	–	(5,800,000)	–	12 March 2007	HK$0.310	HK$0.310	12 March 2007 to 11 March 2017
Chan Hin Wing, James	9,550,000	–	(9,550,000)	–	12 March 2007	HK$0.310	HK$0.310	12 March 2007 to 11 March 2017
	–	3,200,000	–	3,200,000	21 December 2007	HK$0.465	HK$0.465	21 December 2007 to 20 December 2017
Chan Francis Ping Kuen	–	11,000,000	–	11,000,000	14 August 2007	HK$0.520	HK$0.520	14 August 2007 to 13 August 2017
	–	1,800,000	–	1,800,000	21 December 2007	HK$0.465	HK$0.465	21 December 2007 to 20 December 2017
Hsu Tung Sheng	–	3,200,000	–	3,200,000	21 December 2007	HK$0.465	HK$0.465	21 December 2007 to 20 December 2017
Hsu Tung Chi	–	3,200,000	–	3,200,000	21 December 2007	HK$0.465	HK$0.465	21 December 2007 to 20 December 2017
Ho Hoi Lap	–	11,000,000	–	11,000,000	14 August 2007	HK$0.520	HK$0.520	14 August 2007 to 13 August 2017
Sub-total	15,350,000	33,400,000	(15,350,000)	33,400,000				

30. SHARE OPTION SCHEME *(Continued)*

Movements of the Company's share options held by employees, directors and business associates during the year are: *(Continued)*

Grantee	At 1 April 2007	Granted during the year	Exercised during the year	At 31 March 2008	Date of grant	Share price of the Company at the grant date	Exercise price	Exercise period of share options
Other employees								
In aggregate	24,200,000	–	(24,200,000)	–	12 March 2007	HK$0.310	HK$0.310	12 March 2007 to 11 March 2017
	–	19,000,000	–	19,000,000	17 December 2007	HK$0.453	HK$0.453	17 December 2007 to 16 December 2017
	–	6,400,000	–	6,400,000	21 December 2007	HK$0.465	HK$0.465	21 December 2007 to 20 December 2017
Consultants								
In aggregate	–	20,000,000	–	20,000,000	17 December 2007	HK$0.453	HK$0.453	17 December 2007 to 16 December 2017
Sub-total	24,200,000	45,400,000	(24,200,000)	45,400,000				
Total	39,550,000	78,800,000	(39,550,000)	78,800,000				

31. RESERVES

Company

	Issued share capital HK"000	Share premium HK$'000	Contri- buted surplus HK$'000	Conver- tible notes reserve HK$'000	Share option reserve HK$'000	Warrant reserve HK'000	Accumu- lated losses HK$'000	Total HK$'000
At 1 April 2006	18,750	11,152	12,947	885	–	–	(2,666)	41,068
Issue of shares capital – *note 29 (a) (ii), (vi)*	18,924	18,185	–	–	–	–	–	37,109
Recognition of equity-settled share-based payment – *note 30*	–	–	–	–	3,719	–	–	3,719
Issue of consideration shares – *note 29 (a) (iv)*	1,500	4,500	–	–	–	–	–	6,000
Share option exercised – *note 29 (a) (i), (vii)*	2,200	7,519	–	–	(1,239)	–	–	8,480
Exercise of warrants – *note 29 (a) (iii)*	4,650	10,695	–	–	–	–	–	15,345
Conversion of convertible notes – *note 29 (a) (v)*	2,447	7,737	–	(885)	–	–	–	9,299
Share issue expenses	–	(2,625)	–	–	–	–	–	(2,625)
Net loss for the year	–	–	–	–	–	–	(6,855)	(6,855)
At 31 March 2007 and at 1 April 2007	48,471	57,163	12,947	–	2,480	–	(9,521)	111,540
Issue of shares under placing – *note 29 (a) (viii)*	5,500	46,200	–	–	–	–	–	51,700
Recognition of equity-settled share-based payment – *note 30*	–	–	–	–	3,736	–	–	3,736
Share option exercised – *note 29 (a) (ix)*	1,977	12,763	–	–	(2,480)	–	–	12,260
Issue of consideration shares – *note 29 (a) (x)*	8,169	65,351	–	–	–	–	–	73,520
Share issue expenses	–	(1,853)	–	–	–	–	–	(1,853)
Issue of warrants – *note 29 (c) (ii)*	–	–	–	–	–	1,561	–	1,561
Warrants issue expenses	–	–	–	–	–	(221)	–	(221)
Issue of convertible notes – *note 33*	–	–	–	443	–	–	–	443
Disposal of a subsidiary	–	–	(6,932)	–	–	–	–	(6,932)
Net loss for the year	–	–	–	–	–	–	(25,396)	(25,396)
At 31 March 2008	64,117	179,624	6,015	443	3,736	1,340	(34,917)	220,358

31. RESERVES *(Continued)*

The contributed surplus of the Company arose as a result of the same group reorganisation and represents the excess of the then combined net assets of the subsidiaries acquired, over the nominal value of the Company's shares issued in exchange therefor.

Under the Companies Act 1981 of Bermuda, the Company's contributed surplus is available for cash distribution and/or distribution in specie under certain circumstances.

32. DEFERRED TAX

Deferred taxation is calculated in full on temporary differences under the liability method using appliance tax rates prevailing in the countries in which the Group operates.

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

Group

	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Product develop–ment costs HK$'000	Allowance for inventories HK$'000	Total HK$'000
At 1 April 2006	(611)	2,995	(1,934)	208	658
Arising on acquisition of subsidiaries	–	928	–	–	928
Credit/(charge) to income statement – *note 11*	(590)	(1,737)	(388)	147	(2,568)
At 31 March 2007 and at 1 April 2007	(1,201)	2,186	(2,322)	355	(982)
Credit/(charge) to income statement – *note 11*	(166)	215	(369)	149	(171)
Exchange realignment	–	18	–	–	18
Disposal of subsidiaries	1,367	(2,419)	2,691	(504)	1,135
At 31 March 2008	–	–	–	–	–

32. DEFERRED TAX *(Continued)*

Deferred tax assets and liabilities are offset when there is legal right to set off current taxation assets with current taxation liabilities and when the deferred tax relates to the same authority. The following is the analysis of the deferred tax balances for financial reporting purposes:

	Group	
	2008	2007
	HK$'000	HK$'000
Deferred tax assets	**–**	430
Deferred tax liabilities	**–**	(1,412)
	–	(982)

The Company has no significant unprovided deferred tax for the year and at the balance sheet date.

33. CONVERTIBLE NOTES

On 20 March 2006, the Company issued the interest free convertible notes with a nominal value of HK$9,300,000 to an independent noteholder. the Company shall repay such principal outstanding under the convertible notes to the noteholder up to and including the date falling on the second anniversary of the date of issue of the convertible notes. The noteholder has the right to convert the whole or any part of the principal amount of the convertible note into shares at any time and from time to time after six months from the date of issue of the convertible notes up to the date immediately prior to the maturity date.

The fair values of the liability component and the equity conversion component were determined at issuance of the convertible notes. The fair value of the liability component was calculated using a market interest rate. The residual amount, representing the value of the equity conversion component, has been included in the convertible notes reserve.

On 25 January 2007, convertible notes with a face value of HK$9,300,000 were converted into 48,945,000 ordinary shares of the Company of HK$0.05 each at a conversion price of HK$0.19 per share.

33. CONVERTIBLE NOTES *(Continued)*

On 21 December 2007, the Company issued the convertible bonds in the principal amount of HK$3,200,000. These bonds were interest free. The Company shall repay such principal amount outstanding under the convertible bonds in the principal amount to the holders of convertible bonds on the respective maturity dates of the convertible bonds. The holders of convertible bonds will have the right to convert the whole or any part of the principal amount of the convertible bonds into shares at any time and from time to time at conversion price of HK$0.55 except for the convertible bond which is subject to achievement of the profit guarantee under the sale and purchase agreements in respect of the audited consolidated net profit after tax and exceptional items of Media Magic Technology Limited and its subsidiaries for the year ended 31 March 2009 which will not be less than HK$33,000,000. The fair value of the liability component and the equity conversion component were determined at the date of issuance of the convertible bonds based on the discounted rate 5% per annum.

By taking the discount rate at 5% per annum, the present value of the liability component is HK$2,791,000 and the difference between the liability component and the face value of the convertible bonds, being HK$443,000 is accounted for as a component of equity.

The convertible notes recognised in the balance sheet date are calculated as follows:

	Group and Company
	HK$'000
Liability component at 1 April 2006	8,415
Interest expense	885
Conversion during the year	(9,300)
Liability component at 31 March 2007 and at 1 April 2007	–
Face value of convertible notes at the date of issue	3,200
Interest expense	34
Amount classified as equity component	(443)
Liability component at 31 March 2008	2,791

34. OPERATING LEASE COMMITMENTS

During the year, the Group leases certain of its office properties under operating lease commitments which are negotiated for terms from 1 to 5 years.

At 31 March 2008, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Within one year	**731**	671
In the second to fifth years, inclusive	**921**	1,461
	1,652	2,132

35. BUSINESS COMBINATIONS

On 18 October 2007 and 21 December 2007, the Company acquired additional 4% and 24% equity interest in PalmPay Technology Co. Ltd. and Media Magic Technology Limited, respectively. At the date of acquisition, Palmpay Technology Co. Ltd. and Media Magic Technology Limited had net carrying amounts of approximately HK$5,469,000. An excess of the cost of the further acquisition over the carrying amounts of the net assets acquired of approximately HK$199,034,000 is recognised as goodwill in the consolidated balance sheet.

35. BUSINESS COMBINATIONS *(Continued)*

Details of net assets acquired and goodwill are as follows:

	HK$'000
Total purchase consideration discharged by:	
– Cash paid	50,983
– Shares issued	73,520
– Convertible bonds – *note (i)*	80,000
Total purchase consideration of acquisition	204,503
Share of net assets acquired	(5,469)
Goodwill	199,034

Note:

(i) The Company will issue the convertible bonds in the principal amount of HK$76,800,000, if the vendor can fulfill the earn out amount of HK$43,000,000 and HK$53,000,000. As such convertible bonds are not issued currently; so treat as other payables, after issue of such convertible bonds, will treat as convertible bonds.

36. DISPOSAL OF SUBSIDIARIES

On 20 April 2007, the Company disposed of its entire interest in Sunny Sky Investments Management Limited, an indirectly wholly-owned subsidiary of the Company, to an independent third party at a consideration of HK$150,000. Moreover, on 29 September 2007, the Company entered into a sale and purchase agreement with a third party to dispose of its entire equity interest in Smart Time Development Limited, a directly wholly-owned subsidiary of the Company, at a total consideration of HK$1. The disposal of the subsidiaries was completed on 29 September 2007.

On 11 January 2008, Great Plan Group Limited, a wholly owned subsidiary of the Company, has entered into two agreements in relation to the disposal of the entire issued share capital of Union Bridge Group Limited for an aggregate consideration of HK$10,500,000. The disposal of the subsidiaries was completed on 12 March 2008.

36. DISPOSAL OF SUBSIDIARIES *(Continued)*

	HK$'000
Net assets disposal of:	
Property, plant and equipment	32,266
Available-for-sale financial assets	150
Intangible assets	29,864
Inventories	54,623
Trade receivables	10,615
Prepayment, deposit and receivables	8,423
Derivative financial instruments	3,226
Tax prepaid	121
Pledged time deposit	11,309
Cash and cash equivalents	1,953
Trade payables	(29,028)
Interest-bearing bank borrowings	(29,770)
Bank overdraft, secured	(28,494)
Finance lease payables	(4,811)
Other loans	(1,004)
Accruals and other payables	(24,116)
Tax payable	(891)
Deferred tax liabilities	(1,135)
Provision for long service payment	(171)
Net assets value	33,130
Exchange fluctuation reserve released on disposal	(2,518)
Minority interests	(1,987)
Loss on disposal	(17,975)
Consideration	10,650
Satisfied by:	
Cash	10,650

36. DISPOSAL OF SUBSIDIARIES *(Continued)*

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of the subsidiaries is as follows:

	HK$'000
Cash consideration	10,650
Cash and bank balances in subsidiaries disposed of	26,541
Net inflow of cash and cash equivalents on disposal	37,191

37. CONTINGENT LIABILITIES

The Group had no contingent liability as at 31 March 2008. The Group had a contingent liability in respect of possible future long service payment to employees under the Hong Kong Employment Ordinance, with a maximum possible amount of HK$1,144,000 as at 31 March 2007. The contingent liability has arisen because, at the balance sheet date, a number of current employees have achieved the required number of years of service to the Group in order to be eligible for long service payment under the Hong Kong Employment Ordinance if their employment is terminated under certain circumstances. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

38. COMMITMENTS

The Group had the following capital commitment at the balance sheet date.

	Group	
	2008	2007
	HK$'000	HK$'000
Contracted but not provided for in respect of acquisition of property, plant and equipment	**–**	700

39. RELATED PARTY TRANSACTIONS

(a) During the year, the Company had the following transactions with related parties:

	Company	
	2008	2007
	HK$'000	HK$'000
Management fee received from a subsidiary	**199**	302

Management fee was charged at rates mutually agreed between both parties.

(b) Disposal of Union Bridge Group Limited

As disclosed in note 36, the Group disposed 100% equity interest in Union Bridge Group Limited to Lo Ka Tong and Cheng Pui Ping, being director of the Company and director of subsidiary of the Company respectively, immediately before the disposal.

(c) By a revolving facility letter signed between the Company and a subsidiary, the Company agreed to conditionally grant the subsidiary a revolving facility up to a maximum amount of HK$22 million at any time during each of the three financial years ending 31 March 2010.

(d) In prior year, the Group's banking facilities are secured by personal guarantees executed by a director of the Company and a director of certain subsidiaries of the Group.

40. POST BALANCE SHEET EVENTS

On 30 April 2008, Beaming Investments Limited ("Beaming Investments"), an indirectly wholly-owned subsidiary of the Company, completed the shares purchase agreement, pursuant to which, iPeer Multimedia International Ltd. ("iPeer Multimedia"), as issuer, had agreed to allot and issue, and Beaming Investments, as subscriber, had agreed to subscribe for 1,500,000 iPeer Multimedia series A Preferred Shares for a total subscription price of USD1,500,000 which has been settled in cash.

On 30 May 2008, the Company completed the share exchange agreement, pursuant to which, the Company had agreed to purchase 2,000,000 ordinary shares of iPeer Multimedia at a price of USD1 per iPeer Multimedia's share, which has been settled by the Company allotment and issurance of 22,967,646 new shares of the Company at a price of HK$0.68 per Company's share as the consideration.

On 25 June 2008, the directors of the Company proposed to make a bonus issue of share on the basis of one new ordinary share of HK$0.05, credited as fully paid, for every five existing shares held by the shareholders of the Company.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise interest-bearing bank loans, finance leases and trade payables. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets such as trade receivables as well as deposits, prepayments and other receivables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, liquidity risk and credit risk. The board of directors reviews and agrees policies for managing each of the risks which are summarized below.

Interest rate risk

The Group does not have material exposure to interest rate risk, as the Group has no financial assets and liabilities of material amount with floating interest rates as at 31 March 2008. A reasonable change in interest rate in the next twelve months is assessed to result in immaterial change in the Group's results and retained earnings. Changes in interest rates have no impact on the Group's other components of equity.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or cost of sales by operating units in currencies other than the units' functional currency. Approximately 20% (2007: 17%) of the Group's cost of sales are denominated in currencies other than the functional currency of the operating units, whilst approximately 26% (2007: 3%) of sales are denominated in the units' functional currency. The management monitors foreign exchange exposure closely and will consider hedging significant foreign currency exposure should the need arise.

The following table demonstrates the sensitivity to a reasonably possible change in Renminbi ("RMB") exchange rate, with all other variables held constant, of the Group's loss before tax and the Group's equity.

	Increase/ (decrease) in foreign exchange rate	**Increase/ (decrease) in loss before tax**	**Increase/ (decrease) in equity**
	%	HK$'000	HK$'000
2008			
RMB	**10**	**(692)**	**692**
RMB	**(10)**	**692**	**(692)**
2007			
RMB	10	1,460	(1,460)
RMB	(10)	(1,460)	1,460

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g. trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, finance leases and other interest-bearing loans.

The maturity profile of the Group's financial liabilities as at the balance sheet date, based on the contracted undiscounted payments, was as follows:

	On demand	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2008						
Interest-bearing bank borrowings	**–**	**–**	**–**	**–**	**–**	**–**
Finance lease payables	**–**	**–**	**–**	**–**	**–**	**–**
Other loans	**–**	**–**	**–**	**–**	**–**	**–**
Trade payables	**–**	**–**	**–**	**–**	**–**	**–**
Accrued expenses and other payables	**6,730**	**–**	**–**	**76,800**	**–**	**83,530**
	6,730	**–**	**–**	**76,800**	**–**	**83,530**
2007						
Interest-bearing bank borrowings	29,107	33,101	2,309	1,153	–	65,670
Finance lease payables	–	745	2,033	4,005	–	6,783
Other loans	1,044	–	–	–	–	1,044
Trade payables	7,466	1,270	11,351	–	–	20,087
Accrued expenses and other payables	7,886	–	–	–	–	7,886
	45,503	35,116	15,693	5,158	–	101,470

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk

The Group's maximum credit exposure of the financial assets as at 31 March 2008 equals to their carrying amounts. The Group limits its exposure to credit risk by prudently selecting its customers. The Group's trade and other receivables are actively monitored to avoid significant concentrations of credit risk. The Group also continually evaluates the credit risk of its customers to ensure appropriateness of the amount of credit granted. Credit is extended to customers based on the evaluation of individual customer's financial conditions. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that Group's credit risk is significantly reduced. There is no requirement for collaterals by the Group.

The Group has deposited its cash with various banks. The credit risk on cash and bank balances is limited because most of the Group's bank deposits are deposited with major banks and financial institutions located in Hong Kong and the PRC.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 21 to the financial statements.

42. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. No changes were made in the objectives, policies or processes during the years ended 31 March 2008 and 31 March 2007.

42. CAPITAL MANAGEMENT *(Continued)*

The Group monitors capital using a gearing ratio, which is borrowings divided by the total of borrowings and equity. Borrowings include interest-bearing borrowings, financing lease payables, other loans and convertible notes. Equity includes total equity less equity components of convertible notes. The gearing ratios as at the balance sheet dates were as follows:

	2008	2007
	HK$'000	HK$'000
Borrowings:		
Interest-bearing bank borrowings	**–**	65,670
Finance lease payables	**–**	6,783
Other loans	**–**	1,044
Convertible notes – equity and liability components	**3,234**	–
	3,234	73,497
Equity:		
Total equity	**218,715**	92,928
Convertible notes – equity components	**(443)**	–
	218,272	92,928
Borrowings and equity	**221,506**	166,425
Gearing ratio	**1%**	44%

43. COMPARATIVE

Certain comparatives are reclassified during the year to conform current year's presentation.

44. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 June 2008.