NORTHERN INTERNATIONAL HOLDINGS LIMITED
北方興業控股有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code : 736)

NORTHERN INTERNATIONAL

ANNUAL REPORT 2007

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CORPORATE INFORMATION

Board of Directors

Executive directors

Zhao Qing Ji *(Chairman) (Appointed on 30 November 2006)*
Lu Xiao Dong *(Appointed on 12 May 2006)*
Au Tat On *(Appointed on 12 May 2006)*
Wong Siu Keung, Joe
Chong Sing Yuen *(Resigned on 7 January 2007)*
Chong Chun Hing *(Resigned on 12 May 2006)*
Chong Chun Kwok, Piggy *(Resigned on 12 May 2006)*
Chu Kiu Fat *(Resigned on 20 April 2006)*

Independent non-executive directors

Cheng Kwok Hing, Andy
Yeung King Wah *(Appointed on 26 May 2006)*
Yeung Yuen Hei
Chan Ping Yim *(Resigned on 26 May 2006)*

Company Secretary

Cheung Mei Ha, Jennifer *(Resigned on 12 April 2006)*
Wong Siu Keung, Joe *(Appointed on 12 April 2006)*

Auditors

CCIF CPA Limited

Principal Bankers

ICBC (Asia)

Registered Office

Clarendon House
Church Street
Hamilton HM11
Bermuda

Head Office and Principal Place of Business

Room 2001, 20/F
Lippo Centre, Tower Two
89 Queensway Road
Hong Kong

Share Registrars

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

Website

http://www.northern.com.hk

Stock Code

736

I hereby present the annual report of Northern International Holdings Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 March 2007.

FINANCIAL RESULTS

The Group recorded a turnover of HK$58.9 million for the year ended 31 March 2007 (2006: HK$99.2 million), representing a decrease of 40.6% from the previous year and the net loss of the Group was HK$18.6 million (2006: HK$29.8 million). Loss per share was HK5.10 cents (2006: HK10.80 cents).

REVIEW AND PROSPECTS

The financial year ended 31 March 2007 was a year with significant change for the Group. In view of the declining results and uncertain operating environment, the Group has existed the snap off blade cutter and electronic businesses and as a result, at present, the Group is focused on its properties investment business. The Group will continuously make efforts in improving the performance and will operate under the principle of prudence carefully while actively identifying potential investment opportunities. I believe that the Group is heading the right direction and is well placed to capitalize on any exciting investment opportunity.

At present, the board (the "Board") of directors (the "Directors") of the Company is composite with different talents and dedicated to maximize the wealth of shareholders and believes to have sufficient capacity to overcome any future challenges the Group will meet.

GRATITUDE

Taking this opportunity, I would also like to thank all shareholders, staff and business partners of the Group for their continuous supports during the year.

ZHAO QING JI
CHAIRMAN

Hong Kong, 18 May 2007

BIOGRAPHICAL DETAILS OF DIRECTORS

Executive Directors

Mr. Zhao Qing Ji, aged 34, has been appointed as Chairman of the Company in January 2007 and an executive director and CEO of the Company in November 2006. Mr. Zhao graduated at Peking University with a bachelor's degree in economics in 1998. Mr. Zhao has nearly 10-year experience in corporate management. Mr. Zhao also has ample of experience in merger and acquisition, corporate restructuring, investment management, finance and initial public offering in PRC. Prior to joining the Company, Mr. Zhao was Vice President of Peking University Resource Group, responsible for management of investments in property development projects and investment properties.

Mr. Lu Xiao Dong, aged 34, has been appointed an executive Director in May 2006. Mr. Lu received a bachelor's degree in economics from Nankai University in 1996 and has nearly 10-year experience in investment banking and extensive experience in merger and acquisition, corporate finance, company reconstruction and initial public offering.

Mr. Au Tat On, aged 51, has been appointed an executive Director in May 2006. Mr. Au received a bachelor's degree in business administration from Chu Hai College in 1989 and has nearly 28-year experience in banking operations and financing.

Mr. Wong Siu Keung, Joe, aged 42, joined the Group in 2000 and is an executive Director, qualified accountant and company secretary of the Company responsible for financial planning and control of the Group. Mr. Wong has extensive experience in taxation, accounting, financing and auditing fields. Mr. Wong is an associate member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants and holds a master's degree in international accounting from the City University of Hong Kong.

Independent non-executive Directors

Mr. Yeung King Wah, aged 48, was appointed independent non-executive Director of the Company in May 2006. Mr. Yeung is the founder of Yeung & Co, Chartered Accountants (a firm of registered auditors based in the United Kingdom) – is a fellow member of the Institute of Chartered Accountants in England and Wales (FCA), and the Hong Kong Institute of Certified Public Accountants (FCPA). Mr. Yeung is also a member of the Chartered Institute of Taxation in the United Kingdom (ATII). Mr. Yeung obtained his bachelor degree of Commerce in Accounting from The University of Birmingham in 1981. Mr. Yeung is a principal of Yeung & Co, Chartered Accountants, Registered Auditors and he has nearly 20 years experience in auditing, taxation, corporate finance, treasury, financial consulting and management gained from working in Europe and the Asia Pacific.

Mr. Cheng Kwok Hing, Andy, aged 35, was appointed independent non-executive Director of the Company in September 2004. Mr. Cheng has over 15 years of experience in accounting and administrative fields, of which five years were with public company listed on the Stock Exchange. Mr. Cheng is a director of a Hong Kong private company which is principally engaged in the manufacturing and sale of Chinese medical herbs in Hong Kong and the PRC. Mr Cheng is also an executive director of Kanstar Environmental Paper Products Holdings Limited, a company whose ordinary shares are listed on the GEM Board of the Stock Exchange and Peking Apparel International Group Limited, a company whose ordinary shares are listed on the Main Board of the Stock Exchange.

Mr. Yeung Yuen Hei, aged 42, was appointed independent non-executive Director of the Company in August 2005. Mr. Yeung is a solicitor practising in Hong Kong. Mr. Yeung holds a bachelor of laws degree from the University of London and a postgraduate certificate in laws from the University of Hong Kong. Mr. Yeung is a partner of Y. H. Yeung and Associates, Solicitors and Mr. Yeung serves as honorary legal adviser to the Parent Teacher Association of Kwong Ming School – PM session, a sport association and an association on building management consultation in Yuen Long district.

REVIEW OF RESULTS

The Group's turnover was HK$58.9 million (2006: HK$99.2 million), representing an decrease of 40.6% from the same period of last year and loss per share was HK5.10 cents (2006: HK10.80 cents). During the year, the Group has ceased its consumer electronic and snap off blade cutters businesses and will focus on the properties investment business.

BUSINESS REVIEW AND PROSPECTS

Continuing operation

Properties investment business

The turnover of the Group's properties investment business was HK$5.7 million (2006: HK$2.9 million), a 92.6% increase over last year. The results of this business segment enhanced to HK$15.1 million (2006: HK$2.9 million). The increase was mainly due to the acquisition of properties in Shanghai through the acquisition of Luck Grow Group Limited, gain on disposal and fair value adjustments of investment properties in Shanghai during the year. The properties in Shanghai are properties with aggregate gross floor area of approximately 5,621.69 square meters, located in fast developing area or city centre of Shanghai. For details, please refer to the circular dated 31 October 2006. The Group also disposed of all of its interest in the property in Panyu in the PRC, resulting a gain of HK$9.1 million attributable to the Group. The Group will concentrate on the properties investment business and will actively explore other investment opportunities.

Discontinued operation

Electronic consumer products business

The turnover of the Group's electronic consumer products business was HK$7.2 million (2006: HK$52.5 million) and recorded negative contribution to HK$19.5 million (2006: HK$20.9 million). Considering continuously underperformance of consumer electronic business, the Group terminated it in June 2006.

Snap off blade cutters business

The turnover of the Group's snap off blade cutters business was HK$46.0 million (2006: HK$43.7 million). Adversely affected by an overall increase in material prices and production costs, the negative results of this business segment enhanced to HK$9.6 million (2006: HK$2.4 million). Having considered the loss making track record for the past years, the Group decided to exit the snap off blade cutters business and dispose it. For details, please refer to the circular dated 6 March 2007.

Geographical segment analysis

All of the Group's client base for continuing operations are in the PRC. The Group's client base for discontinued operations is quite well diversified in terms of geographical locations. There was a high concentration in the Hong Kong market since sales were classified according to the location of direct clients. Most of the goods sold to our clients in Hong Kong were in fact exported to other countries.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2007, the current and non-current liabilities of the Group amounted to HK$5.9 million (2006: HK$84.5 million) and HK$225.8 million (2006: HK$1.5 million), respectively. The previous year's net current liabilities position of HK$60.8 million was changed to net current asset position of HK$2.0 million, which was mainly due to the disposal of discontinued operations which had net current liabilities and subscription of new shares during the year. For details please refer to note 32 to the financial statements.

The Group did not have any bank borrowing as at 31 March 2007 and therefore, the gearing ratio, defined as the percentage of total bank borrowings to shareholders' funds, is nil (2006: 299%). According to the sale and purchase agreement as disclosed in the circular dated 31 October 2006, the promissory notes of HK$157.7 million were not yet issued and are expected to be issued in July 2007 and June 2009.

Most of the Group's continuing business transactions, assets and liabilities are denominated in either Hong Kong dollars and Renminbi. The risk of foreign exchange fluctuation was not significant to the Group as at 31 March 2007.

INVESTMENT POSITION AND PLANNING

The Group acquired the entire issued share capital of Luck Grow Group Limited in November 2006, whose principal assets are properties in Shanghai. Details of such acquisition are set out in the circular dated 31 October 2006.

The Group does not have any significant investment position in stocks, bonds and other financial derivatives. The Group's exposure to fluctuations in exchange rates is very limited because its assets and liabilities have been well matched in terms of denominations.

SHARE CAPITAL

During the year, the share capital of the Company have the following changes:

Subscription of new shares

(i) On 18 May 2006, the Company entered into a conditional subscription agreement with a subscriber, a third party independent of and not connected with the Company or its connected persons (as defined in the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange")), for the subscription of 58 million new shares at a price of HK$0.23 per new share under the general mandate granted to the directors of the Company pursuant to the resolutions of the shareholders of the Company passed at its annual general meeting held on 29 September 2005.

All conditions of the subscription agreement were fulfilled and the 58 million new shares were issued on 20 June 2006.

(ii) On 1 December 2006, the Company entered into a conditional subscription agreement with ten subscribers, third parties independent of and not connected with the Company or its connected persons (as defined in the Listing Rules), for the subscription of approximately 69.9 million New Shares at a price of HK$0.38 per new share under the general mandate granted to the directors of the Company pursuant to the resolutions of the shareholders of the Company passed at its annual general meeting held on 30 August 2006.

All conditions of the subscription agreement were fulfilled and the approximately 69.9 million New Shares were issued on 29 December 2006.

POST BALANCE SHEET EVENT

Capital reorganisation

On 12 April 2007, the Company proposed to effect the capital reorganisation (the "Capital Reorganisation") which involves capital reduction and the share premium reduction. The capital reduction involves a reduction in the nominal value of each existing share, in issue of HK$0.20 by HK$0.19 to HK$0.01. Pursuant to the share premium reduction, the entire amount standing to the credit of the share premium account of the Company will be cancelled. The amount arising from the capital reorganisation will be credited to the contributed surplus account of the Company and part of which will be used to fully eliminate the accumulated deficits of the Company as of 31 December 2006. The Capital Reorganisation was approved by the shareholders at special general meeting on 21 May 2007.

CHARGES ON GROUP'S ASSETS

As at 31 March 2007, the investment properties of the Group (being the properties in Shanghai acquired during the year) were pledged to banks to secure credit facilities to the extent of approximately HK$162 million, guarantee to certain independent third parties for working capital funding purpose. No recognition was made because the fair value of such guarantee was insignificant.

CONTINGENT LIABILITIES

The Group

As at 31 March 2007, the Group does not have any contingent liability. As at 31 March 2006, the Group had a contingent liabilities in respect of possible future long services payments to employees of HK$338,000.

The Company

As at 31 March 2007, the Company does not have any contingent liabilities. As at 31 March 2006, the Company had given guarantees to banks in connection with banking facilities granted to certain subsidiaries amounting to HK$57,469,794.

ACQUISITION AND DISPOSAL OF SUBSIDIARIES

Acquisition of subsidiaries

During the year, the Group acquired all the interest in Luck Grow Group Limited and the sales loan from an independent third party at a consideration of approximately HK$182.5 million. For details, please refer to the circular dated 31 October 2006.

Disposal of subsidiaries

During the year, the Group disposed of all its interest in Asian Field Holdings Corp., a wholly owned subsidiary of the Company, to Mr Chong Sing Yuen, a connected person, at a consideration of approximately HK$1. For details, please refer to the circular dated 6 March 2007.

Apart from the above, there were no acquisition and disposal of subsidiaries and associated companies during the year.

EMPLOYEES

At 31 March 2007, the Group had approximately 10 and 21 employees in Hong Kong and the PRC, respectively. The remuneration was determined with reference to statutory minimum wages, market terms and the performance, qualification and experience of individual employees. The Group provides contributory provident fund and insurance scheme to the employees. Share option scheme and incentive schemes are adopted to encourage personal commitment of employees.

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group ceased the businesses of the manufacture and sale of snap off blade cutters and electronic consumer products during the year and will focus on the properties investment business. The principal activities of its subsidiaries are set out in note 19 to the financial statements.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 March 2007 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 27 to 109.

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

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 110. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment of the Company and property, plant and equipment, and investment properties of the Group during the year are set out in notes 16 and 17 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with the reasons therefor, are set out in notes 32 and 33 to the financial statements.

PRE-EMPTIVE RIGHTS

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

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

DISTRIBUTABLE RESERVES

As at 31 March 2007, the Company had no reserves available for distribution, calculated in accordance with the provisions of the Bermuda Company Act 1981 (as amended). The Company's share premium account, in the amount of HK$40,911,074, may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK$16,000 (2006: HK$30,000).

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 22% of the total sales for the year and sales to the largest customer included therein amounted to 12%. Purchases from the Group's five largest suppliers accounted for 43% of the total purchases for the year and purchases from the largest supplier included therein amounted to 18%.

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

DIRECTORS

The Directors during the year were:

Executive Directors:

Zhao Qing Ji *(Chairman) (Appointed on 30 November 2006)*
Lu Xiao Dong *(Appointed on 12 May 2006)*
Au Tat On *(Appointed on 12 May 2006)*
Wong Siu Keung, Joe
Chong Sing Yuen *(Resigned on 7 January 2007)*
Chong Chun Hing *(Resigned on 12 May 2006)*
Chong Chun Kwok, Piggy *(Resigned on 12 May 2006)*
Chu Kiu Fat *(Resigned on 20 April 2006)*

Independent non-executive Directors:

Cheng Kwok Hing, Andy
Yeung King Wah *(Appointed on 26 May 2006)*
Yeung Yuen Hei
Chan Ping Yim *(Resigned on 26 May 2006)*

In accordance with the Company's Bye-law 86(2) and 87(1), Messrs. Zhao Qing Ji, Wong Siu Keung, Joe and Cheng Kwok Hing, Andy will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The independent non-executive Directors has fixed term of office for three years from the day of appointment and will be subject to the general requirement of retirement by rotation under the Bye-laws of the Company.

The Company has received the annual confirmations of independence from Messrs. Yeung King Wah, Yeung Yuen Hei and Cheng Kwok Hing, Andy, and as at the date of this report still considers them to be independent.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors are set out on pages 4 and 5 of the annual report.

DIRECTORS' REMUNERATION

The Directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of Directors with reference to Directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are 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

Ms Cheng Man Shan, the spouse of Mr Chong Sing Yuen, being a beneficial and controlling shareholder of Twin Base Limited ("Twin Base"), was interested in a contract for the lease of a motor vehicle to the Group during the year. Further details of the transaction undertaken in connection therewith are included in note 39 to the financial statements.

Save as disclosed above, no Director had interests in any contract of significance subsisting during or at the financial year ended 31 March 2007 in relation to the business of the Group taken as a whole.

DIRECTORS' INTEREST AND SHORT POSITIONS IN SHARES

As at 31 March 2007, none of the Directors had registered an interest or short positions of the directors in the share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the share option scheme in note 33 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES

As at 31 March 2007, the following interests of 5% or more in the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

	Capacity and nature of interest	**Number of shares held**	**Percentage of the Company's issued share capital**
Win Channel Investments Limited *(Note 1)*	Directly beneficially owned	65,000,000	15.50
Chim Pui Chung *(Note 1)*	Through a controlled corporation	65,000,000	15.50
Pan Chien Pu	Directly beneficially owned	58,000,000	13.83
Easy Huge Holdings Limited *(Note 2)*	Directly beneficially owned	48,000,000	11.45
Ng Kin Wah *(Note 2)*	Through a controlled corporation	48,000,000	11.45

Note 1: The interest was held by Win Channel Investments Limited, a company wholly owned by Mr. Chim Pui Chung.

Note 2: The interest was held by Easy Huge Holdings Limited, a company wholly owned by Mr. Ng Kin Wah.

Save as disclosed above, no person had registered an interest or short position in the shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

CONNECTED TRANSACTIONS

During the year, the Group made rental payment of approximately HK$197,500 (2006: HK$474,000) to Twin Base Limited, a company in which Ms Cheng Man Shan, the spouse of Mr Chong Sing Yuen had a beneficial interest for a motor vehicle with cross border license. The rentals were charged in accordance with a motor vehicle rental agreement. Details of the operating lease commitments at the balance sheet date are set out in note 39 to the financial statements.

Significant related party transactions entered into by the Group during the year ended 31 March 2007, which do not constitute connected transactions under the Listing Rules, are disclosed in note 39 to the financial statements.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 41 to the financial statements.

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of directors of the Company, the Company maintained a sufficient public float throughout the year ended 31 March 2007.

AUDITORS

The financial statements for the year ended 31 March 2007 were audited by CCIF CPA Limited. A resolution will be submitted to the forthcoming annual general meeting to re-appoint CCIF CPA Limited as auditors of the Company.

ON BEHALF OF THE BOARD

Zhao Qing Ji
CHAIRMAN

Hong Kong, 18 May 2007

In view of the corporate governance practices, the Company has adopted a set of clear guidelines to explain its policies, practices and procedures which we aim to follow to ensure that our standards meets our shareholders' expectations. The Company has committed to maintain a high standard of corporate governance based on the principles of the code provisions set out in the Code of Corporate Governance Practice (the "CG Code") in Appendix 14 of the Listing Rules effective on 1 January 2005. The Company recognizes the maintenance of good corporate governance practices is essential to the growth of the Company and has complied with all the CG Code except for certain deviations that are discussed later in this report.

BOARD OF DIRECTORS

Composition

As at the date of this report, the Board comprises seven Directors of which four are executive Directors and three are independent non-executive Directors. The members of directors and board committee are as follows:

Executive Directors:

Zhao Qing Ji *(Chairman) (Appointed on 30 November 2006)*
Lu Xiao Dong *(Appointed on 12 May 2006)*
Au Tat On *(Appointed on 12 May 2006)*
Wong Siu Keung, Joe
Chong Sing Yuen *(Resigned on 7 January 2007)*
Chong Chun Hing *(Resigned on 12 May 2006)*
Chu Kiu Fat *(Resigned on 20 April 2006)*
Chong Chun Kwok, Piggy *(Resigned on 12 May 2006)*

Independent non-executive Directors:

Cheng Kwok Hing, Andy
Yeung King Wah *(Appointed on 26 May 2006)*
Yeung Yuen Hei
Chan Ping Yim *(Resigned on 26 May 2006)*

CORPORATE GOVERNANCE PRACTICES

The Board formulates overall strategies and policies of the Group. It also ensures the availability of adequate capital and managerial resources to implement the strategies adopted, the adequacy of systems of financial and internal controls and the conduct of business in conformity with applicable laws and regulations. Decisions requiring the Board's approval include, among others, all matters of objective and strategic importance, corporate governance practices, changes in Board members, major transactions and investment commitments, annual budget and financial matters, all policy matters etc. The day-to-day management, administration and operation of the Company are delegated to senior management which is accountable to the Board for the implementation of the Group's overall strategies and coordination of overall business operations.

The Board members are fully committed to their roles and have always acted, individually and collectively, in the best interests of the Company and its shareholders at all times. To the best knowledge of the Company, there is no financial, business, family or other material/relevant relationship amongst Directors. Biographical details of the Directors are set out from pages 4 to 5 under the section headed "Biographical details of the Directors" of this annual report.

During the year ended 31 March 2007, the Board held 17 regular/special Board meetings. The attendance of each member at the Board meetings is setout below:

Name	**Number of meetings attended/Total**
Executive Directors:	
Zhao Qing Ji *(Chairman) (Appointed on 30 November 2006)*	5/6
Lu Xiao Dong *(Appointed on 12 May 2006)*	12/16
Au Tat On *(Appointed on 12 May 2006)*	15/16
Wong Siu Keung, Joe	17/17
Chong Sing Yuen *(Resigned on 7 January 2007)*	5/15
Chong Chun Hing *(Resigned on 12 May 2006)*	0/2
Chu Kiu Fat *(Resigned on 20 April 2006)*	1/1
Chong Chun Kwok, Piggy *(Resigned on12 May 2006)*	2/2
Independent non-executive Directors:	
Cheng Kwok Hing, Andy	11/17
Yeung King Wah *(Appointed on 26 May 2006)*	5/13
Yeung Yuen Hei	3/17
Chan Ping Yim *(Resigned on 26 May 2006)*	0/5

Chairman

The role of the chairman of the Board has been performed by Mr Zhao Qing Ji after the resignation of Mr Chong Sing Yuen. Mr Zhao Qing Ji also acts as chief executive officer of the Company. The Board considered that the non-segregation would not result in considerable concentration of power in one person and has the advantage of a strong and consistent leadership which is conducive to making and implementing decisions quickly and consistently.

The chairman of the Company takes the lead in formulating overall strategies and policies of the Group; ensures the effective performance by the Board of its functions, including compliance with good corporate governance practices and encourages and facilitates active contribution of directors in Board activities. He also ensures that all Directors are properly briefed on issues arising at Board meetings and have received adequate, complete and reliable information in a timely manner with the assistance of the company secretary.

Executive Directors

The executive Directors are responsible for running the Group and executing the strategies adopted by the Board. They lead the Group's management team in accordance with the directions set by the Board and are responsible for ensuring that proper internal control system is in place and the Group's business conforms to applicable laws and regulations.

Independent Non-executive Directors

The independent non-executive Directors serve the important function of ensuring and monitoring the basis for an effective corporate governance framework. Their participations provide adequate checks and balances to safeguard the interests of the Group and its shareholders. The Board consists of three independent non-executive Directors and one of them have appropriate professional qualifications or accounting or related financial management expertise. The Company has received from each of the independent non-executive Directors a confirmation of independence for the year pursuant to Rule 3.13 of the Listing Rules. On this basis, the Company considers all such Directors to be independent.

Corporate Governance

During the year, the Company was in compliance with the CG Code, except for the deviation from the requirement of code provision A2.1.

The Chairman of the Company also acts as chief executive officer of the Company during the year, which is deviated from the requirement of the code provision A2.1. The Board considers that this structure is conductive with strong and consistent leadership, enabling the Company to respond promptly and efficiently.

Audit Committee

The audit committee has been established by the Board. The audit committee currently comprises three independent non-executive Directors. The functions of the audit committee are:–

- to make recommendations to the Board concerning the appointment, reappointment, retention, evaluation and termination of compensation and overseeing the work of the Company's independent auditor;
- to approve all non-audit services to be provided by the Company's independent auditor;
- to approve the remuneration and terms of engagement of the Company's independent auditor;
- to review the relationships between the Company and the independent auditor;
- to approve the hiring of any employee or former employee of the Company's independent auditor who was a member of the audit team during the preceding two years;
- to review the Company's annual and interim financial statements, accounting policies and practices, the effectiveness of the Company's disclosure controls and procedures and developments in financial reporting practices and requirements;
- to review the Company's risk assessment and management policies;

- to review the adequacy and effectiveness of the Company's legal and regulatory compliance procedures;

- to obtain and review reports from management and the independent auditor regarding compliance with applicable legal and regulatory requirements; and

- to perform the duties as set out in code provision C.3.3 of the CG Code.

During the year, the audit committee held 2 meetings, details of attendence are set out below:–

Members	**Number of meetings attended/Total**
Cheng Kwok Hing, Andy	2/2
Yeung King Wah *(Chairman) (Appointed on 26 May 2006)*	2/2
Yeung Yuen Hei	0/2
Chan Ping Yim *(Resigned on 26 May 2006)*	N/A

The Audit Committee during the year in conjunction with auditors has reviewed the internal controls, interim and annual results of the Group in the Code.

The Board has not taken any different view from that of the Audit Committee regarding selection, appointment, resignation or dismissal of external auditors.

Remuneration and Nomination Committee

The remuneration and nomination committee have been established by the Board. The audit committee currently comprises one executive Director and three independent non-executive Directors. The functions of Remuneration and Nomination Committees are:

- to recommend to the Board on the Company's policies and structure for the remuneration of the Directors and senior management of the Group;

- to determine the remuneration packages of all executive Directors and senior management;

- to review and approve performance-based remuneration; and

- to review and approve the compensation payable to executive Directors and senior management in connection with any loss or termination of office or appointment.

In addition, the Remuneration and Nomination Committee as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment and succession planning of Directors and assessing the independence of independent non-executive Directors. Where vacancies exist, the Remuneration and Nomination Committee will carry out the selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, the Company's needs and other relevant statutory requirements and regulations.

For the avoidance of doubt, the Directors and their associates do not participate in decisions making relating to their own remuneration.

During the year, the Remuneration and Nomination Committee held 1 meeting, details of attendence are set out below:–

Members	**Number of meetings attended/Total**
Executive Director:	
Wong Siu Keung, Joe	1/1
Independent non-executive Directors:	
Cheng Kwok Hing, Andy	1/1
Yeung King Wah *(Chairman) (Appointed on 26 May 2006)*	0/1
Yeung Yuen Hei	0/1
Chan Ping Yim *(Resigned on 26 May 2006)*	N/A

DIRECTORS' SECURITIES TRANSACTION

The Company has adopted the Model Code for Securities Transactions by Directors (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors.

Having made specific enquiry of the Directors, all Directors confirmed that they had compiled with the required standards as set out in the Model Code throughout the year.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Directors acknowledge their responsibility for preparing all information and representations contained in the financial statements of the Group for the year. The Directors consider that the financial statements have been prepared in conformity with the generally accepted accounting standards in Hong Kong, and reflect amounts that are based on the best estimates and reasonable, informed and prudent judgment of the Board and management with an appropriate consideration to materiality. The Directors, having made appropriate enquiries, are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the financial statements of the Company on a going concern basis.

The statement of the auditors of the Company regarding their responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 25 to 26 of this annual report.

Internal Controls

It is the responsibility of the Board to ensure that the Group maintains sound and effective internal controls to safeguard the shareholders' investments and the Group's assets.

The Board, with the assistance of RSM Nelson Wheeler Consulting Limited, assessed the effectiveness of the Group's internal control system of major subsidiaries of the Group during the year ended 31 March 2007. No material issue but areas for improvement had been identified and appropriate measures had been taken.

Auditors' Remuneration

An analysis of the remuneration of the Company's auditors, CCIF CPA Limited, for the year is set out as follows:

Services rendered	**Fee paid/payable Approximately** *HK$*
Audit services (2006: approximately HK$290,000)	421,600
Non-audit services (2006: approximately HK$15,000)	1,186,000
Taxation services	–
Other services	–
Total:	1,607,600

COMMUNICATION WITH SHAREHOLDERS

The Company endeavours to develop and maintain continuing relationships and effective communications with its shareholders and investors. To facilitate and enhance the relationships and communication, the Company has established, including but not limited to, the following various channels:

1. annual general meeting provides a forum for shareholders of the Company to raise comments and exchange views with the Board. The Chairman and the Directors are available at annual general meetings to address shareholders' queries;

2. separate resolutions are proposed at general meetings on each substantially separate issue and procedures for demanding a poll in general meetings are included in circulars to the shareholders to facilitate the enforcement of shareholders' rights;

3. interim and annual results are announced as early as possible so that the shareholders are kept informed of the Group's performance and operations; and

4. corporate website www.northern.com.hk contains extensive information and updates on the Company's business developments and operations, financial information and other information.

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

TO THE SHAREHOLDERS OF
NORTHERN INTERNATIONAL HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Northern International Holdings Limited (the "Company") set out on pages 27 to 109, which comprise the consolidated and Company balance sheets as at 31 March 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

Auditor's responsibility (continued)

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 the affairs of the Company and of the Group as at 31 March 2007 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

CCIF CPA Limited
Certified Public Accountants
Hong Kong, 18 May, 2007

Delores Teh
Practising Certificate Number P03207

For the Year ended 31 March 2007

	Note	**2007**	2006
		HK$	*HK$*
			(restated)
Continuing operations			
Turnover	7	**5,658,580**	2,938,429
Other revenue	7	**27,817,945**	2,654
Administrative expenses		**(18,808,380)**	(7,976,584)
Other operating expenses		**(4,680)**	(6,375)
Profit/(loss) from operations	9	**14,663,465**	(5,041,876)
Finance costs	10	**–**	(146)
Profit/(loss) before taxation		**14,663,465**	(5,042,022)
Income tax	13	**(4,728,240)**	–
Profit/(loss) for the year from continuing operations		**9,935,225**	(5,042,022)
Discontinued operations			
Loss for the year from discontinued operations	8	**(28,551,269)**	(24,761,000)
Loss for the year		**(18,616,044)**	(29,803,022)
Attributable to:			
Equity shareholders of the Company	14	**(18,616,044)**	(29,803,022)
Earnings/(loss) per share	15		
From continuing and discontinued operations			
– Basic		**HK(5.10) cents**	HK(10.80) cents
– Diluted		**N/A**	N/A
From continuing operations			
– Basic		**HK2.72 cents**	HK(1.83) cents
– Diluted		**HK2.72 cents**	N/A

The notes on pages 34 to 109 form an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 March 2007

	Note	2007 HK$	2006 HK$
Non-current assets			
Property, plant and equipment	16	**886,616**	31,172,423
Investment properties	17	**258,784,000**	41,021,222
Interests in leasehold land held for own use under operating leases	18	**–**	4,351,938
Interests in associates	20	**–**	–
Deferred tax assets	31	**–**	5,724
		259,670,616	76,551,307
Current assets			
Inventories	21	**–**	12,073,678
Trade and bills receivables	22	**–**	8,139,100
Other receivables, deposits and prepayments		**2,155,325**	2,722,882
Pledged deposits	23	**–**	500,000
Cash and cash equivalents	23	**5,801,798**	310,189
		7,957,123	23,745,849
Current liabilities			
Trade payables	24	**–**	12,622,220
Other payables and accruals		**5,462,168**	11,695,737
Due to directors	25	**35,102**	3,135,539
Due to a related party	26	**–**	13,941,893
Obligations under finance leases	28	**–**	742,961
Bank overdrafts and interest-bearing borrowings	29	**–**	40,603,814
Tax payable	30	**419,619**	1,766,284
		5,916,889	84,508,448
Net current assets/(liabilities)		**2,040,234**	(60,762,599)
Total assets less current liabilities		**261,710,850**	15,788,708

As at 31 March 2007

	Note	2007 HK$	2006 HK$
Non-current liabilities			
Bank overdrafts and interest-bearing borrowings	29	–	1,270,754
Obligations under finance leases	28	–	188,174
Other payable	27	**2,751,624**	–
Long term payable	35(c)	**162,504,072**	–
Deferred tax liabilities	31	**60,515,002**	–
		225,770,698	1,458,928
NET ASSETS		**35,940,152**	14,329,780
CAPITAL AND RESERVES			
Share capital	32	**83,878,577**	58,299,577
Reserves	34	**(47,938,425)**	(43,969,797)
Total equity attributable to equity shareholders of the Company		**35,940,152**	14,329,780
TOTAL EQUITY		**35,940,152**	14,329,780

Approved and authorised for issue by the board of directors on 18 May 2007.

On behalf of the board

Zhao Qing Ji
Director

Wong Siu Keung, Joe
Director

The notes on pages 34 to 109 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year ended 31 March 2007

	Share capital HK$	Share premium HK$	Buildings revaluation reserve HK$	Special reserve HK$	Exchange fluctuation reserve HK$	Accumulated losses HK$	Total HK$
At 1 April 2005	48,699,577	24,062,750	–	(11,152,801)	(112,109)	(29,846,494)	31,650,923
Issue of new shares	9,600,000	2,880,000	–	–	–	–	12,480,000
Share issuance expense	–	(66,462)	–	–	–	–	(66,462)
Share consolidation expense	–	(132,849)	–	–	–	–	(132,849)
Exchange realignment	–	–	–	–	(345,206)	–	(345,206)
Surplus on revaluation	–	–	578,596	–	–	–	578,596
Deferred tax credited in the revaluation reserve	–	–	(32,200)	–	–	–	(32,200)
Loss for the year	–	–	–	–	–	(29,803,022)	(29,803,022)
At 31 March 2006	58,299,577	26,743,439	546,396	(11,152,801)	(457,315)	(59,649,516)	14,329,780
At 1 April 2006	58,299,577	26,743,439	546,396	(11,152,801)	(457,315)	(59,649,516)	14,329,780
Issue of new shares	25,579,000	14,321,100	–	–	–	–	39,900,100
Share issuance expense	–	(153,465)	–	–	–	–	(153,465)
Exchange realignment	–	–	–	–	(93,436)	–	(93,436)
Reversal of deferred tax on disposal of investment properties	–	–	115,902	–	–	–	115,902
Disposal of buildings held for own use	–	–	(662,298)	–	–	662,298	–
Disposal of foreign operations	–	–	–	–	457,315	–	457,315
Loss for the year	–	–		–	–	(18,616,044)	(18,616,044)
At 31 March 2007	83,878,577	40,911,074	–	(11,152,801)	(93,436)	(77,603,262)	35,940,152
Reserves retained by the Company and subsidiaries							
At 31 March 2007	83,878,577	40,911,074	–	(11,152,801)	(93,436)	(77,603,262)	35,940,152
At 31 March 2006	58,299,577	26,743,439	546,396	(11,152,801)	(457,315)	(59,649,516)	14,329,780

The notes on pages 34 to 109 form an integral part of these financial statements.

For the Year ended 31 March 2007

	Note	2007 HK$	2006 HK$ (restated)
Operating activities			
Profit/(loss) before taxation			
From continuing operations		**14,663,465**	(5,042,022)
From discontinued operations		**(28,551,269)**	(24,653,252)
Adjustments for:			
Amortisation of land lease premium		**74,070**	114,359
Finance costs		**1,927,130**	2,387,099
Interest income on bank deposits		**(173,067)**	(16,603)
Depreciation		**1,373,552**	3,204,900
Gain on disposal of property, plant and equipment		**(9,089,307)**	–
Fair value adjustments of investment properties		**(15,145,560)**	(205,212)
Surplus on revaluation of buildings		**(100,000)**	(828,679)
Negative goodwill	35(a)	**(3,405,803)**	–
Gain on disposal of subsidiaries	35(b)	**(2,440,813)**	–
Write-off of plant and equipment		**5,507,581**	–
Impairment loss on slow-moving and obsolete inventories		**5,191,601**	53,265
Write back on due from associates		**–**	(770,825)
Foreign exchange (gain)/loss, net		**(118,266)**	271,998
Operating loss before changes in working capital		**(30,286,686)**	(25,484,972)
Decrease in inventories		**1,837,320**	8,342,661
(Increase)/decrease in trade and bills receivables		**(1,857,767)**	2,250,360
Decrease in other receivables, deposits and prepayment		**1,208,499**	1,535,722
(Decrease)/increase in trade payables		**(4,435,945)**	1,538,820
(Decrease)/increase in other payables and accruals		**(2,854,437)**	1,220,381
Decrease in due to associates		**–**	(884,580)
Decrease in due to directors		**(1,422,743)**	(1,070,790)
Cash used in operations		**(37,811,759)**	(12,552,398)
Tax paid		**(294,213)**	(21,268)
Net cash used in operating activities		**(38,105,972)**	(12,573,666)

CONSOLIDATED CASH FLOW STATEMENT

For the Year ended 31 March 2007

	Note	**2007**	2006
		HK$	*HK$*
			(restated)
Investing activities			
Purchase of plant and equipment		**(672,507)**	(3,228,086)
Interest received		**173,067**	16,603
Cash outflow from acquisition of subsidiaries	35(a)	**(17,215,220)**	–
Cash outflow from disposal of subsidiaries	35(b)	**(1,302,167)**	–
Net proceeds from disposal of investment properties		**73,529,412**	–
Increase in pledged deposits		**(1,000,000)**	–
Net cash generated from/(used in) investing activities		**53,512,585**	(3,211,483)
Financing activities			
Proceeds from issue of shares		**39,900,100**	12,480,000
Inception of bank loans		**–**	23,335,602
Repayment of bank loans		**(32,558,256)**	(21,821,872)
Inception of finance leases		**–**	1,615,000
Capital element of finance lease rentals paid		**(667,789)**	(922,957)
Interest element of finance lease rentals paid		**(52,653)**	(71,231)
Interest paid		**(1,874,477)**	(2,315,868)
Share issuance expense		**(153,465)**	(199,311)
Repayment to a related party		**(13,882,280)**	(328,654)
Net cash (used in)/generated from financing activities		**(9,288,820)**	11,770,709
Net increase/(decrease) in cash and cash equivalents		**6,117,793**	(4,014,440)
Cash and cash equivalents, at beginning of year		**(315,995)**	3,698,445
Cash and cash equivalents, at end of year		**5,801,798**	(315,995)
Analysis of the balances of cash and cash equivalents			
Cash and cash equivalents	23	**5,801,798**	310,189
Secured bank overdrafts	29	**–**	(626,184)
		5,801,798	(315,995)

The notes on pages 34 to 109 form an integral part of these financial statements.

As at 31 March 2007

	Note	2007 HK$	2006 HK$
Non-current assets			
Plant and equipment	16	**3,109**	6,390
Interests in subsidiaries	19	**183,681,072**	62,887,652
		183,684,181	62,894,042
Current assets			
Other receivables, deposits and prepayments		**1,651**	–
Cash and cash equivalents	23	**2,393,424**	6,389
		2,395,075	6,389
Current liabilities			
Other payables and accruals		**1,525,425**	1,372,747
Due to directors	25	**35,102**	3,135,539
Due to a related party	26	**–**	13,505,000
		1,560,527	18,013,286
Net current assets/(liabilities)		**834,548**	(18,006,897)
Total assets less current liabilities		**184,518,729**	44,887,145
Non current liabilities			
Long term payable	35(c)	**162,504,072**	–
NET ASSETS		**22,014,657**	44,887,145
CAPITAL AND RESERVES			
Share capital	32	**83,878,577**	58,299,577
Reserves	34	**(61,863,920)**	(13,412,432)
TOTAL EQUITY		**22,014,657**	44,887,145

Approved and authorised for issue by the board of directors on 18 May 2007.

On behalf of the board

Zhao Qing Ji	**Wong Siu Keung, Joe**
Director	*Director*

The notes on pages 34 to 109 form an integral part of these financial statements.

1. CORPORATE INFORMATION

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 19 to the financial statements.

2. STATEMENT OF COMPLIANCE

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

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. The accounting policies of the Group and the Company after the adoption of these new and revised HKFRSs have been summarised below.

The Group has not applied any new standard, amendment or interpretation that is not yet effective for the current accounting period (see note 44). The following standards, amendments and interpretations which are not relevant to the Group's operations have been issued and effective at the time of preparing this information :

– HKAS 19 Amendment – Actuarial Gains and Losses, Group Plans and Disclosures
– HKAS 21 Amendment – Net Investment in a Foreign Operation;
– HKAS 39 Amendment – Cash Flow Hedge Accounting of Forecast Intragroup Transactions;
– HKAS 39 Amendment – The Fair Value Option;
– HKFRS 6 – Exploration for and Evaluation of Mineral Resources;
– HKFRSs 1 & 6 – Amendments – First-time Adoption of Hong Kong Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources;
– HKFRS-Int 4 – Determining whether an Arrangement contains a Lease;
– HKFRS-Int 5 – Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds;
– HK(IFRIC)-Int 6 – Liabilities arising from Participating in a Specific Market -Waste Electrical and Electronic Equipment; and
– HK(IFRIC)-Int 7 – Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyper inflationary Economies.

2. STATEMENT OF COMPLIANCE (continued)

HKAS 39 and HKFRS 4 (Amendments) "Financial Guarantee Contracts" is effective for annual periods beginning on or after 1 January 2006.

Financial guarantee contracts were previously only disclosed as contingent liabilities as they did not fall within the scope of HKAS 39. Following the introduction of HKAS 39 and HKFRS 4 (Amendments), financial guarantee contracts are accounted for as financial liabilities. Financial guarantee contracts should be measured initially at fair value when the fair value can be measured reliably. Subsequently, they are measured at the higher of (i) the amount determined in accordance with HKAS 37 - Provisions, Contingent Liabilities and Contingent Assets and (ii) the amount initially recognized less, where appropriate, cumulative amortization recognized over the life of the guarantee on a straight-line basis.

The adoption of HKAS 39 and HKFRS 4 (Amendments) has no impact on the consolidated and Company's balance sheet.

3. SIGNIFICANT ACCOUNTING POLICIES

a) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 March 2007 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that investment property and properties held for own use are stated at their fair value.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 5.

b) BUSINESS COMBINATIONS

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 Business Combinations are recognized at their fair values at the acquisition date.

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

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

c) SUBSIDIARIES AND MINORITY INTERESTS

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) SUBSIDIARIES AND MINORITY INTERESTS (continued)

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

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

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

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 3(i)).

d) ASSOCIATES

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) ASSOCIATES (continued)

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets, unless it is classified as held for sale.

The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associates for the year, including any impairment loss on goodwill relating to the investment in associates recognised for the year.

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

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

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

e) GOODWILL

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) GOODWILL (continued)

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

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

f) PROPERTY, PLANT AND EQUIPMENT

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

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

Other items of plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 3(i)).

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

–	Buildings situated on leasehold land	2% or over the lease terms, whichever is shorter
–	Leasehold improvements	20%
–	Plant and machinery	20% - 25%
–	Furniture and equipment	20%
–	Motor vehicles	20% - 25%

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

g) INVESTMENT PROPERTIES

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation.

Investment properties are stated in the balance sheet at fair value. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in income statement. Rental income from investment properties is accounted for as described in note 3(p)(iv).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) LEASED ASSETS

i) Classification of assets leased to the Group

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

ii) Assets acquired under finance leases

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

iii) Operating lease charges

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

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) IMPAIRMENT OF ASSETS

i) Impairment of other receivables

Current receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised as follows:

– For trade and other current receivables carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material.

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

ii) Impairment of other assets

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

– property, plant and equipment (other than properties carried at revalued amounts);
– pre-paid interests in leasehold land classified as being held under an operating lease;
– investments in subsidiaries and associates; and
– goodwill.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) IMPAIRMENT OF ASSETS (continued)

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

– Calculation of recoverable amount

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

– Recognition of impairment losses

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

– Reversals of impairment losses

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) INVENTORIES

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

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

k) TRADE AND OTHER RECEIVABLES

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

l) CASH AND CASH EQUIVALENTS

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

m) TRADE AND OTHER PAYABLES

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

n) INTEREST-BEARING BORROWINGS

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

o) INCOME TAX

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

o) INCOME TAX (continued)

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

o) INCOME TAX (continued)

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

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

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

  - the same taxable entity; or

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

p) REVENUE RECOGNITION

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

i) Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership.

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

iii) Management fee income is recognised when the services are provided.

iv) Rental income receivable under operating leases is recognised in the income statement in equal instalments over the periods covered by the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

q) TRANSLATION OF FOREIGN CURRENCIES

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

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

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

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

r) BORROWING COSTS

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

s) DISCONTINUED OPERATIONS

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

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

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

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

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

t) RELATED PARTIES

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

t) RELATED PARTIES (continued)

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

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

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

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

u) EMPLOYEE BENEFITS

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

u) EMPLOYEE BENEFITS (continued)

ii) Employment Ordinance long service payments

Certain of the Group's employees have completed 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 in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

A contingent liability is disclosed in respect of possible future long service payments to employees, as a number of current employees have achieved the required number of years of service to the Group, to the balance sheet date, in order to be eligible for long service payments under the Employment Ordinance if their employment is terminated in the circumstances specified. 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.

iii) Share option scheme

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

v) SEGMENT REPORTING

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

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

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

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

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

w) FINANCIAL GUARANTEES ISSUED, PROVISIONS AND CONTINGENT LIABILITIES

i) Financial guarantees issued

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

w) FINANCIAL GUARANTEES ISSUED, PROVISIONS AND CONTINGENT LIABILITIES (continued)

i) Financial guarantees issued (continued)

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

The amount of the guarantee initially recognised as deferred income is amortised in the income statement over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised and when (1) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (2) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

ii) Other provisions and contingent liabilities

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

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

4. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk, credit risk and liquidity risk).

a) Foreign exchange risk

The Group mainly operates in the mainland China with most of the transactions denominated and settled in Renminbi ("RMB"). However, foreign currencies, mainly Euro, are required to settle the Group's sales of snap off blade cutters to overseas customers and the relative expenses. RMB is not freely convertible into other foreign currencies and conversion of RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the mainland China government.

The Group has not used any forward contracts, currency borrowings or other means to hedge its foreign currency exposure. RMB against United States Dollars was relatively stable during the years and as a result, the Group considers it has no material foreign exchange risk.

b) Interest rate risk

The Group's interest rate risk arises from debt borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk whilst borrowings at fixed rates expose the Group to fair value interest-rate risk. Details of the Group's borrowings have been disclosed in note 29 to the financial statements.

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

c) Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of cash and cash equivalents, trade and bills receivables and other receivables represent the Group's maximum exposure to credit risk in relation to financial assets. The Group has policy that limit the amount of credit exposure to any financial institutions. The Group has also policies in place to ensure that the sale of products are made to customers with appropriate credit history and the Group performs periodic credit evaluations of its customers.

4. FINANCIAL RISK MANAGEMENT (continued)

d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Property, plant and equipment

The Group assesses annually whether property, plant and equipment have any indication of impairment. The recoverable amounts of property, plant and equipment have been determined based on value-in-use calculations. These calculations require the use of judgements and estimates.

6. SEGMENT INFORMATION

Segment information is presented by way of two segment formats : (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

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 the other business segments.

6. SEGMENT INFORMATION (continued)

Summary details of the business segments are as follows:

i) the snap off blade cutters segment manufactures and sells snap off blade cutters;

ii) the electronic consumer products segment manufactures and sells electronic consumer products; and

iii) the properties investment comprises rental income, surplus on revaluation and gain on disposal of properties.

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

During the financial year, the Group disposed of its snap off blade cutters and electronic consumer products business.

6. SEGMENT INFORMATION (continued)

a) Business segments

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

The Group

	For the year ended 31 March 2007					
	Continuing operations		Discontinued operations			
	Properties investment	Total	Snap off blade cutters	Electronic consumer products	Total	Consolidated
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Revenue						
External sales	5,658,580	5,658,580	46,028,732	7,182,220	53,210,952	58,869,532
Results						
Segment results	15,131,361	15,131,361	(9,578,431)	(19,486,521)	(29,064,952)	(13,933,591)
Unallocated income		3,542,373			2,440,813	5,983,186
Unallocated corporate expenses		(4,010,269)			–	(4,010,269)
Profit/(loss) from operations		14,663,465			(26,624,139)	(11,960,674)
Finance costs		–			(1,927,130)	(1,927,130)
Profit/(loss) before taxation		14,663,465			(28,551,269)	(13,887,804)
Income tax		(4,728,240)			–	(4,728,240)
Profit/(loss) from ordinary activities attributable to shareholders		9,935,225			(28,551,269)	(18,616,044)

6. SEGMENT INFORMATION (continued)

a) Business segments (continued)

The Group (continued)

	For the year ended 31 March 2006					
	Continuing operations		Discontinued operations			
	Properties investment	Total	Snap off blade cutters	Electronic consumer products	Total	Consolidated
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Revenue						
External sales	2,938,429	2,938,429	43,687,513	52,534,530	96,222,043	99,160,472
Results						
Segment results	2,938,429	2,938,429	(2,375,940)	(20,866,396)	(23,242,336)	(20,303,907)
Unallocated income		2,654			976,037	978,691
Unallocated corporate expenses		(7,982,959)			–	(7,982,959)
Loss from operations		(5,041,876)			(22,266,299)	(27,308,175)
Finance costs		(146)			(2,386,953)	(2,387,099)
Loss before taxation		(5,042,022)			(24,653,252)	(29,695,274)
Income tax		–			(107,748)	(107,748)
Loss from ordinary activities attributable to shareholders		(5,042,022)			(24,761,000)	(29,803,022)

6. SEGMENT INFORMATION (continued)

a) Business segments (continued)

The Group (continued)

	For the year ended 31 March 2007			
	Continuing operations	Discontinued operations		
	Properties investment	Snap off blade cutters	Electronic consumer products	Consolidated
	HK$	HK$	HK$	HK$
Segment assets	265,229,553	–	–	265,229,553
Unallocated corporate assets				2,398,186
Consolidated total assets				267,627,739
Segment liabilities	67,769,249	–	–	67,769,249
Unallocated corporate liabilities				163,918,338
Consolidated total liabilities				231,687,587
Other segment information:				
Capital expenditure	499,735	162,970	9,802	672,507
Depreciation	208,668	526,111	635,492	1,370,271
Unallocated depreciation				3,281
				1,373,552
Write off of plant and equipment	–	–	5,507,581	5,507,581
Impairment loss on slow-moving and obsolete inventories	–	–	5,191,601	5,191,601
Revaluation surplus of buildings recognised directly in the income statements	–	100,000	–	100,000
Fair value adjustments of investment properties recognised directly in the income statement	15,145,560	–	–	15,145,560

6. SEGMENT INFORMATION (continued)

a) Business segments (continued)

The Group (continued)

	For the year ended 31 March 2006			
	Continuing operations	Discontinued operations		
	Properties investment	Snap off blade cutters	Electronic consumer products	Consolidated
	HK$	*HK$*	*HK$*	*HK$*
Segment assets	41,021,222	22,114,143	37,144,572	100,279,937
Unallocated corporate assets				17,219
Consolidated total assets				100,297,156
Segment liabilities	–	10,298,544	12,639,954	22,938,498
Unallocated corporate liabilities				63,028,878
Consolidated total liabilities				85,967,376
Other segment information:				
Capital expenditure	–	291,695	2,936,391	3,228,086
Depreciation	–	604,141	2,572,767	3,176,908
Unallocated depreciation				27,992
				3,204,900
Impairment loss on slow-moving and obsolete inventories	–	–	53,265	53,265
Fair value adjustments of investment properties recognised directly in the income statement	–	–	205,212	205,212
Revaluation surplus of buildings recognised directly in the income statement	–	250,083	–	250,083
Revaluation surplus of buildings directly in equity	–	578,596	–	578,596

6. SEGMENT INFORMATION (continued)

b) Geographical segments

The Group

	31 March 2007		
	Continuing operations	**Discontinued operations**	**Total**
	HK$	***HK$***	***HK$***
Turnover			
Hong Kong	**182,600**	**8,473,557**	**8,656,157**
Mainland China	**5,475,980**	**5,853,731**	**11,329,711**
Europe	**–**	**17,677,827**	**17,677,827**
North America	**–**	**7,575,531**	**7,575,531**
East Asia	**–**	**11,184,258**	**11,184,258**
Others*	**–**	**2,446,048**	**2,446,048**
	5,658,580	**53,210,952**	**58,869,532**

	31 March 2006		
	Continuing operations	Discontinued operations	Total
	HK$	*HK$*	*HK$*
Turnover			
Hong Kong	38,106	55,216,656	55,254,762
Mainland China	2,900,323	4,890,208	7,790,531
Europe	–	16,331,492	16,331,492
North America	–	7,058,803	7,058,803
East Asia	–	10,135,722	10,135,722
Others*	–	2,589,162	2,589,162
	2,938,429	96,222,043	99,160,472

* *including Brazil and Canada etc*

7. TURNOVER AND OTHER REVENUE

Turnover represents the net invoiced value of good sold, after allowances for returns and trade discounts after elimination of all significant intra-group transactions and gross rental income.

During the year, the Group had revenue and gains arising from the following activities:

	2007	2006
	HK$	*HK$*
Turnover		
Sales of snap off blade cutters	**46,028,732**	43,687,513
Sales of electronic consumer products	**7,182,220**	52,534,530
Gross rental income	**5,658,580**	2,938,429
	58,869,532	99,160,472
Attributable to continuing operations	**5,658,580**	2,938,429
Attributable to discontinued operations	**53,210,952**	96,222,043
	58,869,532	99,160,472

7. TURNOVER AND OTHER REVENUE (continued)

Other revenue

	Continuing operations		Discontinued operations		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006
	HK$	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
Gain on disposal of subsidiaries	**–**	–	**2,440,813**	–	**2,440,813**	–
Gain on disposal of property, plant and equipment	**9,089,307**	–	**–**	–	**9,089,307**	–
Surplus on revaluation of buildings	**–**	–	**100,000**	250,083	**100,000**	250,083
Fair value adjustments of investment properties	**15,145,560**	–	**–**	205,212	**15,145,560**	205,212
Interest income on bank deposits	**146,377**	3	**26,690**	16,600	**173,067**	16,603
Negative goodwill *(note 35(a))*	**3,405,803**	–	**–**	–	**3,405,803**	–
Sundry income	**30,898**	2,651	**1,767,528**	1,789,075	**1,798,426**	1,791,726
Reversal on provision for due from associates	**–**	–	**–**	770,825	**–**	770,825
	27,817,945	2,654	**4,335,031**	3,031,795	**32,152,976**	3,034,449

8. LOSS FOR THE YEAR FROM DISCONTINUED OPERATIONS

On 7 February 2007, the Company entered into the sale and purchase agreement, pursuant to which the Company agreed to dispose of the entire issued share capital of Asian Field Holdings Corp ("Asian Field Group") and the right of and benefits in the sale loan to Mr. Chong Sing Yuen, the ex-director of the Company, for a consideration of HK$2. The sale loan represents the shareholder loan as at 31 March 2007 after netting off of the amount of inter-company balance capitalised (note 35(b)(ii)).

The disposal was completed on 31 March 2007. The details of transaction have been disclosed in the Company's circular dated 6 March 2007.

8. LOSS FOR THE YEAR FROM DISCONTINUED OPERATIONS (continued)

The result of the discontinued operations for the year ended 31 March 2007, which have been included in the consolidated income statement, were as follows:

	2007	2006
	HK$	*HK$*
Turnover		
Sales of snap off blade cutters	**46,028,732**	43,687,513
Sales of electronic consumer products	**7,182,220**	52,534,530
	53,210,952	96,222,043
Cost of sales	**(52,863,856)**	(103,367,006)
Gross profit/(loss)	**347,096**	(7,144,963)
Other revenue	**1,894,218**	3,031,795
Distribution costs	**(4,984,297)**	(7,855,894)
Administrative expenses	**(20,511,551)**	(10,297,237)
Other operating expenses	**(5,810,418)**	–
Loss from operations	**(29,064,952)**	(22,266,299)
Finance costs	**(1,927,130)**	(2,386,953)
Gain on disposal of operation	**2,440,813**	–
Loss before taxation	**(28,551,269)**	(24,653,252)
Income tax	**–**	(107,748)
Loss for the year	**(28,551,269)**	(24,761,000)

8. LOSS FOR THE YEAR FROM DISCONTINUED OPERATIONS (continued)

The carrying amounts of assets and liabilities of the discontinued operations as at the date of disposal, or 31 March 2006 were as follows:

	As at the date of disposal	**31 March 2006**
	HK$	*HK$*
Total assets	23,874,169	100,280,724
Total liabilities	88,881,349	129,206,447

The cash flows from the discontinued operations for the year ended 31 March 2007, were as follows:

	2007	2006
	HK$	*HK$*
Net cash flows from operating activities	**(34,847,050)**	(5,935,439)
Net cash flows from investing activities	**(2,448,249)**	(3,211,486)
Net cash flows from financing activities	**(35,530,455)**	12,995,166

9. PROFIT/(LOSS) FROM OPERATIONS

Profit/(loss) from operations was arrived at after charging/(crediting):

	Continuing operations		Discontinued operations		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006
	HK$	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
Auditors' remuneration	**426,100**	317,184	**–**	–	**426,100**	317,184
Cost of inventories	**–**	–	**52,863,856**	103,367,006	**52,863,856**	103,367,006
Staff costs (including directors' remuneration)						
– Wages and salaries	**9,851,815**	–	**7,936,595**	21,330,217	**17,788,410**	21,330,217
– Pensions scheme contribution	**55,080**	–	**840,789**	329,865	**895,869**	329,865
	9,906,895	–	**8,777,384**	21,660,082	**18,684,279**	21,660,082
Depreciation						
– Owned assets	**211,949**	27,992	**1,161,603**	3,013,775	**1,373,552**	3,041,767
– Assets held under finance leases	**–**	–	**–**	163,133	**–**	163,133
Amortisation of land lease premium	**–**	–	**74,070**	114,359	**74,070**	114,359
Exchange (gain)/loss, net	**101**	–	**(450,752)**	259,797	**(450,651)**	259,797
Minimum lease payments under operating leases for motor vehicles	**–**	–	**197,500**	474,000	**197,500**	474,000
Write off of plant and equipment	**–**	–	**5,507,581***	–	**5,507,581**	–
Impairment loss on slow-moving and obsolete inventories	**–**	–	**5,191,601***	53,265	**5,191,601**	53,265
Fair value adjustments of investment properties *(note 17)*	**(15,145,560)**	(205,212)	**–**	–	**(15,145,560)**	(205,212)

* In June 2006, the Group terminated the operations of electronic consumer products due to continuously under performance. Write off of plant and equipment and impairment loss on inventories relating to this operations were recognised in the income statement accordingly.

10. FINANCE COSTS

	Continuing operations		Discontinued Operations		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006
	HK$	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
Interest expenses on bank loans, overdrafts and other loans wholly repayable within five years	**–**	146	**1,874,477**	2,233,636	**1,874,477**	2,233,782
Interest expenses on bank loans wholly repayable after five years	**–**	–	**–**	82,086	**–**	82,086
Finance charges on obligations under finance leases	**–**	–	**52,653**	71,231	**52,653**	71,231
	–	146	**1,927,130**	2,386,953	**1,927,130**	2,387,099

11. DIRECTORS' REMUNERATION

The aggregate amounts of the directors' emoluments, disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance, are as follows:

	2007				
	Fees	Salaries and other benefits	Compensation for loss of office	Retirement scheme contributions	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Executive directors					
Chong Sing Yuen (resigned on 7 January 2007)	–	11,543,956	–	15,000	11,558,956
Zhao Qing Ji (appointed on 30 November 2006)	–	248,207	–	4,103	252,310
Lu Xiao Dong (appointed on 12 May 2006)	–	156,452	–	7,823	164,275
Au Tat On (appointed on 12 May 2006)	–	141,452	–	7,073	148,525
Wong Siu Keung, Joe	–	534,258	–	12,688	546,946
Chong Chun Kwok, Piggy (resigned on 12 May 2006)	–	66,998	–	2,443	69,441
Chong Chun Hing (resigned on 12 May 2006)	–	–	–	–	–
Chu Kiu Fat (resigned on 20 April 2006)	–	–	–	–	–
	–	12,691,323	–	49,130	12,740,453
Independent non-executive directors					
Chan Ping Yim (resigned on 26 May 2006)	1,774	–	–	–	1,774
Yeung King Wah (appointed on 26 May 2006)	107,963	–	–	–	107,963
Cheng Kwok Hing, Andy	30,000	–	–	–	30,000
Yeung Yuen Hei	60,000	–	–	–	60,000
	199,737	–	–	–	199,737
Total	199,737	12,691,323	–	49,130	12,940,190

11. DIRECTORS' REMUNERATION (continued)

	2006				
	Fees	Salaries and other benefits	Compensation for loss of office	Retirement scheme contributions	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Executive directors					
Chong Sing Yuen	–	5,082,948	–	12,000	5,094,948
Chong Chun Hing	–	333,462	–	12,000	345,462
Chu Kiu Fat	–	392,399	–	18,120	410,519
Wong Siu Keung, Joe	–	504,010	–	12,000	516,010
Chong Chun Kwok, Piggy	–	617,301	–	29,310	646,611
	–	6,930,120	–	83,430	7,013,550
Independent non-executive directors					
Chan Ping Yim	60,000	–	–	–	60,000
Chan Shun (resigned on 18 August 2005)	11,507	–	–	–	11,507
Cheng Kwok Hing, Andy	30,000	–	–	–	30,000
Yeung Yuen Hei	37,258	–	–	–	37,258
	138,765	–	–	–	138,765
Total	138,765	6,930,120	–	83,430	7,152,315

12. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2006: two) are directors whose emoluments are disclosed in note 11. The aggregate of the emoluments in respect of the other three (2006: three) individuals are as follows:

	2007	2006
	HK$	*HK$*
Salaries, allowances and benefits in kind	**1,664,822**	2,240,142
Retirement scheme contributions	**29,000**	47,880
	1,693,822	2,288,022

The remuneration of the three (2006: three) individuals with highest emoluments are within the following bands:

	Number of individuals	
	2007	2006
HK$Nil – HK$1,000,000	**2**	2
HK$1,000,001 – HK$1,500,000	**1**	1
	3	3

13. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

The provision for Hong Kong profits tax is calculated at 17.5% (2006: 17.5%) of the estimated assessable profits for the year. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

	The Group	
	2007	2006
	HK$	*HK$*
Current tax		
Hong Kong	**–**	(12,317)
Mainland China	**–**	120,065
	–	107,748
Deferred tax *(note 31)*	**4,728,240**	–
Tax expense	**4,728,240**	107,748
Tax expense for continuing operations	**4,728,240**	–
Tax expense for discontinued operations	**–**	107,748
	4,728,240	107,748

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

Reconciliation between tax expense and accounting loss at applicable tax rate:

The Group

	2007	2006
	HK$	*HK$*
Loss before taxation	**(13,887,804)**	(29,695,274)
Notional tax on loss before taxation, calculated at the tax rate applicable to profits in the countries concerned	**(1,052,031)**	(4,939,527)
Tax effect of non-taxable income	**(375,221)**	(711,847)
Tax effect of non-deductible expenses	**981,468**	1,013,574
Tax effect of unused tax losses not recognised	**5,173,504**	4,783,548
Others	**520**	(38,000)
Actual tax expense	**4,728,240**	107,748
Tax expense for continuing operations	**4,728,240**	–
Tax expense for discontinued operations	**–**	107,748
	4,728,240	107,748

14. LOSS ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated loss attributable to equity shareholders of the Company includes a loss of approximately HK$62,619,123 (2006: HK$13,957,662) which has been dealt with in the financial statements of the Company.

15. EARNINGS/(LOSS) PER SHARE

The calculation of basic and diluted earnings/(loss) per share is based on the following data:

	2007	2006
	HK$	*HK$*
Profit/(loss) for the purpose of basic earnings/(loss) per share (attributable to equity holders of the Company)		
From continuing operations	**9,935,225**	(5,042,022)
From discontinued operations	**(28,551,269)**	(24,761,000)
	(18,616,044)	(29,803,022)
Weighted average number of ordinary shares		
Issued ordinary shares at 1 April	**291,497,885**	4,869,957,705
Effect of share consolidation	**–**	(4,626,459,820)
Effect of share placing	**73,543,274**	32,350,685
Weighted average number of ordinary shares at 31 March for basic earnings per share	**365,041,159**	275,848,570
Deemed issue of ordinary shares for share options	**285,260**	N/A
Weighted average number of ordinary shares at 31 March for diluted earnings per share	**365,326,419**	N/A

The calculation of diluted earnings per share for continuing operations for the year ended 31 March 2007 is based on the profit attributable to equity holders of HK$9,935,225 and the weighted average number of 365,326,419 ordinary shares after adjusting for the effects of all dilutive potential shares under the Company's share option scheme.

Diluted loss per share for continuing and discontinued operations for the years ended 31 March 2007 and 2006 and diluted loss per share for continuing operations for the year ended 31 March 2006 have not been disclosed as the impact of the potential ordinary shares was anti-dilutive.

16. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings held for own use carried at revaluation	Leasehold improvements	Plant and machinery	Furniture and equipment	Motor vehicles	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Cost or valuation						
At 1 April 2005	24,084,000	8,744,150	32,606,742	10,702,535	1,375,597	77,513,024
Additions	–	–	3,141,715	86,371	–	3,228,086
Surplus on revaluation	184,000	–	–	–	–	184,000
Exchange realignment	–	13,742	1,090,638	–	19,299	1,123,679
At 31 March 2006	24,268,000	8,757,892	36,839,095	10,788,906	1,394,896	82,048,789
Analysis of cost or revaluation						
At cost	–	8,757,892	36,839,095	10,788,906	1,394,896	57,780,789
At valuation	24,268,000	–	–	–	–	24,268,000
	24,268,000	8,757,892	36,839,095	10,788,906	1,394,896	82,048,789
At 1 April 2006	24,268,000	8,757,892	36,839,095	10,788,906	1,394,896	82,048,789
Acquisition of subsidiaries	–	35,720	–	208,761	352,360	596,841
Surplus on revaluation	100,000	–	–	–	–	100,000
Disposal of subsidiaries	(1,720,000)	–	(10,841,943)	(619,066)	–	(13,181,009)
Additions	–	–	172,772	17,798	481,937	672,507
Transfer to investment properties	(1,048,000)	–	–	–	–	(1,048,000)
Disposal	(21,600,000)	–	–	–	–	(21,600,000)
Write-off	–	(8,272,342)	(26,938,471)	(10,034,278)	(1,335,596)	(46,580,687)
Exchange realignment	–	9,615	768,547	–	13,503	791,665
At 31 March 2007	–	530,885	–	362,121	907,100	1,800,106
Analysis of cost or revaluation						
At cost	–	530,885	–	362,121	907,100	1,800,106
At valuation	–	–	–	–	–	–
	–	530,885	–	362,121	907,100	1,800,106

16. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group (continued)

	Buildings held for own use carried at revaluation HK$	Leasehold improvements HK$	Plant and machinery HK$	Furniture and equipment HK$	Motor vehicles HK$	Total HK$
Accumulated depreciation						
At 1 April 2005	–	5,639,782	29,682,661	10,533,209	1,375,597	47,231,249
Charge for the year	644,679	867,090	1,536,107	157,024	–	3,204,900
Write back on revaluation	(644,679)	–	–	–	–	(644,679)
Exchange realignment	–	13,742	1,051,855	–	19,299	1,084,896
At 31 March 2006	–	6,520,614	32,270,623	10,690,233	1,394,896	50,876,366
At 1 April 2006	–	6,520,614	32,270,623	10,690,233	1,394,896	50,876,366
Charge for the year	–	211,695	861,811	109,556	190,490	1,373,552
Write-off	–	(6,246,479)	(23,413,596)	(10,077,436)	(1,335,595)	(41,073,106)
Disposal of subsidiaries	–	–	(10,462,557)	(567,602)	–	(11,030,159)
Exchange realignment	–	9,615	743,719	–	13,503	766,837
At 31 March 2007	–	495,445	–	154,751	263,294	913,490
Net book value						
At 31 March 2007	–	35,440	–	207,370	643,806	886,616
At 31 March 2006	24,268,000	2,237,278	4,568,472	98,673	–	31,172,423

16. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group (continued)

a) The net book value of plant and machinery held under finance leases of the Group as at 31 March 2007 was HK$Nil (2006: HK$1,459,408).

b) The analysis of net book value of Group's properties is as follows:

		Hong Kong		Mainland China		Total	
		2007	2006	**2007**	2006	**2007**	2006
	Notes	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
			(restated)		(restated)		(restated)
Long leases	(i)	–	2,668,000	–	–	–	2,668,000
Medium-term leases	(ii)	–	–	–	21,600,000	–	21,600,000
		–	2,668,000	–	21,600,000	–	24,268,000
Representing:							
Buildings carried at fair value		–	2,668,000	–	21,600,000	–	24,268,000

Notes:

i) These buildings held for own use were valued on a market basis by reference to comparable market transactions, based on their existing use.

ii) These buildings held for own use were specially designed properties which, due to their specialised nature, have an utility restricted to particular uses or users, and are rarely, if ever, sold on the open market, except as part of a sale of the business in occupation. They have therefore been valued on the basis of their depreciated replacement cost.

During the financial year 2007, a building held for own use with carrying value of HK$1,048,000 were transferred to investment properties due to the building was leased out to third party to earn rental income under operating lease.

At 31 March 2006, certain of the Group's buildings held for own use with a net book value of HK$24,268,000 were pledged to secure general banking facilities granted to the Group.

16. PROPERTY, PLANT AND EQUIPMENT (continued)

The Company

	Furniture and equipment *HK$*
Cost	
At 1 April 2005	139,962
Additions	–
At 31 March 2006	139,962
Additions	–
At 31 March 2007	139,962
Accumulated depreciation	
At 1 April 2005	105,580
Charge for the year	27,992
At 31 March 2006	133,572
Charge for the year	3,281
At 31 March 2007	136,853
Net book value	
At 31 March 2007	3,109
At 31 March 2006	6,390

17. INVESTMENT PROPERTIES

The Group

	HK$
Valuation:	
At 31 March 2005	40,816,010
Surplus on revaluation	205,212
At 31 March 2006	41,021,222
Transfer from property, plant and equipment and interests in leasehold land held of own use under operating leases	2,022,440
Acquired on acquisition of subsidiaries	244,456,000
Disposals	(41,021,222)
Disposal of subsidiaries	(2,840,000)
Surplus on revaluation	15,145,560
At 31 March 2007	258,784,000

The Group's investment properties are held in mainland China under medium-term leases.

The Group's investment properties were revalued on 31 March 2007 on a market basis by reference to comparable market transactions, based on their existing use, by Castores Magi (Hong Kong) Limited, independent professionally qualified valuers with recent experience in the location and category of property being valued. The investment properties are leased to third parties under operating leases, further summary details of which are included in note 36(a) to the financial statements.

At 31 March 2007, the Group's investment properties with value of HK$258,784,000 were pledged to secure general banking facilities granted to Shanghai Xiwu Industry Co., Ltd, Shanghai Chen Xuan Trading Co., Ltd and Shanghai Xu Hui Co., Ltd, all are independent third parties to the Group (note 37).

At 31 March 2006, the Group's investment properties with a value of HK$41,021,222 were pledged to secure general banking facilities granted to the Group (note 29).

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

The Group

	Hong Kong	Mainland China	Total
	HK$	*HK$*	*HK$*
Cost			
At 1 April 2005	3,008,554	2,619,290	5,627,844
Exchange adjustments	–	(56,957)	(56,957)
At 31 March 2006	3,008,554	2,562,333	5,570,887
At 1 April 2006	3,008,554	2,562,333	5,570,887
Disposals	–	(2,562,333)	(2,562,333)
Disposal of subsidiaries	(1,826,784)	–	(1,826,784)
Transfer to investment properties	(1,181,770)	–	(1,181,770)
At 31 March 2007	–	–	–
Amortisation			
At 1 April 2005	440,840	663,750	1,104,590
Charge for the year	61,399	52,960	114,359
At 31 March 2006	502,239	716,710	1,218,949
At 1 April 2006	502,239	716,710	1,218,949
Charge for the year	47,330	26,740	74,070
Disposals	–	(743,450)	(743,450)
Disposal of subsidiaries	(342,239)	–	(342,239)
Transfer to investment properties	(207,330)	–	(207,330)
At 31 March 2007	–	–	–
Net book value			
At 31 March 2007	–	–	–
At 31 March 2006	2,506,315	1,845,623	4,351,938

18. INTERESTS ON LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASES (continued)

The interests in leasehold land for own use under operating leases in Hong Kong and mainland China were amortized over the lease term period of 50 years on a straight-line basis.

During the financial year 2007, interests on leasehold land held for own use under operating leases with carrying value of HK$974,440 were transferred to investment properties.

At 31 March 2006, the interests on leasehold land held for own use under operating leases with net book value of HK$4,351,938 was pledged to a bank to secure a banking facility granted to the Group.

19. INTERESTS IN SUBSIDIARIES

	The Company	
	2007	2006
	HK$	*HK$*
Unlisted shares, at cost	**145,741,008**	35,741,016
Due from subsidiaries	**75,233,472**	64,215,944
Due to subsidiaries	**–**	(1,328,292)
	220,974,480	98,628,668
Less: Impairment losses	**(37,293,408)**	(35,741,016)
	183,681,072	62,887,652

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

Impairment losses on interests in subsidiaries are recognised as the carrying amount are greater than the recoverable amount in assessing the value in use.

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

All of those are controlled subsidiaries as defined under note 3(c) and have been consolidated into the Group financial statements.

19. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registered and operations	Nominal value of issued ordinary registered share capital	Percentage of equity attributable to the company Direct	Indirect	Principal activities
Luck Grow Group Limited	The British Virgins Island	US$1	100	–	Investment holding
Lok Wing Group Limited ("Lok Wing")	Hong Kong	HK$50,000,000	–	100	Investment holding
Shanghai Xiang Chen Hang Place The Industry Co Ltd ("Shanghai Xiang Chen Hang")*	mainland China	US$5,901,540**	–	100	Properties investment
Goodfit Products Company Limited	Hong Kong	HK$1,000 ordinary HK$1,000,000 Non-voting deferred shares***	–	100	Sale of electronic consumer products
Northern Industrial (Panyu) Co., Ltd.*	mainland China	HK$95,000,000 registered capital	–	100	Manufacture of electronic consumer products and investment properties holding
Tung Hing Plastic (Panyu) Co., Ltd.*	mainland China	US$1,800,000 registered capital	–	100	Manufacture and sale of snap off blade cutters
Tung Hing Products Company Limited	Hong Kong	HK$100 ordinary shares	–	100	Sale of snap off blade cutters

19. INTERESTS IN SUBSIDIARIES (continued)

* Registered under the laws of the mainland China as a wholly foreign-owned enterprise.

** The registered capital of Shanghai Xiang Chen Hang is US$17,000,000 and US$5,901,540 has been paid up. In accordance with the relevant rules and regulation, the remaining unpaid registered capital have to be paid up within 30 days from 2 June 2008. According to《中華人民共和國外資企業法實施細則》(Rules for the Implementation of the Law of the People's Republic of China on Foreign-funded Enterprises), Lok Wing, an immediate parent of Shanghai Xiang Chen Hang, is required to settle all the outstanding amount (i.e. US$11,098,460) of capital within 30 days from 2 June 2008. Otherwise, the Certificate of Incorporation of Shanghai Xiang Chen Hang will become invalid with immediate effect.

*** The non-voting deferred shares, which are not held by the Group, practically carry no rights to dividends or to receive notice of or to attend or vote at any general meeting of the respective companies or to participate in any distribution on winding up. The Group has been granted an option by the holders of the deferred shares to acquire these shares at a nominal amount.

20. INTERESTS IN ASSOCIATES

	The Group	
	2007	2006
	HK$	*HK$*
Share of net assets	–	–
Due from associates	–	16,025,387
	–	16,025,387
Less: Impairment losses	–	(16,025,387)
	–	–

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

Impairment losses on interests in associates are recognised as the carrying amount are greater than the recoverable amount in assessing the value in use.

20. INTERESTS IN ASSOCIATES (continued)

The following list contains only the particulars of associates, all of which are unlisted corporate entities and indirectly held by the Company, which principally affected the results or assets of the Group.

Name	Business structure	Place of incorporation and operations	Percentage of ownership interest attributable to the Group	Principal activities
Northern Newland Engineering Limited*	Corporate	Hong Kong	40	Provision of engineering services

* *Not audited by CCIF CPA Limited*

The above investments in associates are indirectly held by the Group. As financial results of the associates are immaterial to the Group, accordingly, no disclosure is considered necessary.

21. INVENTORIES

	The Group	
	2007	2006
	HK$	*HK$*
Raw materials	–	7,522,083
Work-in-progress	–	3,272,799
Finished goods	–	1,278,796
	–	12,073,678

The amount of inventories (included above) carried at fair value less costs to sell is approximately HK$Nil (2006: HK$4,718,038).

22. TRADE AND BILLS RECEIVABLES

The Group generally allows an average credit period of 60 days to its trade customers. A longer credit period may be granted to trade customers with a long business relationship to the Group. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management.

An aged analysis of the trade and bills receivables as at the balance sheet date, based on payment due date, is as follows:

	The Group	
	2007	2006
	HK$	*HK$*
Within 60 days	**–**	5,363,171
61 to 90 days	**–**	1,067,678
Over 91 days	**–**	1,708,251
	–	8,139,100

23. PLEDGED DEPOSITS AND CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2007	2006	**2007**	2006
	HK$	*HK$*	***HK$***	*HK$*
Pledged deposits	**–**	500,000	**–**	–
Cash and cash equivalent	**5,801,798**	310,189	**2,393,424**	6,389
Total cash and cash balances	**5,801,798**	810,189	**2,393,424**	6,389

24. TRADE PAYABLES

An aged analysis of the trade payables as at the balance sheet date is as follows:

	The Group	
	2007	2006
	HK$	*HK$*
Within 60 days	–	5,759,074
61 to 90 days	–	1,141,988
Over 91 days	–	5,721,158
	–	12,622,220

25. DUE TO DIRECTORS

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

26. DUE TO A RELATED PARTY

	The Group		The Company	
	2007	2006	**2007**	2006
	HK$	*HK$*	***HK$***	*HK$*
Ms Cheng Man Shan ("Ms Cheng")	–	13,941,893	–	13,505,000

Ms Cheng is the spouse of Mr. Chong Sing Yuen, Mr. Chong Sing Yuen was the ex-director of the Company.

On 1 April 2004, Tung Hing Products Company Limited ("Tung Hing"), a wholly-owned subsidiary of the Group, entered into a facility agreement with Ms Cheng pursuant to which Ms Cheng agreed to grant to the Group a standby facility (the "Facility") of HK$8,000,000 from 1 April 2004 to 31 July 2005. The purpose of the Facility was to enable the Group to have sufficient funds for its operations. The Facility was unsecured and interest-free. On 21 July 2005, the Company signed a new facility agreement with Ms Cheng to extend the Facility to 31 July 2006.

26. DUE TO A RELATED PARTY (continued)

On 23 July 2004, the Company entered into a loan agreement with Ms Cheng pursuant to which Ms Cheng agreed to grant to the Company a loan of HK$5,660,000 for repayment of a short term bank loan of the Group which matured in August 2004. The loan was unsecured, interest-free and repayable at the earlier of 23 August 2005 or the date on which the Group was able to obtain a new one-year or longer term loan facility from banks to repay the aforesaid mentioned short term bank loan. On 21 July 2005, the Company entered into a facility agreement with Ms Cheng pursuant to which the loan of HK$5,660,000 was renewed to a one-year standby facility to 20 July 2006.

As at 31 March 2006, the facilities granted by Ms. Cheng utilised by the Company was HK$13,505,000. The amount was reassigned to Tung Hing by a debt assignment agreement dated 2 June 2006 entered into between Tung Hing and the Company.

In addition, Ms Cheng also made advance of HK$436,893 to the Group during the financial year 2006. No advance was made in the financial year 2007. The advance was unsecured, interest free and without fixed terms of repayment.

In accordance with the debt assignment agreement all the debt due to Ms Cheng was reassigned to Tung Hing for a consideration equal to the amount of the debt.

27. OTHER PAYABLE

The amount represents cash advance from Mr. Peter D. Xu and is unsecured, interest free and not repayable within one year.

28. OBLIGATIONS UNDER FINANCE LEASES

At 31 March 2007, the Group and the Company had no obligations under finance leases after disposal of Asian Field Group (note 35(b)).

At 31 March 2006, the Group and the Company had obligations under finance leases repayable as follows:

	The Group and the Company					
	2007			2006		
	Present value of the minimum lease payments	**Interest expense relating to future periods**	**Total minimum lease payments**	Present value of the minimum lease payments	Interest expense relating to future periods	Total minimum lease payments
	HK$	***HK$***	***HK$***	*HK$*	*HK$*	*HK$*
Within 1 year	–	–	–	742,961	41,983	784,944
After 1 year but within 2 years	–	–	–	188,174	2,532	190,706
	–	–	–	931,135	44,515	975,650

29. BANK OVERDRAFTS AND INTEREST-BEARING BORROWINGS

At 31 March 2007, the Group and Company had no outstanding bank overdrafts and interest-bearing borrowings after disposal of Asian Field Group (note 35(b)).

At 31 March 2006, the bank overdrafts and interest-bearing borrowings were repayable as follows:

	The Group	
	2007	2006
	HK$	*HK$*
Within 1 year or on demand	–	40,603,814
After 1 year but within 2 years	–	234,850
After 2 year but within 5 years	–	807,296
After 5 years	–	228,608
	–	1,270,754
Total	–	41,874,568

At 31 March 2007, no secured bank overdrafts and interest bearing-borrowings after disposal of Asian Field Group (note 35(b)).

At 31 March 2006, the bank overdrafts and interest-bearing borrowings were secured as follows:

	The Group	
	2007	2006
	HK$	*HK$*
Secured bank overdrafts	–	626,184
Secured bank loans	–	41,248,384
	–	41,874,568

29. BANK OVERDRAFTS AND INTEREST-BEARING BORROWINGS (continued)

Notes:

a) At 31 March 2006, the bank loans and overdrafts are secured by:

i) investment properties of HK$41,021,222;

ii) leasehold land and buildings which had an aggregate net book value at the balance sheet date of HK$28,619,938;

iii) trade receivables of HK$1,056,820; and

iv) pledged deposits amounting to HK$500,000.

30. TAXATION IN THE CONSOLIDATED BALANCE SHEET

Current taxation in the consolidated balance sheet represents:

	2007	2006
	HK$	*HK$*
Hong Kong profits tax	**–**	861,462
Mainland China enterprise income tax	**419,619**	904,822
	419,619	1,766,284

31. DEFERRED TAX ASSETS/(LIABILITIES)

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

Deferred tax arising from:	Accelerated tax depreciation	Others	Revaluation of buildings	Total
	HK$	*HK$*	*HK$*	*HK$*
At 1 April 2005	(47,859)	169,485	(83,702)	37,924
Deferred tax credited to equity	–	–	(32,200)	(32,200)
Deferred tax charged to the income statement *(note 13)*	–	–	–	–
At 31 March 2006	(47,859)	169,485	(115,902)	5,724
At 1 April 2006	(47,859)	169,485	(115,902)	5,724
Disposal of building held for own use	–	–	115,902	115,902
Disposal of subsidiaries *(note 35(b))*	47,859	(169,485)	–	(121,626)
Acquisition of subsidiaries *(note 35(a))*	–	–	(55,786,762)*	(55,786,762)
Deferred tax charged to the income statement *(note 13)*	–	–	(4,728,240)**	(4,728,240)
At 31 March 2007	–	–	(60,515,002)	(60,515,002)

* The deferred tax liabilities were arising from the fair value adjustments on the investment properties held by the subsidiaries before the acquisition (note 35(a)). The amount has been previously charged to income statement in the books of the subsidiaries.

** The amount represented deferred tax liabilities on the fair value adjustments on investment properties held by the subsidiaries after the acquisition.

31. DEFERRED TAX ASSETS/(LIABILITIES) (continued)

	2007	2006
	HK$	*HK$*
Net deferred tax assets recognised on the balance sheet	**–**	5,724
Net deferred tax liabilities recognised on the balance sheet	**(60,515,002)**	–
	(60,515,002)	5,724

b) Deferred tax assets not recognised

The Group has tax losses arising in Hong Kong of HK$58,874,755 (2006: HK$112,728,215) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time.

At 31 March 2007, there is no significant unrecognised deferred tax liability (2006: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries or associates as the Group has no liability to additional tax should such amounts be remitted.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

32. SHARE CAPITAL

	2007		2006	
	No. of shares	**Amount** *HK$*	No. of shares	Amount *HK$*
Ordinary shares of HK$0.2 each				
Authorised				
Beginning of year	**1,500,000,000**	**300,000,000**	30,000,000,000	300,000,000
Reduced upon share consolidation *(note a)*	**–**	**–**	(28,500,000,000)	–
End of year	**1,500,000,000**	**300,000,000**	1,500,000,000	300,000,000
Issued and fully paid				
Beginning of year	**291,497,885**	**58,299,577**	4,869,957,705	48,699,577
Reduced upon share consolidation *(note a)*	**–**	**–**	(4,626,459,820)	–
Issue of new shares *(note b)*	**–**	**–**	48,000,000	9,600,000
Issue of new shares *(note c)*	**58,000,000**	**11,600,000**	–	–
Issue of new shares *(note d)*	**69,895,000**	**13,979,000**	–	–
End of year	**419,392,885**	**83,878,577**	291,497,885	58,299,577

Notes:

a) Pursuant to an ordinary resolution passed at the special general meeting on 4 May 2005, every twenty ordinary shares of HK$0.01 each in the issued and unissued share capital were consolidated into one ordinary share of HK$0.20 each.

In addition, the number of shares issuable under each outstanding options granted under the Company's share option scheme was reduced by 95% and the exercise price of HK$0.01 per share under the share option scheme was increased to HK$0.20 per share (note 33). Share consolidation took effect on 5 May 2005.

b) On 14 July 2005, the Company and an independent subscriber entered into a conditional agreement for the subscription of 48,000,000 new shares of HK$0.2 each at a price of HK$0.26 per share for a total consideration of HK$12,480,000.

32. SHARE CAPITAL (continued)

Notes: (continued)

c) On 18 May 2006, the Company and an independent subscriber entered into a conditional agreement for the subscription of 58,000,000 shares at a price of HK$0.23 each. Net proceeds of the subscription were approximately HK$13.34 million and would be used as general working capital.

d) On 1 December 2006, the Company and a total of ten independent subscribers entered into a conditional agreement for the subscription of 69,895,000 shares at a price of HK$0.38 each. Net proceeds of the subscription were approximately HK$26.3 million and would be used as general working capital.

33. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors (including independent non-executive directors), other employees of the Group, suppliers of goods or services to the Group, customers of the Group, persons or entities that provided research, development or other technological support to the Group and any minority shareholder in the Company's subsidiaries. The Scheme became effective on 4 October 2002 and, unless otherwise cancelled or amended, will remain enforce 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, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

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

33. SHARE OPTION SCHEME (continued)

The offer of a grant of share options may be accepted prior to the date specified in the offer, upon payment of a nominal consideration of HK$1 by the grantee.

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

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

A proposal to consolidate 20 issued and un-issued shares of HK$0.01 each into 1 share of HK$0.20 each (the "New Shares(s)") was approved by the shareholders of the Company on 4 May 2005. Before the Consolidation, the Company had outstanding options granted under the share option scheme of the Company to subscribe for a total of 19,300,000 shares at the price of HK$0.01 per share. Immediately after the Consolidation, the number of shares issuable under each outstanding option granted was reduced by 95%, the exercise price per share was increased from HK$0.01 to HK$0.20. Accordingly, after the Consolidation became effective, the Company had outstanding options to subscribe for a total of 965,000 New Shares at the exercise price of HK$0.20 per New Share.

The following tables disclose details of the Scheme and the movements during the Relevant Period.

33. SHARE OPTION SCHEME (continued)

For the year ended 31 March 2007

	Number of share options							
Name or category of participant	At 1 April 2006	Exercise during the year	Lapsed during the year	Cancelled during the year	At 31 March 2007	Date of grant of share options*	Exercise period of share options	Exercise price of share options** *HK$*
Directors								
Mr. Wong Siu Keung, Joe	850,000	–	–	–	850,000	30–10–2002	30–10–2002 to 29–10–2012	0.2
	850,000	–	–	–	850,000			
Employees								
Other employees	92,500	–	(92,500)	–	–	31–10–2002	31–10–2002 to 30–10–2012	0.2
	92,500	–	(92,500)	–	–			
Total share options	942,500	–	(92,500)	–	850,000			

33. SHARE OPTION SCHEME (continued)

For the year ended 31 March 2006

Name or category of participant	At 1 April 2005	Share Consolidation	Number of share options: Exercise during the year	Lapsed during the year	Cancelled during the year	At 31 March 2006	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK$
Directors									
Mr. Wong Siu Keung, Joe	17,000,000	(16,150,000)	–	–	–	850,000	30–10–2002	30–10–2002 to 29–10–2012	0.2
	17,000,000	(16,150,000)	–	–	–	850,000			
Employees									
Other employees	2,300,000	(2,185,000)	–	(22,500)	–	92,500	31–10–2002	31–10–2002 to 30–10–2012	0.2
	2,300,000	(2,185,000)	–	(22,500)	–	92,500			
Total share options	19,300,000	(18,335,000)	–	(22,500)	–	942,500			

33. SHARE OPTION SCHEME (continued)

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

	2007 Weighted average exercise price HK$	**2007** Number of options	2006 Weighted average exercise price HK$	2006 Number of options
Outstanding at the beginning of the period	**0.2**	**942,500**	0.01	19,300,000
Share consolidation		**–**	0.01	(18,335,000)
Lapsed during the period		**(92,500)**	0.2	(22,500)
Outstanding at the end of the period	**0.2**	**850,000**	0.2	942,500
Exercisable at the end of the period	**0.2**	**850,000**	0.2	942,500

* The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

At 31 March 2007, the Company had 850,000 (2006: 942,500) share options outstanding under the Scheme which represented approximately 0.2% (2006: 0.3%) of the Company's shares in issue as at that date. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 850,000 (2006: 942,500) additional ordinary shares of the Company and additional share capital of HK$170,000 (2006: HK$188,500).

34. RESERVES

a) Group

	Share premium	Buildings revaluation reserve	Special reserve	Exchange fluctuation reserve	Accumulated losses	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
At 1 April 2005	24,062,750	–	(11,152,801)	(112,109)	(29,846,494)	(17,048,654)
Issue of new shares	2,880,000	–	–	–	–	2,880,000
Share issuance expense	(66,462)	–	–	–	–	(66,462)
Share consolidation expense	(132,849)	–	–	–	–	(132,849)
Exchange realignment	–	–	–	(345,206)	–	(345,206)
Surplus on revaluation	–	578,596	–	–	–	578,596
Deferred tax credited in the revaluation reserve	–	(32,200)	–	–	–	(32,200)
Loss for the year	–	–	–	–	(29,803,022)	(29,803,022)
At 31 March 2006	26,743,439	546,396	(11,152,801)	(457,315)	(59,649,516)	(43,969,797)
At 1 April 2006	26,743,439	546,396	(11,152,801)	(457,315)	(59,649,516)	(43,969,797)
Issue of new shares	14,321,100	–	–	–	–	14,321,100
Share issuance expense	(153,465)	–	–	–	–	(153,465)
Exchange realignment	–	–	–	(93,436)	–	(93,436)
Reversal of deferred tax on disposal of investment properties	–	115,902	–	–	–	115,902
Disposal of buildings held for own use	–	(662,298)	–	–	662,298	–
Disposal of foreign operations	–	–	–	457,315	–	457,315
Loss for the year	–		–	–	(18,616,044)	(18,616,044)
At 31 March 2007	40,911,074	–	(11,152,801)	(93,436)	(77,603,262)	(47,938,425)

34. RESERVES (continued)

b) Company

	Share premium account HK$	Accumulated losses HK$	Total HK$
At 1 April 2005	24,062,750	(26,198,209)	(2,135,459)
Issue of new shares	2,880,000	–	2,880,000
Share issuance expense	(66,462)	–	(66,462)
Share consolidation expense	(132,849)	–	(132,849)
Loss for the year	–	(13,957,662)	(13,957,662)
At 31 March 2006	26,743,439	(40,155,871)	(13,412,432)
At 1 April 2006	26,743,439	(40,155,871)	(13,412,432)
Issue of new shares	14,321,100	–	14,321,100
Share issuance expense	(153,465)	–	(153,465)
Loss for the year	–	(62,619,123)	(62,619,123)
At 31 March 2007	40,911,074	(102,774,994)	(61,863,920)

c) Nature and purposes of the reserves

The application of the share premium account is governed by section 40 of the Companies Act 1981 of Bermuda (as amended).

The Group's special reserve represents the difference between the nominal value of the shares and the share premium account of the subsidiaries acquired pursuant to the Group reorganisation, over the nominal value of the Company's shares issued in exchange therefore.

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as the effective portion of any foreign exchange differences arising from hedges of the net investment in these foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 3(q).

d) Distributability of reserves

At 31 March 2007, the Company did not have any reserve available for distribution as calculated in accordance with the Companies Act 1981 of Bermuda (as amended) (2006: Nil).

35. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Net cash outflow from acquisition of subsidiaries

The assets and liabilities as at 28 November 2006 and the negative goodwill arising from the acquisition are as follows:

	Carrying value *HK$*	Fair value *HK$*
Identifiable assets/(liabilities) acquired:		
Investment properties	244,456,000	244,456,000
Plant and equipment	596,841	596,841
Other receivables, deposits and prepayment	948,011	948,011
Cash and bank balances	2,784,780	2,784,780
Other payables and accruals	(79,173,448)	(79,173,448)
Tax payable	(419,619)	(419,619)
Deferred tax liabilities *(note 31(a))*	(55,786,762)	(55,786,762)
Net assets	113,405,803	113,405,803
Negative goodwill		(3,405,803)
Total consideration		110,000,000
Satisfied by:		
Cash consideration (ii)		24,811,764
Promissory notes (iii)		157,692,308
		182,504,072
Sale loans (iv)		(72,504,072)
		110,000,000
Analysis of the net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary:		
Cash and bank balances acquired		2,784,780
Cash consideration		(20,000,000)
Net outflow of cash and cash equivalent in respect of the acquisition of a subsidiary		(17,215,220)

There were no acquisitions in the year ended 31 March 2006.

35. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(a) Net cash outflow from acquisition of subsidiaries (continued)

(i) On 28 November 2006, the Group acquired 100% equity interest in Luck Grow Group Limited for a consideration of HK$110 million from Mr. Peter D. Xu, an independent third party.

(ii) During the financial year 2007, the Company paid HK$20,000,000 for the cash consideration of the acquisition. On 9 February 2007, the Company entered into an agreement with Mr. Peter D. Xu to re-arrange the payment of the balance of the cash consideration of HK$4,811,764. Pursuant to the agreement, Mr. Peter D. Xu granted to the Company the right to repay the amount at any time within five years from the date of the agreement. As agreed with Mr. Peter D. Xu, the Company will not repay the amount within one year after the balance sheet date and was classified as a long term payable.

(iii) In accordance with the sale and purchase agreement signed on 21 August 2006 between Mr. Peter D. Xu and the Company, the balance of consideration of HK$157,692,308 would be settled by the issue of promissory note I of HK$82,692,308 and promissory note II of HK$75,000,000. The promissory notes would be fall due on the fifth anniversary date of issue with interest of 5% p.a.

As at the balance sheet date, the promissory notes have not been issued as the conditions under the agreement for issuing the promissory notes were not yet fulfilled. The amount was classified as a long term payable.

(iv) Sale loans represented all obligations, liabilities and debts owed and incurred by Luck Grow and Shanghai Xiang Chen Hang to the Mr. Peter D. Xu as at the date of completion of the acquisition. As at the date of the sale and purchase agreement, Luck Grow owed Mr. Peter D. Xu a loan of HK$50,000,000 and Shanghai Xiang Chen Hang owed Mr. Peter D. Xu a loan of RMB 23,404,234.88 (equivalent to approximately HK$22,504,072). To the best knowledge of the directors, such loans are monies lent by Mr. Peter D. Xu to the respective companies as working capital.

(v) Luck Grow Group Limited contributed approximately HK$9.6 million to the Group's profit for the period between the date of acquisition and the balance sheet date.

If the acquisition had been completed on 1 April 2006, total Group revenue for the year would have been HK$67 million, and loss for the year would have been HK$12 million. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of the Group that actually would have been achieved had the acquisition been completed on 1 April 2006, nor is it intended to be a projection of future results.

35. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Net cash inflow from disposal of subsidiaries

	2007
	HK$
Net liabilities disposed of:	
Property, plant and equipment	**2,150,850**
Investment properties	**2,840,000**
Leasehold land held for own use	**1,484,545**
Deferred tax assets	**121,626**
Inventories	**5,044,757**
Other receivables, deposits and prepayment	**307,069**
Trade and bills receivables	**9,123,153**
Pledged deposits	**1,500,000**
Cash and bank balances	**1,302,169**
Trade payables	**(8,186,275)**
Other payables and accruals	**(5,654,437)**
Due to holding company	**(62,751,499)**
Due to a director	**(1,677,694)**
Tax payable	**(598,357)**
Due to related parties	**(59,613)**
Interest-bearing borrowings	**(8,690,128)**
Obligations under finance leases	**(263,346)**
Deferred shares	**(1,000,000)**
Net liabilities	**(65,007,180)**
Exchange differences recognized in equity	**457,315**
Capitalised amount (ii)	**62,109,052**
Gain on disposal of subsidiaries	**2,440,813**
Total consideration (iii)	**2**
Satisfied by:	
Cash consideration	**2**
Analysis of the net outflow of cash and cash equivalents arising on disposal of subsidiaries:	
Cash consideration received	**2**
Cash and bank balances disposed	**(1,302,169)**
Net outflow of cash and cash equivalent in respect of the disposal of subsidiaries	**(1,302,167)**

There were no disposals in the year ended 31 March 2006.

35. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Net cash inflow from disposal of subsidiaries (continued)

(i) On 31 March 2007, the Group disposed of 100% equity interest in Asian Field Holdings Corp. ("Asian Field") and its subsidiaries with its share of net liabilities of approximately HK$65,007,000 to Mr. Chong Sing Yuen, the ex-director of the Company, for a consideration of HK$1.

(ii) On 7 February 2007, the Company and Asian Field entered into an agreement pursuant to which an amount of inter-company balance of HK$62,109,052 owed by Asian Field to the Company equivalent to the net liabilities recorded on the accounts in January 2007 of Asian Field will be capitalized to offset the same amount of the net liabilities recorded on the accounts in January 2007 and as a result, one share of Asian Field will be allotted and issued to the Company for a consideration which is equal to the amount capitalized.

(iii) The aggregate consideration of HK$2, comprises the consideration of HK$1 for the 100% equity interest in Asian Field and consideration for the sale loan of HK$1. The sale loan represented the shareholder's loan as at 31 March 2007 after netting off of the amount capitalized as stated in (ii) above.

(c) Non-cash transactions

On 28 November 2006, the Group acquired 100% equity interest in Luck Grow Group Limited from Mr. Peter D. Xu, an independent third party, for a consideration of HK$110 million. During the financial year 2007, the Company paid HK$20,000,000 as partial settlement of the cash consideration of HK$24,811,764. The balance of the cash consideration of HK$4,811,764 was agreed with Mr. Peter D. Xu and will not be repayable within one year. The amount of HK$157,692,308 which will be settled by way of issuing promissory notes have not been issued as the conditions under the sale and purchase agreement signed on 21 August 2006 for issuing the promissory notes were not yet fulfilled. The total outstanding balance HK$162,504,072 was therefore classified as a long term payable.

The directors consider that the carrying amount of the long term payable approximates to the fair value.

36. OPERATING LEASE COMMITMENTS

a) The Group as lessor:

The Group leases its investment properties under operating lease arrangements, with leases negotiated for terms ranging from one to ten years. The terms of the leases generally require the tenants to pay security deposits. At the balance sheet date, the Group had total future minimum lease payments receivable under non-cancellable operating leases with its tenants falling due as follows:

	2007	2006
	HK$	*HK$*
Within one year	**12,894,434**	3,130,610
In the second to fifth years, inclusive	**41,475,115**	4,184,454
Over five years	**6,018,072**	2,643,385
	60,387,621	9,958,449

b) The Group as lessee:

At the balance sheet date, the Group had total future minimum lease payments under the non-cancellable operating lease falling due as follows:

	The Group and the Company	
	2007	2006
	HK$	*HK$*
Within one year	**1,271,951**	197,500
In the second to fifth years, inclusive	**2,737,873**	–
Over five years	**1,090,698**	–
	5,100,522	197,500

37. FINANCIAL GUARANTEE CONTRACTS

a) The Group

At 31 March 2007, a subsidiary of the Group pledged certain property interests to the banks to secure credit facilities to the extent of approximating HK$162 million (2006 : HK$Nil) guarantee to Shanghai Xiwu Industry Co., Ltd, Shanghai Chen Xuan Trading Co., Ltd and Shanghai Xu Hui Co., Ltd for working capital funding purpose. The directors considered that no recognition was made because the fair value of such guarantee was insignificant.

b) The Company

At 31 March 2006, the Company had given guarantees to the bank in connection with banking facilities granted to certain subsidiaries amounted to HK$57,469,794. The directors considered that no recognition was made because the fair value of such guarantee was insignificant.

At 31 March 2007, the guarantees were released when the subsidiaries were disposed.

38. CONTINGENT LIABILITIES

At 31 March 2007, the Group had no possible future long service payments to the employees under the Hong Kong Employment Ordinance when the Asian Field Group was disposed.

At 31 March 2006, the Group had a contingent liability in respect of possible future long service payments to the employees under the Hong Kong Employment Ordinance with a maximum possible amount of approximately HK$338,000, as further explained under the heading “Employee benefits” in note 3(u) to the financial statements. At 31 March 2006, a number of current employees achieved the required number of years of service in the Group to be eligible for long service payments under the Employment Ordinance should their employment be terminated under certain circumstances. A provision has not been recognized 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.

39. MATERIAL RELATED PARTY TRANSACTIONS

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

a) During the year, the Group had the following transactions with Twin Base Limited ("Twin Base"), a company in which Ms Cheng Man Shan, the spouse of Mr. Chong Sing Yuen has a beneficial interest:

   i) During the year, the Group made rental payment of approximately HK$197,500 (2006: HK$474,000) to Twin Base for a motor vehicle. The rentals were charged in accordance with a motor vehicle rental agreement.

   ii) At 31 March 2007, Twin Base pledged certain of its property interests to a bank to secure credit facilities to the extent of HK$12,899,980(2006: HK$12,899,980) granted to the Group.

b) During the year, the Group had the following material transactions with its associates:

	The Group	
	2007	2006
	HK$	*HK$*
Purchases of raw materials from an associate	**–**	194,955

The purchases from an associate were made according to the prices mutually agreed between the associate and the Group.

c) During the year ended 31 March 2006, Ms Cheng, the spouse of Mr. Chong Sing Yuen, granted a credit facility of HK$13,660,000 to the Group, the details of which are set out in note 26 to the financial statements. In addition, Ms. Cheng advanced HK$436,893 to the Group. The advances were unsecured, interest-free and with fixed terms of repayment.

d) During the year ended 31 March 2006, the Group repaid HK$3,650,000 to Mr. Chong Chun Kwok, Piggy.

e) The key management personnel are the directors of the Company. The details of the remuneration paid to them are set out in note 11.

40. LITIGATION

The Company instituted legal proceedings against ASG Capital Limited and ASG Brokerage Limited (the “Defendants”) in 1998 for breach of the placing and underwriting agreement dated 9 December 1997 in that the Defendents failed to fulfill their underwriting obligations thereunder and for the recovery of HK$40 million being the economic loss suffered by the Company together with interest and legal cost. The proceedings are now in pre-trial stage of discovery of documents of the parties and the date of the trial has not been fixed. The last action of the parties to the proceedings took place in middle of 2005 when solicitors acting for the Company in the legal proceedings served a notice to inspect documents to those acting for the Defendants.

41. NON-ADJUSTING POST BALANCE SHEET EVENT

On 12 April 2007, the Company announced the proposal on capital reorganisation involving the capital reduction and share premium reduction in accordance with the Bye-laws. Pursuant to the capital reduction, the issued share capital of the Company will be reduced by HK$0.19 per share by canceling an equivalent amount of paid-up capital per share so that the nominal value of each share in issue will be reduced from HK$0.20 to HK$0.01. The proposed share premium reduction is to cancel the entire amount standing to the credit of the share premium account of the Company. The credit arising from capital reduction and share premium reduction will be transferred to the contributed surplus account of the Company where it may be utilized by the directors in accordance with the Bye-laws and all applicable laws, including to apply such credit against the accumulated losses of the Company.

The capital reorganization is subject to the approval of the shareholders of the Company and adjustment has not been made in these financial statements. The details of the capital reorganisation were set out in the announcement dated 12 April 2007.

42. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund ("MPF") scheme for all Hong Kong eligible employees including executive directors. The assets of the MPF scheme are held separately from those of the Group in funds under the control of trustees.

The retirement benefit cost for the MPF scheme charged to the consolidated income statement represents contributions payable to the MPF scheme by the Group at rates specified in the rules of the MPF scheme.

Employees who are employed in the PRC are members of the state-sponsored pension scheme operated by the PRC government. The Group is required to contribute a certain percentage of their payroll to the pension scheme to fund the benefits. The only obligation of the Group with respect to the pension scheme is to make the required contributions under the scheme.

The amount of unvested benefits utilised by the Group to reduce contributions is HK$892,192 during the year (2006: HK$341,722). The amount of unvested benefits available for future reduction of employer's contribution as at 31 March 2007 is approximately HK$Nil (2006: HK$1,788,431).

43. COMPARATIVE FIGURES

Due to the terminations of the electronic consumer products and the snap off blade cutters businesses during the year, which constituted discontinued operations under HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", certain comparative figures have been reclassified to conform with current year's presentation.

44. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE, FOR THE YEAR ENDED 31 MARCH 2007

The Group has not early applied the following amendments, new standard and interpretations that have been issued but are not yet effective. The Group anticipates that the application of these standards or interpretations will have no material impacts on the financial statements of the Group.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKFRS 7	Financial Instruments: Disclosures[1]
HKFRS 8	Operating Segments[7]
HK(IFRIC)-Int 8	Scope of HKFRS 2[2]
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives[3]
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment[4]
HK(IFRIC)-Int 11	HKFRS 2 - Group and Treasury Share Transactions[5]
HK(IFRIC)-Int 12	Service Concession Arrangements[6]

[1] Effective for annual periods beginning on or after 1 January 2007
[2] Effective for annual periods beginning on or after 1 May 2006
[3] Effective for annual periods beginning on or after 1 June 2006
[4] Effective for annual periods beginning on or after 1 November 2006
[5] Effective for annual periods beginning on or after 1 March 2007
[6] Effective for annual periods beginning on or after 1 January 2008
[7] Effective for annual periods beginning on or after 1 January 2009

FIVE YEAR FINANCIAL SUMMARY

Year ended 31 March 2007

	Year ended 31 March				
	2007	2006	2005	2004	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Restated)			
CONTINUING OPERATIONS					
TURNOVER	**5,659**	2,938	70,084	106,657	75,343
PROFIT/(LOSS) BEFORE TAX	**14,663**	(5,042)	(19,125)	(14,702)	3,237
Tax	**(4,728)**	–	(511)	(733)	(423)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**9,935**	(5,042)	(19,636)	(15,435)	2,814
LOSS FOR THE YEAR FORM DISCONTINUED OPERATION	**(28,551)**	(24,761)	–	–	–
PROFIT/(LOSS) FOR THE YEAR	**(18,616)**	(29,803)	(19,636)	(15,435)	2,814

	As at 31 March				
	2007	2006	2005	2004	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES					
TOTAL ASSETS	**267,628**	100,297	115,476	133,296	134,320
TOTAL LIABILITIES	**(231,688)**	(85,967)	(83,825)	(61,270)	(63,311)
	35,940	14,330	31,651	72,026	71,009