



Annual Report

2007



China Conservational Power Holdings Limited
中國環保電力控股有限公司

Stock Code: 290

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Corporate Information

Board of Directors

Non-Executive Director

Ms. YOU Wei (*Chairman*)

Executive Directors

Mr. NG Khai Wain (*Chief Executive Officer*)

Mr. SUN Tak Yan, Desmond

Mr. NG Cheuk Fan, Keith

Mr. YEUNG Kwok Leung

Independent Non-Executive Directors

Mr. Albert HO

Mr. Shane PHILLIPS

Mr. CAI Zhixu

Company Secretary

Ms. CHOW Man Ngan

Qualified Accountant

Mr. YEUNG Kwok Leung

Authorized Representatives

Mr. YEUNG Kwok Leung

Ms. CHOW Man Ngan

Audit Committee

Mr. Albert HO (*Chairman*)

Mr. Shane PHILLIPS

Mr. CAI Zhixu

Remuneration Committee

Mr. NG Khai Wain (*Chairman*)

Mr. Albert HO

Mr. CAI Zhixu

Auditor

Horwath Hong Kong CPA Limited

Certified Public Accountants

Registered office

P.O. Box 309
Ugland House
South Church Street
George Town
Grand Cayman
Cayman Islands
British West Indies

Head office and principal place of business in Hong Kong

1702-3, 17th Floor
Skyline Commercial Centre
71-77 Wing Lok Street
Sheung Wan
Hong Kong

Tel: (852) 3105 1863

Fax: (852) 3105 1862

Principal bankers

The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited
Standard Chartered Bank (Hong Kong) Limited

Legal Advisers

Hong Kong Law
Troutman Sanders
Cayman Islands Law
Maples and Calder

Cayman Islands principal share registrar and transfer office

Butterfield Fund Services (Cayman) Limited
Butterfield House, 68 Fort Street
P.O. Box 705,
Grand Cayman, KY1-1107,
Cayman Islands

Hong Kong branch share Registrar and transfer office

Hong Kong Registrars Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

Stock Code

0290

Website

www.290.com.hk

Chairman's Statement

On behalf of the Board (the "Board") of Directors (the "Directors") of China Conservational Power Holdings Limited (the "Company"), I hereby report the results of the Company and its subsidiaries (together the "Group") for the year ended 31 March 2007.

The primary goal of the Board is to formulate a proposal for resumption of the trading of the shares of the Company so as to protect the interest of the Company and its shareholders as a whole. The two newly appointed Executive Directors, Mr. Sun Tak Yan, Desmond and Mr. Ng Cheuk Fan, Keith, having extensive experience in corporate affairs of listed companies, have actively participated in the resumption process together with other members of the Board since joining the Board. To facilitate the process, the Company intends to engage an independent accountant to conduct a review of the Group's financial reporting and internal control system.

To improve the performance of the Group, more resources will be allocated to its existing business, especially securities brokerage. Besides, the Group is studying the feasibility of recommencing its old business in sea freight forwarding services.

It will be another challenging year ahead. I would like to take this opportunity to thank my fellow Directors and all staff members for their hard work, dedication and support to the Group, and look forward to their continuous support in the years to come.

By Order of the Board

You Wei

Chairman

Hong Kong, 31 July 2007

Management discussion and analysis

REVIEW OF OPERATIONS

During the year, the Group recorded an audited net loss attributable to shareholders of approximately HK\$13,230,000 (2006: loss of approximately HK\$131,251,000). Provisions on interest in associates, investment deposits, loans and margin receivable, loans interest receivable and investment held for trading in the amount of approximately HK\$122,418,000 had been made by the Group in the financial year ended 31 March 2006. During the year, no material provision had been made, thus the loss decreased sharply.

ELECTRICAL ENGINEERING CONTRACTING BUSINESS

During the year, the electrical engineering contracting business had completed all the contracts on hand. The business generated a turnover of approximately HK\$2,934,000, representing a decline of 83.4% from HK\$17,737,000 last year. Turnover from the business accounted for 45.1% (2006: 59.8%) of the total turnover of the Group for the year.

ELECTRICAL MATERIALS & COMPONENT TRADING BUSINESS

The sales from electrical materials and components trading of the Group decreased by 23.3% to approximately HK\$1,430,000 as compared to HK\$1,865,000 in the corresponding period of last year.

SECURITIES BROKERAGE AND FINANCING BUSINESS

Hong Tong Hai Securities Limited is engaged in securities brokerage and margin financing business. The income from these operations decreased to approximately HK\$2,137,000 from approximately HK\$5,011,000 in the corresponding period of last year, representing a decrease of 57.3%. The decrease is mainly due to the resignation of several senior staff of Hong Tong Hai Securities Limited during the year. The Group had already recruited a number of experienced staff to fill the vacancies for smooth operation.

Hong Tong Hai Capital Limited did not grant any new loan during the year under review. The money lender licence expired on 15th June 2006 and had not been renewed.

OTHER BUSINESSES

The Group recorded a realised gain of approximately HK\$9,196,000 during the year from the disposal of two subsidiaries.

Management discussion and analysis

FINANCIAL REVIEW AND ANALYSIS

Financing

Liquidity, Financial Resources and Gearing

The Group's total current assets and current liabilities were approximately HK\$61,992,000 (as at 31 March 2006: HK\$89,335,000) and approximately HK\$35,819,000 (as at 31 March 2006: HK\$50,661,000) respectively, while the current ratio was about 1.73 times (as at 31 March 2005: 1.76 times).

As at 31 March 2007, the Group's aggregate cash balance amounted to approximately HK\$7,284,000 (as at 31 March 2006: HK\$16,045,000), representing 11.7% (as at 31 March 2006: 18%) of total current assets. Barring unforeseen circumstances and with the continued financial support from the substantial shareholder and a lender of the Group, the Directors believe that the Group has adequate funds and liquidity for its business operations.

As shown in the Group's consolidated balance sheet as at 31 March 2007, consolidated shareholders' funds amounted to approximately HK\$26,863,000 (as at 31 March 2006: HK\$40,056,000); whereas the Group's total borrowing was approximately HK\$16,798,000 (as at 31 March 2006: HK\$16,737,000) only, which mainly comprised of HK dollar overdrafts, borrowings and finance lease obligations. Bank overdrafts carry interests calculated on the prime lending rate, other borrowings carry interests calculated at fixed rate and finance charges are fixed on the date the finance leases are entered.

As at 31 March 2007, the gearing ratio, defined as total debts over total assets, was approximately 26.59% (as at 31 March 2006: 18.04%). The increase in the gearing ratio was mainly due to the decrease in total assets of the Group during the year.

Foreign Exchange Management

The Group's purchases from overseas suppliers are always subject to foreign currency fluctuations. The Group monitors the risks in foreign exchange by way of placing forward foreign exchange contracts. Since the Company's shares listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Group basically has not changed its foreign exchange management policy. The risks in foreign exchange within this year were reduced accordingly because of the decrease in overseas purchases at times of reduced trade activities. As at 31 March 2007, the Group had no significant outstanding forward foreign exchange contracts on hand.

Management discussion and analysis

Contingent Liabilities and Capital Commitments

At 31 March 2007, the Group had no material contingent liabilities and capital commitments.

Pledge of Assets

At 31 March 2007, the Group had pledged bank deposits of approximately HK\$2 million (as at 31 March 2006: approximately HK\$2 million) to secure certain bank facilities available to the Group.

PROSPECTS

It is the Board's intention to continue with the existing business operations of the Group including electrical engineering contracting business, trading in electrical materials and components, investment holding, securities brokerage and margin financing, while at the same time looking for new business opportunities. For sea freight forwarding services business, the Board is in the course of formulating a strategic plan to restart this business.

The Board is determined to use their best endeavor to maintain a high standard of corporate governance.

Trading in the shares of the Company has been suspended since 29 September 2005. The Board will use its best endeavor to formulate a plan for the resumption of trading of the shares of the Company so as to protect the interest of the shareholders of the Company.

Biographical Details of Directors and Senior Management

Non-Executive Director

Ms. YOU Wei

Ms. YOU Wei, aged 30, was appointed as an Executive Director of the Company on 10 May 2006 and was appointed Chairman of the Company on 29 June 2006. She was re-designated as Non-Executive Director on 12 June 2007. Ms. You graduated from (北京)對外經濟貿易大學((Beijing) University of International Business and Economic*) in Beijing, the People's Republic of China (the "PRC") with a higher diploma in International Trade in 1997 and obtained her master degree in Business Administration in 2002. She has worked in the marketing department of a company engaged in the operation of a trading website in the PRC for over two years and has been acting as the financial investment consultant of the same company for over five years. Ms. You was also a director and the general manager of an immigration consultancy company in New Zealand for over four years and the director of a garment trading company for over two years.

Executive Directors

Mr. NG Khai Wain

Mr. NG Khai Wain, aged 46, was appointed as an Executive Director and the Chairman of Remuneration Committee of the Company on 10 May 2006. He was appointed the Chief Executive Officer on 29 June 2006. Mr. Ng was the deputy chairman and the general manager of a manufacturing company in Liaoyang City of Liaoning Province of the PRC which mainly engaged in the manufacturing of glass handicrafts and paper box since 1992. He also has over eight years of experience in sales and marketing in the PRC and the Macau Special Administrative Region of the PRC and was the deputy chairman and the general manager of a chemical product company in Tonghua City of Jilin Province, the PRC for over seven years.

Mr. SUN Tak Yan, Desmond

Mr. SUN Tak Yan, Desmond, aged 59, was appointed as an Executive Director of the Company on 11 January 2007. Mr. Sun holds a Bachelor Degree of Economics from University of Tasmania. He has extensive experience in strategic planning and corporate development, including initial public offerings, mergers and acquisitions of listed companies in Hong Kong and in specialized land developments in Hong Kong and in China.

Mr. NG Cheuk Fan, Keith

Mr. NG Cheuk Fan, Keith, aged 46, was appointed as an Executive Director of the Company on 4 April 2007. Mr. Ng graduated from the University of Alberta, Canada with a Bachelor degree in commerce, majoring in accounting. He also received a Master of Commerce degree in Professional Accounting from the University of New South Wales, Australia. Mr. Ng is a member of the CPA Australia and an associate member of the Hong Kong Institute of Certified Public Accountants. He has over 18 years of accounting experience. He is currently an executive director of LeRoi Holdings Limited, the shares of which are listed on the main board of The Stock Exchange of Hong Kong Limited.

Mr. YEUNG Kwok Leung

Mr. YEUNG Kwok Leung, aged 33, joined the Group in October 2005 and was appointed the Qualified Accountant of the Group on 2 November 2005. On 23 December 2005, he was appointed as an Executive Director of the Company. Mr. Yeung holds a Bachelor degree in Accountancy. He has over 11 years' experience in auditing, financial controlling, accounting, corporate development as well as business strategies. He is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Yeung is responsible for the financial and accounting functions of the Group.

* for identification purpose only

Biographical Details of Directors and Senior Management

Independent Non-Executive Directors

Mr. Albert HO

Mr. Albert HO, aged 49, was appointed as an Independent Non-Executive Director, the Chairman of Audit Committee as well as a member of the Remuneration Committee of the Company on 10 May 2006. Mr. Ho graduated from Macquarie University in Sydney, Australia with a Bachelor Degree in Economic in 1985 and obtained his master of Business Administration degree from the University of Hong Kong in 1991. He is a Certified Public Accountant and a fellow member of the Association of Chartered Certified Accountants. He has extensive experience in financial and corporate management. Mr. Ho is currently an independent non-executive director of Jiuzhou Development Company Limited and Yu Ming Investments Limited, the shares of which are listed on the main board of The Stock Exchange of Hong Kong Limited.

Mr. Shane PHILLIPS

Mr. Shane PHILLIPS, aged 40, was appointed as an Independent Non-Executive Director and a member of the Audit Committee of the Company on 10 May 2006. Mr. Phillips obtained a Post Graduate Diploma in Business Management from Auckland University in New Zealand in 2002. He has over 13 years of experience in human resource development, recruitment and career planning. He also has been an executive officer of an organisation that held contracts with New Zealand's The Ministry of Health. He is currently a director of a consultancy company in New Zealand which is principally engaged in provision of government liaison services, contract management, property development and business consultation. Mr. Phillips is also a trustee of a large provider of facilities that cater for people with intellectual disabilities. This provider holds several contracts with New Zealand based government agencies.

Mr. CAI Zhixu

Mr. CAI Zhixu, aged 34, was appointed as an Independent Non-Executive Director, a member of the Audit Committee and the Remuneration Committee of the Company on 10 May 2006. Mr. Cai graduated from 廣州對外貿易學院 (Guangzhou Institute of Foreign Trade*), now known as 廣東外語外貿大學 (Guangdong University of Foreign Studies*), in Guangzhou, the PRC majoring in International Trade in 1995. He had been acting as the project director and manager in the finance and investment department of Zhu Kuan Development Company Limited, now known as Jiuzhou Development Company Limited, the shares of which are listed on the main board of The Stock Exchange of the Hong Kong Limited, or its holding company from end of 1995 to 2000. He has extensive experience in finance and investments. Since 1999, Mr. Cai has been acting as the managing director of a trading company engaging in the trading of construction materials and automobiles in Zhuhai City of Guangdong Province, the PRC.

* for identification purpose only

Biographical Details of Directors and Senior Management

Senior Management

Mr. Chang Chih Ping, Tony

Mr. Chang Chih Ping, Tony, aged 60, rejoined the Group in December 2006. He is a Dealing Director of the securities section of the Group. Mr. Chang has over 23 years of experience in investment services business and has taken up directorship with various securities companies. He is a member of The Institute of Internal Auditors (U.K.) and a former member of Comex, New York. He is responsible for overseeing the securities trading business.

Mr. Kwok Wai Shun

Mr. Kwok Wai Shun, aged 35, joined the Group in March 2005. He is one of the Dealing Directors of the securities section of the Group. Mr. Kwok holds a Bachelor Degree of Arts from the University of Toronto and has over eight years experience in investment services business. He is responsible for overseeing the securities trading business.

Mr. Tong Ching Po

Mr. Tong Ching Po, aged 59, joined the Group in 2007. He is another Dealing Director of the securities section responsible for overseeing the securities trading business of the Group. Mr. Tong has over 30 years experience in financial services. Before joining the Group, he worked for several securities firms and has extensive experience in this field.

Ms. Chow Man Ngan

Ms. Chow Man Ngan, aged 32, joined the Group in December 2003. She is a member of The Hong Kong Institute of Chartered Secretaries and has over 10 years experience in corporate strategic planning, secretarial services as well as compliance aspect. She is responsible for overseeing all the corporate secretarial matters in the Group.

* *for identification purpose only*

Directors' Report

Report of Directors

The Directors present their annual report and the audited financial statements for the year ended 31 March 2007 of the Company and its subsidiaries.

Principal Activities

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 44 to the financial statements.

Results and Appropriations

The results of the Group for the year ended 31 March 2007 are set out in the consolidated income statement on page 31 of the annual report.

The Directors do not recommend the payment of a dividend for the year ended 31 March 2007. (2006: Nil).

Property, Plant and Equipment

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

Share Capital

Details of movements in the share capital of the Company during the year are set out in note 35 to the financial statements.

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

Reserves

Movements in the reserves of the Company during the year are set out in note 37 to the financial statements.

Directors' Report

Distributable Reserves

At 31 March 2006 and 31 March 2007, the Company had no reserves available for distribution.

Summary Financial Information

A summary of the published results and assets, liabilities and minority interests 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 98. This summary does not form part of the audited financial statements.

Share Option Scheme

Details of the share option schemes of the Company are set out in note 36 to the financial statements.

At 31 March 2007, the number of shares in respect of which options had been granted and remaining outstanding under the share option schemes of the Company was 13,700,000 (2006: 25,522,600), representing approximately 2.95% (2006: 5.5%) of the shares of the Company in issue at that date.

A summary of the movements in the Company's share options during the year is as follows:

| Option type | Outstanding at 1 April 2006 | Lapsed during the year | Outstanding at 31 March 2007 |
|-------------|--------------------------------|---------------------------|---------------------------------|
| 2004B | 6,400,000 | (6,200,000) | 200,000 |
| 2004C | 2,630,000 | (530,000) | 2,100,000 |
| 2005A | 500,000 | (500,000) | – |
| 2006A | 15,992,600 | (4,592,600) | 11,400,000 |
| | 25,522,600 | (11,822,600) | 13,700,000 |

Directors' Report

Share Option Scheme (Continued)

Details of specific categories of options are as follows:

| Option type | Date of grant | Exercise period | Closing price immediately before/on the date of grant HK\$ | Exercise price per share HK\$ |
|-------------|-----------------|--------------------------------------|---|----------------------------------|
| 2004B | 27 August 2003 | 27 August 2003 – 26 August 2008 | 1.170 | 1.3060 |
| 2004C | 16 January 2004 | 16 January 2004 – 15 January 2009 | 0.840 | 0.8520 |
| 2005A | 1 April 2004 | 1 April 2004 – 31 March 2009 | 0.700 | 0.7000 |
| 2006A | 2 August 2005 | 2 August 2005 – 1 August 2010 | 0.340 | 0.3520 |

Options which lapsed or are cancelled have been taken out of the register of outstanding options maintained by the Company.

Directors

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

Executive Directors

| | |
|---|--|
| NG Khai Wain (<i>Chief Executive Officer</i>) | (appointed as an Executive Director on 10 May 2006 and as Chief Executive Officer on 29 June 2006) |
| SUN Tak Yan, Desmond | (appointed on 11 January 2007) |
| NG Cheuk Fan, Keith | (appointed on 4 April 2007) |
| YEUNG Kwok Leung | (appointed on 23 December 2005) |
| SZETO Chak Wah, Michael (alias Seto Chak Wah) | (resigned on 27 April 2006) |
| LAI Man Leung | (resigned on 27 April 2006) |

Directors' Report

Directors (Continued)

Non-Executive Director

YOU Wei (*Chairman*) (appointed as an Executive Director on 10 May 2006 and as Chairman on 29 June 2006 and re-designated as Non-Executive Director on 12 June 2007)

Independent Non-Executive Directors

| | |
|------------------------|-----------------------------|
| Albert HO | (appointed on 10 May 2006) |
| Shane PHILLIPS | (appointed on 10 May 2006) |
| CAI Zhixu | (appointed on 10 May 2006) |
| TSOI Wai Kwong | (resigned on 10 May 2006) |
| AU Tin Fung | (resigned on 10 May 2006) |
| LAW Mun Yee | (resigned on 27 April 2006) |
| CHONG Yiu Kan, Sherman | (resigned on 27 April 2006) |

Mr. Sun Tak Yan, Desmond and Mr. Ng Cheuk Fan, Keith who were appointed by the Board shall retire at the forthcoming annual general meeting. On 12 June 2007, Ms. You Wei was re-designated as Non-Executive Director but remains as Chairman of the Company. Mr. Yeung Kwok Leung, who has been the longest in office since last election, shall retire at the forthcoming annual general meeting pursuant to article 116 of the Articles. Ms. You Wei, Mr. Sun Tak Yan, Desmond, Mr. Ng Cheuk Fan, Keith and Mr. Yeung Kwok Leung are eligible for re-election at the forthcoming annual general meeting and have agreed to offer themselves for re-election.

The Independent Non-Executive Directors are subject to retirement by rotation. The Company has received from each Independent Non-Executive Director a confirmation of his independence pursuant to the new independence guidelines set out in Rule 3.13 of The Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company considers the Independent Non-Executive Directors to be independent.

Directors' and Senior Management's biographies

Biography details of the Directors and the senior management of the Group are set out on pages 7 to 9 of the annual report.

Directors' Service Contracts

All the Directors proposed for re-election at the forthcoming annual general meeting have entered into service contracts with the Company for specific terms. Apart from the foregoing, none of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Directors' Report

Convertible Securities, Options, Warrants or Similar Rights

Other than those disclosed under "Share Option Scheme" above, the Company had no outstanding convertible securities, options, warrants or similar rights as at 31 March 2007 and there has been no other issue or exercise of any convertible securities, options, warrants or similar rights during the year.

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 March 2007, the Directors of the Company and/or any of their respective associates had the following interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") under the Listing Rules:

Long position in the shares and underlying shares of the Company

| Name of Director | Notes | Number of ordinary shares beneficially held and nature of interest | | | Approximate percentage of total shareholding |
|------------------|-------|--|---------|------------|--|
| | | Personal | Family | Corporate | |
| You Wei | (a) | 1,380,000 | 300,000 | 63,900,000 | 14.13% |
| | (b) | | | 9,000,000 | 1.94% |
| Ng Khai Wain | (c) | | | 63,900,000 | 13.77% |

Notes:—

- (a) As at 31 March 2007, Ms. You is deemed to be interested in 74,580,000 Shares (representing approximately 16.07% of the Company's issued share capital) under Part XV of the SFO, of which: —
- (i) 1,380,000 Shares (representing approximately 0.30% of the Company's issued share capital) are held by Ms. You;

Directors' Report

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures (Continued)

Long position in the shares and underlying shares of the Company (Continued)

- (ii) 300,000 Shares (representing approximately 0.06% of the Company's issued share capital) are owned by one of her family relatives and Ms. You as the joint owners; and
 - (iii) 63,900,000 Shares owned by Billion Boom Investments Limited ("BBIL"). BBIL is a company incorporated in the British Virgin Islands and is owned as to 75% by Ms. You, 0.6% by Mr. Ng Khai Wain and 24.4% by Golden Sun Pacific Limited, a company incorporated in the British Virgin Islands and is beneficiary wholly owned by Mr. Huang Shui Yong.
- (b) 9,000,000 Shares which are subject to the call option granted by Highworth Venture Limited in favour of BBIL (representing approximately 1.94% of the Company's issued share capital) are attributable to Ms. You.
- (c) Mr. Ng Khai Wain owns a 0.6% interest in BBIL's issued share capital, and BBIL holds 63,900,000 Shares (representing approximately 13.77% of the Company's issued share capital).

Other than as disclosed above and certain nominee shares in subsidiaries held by the Directors in trust for the Group, none of the Directors, or their associates, had any personal, family, corporate or other interests in the securities of the Company or any of its associated corporations (within the meaning of Part XV of SFO) which are required to be entered into the register kept by the Company pursuant to section 352 of the SFO or any interests which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code in the Listing Rules or under Division 7 and 8 of Part XV of the SFO.

Arrangements to Purchase Shares or Debentures

Other than options granted under the Company's share option scheme mentioned above, at no time during the year was the Company, or any of its subsidiaries a party to any arrangements to enable the Directors and the chief executive, their respective spouse or minor children (natural or adopted) to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate under an arrangement to which the Company, any of its subsidiaries, its holding company, or subsidiaries of the holding company (i.e. fellow subsidiaries); is a party, and the exercise of such rights.

Directors' Report

Directors' Interests in Contracts of Significance

No contracts of significance to which the Company, or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' Interests in Competing Business

None of the Directors of the Company is interested in any business, which compete or is likely to compete either directly or indirectly, with business of the Group.

Substantial Shareholders' Interests

As at 31 March 2007, the register of substantial shareholders' interests in shares and short positions maintained under section 336 of the SFO showed that the Company had been notified of the following interests, being 5% or more held in the shares and underlying shares of the Company.

Long position in the shares of the Company:

| Name of shareholders | Number of ordinary shares held | Approximate percentage of total shareholding % |
|---|--------------------------------|--|
| Billion Boom Investments Limited (Note (a)) | 72,900,000 | 15.71 |
| AWH Fund Ltd. (Note (b)) | 27,366,000 | 5.90 |

Directors' Report

Substantial Shareholders' Interests (Continued)

Notes:

- (a) Billion Boom Investments Limited ("BBIL") is a company incorporated in the British Virgin Islands and is owned as to 75% by Ms. You Wei, 0.6% by Mr. Ng Khai Wain and 24.4% by Golden Sun Pacific Limited, a company incorporated in the British Virgin Islands and is wholly owned by Mr. Huang Shui Yong. Ms. You Wei is the Chairman and Non-Executive Director, and Mr. Ng Khai Wain is the Chief Executive Officer of the Company. Mr. Huang Shui Yong is a third party independent of, and not connected with the Company, its Directors, chief executive officer, substantial shareholders and subsidiaries and their respective associates (within the meaning of the Listing Rules).

Pursuant to a sale and purchase agreement entered into between Highworth Venture Limited ("Highworth") and BBIL on 10 May 2006, Highworth, among others, (i) sold 63,900,000 Shares (representing approximately 13.77% of the Company's issued share capital) to BBIL, which sale was completed on 10 May 2006 at a total consideration of HK\$ 3 million; and (ii) granted a call option at an option price of HK\$1 in total in favour of BBIL over 9,000,000 Shares (representing approximately 1.94% of the Company's issued share capital), the share certificates in respect of which were reported to have been lost and the replacement certificates were being applied for. Under such agreement, BBIL may exercise the call option to acquire the entirety of 9,000,000 shares concerned at an exercise price of HK\$1 in total. It is BBIL's intention to exercise such call option once the replacement certificates are obtained by Highworth.

- (b) The interest of AWH Fund Ltd. in the Company is based on the information provided by the Stock Exchange official website on 31 July 2007.

Save as disclosed above, as at 31 March 2007, the Directors are not aware of any other persons who have interests or short positions in the shares, underlying shares of equity derivatives or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which would be required to be disclosed to the Company pursuant to Part XV of the SFO.

Directors' Report

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

Major Customers and Suppliers

During the year, the five largest customers of the Group accounted for about 99% of the turnover of the Group and the largest customer accounted for about 52% of the total turnover.

The five largest suppliers of the Group in aggregate accounted for about 99% of its purchases for the year. Purchases from the largest supplier accounted for about 40% of its purchases.

None of the Directors, their respective associates, or any shareholders (which to the knowledge of the Directors own more than 5% of the Company's share capital) has any interest in any of the five largest customers and the five largest suppliers of the Group for the financial year ended 31 March 2007.

Retirement Benefits Schemes

The Group strictly complies with the Mandatory Provident Fund Schemes Ordinance in making mandatory contributions for its staff.

Purchase, Sale or Redemption of Securities

The Company and its subsidiaries have not repurchased, sold or redeemed any of the Company's securities during the year.

Post Balance Sheet Events

Details of significant events which occurred after the balance sheet date are set out in note 47 to the financial statements.

Corporate Governance

The Company has, throughout the year ended 31 March 2007, complied with most of the applicable code provisions and principles of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. Details of the Corporate Governance Report of the Company was set out on page 20 to 27 of this annual report.

Directors' Report

Pre-emptive Rights

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

Litigation

As at 31 March 2007, there were no material contingent liabilities in respect of outstanding litigation or legal proceeding that need to be disclosed.

Audit Committee

The Company has an Audit Committee which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises of three Independent Non-Executive Directors of the Company, namely, Mr. Albert Ho, Mr. Shane Phillips and Mr. Cai Zhixu. They have reviewed with management the accounting policies and practices adopted by the Group and discussed audit, internal controls and financial reporting matters including a review of the audited financial statements for the year ended 31 March 2007.

Auditor

Horwath Hong Kong CPA Limited retire and a resolution for their reappointment as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Ng Khai Wain

Chief Executive Officer

Hong Kong, 31 July 2007

Corporate Governance Report

In the opinion of the Board, the Company has complied with the Code of Corporate Governance Practices (the "Code") set out in Appendix 14 to the Listing Rules throughout the year ended 31 March 2007 except for the deviations disclosed herein.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by its directors. Having made specific enquiries, all Directors have confirmed that they have fully complied with the required standard set out in the Model Code during the year.

Board of Directors

The Board is responsible for the leadership and control of the Group and oversees the Group's businesses, strategic decisions and performance. It is mainly accountable to the shareholders and is also in charge of the management, business, strategy, annual and interim results, risk management, major acquisitions, disposals and capital transactions and other major operation and financial aspects of the Group. The Board has delegated the day-to-day responsibility to the Executive Directors who perform their duties under the leadership of the Chief Executive Officer.

During most of the time in the year, the Board consisted of three to five Executive Directors and three Independent Non-Executive Directors. One of the Independent Non-Executive Director has relevant financial management expertise as required under the Listing Rules.

During the period from 1 April 2006 up to the date of this report, a total of thirteen full Board meetings were held by the Company to discuss the Group's development strategies, operational and financial performance of the Group. Reasonable notices have normally been given to all the Directors prior to the meetings, except in case of emergency. Matters on transactions where Directors are considered having a conflict of interest or material interests would not be dealt with by way of written resolutions and a separate Board meeting shall be held where Independent Non-Executive Directors who have no material interests should be present at the meeting. Directors having a conflict of interest or material interests in a transaction shall declare their interests therein before the Board meeting in accordance with the articles of association of the Company, abstain from voting on the relevant resolutions and shall not be counted in the quorum present at that Board meeting.

Corporate Governance Report

Board meetings involve the active participation, either in person or through other electronic means of communication, of a majority of Directors. The Company Secretary assists the Chairman of the meeting in preparing the agenda, and each Director may request the inclusion of items in the agenda. Directors are also consulted to suggest matters to be included in the agenda of all meetings.

Minutes of the Board meetings are recorded in detail and draft minutes are circulated within a reasonable time after the meeting to all Directors for review and comments before being approved by the Board. All minutes of the meetings are properly kept by the Company Secretary and are available for inspection by Directors and/or Auditor during normal office hours.

The attendance of Directors, either in person or through other electronic means of communication and the number of Board meetings held during the year under review or during their tenure of services is as follows:-

Attendance

Executive Directors

| | | |
|-------------------------|---|-------|
| Ng Khai Wain | (appointed on 10 May 2006 and further appointed as Chief Executive Officer on 29 June 2006) | 7/11 |
| Sun Tak Yan, Desmond | (appointed on 11 January 2007) | 4/4 |
| Ng Cheuk Fan, Keith | (appointed on 4 April 2007) | 3/3 |
| Yeung Kwok Leung | (appointed on 23 December 2005) | 13/13 |
| Szeto Chak Wah, Michael | (resigned on 27 April 2006) | 1/1 |
| Lai Man Leung | (resigned on 27 April 2006) | 1/1 |

Non-Executive Director

| | | |
|---------|---|------|
| You Wei | (appointed as Executive Director on 10 May 2006, further appointed as Chairman on 29 June 2006 and re-designed as Non-executive Director but remains as Chairman on 12 June 2007) | 6/11 |
|---------|---|------|

Corporate Governance Report

Attendance

Independent Non-Executive Directors

| | | |
|------------------------|-----------------------------|-------|
| Albert Ho | (appointed on 10 May 2006) | 10/11 |
| Shane Phillips | (appointed on 10 May 2006) | 4/11 |
| Cai Zhixu | (appointed on 10 May 2006) | 8/11 |
| Tsoi Wai Kwong | (resigned on 10 May 2006) | 2/2 |
| Au Tin Fung | (resigned on 10 May 2006) | 2/2 |
| Law Mun Yee | (resigned on 27 April 2006) | 1/1 |
| Chong Yiu Kan, Sherman | (resigned on 27 April 2006) | 1/1 |

As at the date of this Annual Report, the number of Independent Non-Executive Directors has met the requirements under the Listing Rules and Mr. Albert Ho has an appropriate accounting professional qualification. The Company has received annual confirmations of independence from all Independent Non-Executive Directors, namely Mr. Albert Ho, Mr. Shane Phillips and Mr. Cai Zhixu, and the Company considers them to be independent. All Independent Non-Executive Directors have appropriate and sufficient experience and qualifications to carry out their duties so as to fully represent the interests of the Shareholders.

Given the nature and business objective of the Company, the Board has a balance of skill and experience appropriate for the requirements of the business of the Company. Every Director is aware that he/she should give sufficient time and attention to the affairs of the Group. The Board members do not have any family, financial or business relations with each other. The list of Directors and their respective biographies are set out on pages 7 to 9 of this annual report respectively. The list of Directors is disclosed in all corporate communications made by the Company pursuant to the Listing Rules from time to time.

Chairman and Chief Executive Officer

The positions of the Chairman and the Chief Executive Officer are held separately by two Directors, Ms. You Wei and Mr. Ng Khai Wain respectively, to ensure their respective independence, accountability and responsibility.

The Board considered that as one of the important roles of the Chairman is to provide leadership for the Board and to ensure that the Board works efficiently and discharges its responsibilities, the role of Chairman should not undertake an executive role in the Board. As such, on 12 June 2007, Ms. You Wei was re-designated as Non-Executive Director but remains as Chairman of the Company. The Board is of the view that the re-designation of Ms. You will enable her to focus more on the role of leadership for the Board and enhance the efficiency of the Board.

Corporate Governance Report

The duty of the Chief Executive Officer is to work closely with audit committee as well as the remuneration committee of the Company and to ensure that all key and appropriate issues are discussed by the Board in a timely and constructive manner. The Chief Executive Officer is responsible for general management of the Group. He is also responsible to work closely with other Executive Directors to ensure management strategies, plans and performance of the Group are appropriately represented to the Board and to provide guidance to the Board on major issues. The division of responsibilities between the Chairman and the Chief Executive Officer has been clearly established and set out in writing.

Terms of Appointment of Non-Executive Director

The appointment for non-executive directors of the Company is a term of one year and can be terminated by the Company by giving one month written notice, subject to the rotation provisions in the articles of association of the Company. The Board considers that sufficient measures have been taken to comply with code provision A.4.1. of the Code.

A number of Board committees, including Audit Committee and Remuneration Committee, have been established by the Board to strengthen its functions and to enhance its expertise. These committees have been formed with specific written terms of reference which deal clearly with the committees' authority and duties.

Remuneration Committee

The Company has established a Remuneration Committee on 20 October 2005. Currently, the Remuneration Committee consists of the Chief Executive Officer, Mr. Ng Khai Wain and two Independent Non-Executive Directors, Mr. Albert Ho and Mr. Cai Zhixu. It is chaired by Mr. Ng Khai Wain. A written term of reference for the Remuneration Committee has been adopted with reference to the Code.

The Remuneration Committee's responsibilities are to review and consider the Company's policy for remuneration of Directors and senior management, to determine remuneration packages for Executive Directors and senior management including benefits in kind, pension rights and compensation payments, and to recommend to the Board the remuneration of Non-Executive Directors.

Corporate Governance Report

During the year, the Remuneration Committee met three times with necessary quorum throughout each meeting to discuss and review the remuneration packages as well as bonus arrangements for Directors and senior management.

The attendance, either in person or through other electronic means of communication, of individual member to the number of Remuneration Committee meetings held during the year or during their tenure of services is as follows:–

| | Number of meeting(s) |
|--------------------------------|-----------------------------|
| Mr. Ng Khai Wain (a) | 3/3 |
| Mr. Albert Ho (a) | 2/3 |
| Mr. Cai Zhixu (a) | 3/3 |
| Ms. Law Mun Yee (b) | 0/0 |
| Mr. Chong Yiu Kan, Sherman (b) | 0/0 |
| Mr. Au Tin Fung (c) | 0/0 |
| Mr. Tsoi Wai Kwong (c) | 0/0 |

Notes:–

- (a) Mr. Ng Khai Wain, Mr. Albert Ho and Mr. Cai Zhixu were all appointed on 10 May 2006.
- (b) Both Ms. Law Mun Yee and Mr. Chong Yiu Kan, Sherman resigned on 27 April 2006. No Remuneration Committee meeting was held during the period from the starting of the financial year up to the date of their resignation.
- (c) Both Mr. Au Tin Fung and Mr. Tsoi Wai Kwong resigned on 10 May 2006 and no Remuneration Committee meeting was held since 1 April 2006 up to the date of their resignation.

Full minutes of the Remuneration Committee meetings are kept by the Company Secretary. Draft and final versions of the minutes of the Remuneration Committee meetings are sent to all members of the Remuneration Committee for comments and approval.

Corporate Governance Report

Audit Committee

The Audit Committee consists of three Independent Non-Executive Directors, namely Mr. Albert Ho, Mr. Shane Phillips and Mr. Cai Zhixu. It is chaired by Mr. Albert Ho. The Audit Committee reports directly to the Board and reviews matters relating to the work of the external auditor, financial statements and internal controls. The principal duties of the Audit Committee included reviewing the Company's financial controls, internal control and risk management system, annual report and accounts and half-year report. It meets with the Company's external auditor as well as the accounts department of the Company to discuss the audit process and the accounting and internal control issues.

A written term of reference, which describes the authority and duties of the Audit Committee, are regularly reviewed and updated by the Board. During the year, the term of reference of the Audit Committee have been reviewed, revised and adopted to comply with the code provision C.3.3 of the Code.

Full minutes of the Audit Committee meetings are kept by the Company Secretary. Draft and final versions of the minutes of the Audit Committee meetings are sent to all members of the Audit Committee for comments and approval.

During the period from 1 April 2006 up to the date of this Report, the Audit Committee held four meetings. Members of the Audit Committee and their attendance, either in person or through other electronic means of communications, during their tenure of services is as follows:–

| Audit Committee members | Number of attendance |
|--------------------------------|-----------------------------|
| Mr. Albert Ho (a) | 4/4 |
| Mr. Shane Phillips (a) | 1/4 |
| Mr. Cai Zhixu (a) | 4/4 |
| Mr. Tsoi Wai Kwong (b) | 0/0 |
| Mr. Au Tin Fung (b) | 0/0 |
| Ms. Law Mum Yee (c) | 0/0 |
| Mr. Chong Yiu Kan, Sherman (c) | 0/0 |

Notes:–

- (a) Mr. Albert Ho, Mr. Shane Phillips and Mr. Cai Zhixu were all appointed on 10 May 2006.
- (b) Both Mr. Tsoi Wai Kwong and Mr. Au Tin Fung resigned on 10 May 2006. No Audit Committee meeting was held since 1 April 2006 up to the date of their resignation.
- (c) Both Ms. Law Mun Yee and Mr. Chong Yiu Kan, Sherman resigned on 27 April 2006. No Remuneration Committee meeting was held since 1 April 2006 up to the date of their resignation.

The financial statements of this year have been reviewed by the Audit Committee.

Corporate Governance Report

Nomination of Directors

The Company has not established a Nomination Committee. The duties and functions of the Nomination Committee recommended in the Code are performed by the Board collectively with no Director being involved in fixing his/her own terms of appointment and no Independent Non-Executive Director being involved in assessing his/her own independence. As such, the Board does not consider that any committee should be formed. In addition, all candidates to be selected and appointed as a Director must be able to meet the standards set out in Rules 3.08 and 3.09 of the Listing Rules. A candidate who is to be appointed as an independent non-executive director must also meet the independence criteria set out in Rule 3.13 of the Listing Rules. During the year under review, the appointment of each newly appointed Director has been properly approved by the Board.

Auditor's Remuneration

During the year, the Group was charged approximately HK\$580,000 for auditing services.

The Statement of the Auditor about their reporting responsibilities on the financial statements of the Group is set out on pages 28 to 30 of the Annual Report.

Accountability

The Directors are responsible for the preparation of the financial statements of the Group for the relevant accounting periods under applicable statutory and regulatory requirements which give a true and fair view of the state of affairs, the results of operations and cash-flow of the Group. In preparing the financial statements for the six months ended 30 September 2006 and for the year ended 31 March 2007, the Directors have adopted suitable accounting policies and applied them consistently. The financial statements for the reporting year have been prepared on an on-going concern basis. Financial results of the Group are announced in a timely manner in accordance with all statutory requirements, particularly the timeframe stipulated in Rule 13.49(1) and (6) of the Listing Rules.

Internal Control

The Board review the internal control system of the Company annually and will take any necessary and appropriate action to maintain an adequate internal control system to safeguard shareholders' investments and the Company's assets. The effectiveness of the internal control system was discussed on an annual basis with the Audit Committee.

Corporate Governance Report

Communications with Shareholders and Investors

The Board recognises the importance of good communications with all shareholders. The Company's annual general meeting is a valuable forum for the Board to communicate directly with the shareholders. The Chairman of the Board as well as Chairmen of the Audit and Remuneration Committees together with the external auditor are present to answer shareholders' questions. An annual general meeting circular is distributed to all shareholders at least 21 days before the annual general meeting. It sets out the procedures for demanding and conducting a poll and other relevant information of the proposed resolutions. The Chairman explains the procedures for demanding and conducting a poll again at the beginning of the annual general meeting and (except where a poll is demanded) reveals how many proxies for and against have been filed in respect of each resolution. The results of the poll, if any, will be published in the newspapers and on the Company's website.

A key element of effective communication with shareholders and investors is the prompt and timely dissemination of information in relation to the Group. The Company has announced all its price-sensitive information, announcements, interim and annual results in a timely manner in compliance with the Listing Rules.

The management dedicated for investor relations received interviews from and held meetings with equity research analysts, fund managers, institutional shareholders and potential investors from time to time during the year. The Company also maintains an on-going dialogue with the investing public via our bulletin board in the Company's official website so as to promptly address any causal enquiries about the Company.

Voting by Poll

The procedures for demanding a poll by the shareholders were incorporated in all circulars sent to shareholders and will be explained during the proceedings of meetings. Whenever voting by way of a poll is required, the detailed procedures for conducting a poll will be explained. Poll results will be published in newspapers on the business day following the shareholders' meetings and posted on the website of the Stock Exchange.

Independent Auditor's Report

TO THE SHAREHOLDERS OF CHINA CONSERVATIONAL POWER HOLDINGS LIMITED

(中國環保電力控股有限公司)

(Incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Conservational Power Holdings Limited (the "Company") and its subsidiaries (hereinafter referred to as the "Group") set out on pages 31 to 97, which comprise the consolidated and Company balance sheets as at 31 March 2007, 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. Except as described in the basis for qualified opinion paragraph, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

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

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

Independent Auditor's Report

Basis for qualified opinion

1. As disclosed in note 41, the Group disposed of two subsidiaries during the year and realised a gain on disposal of HK\$9,196,000 which was included in other operating income. The Group has not received any updated accounts or financial information on these subsidiaries beyond the unaudited financial information as at 31 December 2005 obtained in previous year. Management represented that the subsidiaries remained inactive during the year and did not have any transactions since 31 December 2005. The gain on disposal was calculated as the difference between the consideration received by the Group and the net liabilities of these subsidiaries as at 31 December 2005 which were incorporated in the consolidated financial statements of the Group prior to their disposal. We are unable to carry out alternative procedures to ascertain the networth of these subsidiaries as at the date of disposal or to satisfy ourselves that the gain on disposal is fairly stated in the consolidated income statement for the year.
2. As disclosed in note 22 to the financial statements, investments held for trading of the Group of approximately HK\$66,580,000 as at 31 March 2007, before impairment provision, were valued by the Directors at approximately HK\$38,816,000 by reference to a valuation of the fair value of the investments carried out by a professional firm of independent valuers as at 31 March 2006. The valuation assumed, inter alia, that the investee company will be able to continue to carry on business as a going concern. However, we have been unable to carry out the necessary audit procedures to satisfy ourselves that the investee company, which is listed on The Stock Exchange of Hong Kong Limited and has its shares suspended for trading since 29 September 2005, will be able to continue to carry on business as a going concern. As a result of this uncertainty, we are unable to satisfy ourselves as to whether or not the carrying value of investments held for trading of HK\$38,816,000 as at 31 March 2007 is fairly stated.

Qualified opinion arising from limitation of audit scope

In our opinion, except for any adjustments that might have been determined to be necessary had we been able to obtain sufficient evidence concerning the gain on disposal of subsidiaries during the year and the carrying value of investments held for trading as at 31 March 2007, the consolidated financial statements give a true and fair view of the state of the Company's and the Group's affairs as at 31 March 2007 and of the loss and cash flows of the Group 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.

Independent Auditor's Report

Qualified opinion arising from limitation of audit scope (Continued)

Report on matters under sections 141(4) and 141(6) of the Hong Kong Companies Ordinance

In respect alone of the limitation on our work relating to gain on disposal of subsidiaries and investments held for trading:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether proper books of account had been kept.

Fundamental uncertainty relating to the going concern

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the basis of preparation of financial statements made by the Directors. As explained in note 3b(ii) to the financial statements, the Group sustained a net loss for the year of HK\$13,230,000. Net current assets and total equity only amounted to HK\$26,173,000 and HK\$26,863,000 respectively as at 31 March 2007 which included investments held for trading with a carrying value of HK\$38,816,000. As explained in paragraph 2 under the heading "Basis of qualified opinion" above, we are unable to satisfy ourselves as to whether or not the carrying value of investments held for trading is fairly stated. The financial statements have been prepared on a going concern basis, the validity of which depends upon the financial support of a substantial shareholder and a lender of the Group who have undertaken to provide funds to finance the working capital requirements of the Group.

We consider that the circumstances relating to the above fundamental uncertainty have been adequately accounted for and disclosed in the financial statements and our opinion is not qualified in this respect.

HORWATH HONG KONG CPA LIMITED

Certified Public Accountants

2001 Central Plaza
18 Harbour Road
Wanchai
Hong Kong

Shiu Hong Ng

Practising Certificate number P03752

Hong Kong, 31 July 2007

Consolidated Income Statement

For the year ended 31 March 2007 (Expressed in Hong Kong dollars)

| | Notes | 2007 HK\$'000 | 2006 HK\$'000 |
|----------------------------------|-------|------------------|------------------|
| Turnover | 5 | 6,504 | 29,690 |
| Cost of sales | | (3,711) | (21,687) |
| Gross profit | | 2,793 | 8,003 |
| Other operating income | 7 | 250 | 4,720 |
| Selling expenses | | (12) | (50) |
| Administrative expenses | | (20,408) | (42,427) |
| Provision for doubtful debts | | (1,684) | (2,562) |
| Impairment losses | 8 | – | (122,418) |
| Loss from operations | 9 | (19,061) | (154,734) |
| Finance costs | 12 | (2,573) | (2,285) |
| Gain on disposal of subsidiaries | 41 | 9,196 | 25,927 |
| Loss before taxation | | (12,438) | (131,092) |
| Taxation | 13 | (792) | (159) |
| Net loss for the year | | (13,230) | (131,251) |
| Dividends | 14 | – | – |
| Loss per share | 15 | | |
| – basic | | (2.9 cents) | (28.5 cents) |
| – diluted | | N/A | N/A |

The accompanying notes form part of these financial statements.

Consolidated Balance Sheet

At 31 March 2007 (Expressed in Hong Kong dollars)

| | Notes | 2007 HK\$'000 | 2006 HK\$'000 |
|--|-------|------------------|------------------|
| Non-current assets | | | |
| Property, plant and equipment | 16 | 954 | 1,850 |
| Intangible assets | 20 | – | 251 |
| Other assets | 21 | 205 | 205 |
| Retention money receivables | 23 | – | 1,109 |
| | | 1,159 | 3,415 |
| Current assets | | | |
| Fixed deposits | | – | 1,599 |
| Bank balances and cash | | 7,284 | 16,045 |
| Pledged bank deposits | 42 | 2,134 | 2,063 |
| Investments held for trading | 22 | 38,816 | 38,816 |
| Inventories | 26 | 213 | 252 |
| Accounts receivable | 30 | 5,405 | 12,156 |
| Amounts due from customers for contract work | 27 | – | 657 |
| Progress payments receivable | 28 | 1,417 | 209 |
| Other receivables, deposits and prepayments | | 800 | 3,681 |
| Loans receivable | 29 | 4,099 | 9,438 |
| Retention money receivables | 23 | 1,773 | 4,135 |
| Amounts due from related companies | | 51 | 12 |
| Taxation recoverable | | – | 272 |
| | | 61,992 | 89,335 |
| Current liabilities | | | |
| Bank overdraft (secured) | 33 | 1,926 | 4,098 |
| Other borrowings (unsecured) | 34 | 14,113 | 11,718 |
| Bills payable | | – | 91 |
| Accounts payable, other payables and accrued charges | 25 | 15,874 | 32,436 |
| Loans payable | | 687 | 320 |
| Retention money payables | 24 | 1,252 | 447 |
| Amount due to a related company | | 890 | 890 |
| Amount due to a director | 45 | 529 | – |
| Obligations under finance leases | 32 | 290 | 275 |
| Taxation payable | | 258 | 386 |
| | | 35,819 | 50,661 |
| Net current assets | | 26,173 | 38,674 |
| Total assets less current liabilities carried forward | | 27,332 | 42,089 |

Consolidated Balance Sheet

At 31 March 2007 (Expressed in Hong Kong dollars)

| | Notes | 2007 HK\$'000 | 2006 HK\$'000 |
|--|-------|------------------|------------------|
| Total assets less current liabilities brought forward | | 27,332 | 42,089 |
| Non-current liabilities | | | |
| Retention money payables | 24 | – | 1,385 |
| Obligations under finance leases | 32 | 469 | 646 |
| Deferred taxation | 40 | – | 2 |
| | | 469 | 2,033 |
| Net assets | | 26,863 | 40,056 |
| Equity | | | |
| Share capital | 35 | 46,407 | 46,407 |
| Reserves | | (19,544) | (6,351) |
| Total equity | | 26,863 | 40,056 |

These financial statements were approved and authorised for issue by the board of directors on 31 July 2007.

NG Khai Wain
Executive Director

YEUNG Kwok Leung
Executive Director

The accompanying notes form part of these financial statements.

Balance Sheet

At 31 March 2007 (Expressed in Hong Kong dollars)

| | Notes | 2007 HK\$'000 | 2006 HK\$'000 |
|---|-------|------------------|------------------|
| Non-current assets | | | |
| Property, plant and equipment | 16 | – | 23 |
| Interests in subsidiaries | 17 | 4,074 | 2,127 |
| | | 4,074 | 2,150 |
| Current assets | | | |
| Investments held for trading | 22 | 38,756 | 38,756 |
| Other receivables, deposits and prepayments | | 16 | 15 |
| Bank balances and cash | | 3 | 111 |
| | | 38,775 | 38,882 |
| Current liabilities | | | |
| Other payables and accrued charges | | 1,281 | 976 |
| Net current assets | | | |
| | | 37,494 | 37,906 |
| Net assets | | | |
| | | 41,568 | 40,056 |
| Equity | | | |
| Share capital | 35 | 46,407 | 46,407 |
| Reserves | 37 | (4,839) | (6,351) |
| Total equity | | | |
| | | 41,568 | 40,056 |

These financial statements were approved and authorised for issue by the board of directors on 31 July 2007.

NG Khai Wain
Executive Director

YEUNG Kwok Leung
Executive Director

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2007 (Expressed in Hong Kong dollars)

| | Reserves | | | | | | Accumulated losses | Attributable to equity holders of the company | Minority interest | Total |
|---|---------------|----------------|----------------------|-----------------|-----------------|---------------------|--------------------|---|-------------------|---------------|
| | Share capital | Share premium | Share option reserve | Special reserve | Capital reserve | Translation reserve | | | | |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | | | | Note (a) | Note (b) | | | | | |
| At 1 April 2005 | 38,672 | 210,790 | - | 13,524 | 1,848 | 431 | (125,328) | 139,937 | 49,162 | 189,099 |
| Recognised upon disposal of subsidiaries | - | - | - | - | - | (468) | - | (468) | - | (468) |
| Net loss for the year | - | - | - | - | - | - | (131,251) | (131,251) | - | (131,251) |
| Total recognised income and expenses for the year | 38,672 | 210,790 | - | 13,524 | 1,848 | (37) | (256,579) | 8,218 | 49,162 | 57,380 |
| Issue of new shares | 7,735 | 23,174 | - | - | - | - | - | 30,909 | - | 30,909 |
| Share issue expenses | - | (780) | - | - | - | - | - | (780) | - | (780) |
| Disposal of subsidiaries | - | - | - | - | 15 | - | - | 15 | (49,162) | (49,147) |
| Equity settled share-based transactions | - | - | 1,694 | - | - | - | - | 1,694 | - | 1,694 |
| At 31 March 2006 | 46,407 | 233,184 | 1,694 | 13,524 | 1,863 | (37) | (256,579) | 40,056 | - | 40,056 |
| Recognised upon disposal of subsidiaries | - | - | - | - | - | 37 | - | 37 | - | 37 |
| Net loss for the year | - | - | - | - | - | - | (13,230) | (13,230) | - | (13,230) |
| Total recognised income and expenses for the year | 46,407 | 233,184 | 1,694 | 13,524 | 1,863 | - | (269,809) | 26,863 | - | 26,863 |
| Share options lapsed | - | - | (486) | - | - | - | 486 | - | - | - |
| At 31 March 2007 | 46,407 | 233,184 | 1,208 | 13,524 | 1,863 | - | (269,323) | 26,863 | - | 26,863 |

Notes:

- (a) The special reserve of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired and the nominal value of the Company's shares issued for the acquisition under the corporate reorganisation of the Group.
- (b) The capital reserve represents the contributions made by the then controlling shareholder under the corporate reorganisation of the Group.

The accompanying notes form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 March 2007 (Expressed in Hong Kong dollars)

| Notes | 2007 HK\$'000 | 2006 HK\$'000 |
|---|------------------|------------------|
| Operating activities | | |
| Loss before taxation | (12,438) | (131,092) |
| Adjustments for: | | |
| Impairment loss recognised in respect of investment deposits | – | 25,000 |
| Impairment loss recognised in respect of investments held for trading | – | 27,764 |
| Impairment loss recognised in respect of loan, margin and loan interest receivables | 82 | 69,187 |
| Depreciation | 918 | 3,147 |
| Interest income | (166) | (902) |
| Interest expense | 2,542 | 2,245 |
| Interest on obligations under finance leases | 31 | 40 |
| Provision for doubtful debts | 1,602 | 2,562 |
| Bad debts written off | – | 315 |
| Gain on investments held for trading | – | (269) |
| Gain on disposal of subsidiaries | (9,196) | (25,927) |
| Loss on disposal of property, plant and equipment | 64 | 1,835 |
| Amortisation of intangible asset | 251 | 251 |
| Provision for obsolete inventories | 238 | 13 |
| Provision for amount due from an associate | – | 467 |
| Equity-settled share-based payment | – | 1,694 |
| Operating cash outflows before movements in working capital | (16,072) | (23,670) |
| (Increase) decrease in inventories | (199) | 207 |
| Decrease (increase) in accounts receivable | 5,130 | (13,665) |
| Decrease in amounts due from customers for contract work | 657 | 4,327 |
| (Increase) decrease in progress payments receivable | (1,208) | 2,033 |
| Decrease (increase) in other receivables, deposits and prepayments | 2,069 | (7,332) |
| Decrease in retention money receivables | 3,471 | 958 |
| (Increase) decrease in amount due from a related company | (39) | 2,030 |
| Decrease in bills payable | (91) | (466) |
| (Decrease) increase in accounts payable, other payables and accrued charges | (6,495) | 15,508 |
| Decrease in retention money payables | (580) | (583) |
| Decrease in amounts due to associates | – | (2,940) |
| Increase in amounts due to a related company | – | 890 |
| Increase in amount due to a director | 529 | – |
| Cash used in operations | (12,828) | (22,703) |
| Interest received | 166 | 902 |
| Interest paid | (2,542) | (2,245) |
| Interest on obligations under finance leases | (31) | (40) |
| Hong Kong profits tax paid | (650) | – |
| Net cash used in operating activities | (15,885) | (24,086) |

Consolidated Cash Flow Statement

For the year ended 31 March 2007 (Expressed in Hong Kong dollars)

| | Notes | 2007 HK\$'000 | 2006 HK\$'000 |
|---|-------|------------------|------------------|
| Investing activities | | | |
| Purchase of property, plant and equipment | | (180) | (233) |
| Purchase of investments held for trading | | – | (5,942) |
| Refund of investment deposits | | – | 25,000 |
| Payment of investments deposits | | – | (20,000) |
| Placement of pledged bank deposits | | (71) | (56) |
| Decrease (increase) in loans receivable | | 5,257 | (20,045) |
| Increase in loans payable | | 367 | 320 |
| Proceeds from disposal of property, plant and equipment | | 214 | 120 |
| Proceeds from disposal of listed investments | | – | 15,711 |
| Disposal of subsidiaries | 41 | (3) | (584) |
| Net cash generated from (used in) investing activities | | 5,584 | (5,709) |
| Financing activities | | | |
| Proceeds from issue of ordinary shares, net of issue expenses | | – | 30,129 |
| New borrowings obtained | | 2,395 | 20,000 |
| Repayment of other borrowings | | – | (8,282) |
| Repayment of obligations under finance leases | | (282) | (405) |
| Net cash generated from financing activities | | 2,113 | 41,442 |
| (Decrease) increase in cash and cash equivalents | | (8,188) | 11,647 |
| Cash and cash equivalents at the beginning of the year | | 13,546 | 1,899 |
| Cash and cash equivalents at the end of the year | | 5,358 | 13,546 |
| Analysis of the balance of cash and cash equivalents | | | |
| Fixed deposits | | – | 1,599 |
| Bank balances and cash | | 7,284 | 16,045 |
| Bank overdrafts (secured) | | (1,926) | (4,098) |
| | | 5,358 | 13,546 |

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

1. Organisation and operations

China Conservational Power Holdings Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2000 Revision) of the Cayman Islands. Its registered office and principal place of business are located at P.O. Box 309, Uglan House, South Church Street, George Town, Grand Cayman, Cayman Islands, British West Indies and at 1702-3, 17th Floor, Skyline Commercial Centre, 71-77 Wing Lok Street, Sheung Wan, Hong Kong respectively.

The Group engages in electrical engineering contracting, trading of electrical equipment and materials, investment holding, securities brokerage and financing and sea freight forwarding services. The Group operates primarily in Hong Kong. The Company is an investment holding company. The activities of the subsidiaries are set out in note 44 to the financial statements. The Company's shares had been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company's shares have been suspended for trading on the Stock Exchange since 29 September 2005.

2. Adoption of new and revised Hong Kong Financial Reporting Standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to its operations and effective for annual reporting periods beginning on 1 April 2006. The adoption of these new and revised Standards and Interpretations did not result in substantial changes to the Group's accounting policies nor have affected the amounts reported for the current or prior years.

At the date of authorisation of these financial statements, the following Standards and Interpretations relevant to the Group were in issue but not yet effective:

| | | Effective for annual periods beginning on or after |
|--------------------|---|--|
| HKAS 1 (Amendment) | Capital Disclosures | 1 January 2007 |
| HKFRS 7 | Financial Instruments: Disclosures | 1 January 2007 |
| HK(IFRIC) – Int 8 | Scope of HKFRS 2 | 1 May 2006 |
| HK(IFRIC) – Int 10 | Interim Financial Reporting and Impairment | 1 November 2006 |
| HK(IFRIC) – Int 11 | HKFRS 2 – Group and Treasury Share Transactions | 1 March 2007 |

The Directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the financial statements of the Group.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

3. Principal accounting policies

(a) Statement of compliance

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

(b) Basis of preparation of financial statements

- (i) The consolidated financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain financial instruments which are carried at fair value.
- (ii) The Group sustained a net loss for the year attributable to equity holders of the parent of HK\$13,230,000 during the year and had net assets and total equity of approximately HK\$26,863,000 as at 31 March 2007. The financial statements have been prepared on a going concern basis, the validity of which depends upon the financial support of a substantial shareholder, who has undertaken to provide funds to finance the working capital requirements of the Group. A licensed money lender has also agreed to make available a new stand-by loan up to a maximum amount of HK\$20,000,000 to the Company which is not repayable before 31 July 2008.

(c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 March each year.

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

All significant intercompany transactions, balances and unrealised gains on transactions between group enterprises are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment on the asset transferred.

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

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

3. Principal accounting policies (Continued)

(c) Basis of consolidation (Continued)

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

(d) 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 assumed in a business combination are recognised at their fair values at the acquisition date.

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

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

(e) Subsidiary

A subsidiary is a company in which the Company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another enterprise.

Investments in subsidiaries are included in the Company's balance sheet at cost less any impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

3. Principal accounting policies (Continued)

(f) Associates

An associate is a company, not being a subsidiary nor an interest in a joint venture, over which the Group is in a position to exercise significant influence, through participation in the financial and operating policy decisions of the investee.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate are not recognised. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Where a group company transacts with an associate of the Group, unrealised gains and losses are eliminated to the extent of the Group's interest in the relevant associate, except where unrealised losses provide evidence of an impairment of the assets transferred.

(g) Joint venture

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control, that is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

Where a group company undertakes its activities under joint venture arrangements directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognised in the financial statements of the relevant company and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of jointly venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured reliably.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

3. Principal accounting policies (Continued)

(g) Joint venture (Continued)

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities. The Group reports its interests in jointly controlled entities using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the jointly controlled entities, less impairment in the value of individual investments. Losses of a jointly controlled entities in excess of the Group's interest in that jointly controlled entity are not recognised. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Where a group enterprise transacts with a jointly controlled entity of the Group, unrealised gains and losses are eliminated to the extent of the Group's interest in the joint venture, except where unrealised losses provide evidence of an impairment of the assets transferred.

(h) Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary, associate or jointly controlled entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill on acquisitions of subsidiaries is presented separately. Goodwill on acquisitions of associates or jointly controlled entities is included in investments in associates or jointly controlled entities.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

3. Principal accounting policies (Continued)

(h) Goodwill (Continued)

Gain or loss on disposal of a subsidiary, an associate or a jointly controlled entity is determined after taking into account the carrying amount of goodwill relating to the subsidiary, associate or jointly controlled entity sold.

(i) Property, plant and equipment

Historical cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhaul costs, is charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the assets, the expenditure is capitalised as an additional cost of the asset or a separate asset.

Depreciation is charged so as to write off the cost or valuation of assets, other than properties under construction, over their estimated useful lives, using the straight-line method. The useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. The principal annual rates are as follows:

| | |
|------------------------|-----|
| Leasehold improvements | 20% |
| Furniture and fixtures | 25% |
| Office equipment | 25% |
| Motor vehicles | 25% |

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit and loss account.

(j) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is other than indefinite) and impairment losses. Intangible assets with indefinite useful lives that are acquired by the Group are stated in the balance sheet at cost less impairment losses.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

3. Principal accounting policies (Continued)

(k) Impairment of assets excluding goodwill

Assets that have an indefinite useful life are not subject to amortisation and tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Recoverable amount is the higher of fair value less costs to sell 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 the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the profit and loss account, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the profit and loss account, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

3. Principal accounting policies (Continued)

(l) Installation contracts

When the outcome of an installation contract can be estimated reliably, contract revenue and costs are recognised in the income statement by reference to the stage of completion of the contract activity at the balance sheet date, as measured by surveys on works performed.

When the outcome of an installation contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that is probable will be recoverable and contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

(m) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes cost of purchase of materials computed using the weighted average cost method. Net realisable value is determined by reference to the anticipated sales proceeds of items sold in the ordinary course of business less estimated selling expenses after the balance sheet date or to management estimates based on prevailing market conditions.

(n) Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

(i) Trade and other receivables

Receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate provision for estimated irrecoverable amounts are recognised in the profit and loss account when there is objective evidence that the asset is impaired. The provision recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

3. Principal accounting policies (Continued)

(n) Financial instruments (Continued)

(ii) Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in the profit and loss account when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Investments other than held-to-maturity debt securities are classified as either investments held for trading or as available-for-sale, and are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in the profit and loss account for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the profit and loss account for the period. For investment in an equity instrument that does not have a quoted market price in an active market and for which other methods of reasonably estimating fair value are clearly inappropriate or unworkable, the instrument will be measured at cost less impairment. Impairment losses recognised in the profit and loss account for equity investments classified as available-for-sale are not subsequently reversed through the profit and loss account. Impairment losses recognised in the profit and loss account for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

3. Principal accounting policies (Continued)

(n) Financial instruments (Continued)

(iii) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. 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 cash flow statement.

(iv) Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(v) Borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(vi) Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

(vii) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

3. Principal accounting policies (Continued)

(o) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the profit and loss account, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs.

Rentals payable under operating leases are charged to the profit and loss account on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

(p) 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 expenditures 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.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

3. Principal accounting policies (Continued)

(q) Taxation

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

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

Deferred tax liabilities is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. However, such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) or other asset and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

3. Principal accounting policies (Continued)

(r) Translation of foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (“functional currency”). The consolidated financial statements are expressed in Hong Kong dollars which is the functional currency of the Company, and the presentation currency for the consolidated statements.

In preparing the financial statements of the individual entities, foreign currency transactions are translated into Hong Kong dollars at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the profit and loss account for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the profit and loss account for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group’s foreign operation (including comparatives) are expressed in Hong Kong dollars using exchange rates prevailing on the balance sheet date. Income and expenses items (including comparatives) are translated at the average exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group’s translation reserve. Such translation differences are recognised in the profit and loss account in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

3. Principal accounting policies (Continued)

(s) Employees' benefits

(i) Short term benefits

Salaries, annual bonuses, paid annual leaves 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 value.

(ii) Retirement benefit scheme contributions

Contributions to the Mandatory Provident Fund Scheme as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are charged to the profit and loss account when incurred. The Group has no further payment obligations once the contribution is made.

(iii) Share based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a share option reserve within equity. The fair value is measured at grant date using the Black – Scholes pricing 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 expensed on a straight-line basis over the vesting period, taking into account the probability that the options will vest.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

3. Principal accounting policies (Continued)

(s) Employees' benefits (Continued)

(iii) Share based payments (Continued)

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit and loss account for the year of the review, unless the original employee expenses qualify for recognition as an assets, with a corresponding adjustment to the share option reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share option that vest (with a corresponding adjustment to the share option 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 share option 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).

(t) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the profit and loss account in the period in which they are incurred.

(u) Related parties

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

3. Principal accounting policies (Continued)

(v) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts.

- (i) Revenue from the sale of electrical products is recognised when the Group entity has delivered products to the customer, the customer has accepted the products and collectibility of the related receivable is reasonably assured.
- (ii) Revenue on installation contracts is recognised using the percentage of completion method by reference to the value of work carried out during the year.
- (iii) Interest income is accrued on a time-apportioned basis by reference to the principal outstanding using the effective interest rate method.
- (iv) Rental income from operating leases is recognised in equal instalments over the accounting periods covered by the lease term.
- (v) Revenue from sea freight forwarding is recognised when the services are rendered, which generally coincides with the time of shipment.
- (vi) Brokerage commission income is recognised on a trade date basis when the services are rendered.
- (vii) Income from securities handling charges and service income is recognised when the services are rendered.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

3. Principal accounting policies (Continued)

(w) Segment reporting

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

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

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such 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.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

4. Critical accounting estimates and judgements

Estimates and judgments

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.

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

Estimation uncertainty

The Group also makes estimates and assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date. 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.

Share option expense is subject to the limitations of the option pricing models adopted and the uncertainty in estimates used by management in the assumptions. Should the estimates including limited early exercise behaviour, expected interval and frequency of open exercise periods in the share option life and the relevant parameters of the share option model be changed, there would be material changes in the amount of share option benefits recognised in the income statement and share-based reserve.

The management exercises their judgement in estimation of impairment loss on investments held for trading based on the valuation report from an independent firm of professional valuers. The valuation is subject to the limitation and the uncertainty of the estimates used by management. There would be material changes in the amount of impairment loss recognised in the income statement and accumulated impairment loss if the parameters in the model are changed.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

5. Turnover

Turnover represents the aggregate of the value of contract work carried out, proceeds from sales of goods, brokerage income, margin interest earned and interest income from unsecured loans during the year, and is analysed as follows:

| | 2007 HK\$'000 | 2006 HK\$'000 |
|--|------------------|------------------|
| Electrical engineering contracting | 2,934 | 17,737 |
| Brokerage income from securities dealings | 1,519 | 3,484 |
| Sale of electrical goods | 1,430 | 1,865 |
| Margin interest from securities brokerage business | 618 | 1,527 |
| Interest income from unsecured loans | 3 | 5,067 |
| Others | – | 10 |
| | 6,504 | 29,690 |

6. Business and geographical segments

(a) Business segments

For management purposes, the Group is currently organised into four operating divisions. These divisions are the basis on which the Group reports its primary segment information. The principal activities are as follows:

- (i) Electrical engineering contracting
- (ii) Sale of electrical goods
- (iii) Securities brokerage and financing
- (iv) Sea freight forwarding services

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

6. Business and geographical segments (Continued)

(a) Business segments (Continued)

| | Electrical engineering contracting | Sale of electrical goods | Securities brokerage and financing | Sea freight forwarding services | Others | Elimination | Consolidated |
|--|--|--------------------------------|---|--|----------|-------------|--------------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| For the year ended | | | | | | | |
| 31 March 2007 | | | | | | | |
| Turnover | | | | | | | |
| External sales | 2,934 | 1,430 | 2,140 | - | - | - | 6,504 |
| Inter-segment sales | - | - | - | - | - | - | - |
| Total revenue | 2,934 | 1,430 | 2,140 | - | - | - | 6,504 |
| Results | | | | | | | |
| Segment results | (4,153) | (3,861) | (2,393) | (119) | (41) | - | (10,567) |
| Unallocated operating income and expenses | | | | | | | (8,494) |
| Loss from operations | | | | | | | (19,061) |
| Finance costs | | | | | | | (2,573) |
| Gain on disposal of subsidiaries | | | | | | | 9,196 |
| Loss before taxation | | | | | | | (12,438) |
| Taxation | | | | | | | (792) |
| Net loss for the year | | | | | | | (13,230) |

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

6. Business and geographical segments (Continued)

(a) Business segments (Continued)

| | Electrical engineering contracting | Sale of electrical goods | Securities brokerage and financing | Sea freight forwarding services | Others | Elimination | Consolidated |
|--|--|--------------------------------|---|--|----------|-------------|--------------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| As at 31 March 2007 | | | | | | | |
| Assets | | | | | | | |
| Segment assets | 5,587 | 1,427 | 14,480 | 7 | 6 | – | 21,507 |
| Unallocated corporate assets | | | | | | | 41,644 |
| Consolidated total assets | | | | | | | 63,151 |
| Liabilities | | | | | | | |
| Segment liabilities | 8,747 | 2,533 | 6,451 | 17 | 82 | – | 17,830 |
| Unallocated corporate liabilities | | | | | | | 18,458 |
| Consolidated total liabilities | | | | | | | 36,288 |
| Other information | | | | | | | |
| Additions of property, plant and equipment | 11 | 250 | 39 | – | – | – | 300 |
| Amortisation of trading right | – | – | 251 | – | – | – | 251 |
| Depreciation | 73 | 86 | 188 | – | 6 | 565 | 918 |
| (Gain) loss on disposal of property, plant and equipment | – | (92) | – | – | – | 156 | 64 |
| Provision for doubtful debts | 145 | 1,336 | – | – | 7 | 114 | 1,602 |

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

6. Business and geographical segments (Continued)

(a) Business segments (Continued)

| | Electrical engineering contracting | Sale of electrical goods | Securities brokerage and financing | Sea freight forwarding services | Others | Elimination | Consolidated |
|---------------------|--|--------------------------------|---|--|----------|-------------|--------------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| For the year ended | | | | | | | |
| 31 March 2006 | | | | | | | |
| Turnover | | | | | | | |
| External sales | 17,737 | 1,865 | 10,078 | – | 10 | – | 29,690 |
| Inter-segment sales | – | 233 | 9 | – | – | (242) | – |
| Total revenue | 17,737 | 2,098 | 10,087 | – | 10 | (242) | 29,690 |

Inter-segment sales are charged at prevailing market rates.

| | | | | | | | |
|--|---------|---------|----------|-------|------|---|-----------|
| Results | | | | | | | |
| Segment results | (8,024) | (3,778) | (59,539) | (108) | (19) | – | (71,468) |
| Unallocated operating income and expenses | | | | | | | (83,266) |
| Loss from operations | | | | | | | (154,734) |
| Finance costs | | | | | | | (2,285) |
| Gain on disposal of subsidiaries | | | | | | | 25,927 |
| Loss before taxation | | | | | | | (131,092) |
| Taxation | | | | | | | (159) |
| Net loss for the year | | | | | | | (131,251) |

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

6. Business and geographical segments (Continued)

(a) Business segments (Continued)

| | Electrical engineering contracting HK\$'000 | Sale of electrical goods HK\$'000 | Securities brokerage and financing HK\$'000 | Sea freight forwarding services HK\$'000 | Others HK\$'000 | Elimination HK\$'000 | Consolidated HK\$'000 |
|---|--|--|---|--|--------------------|-------------------------|--------------------------|
| As at 31 March 2006 | | | | | | | |
| Assets | | | | | | | |
| Segment assets | 10,155 | 2,893 | 27,981 | 6 | 30 | – | 41,065 |
| Unallocated corporate assets | | | | | | | 51,685 |
| Consolidated total assets | | | | | | | 92,750 |
| Liabilities | | | | | | | |
| Segment liabilities | 8,024 | 1,285 | 16,882 | 19 | 75 | – | 26,285 |
| Unallocated corporate liabilities | | | | | | | 26,409 |
| Consolidated total liabilities | | | | | | | 52,694 |
| Other information | | | | | | | |
| Additions of property, plant and equipment | – | – | 214 | – | – | 19 | 233 |
| Amortisation of trading right | – | – | 251 | – | – | – | 251 |
| Depreciation | 200 | 123 | 273 | – | 4 | 2,547 | 3,147 |
| Impairment losses recognised in income statement | – | – | 62,931 | – | – | 59,487 | 122,418 |
| Loss on disposal of property, plant and equipment | – | 79 | – | – | – | 1,756 | 1,835 |
| Provision for doubtful debts | 1,017 | 223 | – | – | 6 | 1,316 | 2,562 |
| Bad debts written off | – | 1 | 314 | – | – | – | 315 |

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

6. Business and geographical segments (Continued)

(b) Geographical segments

The Group's principal operations are mainly located in Hong Kong and the People's Republic of China (the "PRC"). The Group's electrical engineering contracting, sale of electrical goods, securities brokerage and financing and sea freight forwarding services are located in Hong Kong.

Over 90% of the Group's revenues during the two years ended 31 March 2007 were derived from Hong Kong. Accordingly, no geographical information on revenue is presented.

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

| | Carrying amount of consolidated total assets | | Additions to property, plant equipment and intangible assets | |
|-----------|--|----------|--|----------|
| | At 31 March | | For the year ended 31 March | |
| | 2007 | 2006 | 2007 | 2006 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Hong Kong | 24,203 | 52,383 | 300 | 233 |
| The PRC | – | 834 | – | – |
| | 24,203 | 53,217 | 300 | 233 |
| Others | 38,948 | 39,533 | – | – |
| | 63,151 | 92,750 | 300 | 233 |

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

7. Other operating income

| | 2007 HK\$'000 | 2006 HK\$'000 |
|---|------------------|------------------|
| Other operating income includes: | | |
| Interest income | 166 | 902 |
| Handling charges | 46 | 122 |
| Sundry income | 38 | 107 |
| Reversal of provision for irrecoverable prepayments | – | 3,053 |
| Gain on disposal of other investments | – | 269 |
| Rental income | – | 230 |
| Exchange gain | – | 37 |
| | 250 | 4,720 |

8. Impairment losses

| | 2007 HK\$'000 | 2006 HK\$'000 |
|----------------------------------|------------------|------------------|
| Impairment losses in respect of: | | |
| Loans and margin receivable | – | 63,550 |
| Investments held for trading | – | 27,764 |
| Investment deposits | – | 25,000 |
| Loan interest receivables | – | 5,637 |
| Interests in associates | – | 467 |
| | – | 122,418 |

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

9. Loss from operations

| | 2007 HK\$'000 | 2006 HK\$'000 |
|--|------------------|------------------|
| Loss from operations has been arrived at after charging (crediting): | | |
| Provision for doubtful debts | 1,602 | 2,562 |
| Amortisation of trading right in respect of securities trading included in administrative expenses (Note 20) | 251 | 251 |
| Auditor's remuneration: | | |
| Current year | 580 | 650 |
| Underprovision in prior years | 100 | – |
| Bad debts written off | – | 315 |
| Cost of inventories | 1,198 | 1,278 |
| Depreciation of property, plant and equipment: | | |
| Owned assets | 642 | 2,682 |
| Assets held under finance leases | 276 | 465 |
| Exchange gains | – | (37) |
| Provision for obsolete inventories | 238 | 13 |
| Impairment losses (Note 8) | – | 122,418 |
| Loss on disposal of property, plant and equipment | 64 | 1,835 |
| Operating lease rentals in respect of rented premises | 1,310 | 993 |
| Staff costs excluding directors' remuneration: | | |
| Salaries and allowances | 9,115 | 13,647 |
| Retirement benefit scheme contributions | 295 | 424 |
| Share options granted to employees | – | 1,694 |

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

10. Directors' and senior executives' emoluments

- (a) The emoluments paid or payable to each of Directors of the Group during the year are as follows:

| | Directors' fees | Salaries, allowances and benefits in kind | Retirement benefit scheme contributions | 2007 Total |
|--|-----------------|---|---|--------------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| <i>Executive Directors</i> | | | | |
| You Wei (Note) | 601 | – | – | 601 |
| Ng Khai Wain | 601 | – | – | 601 |
| Sun Tak Yan, Desmond | 75 | – | – | 75 |
| Yeung Kwok Leung | 90 | 797 | 12 | 899 |
| Szeto Chak Wah, Michael | – | 180 | 1 | 181 |
| Lai Man Leung | – | 108 | 1 | 109 |
| <i>Independent non-executive Directors</i> | | | | |
| Albert Ho | 89 | – | – | 89 |
| Shane Phillips | 89 | – | – | 89 |
| Cai Zhixu | 89 | – | – | 89 |
| Tsoi Wai Kwong | 9 | – | – | 9 |
| Au Tin Fung | 6 | – | – | 6 |
| Law Mun Yee | 6 | – | – | 6 |
| Chong Yiu Kan, Sherman | 9 | – | – | 9 |
| Total | 1,664 | 1,085 | 14 | 2,763 |

Note: Ms You Wei was re-designed as Non-Executive Director on 12 June 2007.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

10. Directors' and senior executives' emoluments (Continued)

- (a) The emoluments paid or payable to each of Directors of the Group during the year are as follows: (Continued)

| | Directors' fees | Salaries, allowances and benefits in kind | Retirement benefit scheme contributions | 2006 Total |
|--|--------------------|---|--|---------------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| <i>Executive Directors</i> | | | | |
| Lee Yu Leung | – | 476 | 7 | 483 |
| Hon Ming Kong | – | 325 | – | 325 |
| Ting Pascal | – | 225 | 3 | 228 |
| Chen Jun Nong | – | 155 | 2 | 157 |
| Chan Tat Chee | – | 9 | – | 9 |
| Lin Hoi Kwong | – | 370 | 7 | 377 |
| Zhao Lin | – | 412 | – | 412 |
| Szeto Chak Wah, Michael | – | 1,039 | 6 | 1,045 |
| Lai Man Leung | – | 623 | 6 | 629 |
| Yeung Kwok Leung | – | 111 | 3 | 114 |
| <i>Non-executive Director</i> | | | | |
| Li Yong, Alfa | 438 | – | – | 438 |
| <i>Independent non-executive Directors</i> | | | | |
| Loo Chung Keung, Steve | 92 | – | – | 92 |
| Au Yeung Ka Cheung | 48 | – | – | 48 |
| Wong Tik Tung | 26 | – | – | 26 |
| Tsoi Wai Kwong | 80 | – | – | 80 |
| Au Tin Fung | 22 | – | – | 22 |
| Law Mun Yee | 33 | – | – | 33 |
| Chong Yiu Kan, Sherman | 22 | – | – | 22 |
| Total | 761 | 3,745 | 34 | 4,540 |

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

10. Directors' and senior executives' emoluments (Continued)

- (b) Details of the emoluments paid by the Group to the senior management of the Company are as follows:–

| | Salaries and allowances | Bonus | Retirement benefit scheme contributions | 2007 Total |
|-------------------------|----------------------------|----------|--|---------------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Senior management: | | | | |
| Lin Hoi Kwong | 397 | – | 4 | 401 |
| Lai Sai Sang | 2,651 | – | 28 | 2,679 |
| Leung Sau Che, Jennifer | 835 | – | 24 | 859 |
| | 3,883 | – | 56 | 3,939 |

| | Salaries and allowances | Bonus | Retirement benefit scheme contributions | 2006 Total |
|-------------------------|----------------------------|----------|--|---------------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Senior management: | | | | |
| Lin Hoi Kwong | 790 | – | 12 | 802 |
| Lai Sai Sang | 3,012 | – | 73 | 3,085 |
| Leung Sau Che, Jennifer | 1,152 | – | 46 | 1,198 |
| | 4,954 | – | 131 | 5,085 |

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

10. Directors' and senior executives' emoluments (Continued)

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2006: three) Directors whose emoluments are reflected in the analysis presented in note 10(a) above. The emoluments payable to the remaining two (2006: two) individuals during the year are as follows:

| | 2007 HK\$'000 | 2006 HK\$'000 |
|-----------------------------|------------------|------------------|
| Salaries and other benefits | 3,486 | 4,164 |
| MPF contributions | 52 | 119 |
| | 3,538 | 4,283 |

The emoluments fell within the following band:

| Emolument bands | Number of individuals | |
|-----------------------|-----------------------|------|
| | 2007 | 2006 |
| HK\$ | | |
| 0 – 1,000,000 | 1 | – |
| 1,000,001 – 2,000,000 | – | 1 |
| 2,000,001 – 3,000,000 | 1 | 1 |

- (d) There were no arrangements under which a director or senior management waived or agreed to waive any emoluments, and no incentive payment nor compensation for loss of office was paid or payable to any director or senior management during the year.

11. Results attributable to equity holders of the parent

The loss attributable to equity holders of the Company includes a profit of HK\$1,512,000 (2006: loss of HK\$131,647,000) which has been dealt with in the financial statements of the Company.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

12. Finance costs

| | 2007 HK\$'000 | 2006 HK\$'000 |
|---|------------------|------------------|
| Interest on bank borrowings and overdrafts wholly repayable within five years | 97 | 488 |
| Interest on obligations under finance leases | 31 | 40 |
| Interest on other borrowings | 2,445 | 1,757 |
| | 2,573 | 2,285 |

13. Taxation

| | 2007 HK\$'000 | 2006 HK\$'000 |
|---|------------------|------------------|
| The charge comprises: | | |
| Underprovision of Hong Kong profits tax in respect of prior years | 790 | 159 |
| Deferred taxation (Note 40) | 2 | – |
| | 792 | 159 |

No provision for Hong Kong profits tax for the current year has been made as the Group sustained a loss during the year. Taxation in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

13. Taxation (Continued)

Taxation for the year can be reconciled to the accounting loss before taxation per the consolidated income statement as follows:

| | 2007 HK\$'000 | 2006 HK\$'000 |
|---|------------------|------------------|
| Loss before taxation | (12,438) | (131,092) |
| Tax credit at the domestic income tax rate of 17.5% (2006: 17.5%) | (2,177) | (22,941) |
| Tax effect of expenses that are not deductible in determining taxable profit | 255 | 11,172 |
| Tax effect of income that is not taxable in determining taxable profit | (951) | (4,691) |
| Deferred tax asset on tax losses and other timing differences not recognised | 2,873 | 16,460 |
| Underprovision in prior years | 792 | 159 |
| Taxation charge for the year | 792 | 159 |

Details of deferred taxation are disclosed in note 40 to the financial statements.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

14. Dividends

No dividend has been paid or declared by the Company during the year (2006: \$Nil).

The Directors do not recommend the payment of a final dividend during the year.

15. Loss per share

The calculation of the basic loss per share is based on the following data:

| | 2007 HK\$'000 | 2006 HK\$'000 |
|---|------------------|------------------|
| Loss for the purposes of basic loss per share | (13,230) | (131,251) |
| | '000 | '000 |
| Weighted average number of ordinary shares for the purposes of basic loss per share | 464,070 | 459,620 |

Diluted loss per share was not presented for both years as the potential diluted ordinary shares resulting from the exercise of the Company's outstanding share options are anti-dilutive.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

16. Property, plant and equipment

| | Leasehold improvements HK\$'000 | Furniture and fixtures HK\$'000 | Office equipment HK\$'000 | Motor vehicles HK\$'000 | Total HK\$'000 |
|---------------------------|---------------------------------------|--|---------------------------------|-------------------------------|-------------------|
| The Group | | | | | |
| Cost: | | | | | |
| At 1 April 2005 | 5,504 | 5,566 | 4,460 | 2,523 | 18,053 |
| Additions | 69 | 35 | 129 | – | 233 |
| Disposals | | | | | |
| – of subsidiaries | – | (228) | (153) | (399) | (780) |
| – others | (4,958) | (1,076) | (157) | (264) | (6,455) |
| At 31 March 2006 | 615 | 4,297 | 4,279 | 1,860 | 11,051 |
| Additions | – | – | 50 | 250 | 300 |
| Disposals | – | (2,639) | (855) | (278) | (3,772) |
| At 31 March 2007 | 615 | 1,658 | 3,474 | 1,832 | 7,579 |
| Accumulated depreciation: | | | | | |
| At 1 April 2005 | 2,827 | 4,097 | 3,210 | 622 | 10,756 |
| Charge for the year | 1,180 | 825 | 658 | 484 | 3,147 |
| Written back on disposal | | | | | |
| – of subsidiaries | – | (166) | (9) | (27) | (202) |
| – others | (3,506) | (783) | (126) | (85) | (4,500) |
| At 31 March 2006 | 501 | 3,973 | 3,733 | 994 | 9,201 |
| Charge for the year | 98 | 120 | 296 | 404 | 918 |
| Written back on disposal | – | (2,471) | (780) | (243) | (3,494) |
| At 31 March 2007 | 599 | 1,622 | 3,249 | 1,155 | 6,625 |
| Net book values: | | | | | |
| At 31 March 2007 | 16 | 36 | 225 | 677 | 954 |
| At 31 March 2006 | 114 | 324 | 546 | 866 | 1,850 |

Note: On 31 March 2007, motor vehicles with a net book value of approximate HK\$677,000 (2006: HK\$866,000) were held under finance leases.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

16. Property, plant and equipment (Continued)

| | Office equipment HK\$'000 |
|--|---------------------------------|
| The Company | |
| Cost: | |
| At 1 April 2005, 31 March 2006 and 31 March 2007 | 157 |
| Accumulated depreciation: | |
| At 1 April 2005 | 95 |
| Charge for the year | 39 |
| At 31 March 2006 | 134 |
| Charge for the year | 23 |
| At 31 March 2007 | 157 |
| Net book values: | |
| At 31 March 2007 | – |
| At 31 March 2006 | 23 |

17. Interests in subsidiaries

| | The Company | |
|------------------------------------|------------------|-----------|
| | 2007 | 2006 |
| | HK\$'000 | HK\$'000 |
| Unlisted shares, at cost | 15,186 | 15,186 |
| Amounts due from subsidiaries, net | 252,483 | 255,703 |
| | 267,669 | 270,889 |
| Less: Impairment losses | (263,595) | (268,762) |
| | 4,074 | 2,127 |

The amounts due from subsidiaries are unsecured, interest free and in substance represent the Company's interest in the subsidiaries in the form of quasi-equity loans.

Particulars of the Company's principal subsidiaries at 31 March 2007 are set out in note 44.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

18. Interests in associates

| | The Group | |
|---|------------------|------------------|
| | 2007 HK\$'000 | 2006 HK\$'000 |
| Cost of investment in associates | 35,000 | 35,000 |
| Amounts due from associates, net | 33,428 | 33,428 |
| | 68,428 | 68,428 |
| Share of post acquisition results of associates | (45,607) | (45,607) |
| Less: Impairment losses | (22,821) | (22,821) |
| | – | – |

The amounts due from associates are unsecured, interest free and in substance represent the Company's interest in the associates in the form of quasi-equity loans.

Particulars of the Group's associates as at 31 March 2007 were as follows:

| Name of associate | Form of business structure | Place of incorporation/ operation | Class of shares held | Effective percentage of equity interest held by Group | Principal activities |
|---|----------------------------|--|----------------------|---|----------------------|
| Bright Rich International Limited <i>(note (a))</i> | Incorporated | Hong Kong/ Hong Kong | Ordinary | 50% | Inactive |
| Sharpway Enterprises Limited <i>(note (a))</i> | Incorporated | The British Virgin Islands/ The PRC | Ordinary | 50% | Inactive |
| United Asia Terminal Holdings Limited <i>(note (a))</i> | Incorporated | The British Virgin Islands/ The PRC | Ordinary | 40% | Investing holding |

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

18. Interests in associates

| Name of associate | Form of business structure | Place of incorporation/ operation | Class of shares held | Effective percentage of equity interest held by Group | Principal activities |
|--|-----------------------------------|-----------------------------------|----------------------|---|---|
| Shanghai Fortune Limited (note (a)) | Incorporated | Hong Kong/ The PRC | Ordinary | 40% | Investing holding |
| Fortune Union Investment Limited (note (a)) | Incorporated | Hong Kong/ The PRC | Ordinary | 40% | Investing holding |
| Shanghai United Asia Container Services Co., Ltd. 上海聯亞集裝箱服務有限公司 (note (b)) | Sino-foreign equity joint venture | The PRC/ The PRC | Registered capital | 36% | Operation of container depots and provision of logistics management services business |

Notes:

- (a) No audited or management accounts for the year ended or close to 31 March 2007 were available to the Directors.
- (b) The financial information of Shanghai United Asia Container Services Co., Limited 上海聯亞集裝箱服務有限公司 was based on the financial statements audited by the PRC auditor made up to 31 December 2006.

19. Interest in a joint venture

| | The Group | |
|---------------------|------------------|------------------|
| | 2007 HK\$'000 | 2006 HK\$'000 |
| Share of net assets | - | - |

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

19. Interest in a joint venture (Continued)

As at 31 March 2007, the Group had an interest in the following joint venture:

| Name of company | Form of business structure | Place of incorporation and operation | Class of capital held | Attributable equity interest held by the Group | Principal activities |
|---|----------------------------|--------------------------------------|-----------------------|--|--|
| Dagong Credit Information Service Co., Ltd. 大公信用信息服務有限公司 | Incorporated | The PRC | Registered Capital | 50% | Provision of credit information rating services in the PRC |

20. Intangible assets

| | The Group HK\$'000 |
|--|-----------------------|
| Cost: | |
| At 1 April 2005, 31 March 2006 and 31 March 2007 | 2,380 |
| Amortisation and impairment: | |
| At 1 April 2005 | 1,878 |
| Charge for the year | 251 |
| At 31 March 2006 | 2,129 |
| Charge for the year | 251 |
| At 31 March 2007 | 2,380 |
| Net book values: | |
| At 31 March 2007 | – |
| At 31 March 2006 | 251 |

The intangible assets represent trading right in the Stock Exchange.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

21. Other assets

| | The Group | |
|---|------------------|------------------|
| | 2007 HK\$'000 | 2006 HK\$'000 |
| The Stock Exchange | | |
| – Compensation fund deposits | 50 | 50 |
| – Fidelity fund deposits | 50 | 50 |
| – Stamp duty deposits | 5 | 5 |
| Hong Kong Securities Clearing Company Limited | | |
| – Guarantee fund contribution | 50 | 50 |
| – Admission fees | 50 | 50 |
| At 31 March | 205 | 205 |

22. Investments held for trading

| | The Group | | The Company | |
|--|------------------|------------------|------------------|------------------|
| | 2007 HK\$'000 | 2006 HK\$'000 | 2007 HK\$'000 | 2006 HK\$'000 |
| Non-voting cumulative redeemable convertible preference shares, (“Preference Shares”) at cost (note (a)) | 60,800 | 60,800 | 60,800 | 60,800 |
| Listed investments, at cost (note (b)) | 5,780 | 5,780 | 5,700 | 5,700 |
| | 66,580 | 66,580 | 66,500 | 66,500 |
| Less: Impairment losses | (27,764) | (27,764) | (27,744) | (27,744) |
| | 38,816 | 38,816 | 38,756 | 38,756 |

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

22. Investments held for trading (Continued)

Notes:

- (a) The Preference Shares were issued by China Science Conservational Power Limited ("CSCPL") and carry a fixed preferential dividend at 3% per annum. The maturity date of the Preference Shares is 3 years from the date of issue, i.e. 4 July 2008. According to the agreement, the Preference Shares can be converted to ordinary shares accompanied with the exercise of the new share options at any time before maturity date.

As at 31 March 2007, the carrying value represented the fair value of the Company's holding of 80,000,000 Preference Shares based on a valuation carried out as at 31 March 2006. The Directors are of the opinion that there has been no material change on the carrying value of the Preference Shares during the year. The trading of the shares of CSCPL has been suspended since 29 September 2005.

The Preference Shares as at 31 March 2006 were valued by a firm of independent professional valuers at HK\$36,000,000 using the discounted cash flow model, based on a specific pricing model and parameters. Accordingly, an impairment loss of HK\$24,800,000 was made as at 31 March 2006.

In the opinion of the Directors, the conversion rights and the share options do not have any value.

- (b) Listed investments of HK\$5,780,000 primarily represent 7,500,000 ordinary shares of CSCPL acquired through the exercise of options held by the Company. These ordinary shares were valued at HK\$2,816,000 as at 31 March 2007 (2006: HK\$2,816,000) based on the best judgement of the Directors. Impairment provision as at 31 March 2007 was HK\$2,964,000 (2006: HK\$2,964,000).

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

23. Retention money receivables

| | The Group | |
|--|----------------|----------|
| | 2007 | 2006 |
| | HK\$'000 | HK\$'000 |
| Retention money receivables | 1,773 | 6,081 |
| Less: Provision for bad debts | – | (837) |
| | 1,773 | 5,244 |
| Less: Amount receivable within one year included in current assets | (1,773) | (4,135) |
| Amount receivable after one year | – | 1,109 |

The amount represents monies retained by the clients on progress payments on contract work.

The carrying value of retention money receivables approximates their fair value.

24. Retention money payables

| | The Group | |
|--|----------------|----------|
| | 2007 | 2006 |
| | HK\$'000 | HK\$'000 |
| Retention money payables | 1,252 | 1,832 |
| Less: Amount payable within one year included in current liabilities | (1,252) | (447) |
| Amount payable after one year | – | 1,385 |

The amount represents monies retained by the Group on payments to subcontractors on contract work. The carrying amount of retention money payables approximates their fair value.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

25. Accounts payable, other payables and accrued charges

Included in accounts payable, other payables and accrued charges are trade creditors amounting to HK\$8,973,000 (2006: HK\$15,897,000). The aged analysis of trade creditors is as follows:

| | The Group | |
|--------------------|------------------|------------------|
| | 2007 HK\$'000 | 2006 HK\$'000 |
| 0 to 30 days | 5,111 | 12,155 |
| 31 to 60 days | 38 | 160 |
| 61 to 90 days | 62 | 41 |
| 91 to 180 days | 228 | – |
| More than 180 days | 3,534 | 3,541 |
| | 8,973 | 15,897 |

The carrying amount of accounts payable, other payables and accrued charges approximates their fair value.

26. Inventories

| | The Group | |
|----------------|------------------|------------------|
| | 2007 HK\$'000 | 2006 HK\$'000 |
| Finished goods | 213 | 252 |

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

27. Amounts due from customers for contract work

| | The Group | |
|---|------------------|------------------|
| | 2007 HK\$'000 | 2006 HK\$'000 |
| Contract costs incurred plus attributable profits | | |
| less foreseeable losses | – | 23,363 |
| Less: progress billings | – | (22,706) |
| | – | 657 |

28. Progress payments receivable

The aged analysis of progress payments receivable is as follows:

| | The Group | |
|------------------------------------|------------------|------------------|
| | 2007 HK\$'000 | 2006 HK\$'000 |
| 0 to 30 days | 1,417 | 10 |
| 31 to 60 days | – | 2 |
| 61 to 90 days | – | – |
| 91 to 180 days | – | 131 |
| More than 180 days | 145 | 245 |
| | 1,562 | 388 |
| Less: Provision for doubtful debts | (145) | (179) |
| | 1,417 | 209 |

The carrying amount of progress payment receivables approximates their fair value.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

29. Loans receivable

| | The Group | |
|------------------------------------|-----------------|----------|
| | 2007 | 2006 |
| | HK\$'000 | HK\$'000 |
| Interest bearing loans receivable | 70,024 | 69,038 |
| Margin receivables (<i>Note</i>) | 3,344 | 9,587 |
| Less: Impairment losses | (69,269) | (69,187) |
| | 4,099 | 9,438 |

In the opinion of the Directors, aged analysis of loans receivable does not give additional value and is therefore not presented.

Note: Margin receivables represent loans to securities margin clients which are secured by clients' pledged securities. The balances are repayable on demand and bear interest at prevailing market rate.

30. Accounts receivable

The Group normally grants its customers 90 days credit.

The aged analysis of accounts receivable is as follows:

| | The Group | |
|------------------------------------|--------------|----------|
| | 2007 | 2006 |
| | HK\$'000 | HK\$'000 |
| 0 to 30 days | 4,950 | 11,997 |
| 31 to 60 days | 61 | 92 |
| 61 to 90 days | 89 | - |
| 91 to 180 days | - | - |
| More than 180 days | 856 | 519 |
| | 5,956 | 12,608 |
| Less: Provision for doubtful debts | (551) | (452) |
| | 5,405 | 12,156 |

The carrying amount of accounts receivable approximates their fair value.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

31. Investment deposits

| | The Group | |
|---|------------------|------------------|
| | 2007 HK\$'000 | 2006 HK\$'000 |
| Investment deposits comprise: | | |
| Deposit for formation of a joint venture (<i>note (a)</i>) | 5,000 | 5,000 |
| Earnest money for acquisition of an interest in a PRC company engaged in software development (<i>note (b)</i>) | 20,000 | 20,000 |
| | 25,000 | 25,000 |
| Less: Impairment losses | (25,000) | (25,000) |
| | — | — |

Notes:

- (a) A deposit of HK\$10,000,000 was paid to a PRC party in May 2002 for the formation of a sino-foreign joint venture in the PRC in which the Group would own 49%. The joint venture was to be principally engaged in construction engineering consultancy and advisory services. The joint venture could not obtain the business licence and half of the deposit amounting to HK\$5,000,000 was refunded on 18 July 2005. Based on the Directors' assessment, full provision was made in respect of the remaining HK\$5,000,000.
- (b) On 15 July 2005, the Group entered into a letter of intent with an independent third party and a guarantor in relation to the proposed acquisition of certain equity interests in a PRC company, which is principally engaged in the design and distribution of application software specifically for hospitals and clinics in the PRC. Pursuant to the terms of the letter of intent, the Group paid HK\$20,000,000 as earnest money. The Group has made full provision for this deposit.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

32. Obligations under finance leases

| | The Group | | | |
|--|------------------------|----------|---|----------|
| | Minimum lease payments | | Present value of minimum lease payments | |
| | 2007 | 2006 | 2007 | 2006 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Amounts payable under finance leases: | | | | |
| Within one year | 324 | 306 | 290 | 275 |
| More than one year but not exceeding two years | 324 | 278 | 290 | 250 |
| More than two years but not exceeding five years | 200 | 440 | 179 | 396 |
| | 848 | 1,024 | 759 | 921 |
| Less: Future finance charges | (89) | (103) | | |
| Present value of lease obligations | 759 | 921 | | |
| Less: Amounts due for settlement within one year | | | (290) | (275) |
| Amounts due for settlement after one year | | | 469 | 646 |

33. Bank overdrafts (secured)

| | The Group | |
|---------------------------|--------------|----------|
| | 2007 | 2006 |
| | HK\$'000 | HK\$'000 |
| Bank overdrafts (secured) | 1,926 | 4,098 |

The bank overdrafts are denominated in Hong Kong dollars and repayable on demand.

The average interest rate paid on bank overdrafts ranges from prime rate to prime rate less 1% (2006: prime rate less 1%).

The carrying amount of bank overdrafts approximates their fair value due to their short term nature.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

34. Other borrowings (unsecured)

| | The Group | |
|----------------------|------------------|------------------|
| | 2007 HK\$'000 | 2006 HK\$'000 |
| Unsecured borrowings | 14,113 | 11,718 |

Other borrowings were unsecured and bore interest rate at 24% per annum.

On 15 June 2007, the loan was fully repaid and the lender advanced a new loan of HK\$12,000,000 to the Group to be repaid in full on 13 June 2008. The new loan is unsecured and bears interest at 24% per annum.

The carrying amount of other borrowings approximated their fair value.

35. Share capital

| | The Company | |
|--|------------------|------------------|
| | 2007 HK\$'000 | 2006 HK\$'000 |
| Authorised: | | |
| 1,000,000,000 ordinary shares of HK\$0.10 each | 100,000 | 100,000 |
| Issued and fully paid: | | |
| 464,070,000 ordinary shares of HK\$0.10 each | 46,407 | 46,407 |

A summary of the authorised, issued and fully paid share capital of the Company during the year is as follows:

| | Number of shares | Amount HK\$'000 |
|--|---------------------|--------------------|
| Authorised: | | |
| Balance as at 1 April 2005, 31 March 2006 and 31 March 2007 | 1,000,000,000 | 100,000 |
| Issued and fully paid: | | |
| Balance as at 31 March 2005 | 386,726,000 | 38,672 |
| Share issued on 21 April 2005 | 77,344,000 | 7,735 |
| Balance as at 31 March 2006 and 31 March 2007 | 464,070,000 | 46,407 |

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

36. Share options

The Company had a share option scheme (the "2001 share option scheme") which was adopted on 3 April 2001. Pursuant to a shareholders' resolution dated 12 February 2003, the 2001 share option scheme enabling the Directors to grant options to employees, including Executive Directors of the Company and its subsidiaries, to subscribe for shares of the Company was terminated.

A new share option scheme (the "New Option Scheme") was approved and adopted by the shareholders of the Company on 12 February 2003. The New Option Scheme is valid and effective for a period of 10 years after the date of adoption. Outstanding options granted pursuant to the 2001 share option scheme shall continue to be subject to the provisions of the 2001 share option scheme and the adoption of the New Option Scheme will not in any way affect the terms of the grant of such outstanding options.

Under the terms of the New Option Scheme, the Directors of the Company may, at their discretion, grant options to the full-time employees, including Executive Directors of the Company and its subsidiaries, to subscribe for shares of the Company for recognition of their contribution as incentives or rewards. Options granted must be taken up within 30 days of the date of grant. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option which will entitle the holders to subscribe for shares of the Company during a period of 5 years commencing on the date of acceptance of the option at a price not less than the higher of (i) the nominal value of the shares of the Company; (ii) the closing price of the shares of the Company on the Stock Exchange on the date of grant; and (iii) the average of the closing prices of the shares of the Company on the Stock Exchange for the five trading days immediately preceding the date of the grant of the option. The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the New Option Scheme and any other schemes of the Company must not exceed 30% of the shares of the Company in issue from time to time. Subject to the shareholders' approval, the maximum number of shares in respect of which options may be granted under the New Option Scheme shall not exceed 10% of the shares in issue as at the date of the approval, or the maximum number of shares in respect of which options may be granted to any employee may not exceed 1% of the shares in issue from time to time in a 12-month period. Subject to the entitlements of dividends, bonus, rights declared before the exercise of options, any shares allotted and issued on the exercise of an option will rank *pari passu* with the other shares in issue at the date of exercise of the relevant option.

At 31 March 2007, 13,700,000 (2006: 25,522,600) options had been granted and remained outstanding under the New Option Scheme of the Company, representing 2.9% (2006: 5.5%) of the shares of the Company in issue at that date.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

36. Share options (Continued)

The following table disclose details of the Company's share options held by employees (including Directors) and movements in such holdings during the year:

For the year ended 31 March 2007

| Option type | Outstanding at 1 April 2006 | Lapsed during the year | Outstanding at 31 March 2007 |
|-------------|--------------------------------|---------------------------|---------------------------------|
| 2004B | 6,400,000 | (6,200,000) | 200,000 |
| 2004C | 2,630,000 | (530,000) | 2,100,000 |
| 2005A | 500,000 | (500,000) | – |
| 2006A | 15,992,600 | (4,592,600) | 11,400,000 |
| Total | 25,522,600 | (11,822,600) | 13,700,000 |

At 31 March 2007 and 2006, no share options were held by the Directors.

Details of specific categories of options are as follows:

| Option type | Date of grant | Exercise period | Closing price immediately before/on the date of grant HK\$ | Exercise price per share HK\$ |
|-------------|-----------------|---------------------------------------|--|--|
| 2004B | 27 August 2003 | 27 August 2003 to 26 August 2008 | 1.170 | 1.3060 |
| 2004C | 16 January 2004 | 16 January 2004 to 15 January 2009 | 0.840 | 0.8520 |
| 2005A | 1 April 2004 | 1 April 2004 to 31 March 2009 | 0.700 | 0.7000 |
| 2006A | 2 August 2005 | 2 August 2005 to 1 August 2010 | 0.340 | 0.3520 |

Options which lapsed or are cancelled prior to their exercise date have been deleted from the register of outstanding options.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

37. Reserves

The Company

| | Share premium HK\$'000 | Share option reserve HK\$'000 | Contributed surplus HK\$'000 (Note) | Accumulated losses HK\$'000 | Total HK\$'000 |
|---|------------------------------|--|--|-----------------------------------|-------------------|
| At 1 April 2005 | 210,790 | – | 80,657 | (190,239) | 101,208 |
| Net loss for the year | – | – | – | (131,647) | (131,647) |
| Total recognised income and expenses for the year | 210,790 | – | 80,657 | (321,886) | (30,439) |
| Share premium arising from issue of shares | 23,174 | – | – | – | 23,174 |
| Equity settled share-based transactions | – | 1,694 | – | – | 1,694 |
| Share issue expenses | (780) | – | – | – | (780) |
| At 31 March 2006 | 233,184 | 1,694 | 80,657 | (321,886) | (6,351) |
| Net profit for the year | – | – | – | 1,512 | 1,512 |
| Total recognised income and expenses for the year | 233,184 | 1,694 | 80,657 | (320,374) | (4,839) |
| Share options lapsed | – | (486) | – | 486 | – |
| At 31 March 2007 | 233,184 | 1,208 | 80,657 | (319,888) | (4,839) |

Note:

The contributed surplus of the Company represents the difference between the fair value of the underlying net assets of the subsidiaries on the date they were acquired by the Company and the nominal amount of the Company's shares issued under the corporate reorganisation of the Group.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

38. Capital commitments

Capital commitments outstanding as at 31 March 2007 not provided for in the financial statements were as follows:

| | The Group | |
|--|-----------|----------|
| | 2007 | 2006 |
| | HK\$'000 | HK\$'000 |
| Contracted for but not provided in the financial statements in respect of: | | |
| – acquisition of the cable cutting and testing equipment | – | 75 |

39. Operating lease commitments

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

| | The Group | |
|---|--------------|----------|
| | 2007 | 2006 |
| | HK\$'000 | HK\$'000 |
| Land and buildings: | | |
| Operating leases which expire: | | |
| – within one year | 742 | 654 |
| – in the second to fifth year inclusive | 295 | – |
| | 1,037 | 654 |

Operating lease payments for land and buildings represent rentals payable by the Group on its office premises. Leases are negotiated for an average term of two (2006: two) years.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

40. Deferred taxation

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the current and prior reporting periods:

The Group

| | Accelerated tax depreciation HK\$'000 | Tax losses HK\$'000 | Total HK\$'000 |
|---|--|---------------------------|-------------------|
| At 1 April 2005 | 62 | (60) | 2 |
| (Credit) charge to profit and loss for the year | (60) | 60 | – |
| At 31 March 2006 | 2 | – | 2 |
| Credit to profit and loss for the year | (2) | – | (2) |
| At 31 March 2007 | – | – | – |

At 31 March 2007 the Group had unused tax losses of approximately HK\$179,418,000 (2006: HK\$159,588,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. Unrecognised tax losses may be carried forward indefinitely.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

41. Disposal of subsidiaries

During the year, the Group disposed of its holding of 60% in the equity interest of Cyber Touch Limited for a consideration of HK\$1 in cash. Cyber Touch Limited in turn holds 100% in the equity interest in 北京易行商盟在線網絡技術有限公司.

The net assets of the subsidiaries disposed of at the date of disposal and the gain of disposal based on the unaudited financial information of the subsidiaries as at 31 December 2005 (Note) were as follows:

| | HK\$'000 |
|---|-------------|
| Net assets disposed of: | |
| Accounts receivable | 19 |
| Other receivables and prepayments | 812 |
| Bank balances and cash | 3 |
| Trade and other payables | (10,067) |
| Translation reserve | 37 |
| Gain on disposal of subsidiaries | 9,196 |
| | <hr/> |
| Cash consideration received (HK\$1) | – |
| | <hr/> <hr/> |
| Net outflow of cash and cash equivalents on disposal of subsidiaries: | |
| Bank balances and cash disposed of | (3) |
| Cash consideration received (HK\$1) | – |
| | <hr/> |
| | (3) |
| | <hr/> <hr/> |

Note:

The Group has not received any updated accounts or financial information of the subsidiaries beyond the unaudited financial information as at 31 December 2005 obtained in previous year.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

42. Pledged bank deposits

At 31 March 2007, the Group had pledged bank deposits of approximately HK\$2 million (2006: HK\$2 million) to secure certain bank facilities granted to the Group.

In addition, the Group's bank overdrafts of HK\$ Nil (2006: HK\$3,210,000) as at the balance sheet date were secured on the securities held by the Group's margin loan borrowers.

43. Retirement benefits schemes

The Group has joined a Mandatory Provident Fund Scheme ("MPF Scheme") for all its employees. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group in respect of the MPF Scheme is to make the required contributions under the MPF Scheme.

The amounts charged to the income statement represented contributions payable to the MPF Scheme by the Group at rates specified in the rules of the MPF Scheme.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

44. Principal subsidiaries

Details of the Company's principal subsidiaries as at the 31 March 2007, all of which are wholly owned by the Company are as follows:

| Name of subsidiary | Place of incorporation | Issued and fully paid share capital/ registered capital | | Principal activities |
|---|----------------------------|---|---------------------------|--|
| | | Ordinary/ registered | Deferred | |
| Brongham Park Limited | Hong Kong | HK\$20 | HK\$1,000,000 (Note c) | Trading in diesel generating sets |
| Charmview International Limited | Hong Kong | HK\$1 | – | Inactive |
| China Legend International Limited | Hong Kong | HK\$10,000 | – | Investment holding |
| Country Super Limited | Hong Kong | HK\$1,000,000 | – | Investment holding |
| Ever Ace Investment Limited | Hong Kong | HK\$2 | – | Administrative centre and investment holding |
| Hong Tong Hai Capital Limited | Hong Kong | HK\$10,000 | – | Personal and commercial lending |
| Hong Tong Hai Consultants Limited | Hong Kong | HK\$2 | – | Investment holding |
| Hong Tong Hai Logistics Limited | The British Virgin Islands | US\$100 | – | Investments holding |
| Hong Tong Hai Securities Limited | Hong Kong | HK\$21,000,000 | – | Securities brokerage |
| Honsda (HK) Electronics Limited | Hong Kong | HK\$1 | – | Trading of electronic products |
| Jetcom Limited | The British Virgin Islands | US\$1 | – | Investment holding |
| MindGenius Secretarial Services Limited | Hong Kong | HK\$10,000 | – | Provision of company secretarial services |

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

44. Principal subsidiaries (Continued)

| Name of subsidiary | Place of incorporation | Issued and fully paid share capital/ registered capital | | Principal activities |
|---|----------------------------|---|------------------------------|---|
| | | Ordinary/ registered | Deferred | |
| Oriental Overseas Group Limited | The British Virgin Islands | US\$50,000 | – | Investment holding |
| Sinogear Enterprises Limited | The British Virgin Islands | US\$1 | – | Investment holding |
| TopStar Enterprises (Holdings) Limited | The British Virgin Islands | US\$1 | – | Investment holding |
| Tribest Investments Limited | The British Virgin Islands | US\$1 | – | Investment holding |
| Yew Sang Hong (China) Limited | The British Virgin Islands | US\$1 | – | Investments holding |
| Yew Sang Hong (BVI) Limited | The British Virgin Islands | US\$1 | – | Investments holding |
| Yew Sang Hong Trading (China) Limited | Hong Kong | HK\$2 | – | Trading in electrical equipment and materials |
| Yew Sang Hong Building Services (Maintenance) Engineering Limited | Hong Kong | HK\$2 | – | Building maintenance |
| Yew Sang Hong Investment Services Limited | The British Virgin Islands | US\$1 | – | Investment holding |
| Yew Sang Hong Limited | Hong Kong | HK\$20 | HK\$12,524,000 (Note (c)) | Electrical engineering contracting |
| Yew Sang Hong Trading Limited | Hong Kong | HK\$2 | HK\$2 (Note (c)) | Trading in electrical equipment and materials |

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

44. Principal subsidiaries (Continued)

| Name of subsidiary | Place of incorporation | Issued and fully paid share capital/ registered capital | | Principal activities |
|--------------------------|------------------------|---|----------|---------------------------------|
| | | Ordinary/ registered | Deferred | |
| Wellink Shipping Limited | Hong Kong | HK\$2 | – | Sea freight forwarding services |

Notes:

- (a) Other than Yew Sang Hong (BVI) Limited, Yew Sang Hong (China) Limited, Yew Sang Hong Investment Services Limited, Hong Tong Hai Logistics Limited and Oriental Overseas Group Limited which are directly held by the Company, all other companies are indirectly held by the Company.
- (b) Other than those subsidiaries incorporated in the British Virgin Islands, whose place of operations are basically in Hong Kong, the places of operations of all other subsidiaries are the same as their places of incorporation.
- (c) The deferred shares are shares whose shareholders are neither entitled to receive notices, attend, vote at any general meetings nor to receive any dividend out of operating profit and have very limited rights on return of capital of the subsidiaries.
- (d) None of the subsidiaries had issued any debt securities at the end of the year.
- (e) The above table lists the subsidiaries of the Group which, in the opinion of the Directors, principally affected the results or assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particular excessive length.

45. Amount due to a director

The amount due to a director is unsecured, interest free and has no fixed terms of repayment.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

46. Financial risk management

(a) Financial risk factors

The main risks arising from the Groups' financial instruments in the normal course of the Group's business are interest rate risk, credit risk, foreign currency risk and liquidity risk. These risks are limited by the Group's financial management policies and practices described below. Generally, the Group introduces conservative strategies on its risk management. The Group has not used any derivatives and other instruments for hedging purposes nor does it hold or issue derivative financial instruments for trading purposes.

(i) Fair value and cash flow interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest bearing financial assets and liabilities are mainly accounts receivable from cash and margin clients, bank overdrafts and other borrowings which are all short-term in nature. Therefore, any future variations in interest rates may impact on the income and operating cash flows of the company. Accordingly, the Group is exposed to cash flow interest rate risk.

(ii) Credit risk

The Group's principal financial assets are bank balances and cash, trade and other receivables, retention money receivable, progress payment receivable, loans receivable and investments held for trading.

The Group's credit risk is primarily attributable to its receivables. The amounts presented in the balance sheet are net of provisions for doubtful receivables. A provision for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

(iii) Foreign exchange risk

The Group's main operations are in Hong Kong and has no significant exposure to any specific foreign currency other than Hong Kong dollars.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

46. Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iv) Liquidity risk

The Group will consistently maintain a prudent financial policy and ensure that it maintains sufficient cash to meet its liquidity requirements.

(b) Fair values estimation

All financial instruments are carried at amounts not materially different from their fair values as at 31 March 2007.

Fair values of securities are based on quoted market prices or professional valuation at the balance sheet date without any deduction from transaction costs. Fair values for the unquoted equity investments are estimated using the applicable price/earning ratios for similar listed companies adjusted for the specific circumstances of the issuer, or based on the Directors' best judgement.

The fair values of interest-bearing loans and borrowings and finance lease liabilities are estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

47. Post balance sheet events

- (a) Subsequent to the year end, a licensed money lender has granted the following loans to the Group:
- (i) a loan of HK\$12,000,000 bearing interest at 24% per annum to be repaid in full on 13 June 2008 (note 34);
 - (ii) a loan of HK\$10,000,000 bearing interest at prime rate to be repaid in full on 25 May 2008; and
 - (iii) a stand-by loan up to a maximum amount of HK\$20,000,000 bearing interest at prime rate plus 3% which is not repayable before 31 July 2008.

As at the date of this report, the Group has drawn down the loans under (i) and (ii) in full and not utilised the stand-by loan under (iii).

- (b) In June 2007, in anticipation of recommencing the Group's sea freight forwarding business, the Group has entered into an agreement to lease a class A office premises for a period of 3 years commencing on 3 September 2007 and expiring on 2 September 2010 for a rental of approximately HK\$116,000 per month.

Five Year Financial Summary

| | For the year ended 31 March | | | | |
|---------------------------------------|-----------------------------|------------------|------------------|------------------|------------------|
| | 2007 HK\$'000 | 2006 HK\$'000 | 2005 HK\$'000 | 2004 HK\$'000 | 2003 HK\$'000 |
| RESULTS | | | | | |
| Turnover | 6,504 | 29,690 | 102,427 | 166,243 | 199,722 |
| Loss before taxation | (12,438) | (131,092) | (96,752) | (57,399) | (40,448) |
| Taxation | (792) | (159) | (36) | (86) | (113) |
| Loss before minority interests | (13,230) | (131,251) | (96,788) | (57,485) | (40,561) |
| Minority interests | - | - | 2,412 | 287 | 6 |
| Net loss for the year | (13,230) | (131,251) | (94,376) | (57,198) | (40,555) |
| Loss per share (HK cents) Basic | (2.9) | (28.5) | (27.9) | (23.1) | (18.5) |
| At 31 March | | | | | |
| | 2007 HK\$'000 | 2006 HK\$'000 | 2005 HK\$'000 | 2004 HK\$'000 | 2003 HK\$'000 |
| ASSETS AND LIABILITIES | | | | | |
| Total assets | 63,151 | 92,750 | 244,723 | 283,818 | 235,342 |
| Total liabilities | (36,288) | (52,694) | (55,624) | (64,171) | (51,536) |
| Minority interests | - | - | (49,162) | (247) | (484) |
| Total equity | 26,863 | 40,056 | 139,937 | 219,400 | 183,322 |