田生集團有限公司*
RICHFIELD GROUP HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 8136)

2008
Annual Report

* For indentification purposes only

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors of countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Director
Pong Wai San, Wilson

Non-Executive Director
Li Chi Chung

Independent Non-Executive Directors
Koo Fook Sun, Louis
Lai Hin Wing, Henry
Lung Hung Cheuk

COMPLIANCE OFFICER

Pong Wai San, Wilson

QUALIFIED ACCOUNTANT

Lee Wing Yin ACCA, CPA

COMPANY SECRETARY

Lee Wing Yin

AUDIT COMMITTEE

Koo Fook Sun, Louis
Lai Hin Wing, Henry
Lung Hung Cheuk

AUTHORISED REPRESENTATIVES

Pong Wai San, Wilson
Lee Wing Yin

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 1209, 12/F.
Silvercord Tower 2
30 Canton Road
Tsim Sha Tsui
Hong Kong

COMPANY HOMEPAGE

ir.sinodelta.com.hk/richfieldgp/

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Bermuda (Cayman) Limited
P.O. Box 513GT
2/F.
Strathvale House
North Church Street
George Town
Grand Cayman
Cayman Islands
British West Indies

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

AUDITORS

Messrs. Grant Thornton
Certified Public Accountants

LEGAL ADVISOR

As to Hong Kong Law
Michael Li & Co.

As to Cayman Islands Law
Conyers Dill & Pearman

PRINCIPAL BANKERS

Hang Seng Bank Limited

STOCK CODE

8136

LETTER FROM CHIEF EXECUTIVE OFFICER

Dear Shareholders,

On behalf of Richfield Group Holdings Limited, I am pleased to provide an update on our business development in the fiscal year of 2008.

Given the favorable economic conditions and robust growth in the local property market, this year's development in the provision of property assembly, brokerage, and trading business has proven our Group's long term outlook. Our Group has entered into an acquisition agreement to acquire Richfield Realty Limited on 10 April 2007, so as to create more business opportunities and maximise the return in the long run. The acquisition was completed on 29 May 2007.

The new business of Richfield Realty Limited is principally engaged in the provision of property brokerage services, carrying out schemes for property consolidation, assembly and redevelopments and property trading in Hong Kong. The Board realises that the newly acquired business has ample market potential and considers that the acquisition offers the Group a good business opportunity in view of the growing trend of the property market and the shortage of supply of land in urban districts in Hong Kong. The Board further considers that the acquisition would provide a steady income stream to the Group and makes a positive contribution to the profitability of the Group.

Due to market constraints, fierce competition, and rising operating costs, the potential growth of our existing trading business in recycled computer, bags and accessories are believed to be limited in the forthcoming years.

Under the current circumstances, our strategy and future investment will focus on the development of property assembly and brokerage business. Our Group will continue to make proactive responses to the property market environment and be pragmatic with all dealings in order to ensure the profitability and sustainability of the property assembly and trading model.

Since I was appointed the executive Director and chief executive officer of the Company on 23 March 2007, the Board has performed business review to streamline the business operation and improve the financial position of the Group. New investment opportunities in the new business section has also been constantly submitted for review. We believe that it would not only enhance the overall profitability but also improve the business scope of the Group.

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

Pong Wai San, Wilson
Chief Executive Officer

Hong Kong
23 June 2008

MANAGEMENT DISCUSSION AND ANALYSIS

GENERAL

Richfield Group Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") is principally engaged in the provision of property brokerage services, carrying out schemes for property consolidation, assembly and redevelopment, property trading in Hong Kong, the trading of recycled computers and the trading of bags and accessories.

The Group is currently engaged in property assembly schemes for approximately 102 redevelopment projects in Hong Kong. Those projects engaged are all residential and commercial properties which are located on the Hong Kong Island and Kowloon side.

The products sold in the business of trading of bags and accessories consist principally of business bags, sports bags, backpacks, handbags, wallets, belts and watches. Regarding the trading of recycled computers of the Group, the products mainly include PCs, laptops and computer parts (such as RAM modules, LCD panels, hard disks, DVD-ROMs, plastic covers, and keyboards etc.).

FINANCIAL PERFORMANCE

The turnover of the Group for the year ended 31 March 2008 amounted to approximately HK$143,155,000, representing an increase of approximately 59% comparing to the previous fiscal year of approximately HK$89,939,000. The significant increase in turnover was attributed by the contribution of the new business of property assembly and brokerage which accounted for approximately 56% of the Group's turnover for the reporting year.

In respect of the operating profit, it was approximately HK$36,740,000 while the operation for the corresponding year incurred an operating loss of approximately HK$11,142,000. As a result of the improvement in operation, the profit attributable to equity holders for the reporting year was increased to approximately HK$27,657,000 comparing with the loss attributable to equity holders of approximately HK$11,653,000 for the corresponding year. The improvement in the results of the Group for the year ended 31 March 2008 was also mainly due to the new business of property assembly and brokerage, which was acquired on 29 May 2007 and recorded a segment profit of approximately HK$36,340,000 for the reporting year.

BUSINESS OVERVIEW

In a view of Hong Kong's favorable economic conditions and upward momentum of robust growth for local property market, the business potential of our core businesses, the provision of property assembly, brokerage and trading remains positive. The turnover from the new property assembly and brokerage business was approximately HK$80,687,000, representing approximately 56% in the Group's turnover; while its segment profit was approximately HK$36,340,000 which accounted for approximately 99% to the Group's operating profit in the fiscal year of 2008. Following the acquisition of the business on 29 May 2007, the result of the Group has a remarkable turnaround and recorded a net profit after taxation of approximately HK$27,657,000, which represents a huge improvement comparing to the year ended 31 March 2007, which recorded a loss for the year of approximately HK$11,653,000.

However, the drastic surge of property prices during the period from June 2007 to January 2008 was amounted to an average of around 30% accumulated increase according to our internal statistical data. It caused an observing phenomenon in the old flats trading business, so that several key property assembly projects, especially in Mid-Levels of Hong Kong Island remained pending. Developers have raised their offers but they are still lower than the asking prices of the owners. As a result of property price increase, a number of key assembly projects have been either put on hold or have their profit margin being reduced during the year ended 31 March 2008, so that the result of the Group for the year ended 31 March 2008 was lagging behind the expectation of the directors of the Company (the "Director(s)"). During the period from 29 May 2007 to 31 March 2008, the Group has completed 7 major assembly projects, which are mainly located in Mid-Levels of Hong Kong Island and in the densely populated location in Hong Kong Island and Kowloon side, such as Causeway Bay, Western District, Shau Kei Wan, Sham Shui Po, etc., with the total contract sum and the total gross profit of approximately HK$1,275,000,000 and HK$38,300,000 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 March 2008, the Group had approximately 95 property assembly projects in progress with the total site areas of approximately 810,000 square feet. Among those projects in progress, there were approximately 52 projects located on Hong Kong Island, mainly in the Mid-Levels, Sheung Wan, Causeway Bay, Western District, Shau Kei Wan and Quarry Bay. There were approximately 43 projects located in Kowloon side in Sham Shui Po, Mong Kok, Ho Man Tin and To Kwa Wan.

The business of trading of recycled computers contributed approximately HK$31,062,000 to the Group's turnover, representing approximately 22% to the Group's turnover for the reporting year. It recorded a segment loss of approximately HK$2,928,000 for the reporting year. The segment loss and the decrease in turnover for the reporting year was mainly caused by the fierce competition, the shrinking of the market of recycled computers, the rising operating costs and the impairment loss on goodwill.

The trading business of bags and accessories recorded a turnover and segment profit of approximately HK$31,406,000 and approximately HK$124,000 respectively, which represented a substantial decrease comparing to the corresponding year. The decrease in both turnover and segment profit was because of the keen competition and the drastic increase in operating costs and rental expenses over the past two years.

PROSPECTS

Hong Kong economic outlook remains optimistic in the coming year in view of the close links with the fast-growing mainland economy and other emerging Asian economies, which have rather strong and sustainable growing momentums.

The tightening of government regulations on building height restriction and the excessive costs on maintenance of the aging building has created burden on owners of aging properties but benefited the Group as a whole. Those changes would lower the cost of property consolidation and speed up the process of property redevelopments. The proposed regulatory change on the percentage of ownership for compulsory sale for redevelopment will also bring a much favorable environment for the Group's businesses.

Notwithstanding a drastic surge in property prices over the second half of 2007, which led to the suspension of several key property assembly projects, the property price in 2008 are expected to be steady with slightly growth and such an environment would be more favourable for the business of property assembly. In adapting to drastic changes, the Group has shifted its business strategy in property assembly and brokerage from the focus of the Mid-Levels property markets to the diversification of its sourcing areas to those where prevailing property prices are less inflated such as Western District, Quarry Bay and Shau Kei Wan on Hong Kong Island and Ho Man Tin, Sham Shui Po and Mongkok in the Kowloon side. This shift of focus is expected to lead the Group to higher and steady returns in the forthcoming periods.

In order to maintain sustainable growth in market share and returns, the Group believes a professional team of real estate agents is necessary. For the period from 29 May 2007, being the date of acquisition of Richfield Realty Limited ("Richfield Realty"), to the date of this report, the Group has expanded its real estate team from approximately 25 to 70 persons and the Group has planned to further increase its real estate team to approximately 90 persons at the end of 2008. To commensurate with the expansion of the team, the total number of property assembly projects in progress has been increased to approximately 102, with the total site area of approximately 900,000 square feet, as at the date of this report. It is expected that about one-tenth of the projects in progress will be completed for each year.

In accordance with the agreement (the "Acquisition Agreement") dated 10 April 2007 for the acquisition (the "Acquisition") of Richfield Realty, both Richfield (Holdings) Limited (the "RHL"), being the vendor of the Acquisition, and Mr. Au Wing Wah, being the guarantor of the Acquisition was guaranteed that the audited net profit before payment of the bonus payable to the management of Richfield Realty and after tax and any extraordinary or exceptional items of Richfield Realty for the year ended 28 May 2008 (the "Guaranteed Period") should not be less than HK$150,000,000 (the "Guaranteed Profit"). However, according to the estimation of the management of Richfield Realty, there is a shortfall between the actual audited net profit before payment of bonus payable to the management of Richfield Realty and after tax for the Guaranteed Period and the Guaranteed Profit. The shortfall is mainly the result of the drastic surge in property prices during the second half of 2007. Having considered the prospects of the business of the property assembly and brokerage and the potential of Richfield Realty, an agreement (the "Settlement Agreement") was entered into on 12 June 2008 which, among the other things, was proposed to extend the time for fulfillment of an agreed guaranteed profit. A special general meeting will be held to approve the Settlement Agreement. The Directors are of the view that the Settlement Agreement was entered into for the interests of the Company and the shareholders of the Company as a whole.

In respect of the trading businesses of bags and accessories as well as recycled computers, the profit margin and turnover are expected to be decreased in the forthcoming future due to the keen competition and the surge of operating costs. Since both businesses are not the core businesses of the Group, the Group will restrain from making further investment and will exercise tighter control on the operating costs in these businesses while most sources will stay focusing on the development of the business of property assembly and brokerage.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the year, the Group financed its operations with its own working capital.

As at 31 March 2008, the Group had net current assets of approximately HK$623,978,000 (2007: approximately HK$30,637,000) including bank and cash balances of approximately HK$245,107,000. As at 31 March 2007, bank and cash balances (including pledged bank deposits) were approximately HK$23,141,000.

As at 31 March 2008, the Group had no other secured loan (2007: HK$583,000 of which approximately HK$ $83,000 was repayable within one year and approximately HK$500,000 was repayable beyond one year but within five years).

As at 31 March 2008, the gearing ratio (defined as the ratio between total bank borrowings and total assets) was 0 (2007: 0). The Group has no bank borrowing.

On 10 April 2007, the Company entered into an Acquisition Agreement with RHL to acquire Richfield Realty and a convertible bond of HK$456,000,000 (the "Convertible Bond"), which forms part of the consideration for the Acquisition, was issued upon the completion of the Acquisition on 29 May 2007. The Convertible Bond can be converted into the shares of the Company at an initial conversion price of HK$0.6 per share (subject to adjustments in accordance with the terms of the Convertible Bond) during its conversion period. The Convertible Bond were fully converted into 760,000,000 shares of the Company at a conversion price of HK$0.6 per share during the year ended 31 March 2008.

On 26 July 2007, the Company, by way of top-up placement, alloted 368,500,000 shares to institutional investors who are third parties independent of the Company and its connected persons.

Following the full conversion of the Convertible Bond and the top-up placement, the total issued share capital of the Company is enlarged to 2,928,500,000 shares.

SIGNIFICANT INVESTMENTS

As at 31 March 2008 and 31 March 2007, there was no significant investment held by the Group.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

As set out in the section headed "Liquidity, financial resource and capital structure" above, the Company has acquired the whole equity interests in Richfield Realty on 29 May 2007.

On 29 May 2007, the Company completed the Acquisition of the entire issued share capital of Richfield Realty, a company principally engaged in the provision of property brokerage services and carrying out schemes for property assembly and property trading in Hong Kong, from RHL for a total consideration of HK$597,000,000. The consideration was satisfied as to HK$456,000,000 by the Company issuing the Convertible Bond in the principal amount of HK$456,000,000, as to HK$120,000,000 by the Company issuing promissory notes in the principal amount of HK$120,000,000 and as to HK$21,000,000 by cash. Following the abovementioned completion, Richfield Realty has become a wholly-owned principal operating subsidiary of the Company.

Apart from the Acquisition, there were no material acquisitions or disposals of subsidiaries and affiliated companies during the year.

CONTINGENT LIABILITIES

As at 31 March 2008 and 31 March 2007, the Group had no material contingent liabilities.

LEASE AND CONTRACTED COMMITMENTS

At 31 March 2008, the total future minimum lease payments under non-cancellable operating leases are payable by the Group as follows:

	2008 **HK$'000**	2007 HK$'000
Within one year	**719**	7,876
In the second to fifth years	**161**	4,178
	880	12,054

The Group leases a number of properties under operating leases. The lease run for an initial period of one to three years, with an option to renew the lease and renegotiated the terms at the expiry date or at dates as mutually agreed between the Group and respective landlords/lessors.

FOREIGN EXCHANGE EXPOSURE

The Group's income and expenditure during the year ended 31 March 2008 were denominated in United States ("US") dollars, Hong Kong ("HK") dollars and Renminbi ("RMB"), and most of the assets and liabilities as at 31 March 2008 were denominated in HK dollars. Accordingly, the board of Directors (the "Board") is of the view that, to a certain extent, the Group is exposed to foreign currency exchange risk. For the US dollars foreign exchange exposure, the Board believes the exposure is small as the exchange rate of US dollars to HK dollars is comparatively stable. However, the Group is exposed to RMB foreign exchange exposure and fluctuation of exchange rates of RMB against HK dollars could affect the Group's results of operations. During the year, no hedging transaction or arrangement was made.

TREASURY POLICIES

The Group adopts a conservative approach towards its treasury policies. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluations of the financial conditions of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

MANAGEMENT DISCUSSION AND ANALYSIS

SEGMENT INFORMATION

Business segments

	2008 HK$'000	2007 HK$'000
Property assembly and brokerage services	**80,687**	–
Trading of recycled computers	**31,062**	37,836
Trading of bags and accessories	**31,406**	52,103
	143,155	89,939
Geographical segments		
PRC:		
Hong Kong, SAR	**137,304**	67,738
Elsewhere	**3,317**	17,243
Taiwan	**785**	2,176
Singapore	**845**	2,024
Others	**904**	758
	143,155	89,939

Business segments

Property assembly and brokerage services

Property assembly and brokerage services comprised of provision of property brokerage services, carrying out schemes for property consolidation, assembly and redevelopment and property trading in Hong Kong. Property assembly and brokerage services represents approximately 56% of the total turnover which amounts to approximately HK$80,687,000 (2007: Nil).

Trading of recycled computers

Trading of recycled computers comprised of trading and distribution of recycled computers and related accessories. Trading of recycled computers represents approximately 22% of the total turnover which amounts to approximately HK$31,062,000 (2007: approximately HK$37,836,000).

Trading of bags and accessories

Trading of bags and accessories comprised of retail sales and wholesale to agents and distributors. Trading of bags and accessories represents approximately 22% of the total turnover which amounts to approximately HK$31,406,000 (2007: approximately HK$52,103,000).

Geographical segments

For the year ended 31 March 2008, turnover in Hong Kong was increased significantly by approximately 103% as compared to the previous corresponding period. The increase was mainly attributed to the turnover from the new business of property assembly and brokerage.

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31 March 2008, turnover for the People's Republic of China (the "PRC") customers was decreased by approximately 81% as compared to the previous corresponding period. The decrease was mainly attributed to the decrease in wholesales to the Group's agents in the PRC.

For the year ended 31 March 2008, turnover for Taiwan customers was decreased by approximately 64% as compared to the previous corresponding period. The decrease was mainly attributed to decrease in wholesales to the Group's agents

For the year ended 31 March 2008, turnover for Singapore customers was also decreased by approximately 58% as compared to the previous corresponding period. The decrease was attributed to the decrease in wholesales to the Group's agent in Singapore.

For the year ended 31 March 2008, turnover for customers in other countries was decreased by approximately 19% as compared to the previous corresponding period. The decrease was mainly attributed to the decrease in sales orders from countries other than above.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2008, the Group had 73 (2007: 86) employees, including Directors. Total staff costs (including Directors' emoluments) were approximately HK$12,871,000 for the year ended 31 March 2008 (2007: approximately HK$13,429,000). Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. Year-end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to statutory mandatory provident fund scheme to its employees in Hong Kong.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTOR

Mr. Pong Wai San, Wilson, aged 39, has been appointed as the executive Director and the chief executive officer of the Company on 23 March 2007. He was also the Chairman of the Company for the period from 23 March 2007 to 5 February 2008. Mr. Pong is responsible for the overall strategic planning, marketing and management function of the Group. He holds a bachelor degree in Applied Science from the University of British Columbia. He held various positions in a number of charity organisations in Hong Kong and had held various senior management positions with various local and international securities houses and a multinational company. Mr. Pong is currently an executive director of Global Solution Engineering Limited ("GSE"). He was also an executive director of Midland IC&I Limited ("Midland IC&I") and resigned in June 2007. Both of GSE and Midland IC&I are listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Pong is also the chairman of the remuneration committee and a member of the nomination committee of the Company.

NON-EXECUTIVE DIRECTOR

Mr. Li Chi Chung, aged 39, has been appointed as a non-executive Director on 23 March 2007. Mr Li is currently a solicitor practising in Hong Kong. He obtained a bachelor degree in laws from The University of Sheffield in England in 1990. Mr Li was admitted as a solicitor of the High Court of Hong Kong in 1993 and his practice has been focused on commercial related matters. Mr. Li is an independent non-executive director of Eagle Nice (International) Holdings Limited, Kenford Group Holdings Limited and Anhui Tianda Oil Pipe Company Limited respectively, all of which are companies listed on the main board of the Stock Exchange. He is also an independent non-executive director of PINE Technology Holdings Limited which is a company listed on the GEM. He is the company secretary of Prime Investments Holdings Limited and Mandarin Entertainment (Holdings) Limited which are companies listed on the main board of the Stock Exchange, and Sungreen International Holdings Limited which is a company listed on the GEM.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Koo Fook Sun, Louis, aged 52, has been appointed as an independent non-executive Director on 23 March 2007. Mr. Koo is the founder and the managing director of Hercules Capital Limited, a corporate finance advisory firm. Mr. Koo has many years of experience in investment banking and professional accounting. He was a managing director and head of the corporate finance department of a major international bank, and a director and chief executive officer of Enerchina Holdings Limited, a company listed on the main board of the Stock Exchange. He currently also serves as an independent non-executive director of another six companies listed on the main board of the Stock Exchange, namely China Communications Construction Company Limited, Good Friend International Holdings Inc., Li Ning Company Limited, Weichai Power Co., Ltd., Xingda International Holdings Limited and Midland Holdings Limited, and of one company listed on the GEM, namely Midland IC&I. Mr. Koo graduated with a bachelor's degree in business administration from the University of California at Berkeley and is a member of the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Mr. Koo is also the chairman of the audit committee and members of the remuneration committee and nomination committee of the Company.

Mr. Lai Hin Wing, Henry, aged 51, has been appointed as an independent non-executive Director on 23 March 2007. He is a partner of Messrs. P. C. Woo & Co., a firm of solicitors and notaries in Hong Kong, and has been practising in the legal field for more than twenty-five years. Graduated from the University of Hong Kong with a bachelor of law degree, Mr. Lai was admitted as a solicitor in Hong Kong, England and Wales and the State of Victoria, Australia. Mr. Lai is a notary public and a China appointed attesting officer in Hong Kong. He serves on the board of a number of companies listed on the Stock Exchange, including Allied Properties (H.K.) Limited as a non-executive director and GSE as an independent non-executive director. He also serves on the board of Canton Property Investment Limited, a company admitted to the AIM of the London Stock Exchange, as a non-executive director. He was also an independent non-executive director of Midland IC&I and China Sciences Conservational Power Limited, which are listed on the GEM and the main board of the Stock Exchange respectively, during the period from 1 May 2003 to 3 March 2006 and 26 October 2005 to 9 March 2006, respectively. Mr. Lai is also the chairman of the nomination committee and members of the audit committee and remuneration committee of the Company.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Lung Hung Cheuk, aged 61, has been appointed as an independent non-executive Director on 23 March 2007. He is a retired chief superintendent of the Hong Kong Police Force (the "Hong Kong Police") of Hong Kong. He joined the Hong Kong Police in 1966 as a Probationary Inspector at the age of 19. He was promoted to the rank of chief inspector in 1980, superintendent in 1986, senior superintendent in 1993 and chief superintendent in 1997. He had served in various police posts, namely Special Branch, Police Tactical Unit, Police Public Relations Bureau and in a number of police divisions at management level. Prior to his retirement in April 2002, he was the commander of Sham Shui Po Police District. Mr. Lung was also the secretary and then the chairman of the Superintendents' Association ("SPA") of the Hong Kong Police from 1993 to 2001. The membership of the SPA comprises the top management of the Hong Kong Police from superintendents up to and including the commissioner of Hong Kong Police. He was awarded the Police Meritorious Service Medal by the Chief Executive of Hong Kong in 2000. Mr. Lung currently also acts as an independent non-executive director of GSE, a company listed on the GEM. Mr. Lung is also the members of the nomination committee, the audit committee and remuneration committee of the Company.

SENIOR MANAGEMENT

Mr. Au Wing Wah, aged 51, is the founder and director of Richfield Realty. He is responsible for the strategic planning and management of property assembly and brokerage business. Mr. Au has over 17 years experience of property brokerage services, carrying out schemes for property consolidation, assembly and redevelopments and property trading in Hong Kong and he is familiar with the price and market demand of sites and buildings in different urban districts in Hong Kong.

Mr. Lee Wing Yin, aged 38, is an associate member of the HKICPA and a fellow member of The Association of Chartered Certified Accountants. He has over nine years working experience in auditing and business advisory services with six years in international accounting firms. Prior to joining the Company, he was engaged as investment officer in the EVI Education Asia Limited. He held senior financial management positions with various local companies before joining the EVI Education Asia Limited. Mr. Lee was appointed as the qualified accountant and company secretary of the Company on 23 March 2007.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 of the GEM Listing Rules. The Company has complied with the code provisions set out in the Code throughout the year ended 31 March 2008, except for the deviation disclosed in this report.

DIRECTORS' SECURITIES TRANSACTIONS

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

BOARD OF DIRECTORS AND BOARD MEETING

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

Executive Director

Pong Wai San, Wilson

Non-executive Director

Li Chi Chung

Independent Non-executive Directors

Koo Fook Sun, Louis
Lai Hin Wing, Henry
Lung Hung Cheuk

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

Each of the Directors' biographical information is set out on page 10 of this report. All executive Directors have given sufficient time and attention to the affairs of the Group and each of them has sufficient experience to hold the position so as to carry out his duties effectively and efficiently. There is no relationship among the members of the Board.

The Company appointed three independent non-executive Directors who have appropriate and sufficient experience and qualification to carry out their duties so as to protect the interests of shareholders of the Company. All of them have been appointed for a term of one year commencing from the date of their appointment.

Mr. Pong Wai San, Wilson, the executive Director and chief executive officer, and Mr. Li Chi Chung, the non-executive Director, have not signed any service contract or letter of appointment with the Company.

Each of the independent non-executive Directors has signed a letter of appointment with the Company for a second term of one year commencing from 23 March 2008 and expiring on 22 March 2009.

In accordance with article 87(1) of the articles of association of the Company, all Directors (including executive Director, non-executive Director and independent non-executive Directors) are subject to retirement by rotation at least once every three years. Mr. Li Chi Chung and Mr. Lung Hung Cheuk shall retire from office and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Pursuant to the requirements of the GEM Listing Rule 5.09, the Company has received written confirmation from independent non-executive Director of his independence to the Company. Based on such confirmations of independence, the Company considers all of the independent non-executive Directors to be independent.

The Board meets four times a year to review the financial and operating performance of the Group.

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

	Attendance
Executive Director	
Pong Wai San, Wilson	4/4
Non-executive Director	
Li Chi Chung	4/4
Independent Non-executive Directors	
Koo Fook Sun, Louis	4/4
Lai Hin Wing, Henry	3/4
Lung Hung Cheuk	4/4

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

According to the code provision A.2.1 of the Code, the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. During the year, the roles of the chairman and chief executive officer were performed by Mr. Pong Wai San, Wilson until his resignation as the chairman of the Company on 5 February 2008 for the reason of improving the corporate governance of the Group. No replacement for the post of the chairman has been fixed yet. The Board will review the current structure from time to time. If candidate with suitable leadership, knowledge, skills and experience is identified within or outside the Group, the Company will make necessary arrangement for the new appointment at the appropriate time.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the “Remuneration Committee”) was established with written terms of reference in compliance with the code provisions. The Remuneration Committee consists of four members, of which majority are independent non-executive Directors, namely Mr. Pong Wai San, Wilson, Mr. Koo Fook Sun, Louis, Mr. Lai Hin Wing, Henry and Mr. Lung Hung Cheuk. The chairman of the committee is Mr. Pong Wai San, Wilson.

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

The Remuneration Committee held only one meeting during the year under review. Details of the attendance of the meeting of the Remuneration Committee are as follows:

Members	Attendance
Pong Wai San, Wilson	1/1
Koo Fook Sun, Louis	1/1
Lai Hin Wing, Henry	1/1
Lung Hung Cheuk	1/1

NOMINATION COMMITTEE

The nomination committee of the Company (the "Nomination Committee") was established on 12 November 2007 with written terms of reference in compliance with the code provisions. As at the date of this report, it consists of four members, of which majority are independent non-executive Directors, namely Mr. Pong Wai San, Wilson, Mr. Koo Fook Sun, Louis, Mr. Lai Hin Wing, Henry and Mr. Lung Hung Cheuk, and all were appointed on 12 November 2007. The chairman of the Nomination Committee is Mr. Lai Hin Wing, Henry.

The roles and functions of the Nomination Committee include nomination of the potential candidates for directorship, reviewing the nomination of the Directors and making recommendations to the Board for ensuring that all nominations are fair and transparent.

The Nomination Committee did not hold any meeting for the period from 12 November 2007 to 31 March 2008.

AUDITORS' REMUNERATION

The Company has appointed Messrs. Grant Thornton as the auditors of the Company (the "Auditors"). The Board is authorised in the annual general meeting to determine the remuneration of the Auditors. During the year, the Auditors performed the work of statutory audit for the year ended 31 March 2008 and also involve in non-audit assignment of the Group. The remuneration of the Auditors for the year ended 31 March 2008 is approximately HK$380,000.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") with written terms of reference in compliance with Rules 5.28 and 5.33 of the GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls system of the Group and provide advice and comments on the Company's draft annual reports and accounts, half year reports and quarterly reports to Directors. The Audit Committee comprises three members, Mr. Koo Fook Sun, Louis, Mr. Lai Hin Wing, Henry and Mr. Lung Hung Cheuk, all of them are independent non-executive Directors. The chairman of the Audit Committee is Mr. Koo Fook Sun, Louis.

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

Members	Attendance
Koo Fook Sun, Louis	4/4
Lai Hin Wing, Henry	3/4
Lung Hung Cheuk	4/4

CORPORATE GOVERNANCE REPORT

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

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

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

INTERNAL CONTROL

The Board had conducted a review of the effectiveness of the Group's internal control system. The internal control system is designed to meet the Group's particular needs and the risks to which it is exposed, and by their nature can only provide reasonable, but not absolute assurance against misstatement or loss.

Procedures have been set up for safeguarding assets against unauthorised use or disposition, controlling over capital expenditure, maintaining proper accounting records and ensuring the reliability of financial information used for business and publication. Qualified management throughout the Group maintains and monitors the internal control system on an ongoing basis.

The Board considered that the internal control system of the Group is effective and the Audit Committee have found no material deficiencies on the internal control system.

DIRECTORS' REPORT

For the year ended 31 March 2008

The Directors present their annual report and the audited financial statements of the Group for the year ended 31 March 2008.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries of the Company are set out in note 15 to the financial statements. During the year, the business of provision of property brokerage services, carrying out schemes for property consolidation, assembly and redevelopment and property trading in Hong Kong was acquired.

SEGMENT INFORMATION

The analysis of the principal activities and geographical locations of the operations of the Group are set out in note 5 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2008 and the state of affairs of the Group and the Company at that date are set out in the financial statements on pages 25 to 72.

DIVIDENDS

The Board recommends the payment of a final dividend of HK0.717 cents per share for the year ended 31 March 2008 to the shareholders amounting to HK$20,997,000.

CLOSURE OF REGISTER OF MEMBERS

The registers of the Company will be closed from Wednesday, 30 July 2008 to Monday, 4 August 2008, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend for the year ended 31 March 2008 and to attend the forthcoming annual general meeting, all transfer of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrars in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 29 July 2008.

SUMMARY FINANCIAL INFORMATION

The following is a summary of the consolidated results and of the consolidated assets and liabilities of the Group for the five years ended 31 March 2008:

Consolidated results

	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**143,155**	89,939	70,913	69,893	65,847
Profit/(loss) before income tax	**34,153**	(11,195)	(5,300)	(9,728)	644
Income tax	**(6,496)**	(458)	(100)	(223)	(281)
Profit/(loss) after income tax	**27,657**	(11,653)	(5,400)	(9,951)	363
Attributable to:					
Equity holders of the Company	**27,657**	(11,653)	(5,359)	(10,045)	751
Minority interests	**–**	–	(41)	94	(388)
Net profit/(loss) attributable to shareholders	**27,657**	(11,653)	(5,400)	(9,951)	363

Consolidated assets and liabilities

	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**809,691**	46,965	14,851	26,568	37,327
Total liabilities	**(27,888)**	(12,241)	(6,503)	(14,640)	(15,448)
Minority interests	**–**	–	(80)	(121)	(27)
Net assets	**781,803**	34,724	8,268	11,807	21,852

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL AND SHARE OPTION SCHEME

Details of the movements in the Company's share capital, together with the reasons therefore are details of the Company's share option scheme, are set out in notes 26 and 27 to the financial statements respectively.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in the statement of changes in equity of the Group on page 29 and in note 28 to the financial statements respectively.

DISTRIBUTABLE RESERVES

The Company's reserves available for distribution to shareholders amount to HK$752,518,000 (2007: HK$16,724,000). Under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the reserves of the Company are available for paying distributions or dividends to shareholders subject to the provisions of its memorandum and articles of association. In addition, dividends or distributions may, with the sanction of an ordinary resolution of shareholders of the Company, be declared and paid out of the share premium account of the Company provided that immediately following the distribution or dividend, the Company is able to pay its debts as they fall due in the ordinary course of business.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, turnover made to the five largest customers of the Group accounted for approximately 55% (2007: 69%) of the Group's total turnover for the year. Turnover made to the Group's largest customers accounted for approximately 21% (2007: 52%) of the Group's total turnover for the year.

Purchases from the five largest suppliers of the Group accounted for approximately 57% (2007: 80%) of the Group's total purchases for the year. Purchases from the Group's largest suppliers accounted for approximately 21% (2007: 45%) of the Group's total purchases for the year.

At no time during the year, the directors, their associates or any shareholders of the Company (which to the best knowledge of the Directors own more than 5% of the Company's issued share capital) had any interest in these major customers or suppliers.

DIRECTORS

The Directors for the year and up to the date of this report were as follows:

Executive Director

Pong Wai San, Wilson

Non-executive Director

Li Chi Chung

Independent Non-executive Directors

Koo Fook Sun, Louis
Lai Hin Wing, Henry
Lung Hung Cheuk

In accordance with article 87(1) of the articles of association of the Company. Mr. Li Chi Chung and Mr. Lung Hung Cheuk shall retire from office and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group are set out on pages 10 to 11 of this report.

DIRECTORS' INTERESTS IN CONTRACTS

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

DIRECTORS' SERVICE CONTRACTS

Mr. Pong Wai San, Wilson, the executive Director and chief executive officer, and Mr. Li Chi Chung, the non-executive Director, have not signed any service contract or letter of appointment with the Company.

Mr. Koo Fook Sun, Louis, Mr. Lai Hin Wing, Henry and Mr. Lung Hung Cheuk, all independent non-executive Directors of the Company, have each re-entered into a letter of appointment with the Company for a second term of one year commencing from 23 March 2008 and expiring on 22 March 2009. Their appointments are subject to retirement by rotation and/or re-election in accordance with the article of association of the Company.

Apart from the forgoing, no Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 March 2008, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the required standards of dealings by directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

	Number of Shares			Approximate
Director	Personal interest	Corporate interest	Total	percentage of shareholding
Mr. Pong Wai San, Wilson ("Mr. Pong")	310,104,000	936,794,000 (Note)	1,246,898,000	42.58%

Note: These shares are beneficially owned by Virtue Partner Group Limited, a company wholly owned by Mr. Pong, and therefore Mr. Pong deemed to be interested in the shares owned by Virtue Partner Group Limited, under SFO.

All the interests disclosed above represent long position in the shares of the Company.

Save as disclosed above, as at 31 March 2008, none of the directors and chief executives of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register kept by the Company under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 March 2008, other than the interests of certain directors as disclosed under the section headed "Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures of the company or any associated corporation" above, the interest or short positions of person in the shares and underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of shareholder	Capacity in which shares are held	Number of issued shares	Percentage of the issued share capital
Ms. Tung Ching Yee, Helena (Note 1)	Family interest	1,246,898,000	42.58%
Virtue Partner Group Limited (Note 2)	Beneficial owner	936,794,000	31.99%
Richfield (Holdings) Limited (Note 3)	Beneficial owner	760,000,000	25.95%
Mr. Au Wing Wah ("Mr. Au") (Note 3)	Interest in controlled corporation	760,000,000	25.95%
Ms. Kong Pik Fan (Note 4)	Family interest	760,000,000	25.95%
Integrated Asset Management (Asia) Limited (Note 5)	Beneficial owner	195,420,000	6.67%
Mr. Yam Tak Cheung ("Mr. Yam") (Note 5)	Interest in controlled corporation	195,420,000	6.67%

Notes:

1. Ms. Tung Ching Yee, Helena is the wife of Mr. Pong and accordingly deemed to be interested in the shares beneficially owned by Mr. Pong in his own capacity and through his controlled corporation, Virtue Partner Group Limited, under SFO.

2. These shares are beneficially owned by Virtue Partner Group Limited, a company wholly owned by Mr. Pong, therefore Mr. Pong deemed to be interested in the shares owned by Virtue Partner Group Limited, under SFO.

3. These shares are beneficially owned by Richfield (Holdings) Limited, a company wholly owned by Mr. Au, and therefore Mr. Au deemed to be interested in the shares owned by Richfield (Holdings) Limited, under SFO.

4. Ms. Kong Pik Fan is the wife of Mr. Au and accordingly deemed to be interested in the shares beneficially owned by Mr. Au in his own capacity and through his controlled corporation, Richfield (Holdings) Limited, under SFO.

5. These shares are beneficially owned by Integrated Asset Management (Asia) Limited, a company wholly owned by Mr. Yam, and therefore Mr. Yam deemed to be interested in the shares owned by Integrated Asset Management (Asia) Limited, under SFO.

All the interests disclosed above represent long position in shares of the Company.

Save as disclosed above, as at 31 March 2008, the directors of the Company were not aware of any other person (other than the directors and chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTOR'S RIGHTS TO ACQUIRE SHARE OR DEBENTURES

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

CHANGE OF COMPANY NAME

The change of name of the Company from "Maxitech International Holdings Limited" to "Richfield Group Holdings Limited" and for the purposes of identification only, the adoption of a new Chinese name of "田生集團有限公司" to replace the existing Chinese name of "全美國際控股有限公司" was approved by the shareholders at a annual general meeting of the Company held on 26 July 2007.

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

Neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed shares during the year ended 31 March 2008.

INVESTMENT IN SUBSIDIARIES

The activities of the Company's subsidiaries are set out in Note 15 to the financial statements on pages 53 to 54.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

PUBLIC FLOAT

As far as the information publicly available to the Company is concerned and to the best knowledge of the Directors, at least 25% of the Company's issued share capital were held by members of the public as at the date of this report.

DIRECTOR'S INTERESTS IN COMPETING INTERESTS

As at the date of this report, none of the directors, the management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) had any interest in a business which causes or may cause a significant competition with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

CONNECTED TRANSACTIONS

There were no significant connected party transactions entered into by the Group for the year ended 31 March 2008.

On 12 June 2008, a Settlement Agreement was entered into, among the other things, was proposed to extend the time for fulfillment of an agreed guaranteed profit. A special general meeting will be held to approve the Settlement Agreement.

AUDITORS

The financial statements were audited by Grant Thornton. A resolution to re-appoint the retiring auditors, Grant Thornton, will be put at the forthcoming annual general meeting. Except for the change of Company's auditors, from Baker Tilly Hong Kong Limited to Grant Thornton during the year ended 31 March 2007, there was no other change in auditors of the Company in any of the proceeding three years.

FOR AND ON BEHALF OF THE BOARD
Pong Wai San, Wilson
Executive Director

Hong Kong
23 June 2008

INDEPENDENT AUDITORS' REPORT

Grant Thornton
均富

To the members of Richfield Group Holdings Limited
(formerly known as Maxitech International Holdings Limited)
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Richfield Group Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 25 to 72, which comprise the consolidated and company balance sheets as at 31 March 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the 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.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 AUDITORS' REPORT

OPINION

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

Grant Thornton
Certified Public Accountants
13th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

23 June 2008

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
Revenue	6	**143,155**	89,939
Cost of sales		**(88,046)**	(62,467)
Gross profit		**55,109**	27,472
Other income	6	**6,812**	1,267
Selling and distribution expenses		**(10,102)**	(19,193)
Administrative expenses		**(15,079)**	(20,688)
Operating profit/(loss)	7	**36,740**	(11,142)
Finance costs	8	**(2,587)**	(53)
Profit/(Loss) before income tax		**34,153**	(11,195)
Income tax expense	9	**(6,496)**	(458)
Profit/(Loss) attributable to equity holders of the Company	10	**27,657**	(11,653)
Dividends	11	**20,997**	–
Earnings/(Loss) per share for profit/(loss) attributable to equity holders of the Company			
Basic	12	**HK 1.06 cents**	(HK 0.7 cents)
Diluted	12	**N/A**	N/A

CONSOLIDATED BALANCE SHEET

As at 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	**791**	621
Goodwill	16	**156,200**	3,555
Rental and sundry deposits		**161**	411
Long term trade receivables	20	**673**	–
		157,825	4,587
Current assets			
Amount due from a shareholder	17	**317,800**	–
Inventories	18	**–**	1,693
Properties held for trading	19	**42,917**	–
Trade receivables	20	**39,386**	7,665
Prepayments, deposits and other receivables		**3,138**	9,634
Financial assets at fair value through profit or loss	21	**3,518**	245
Cash and cash equivalents	22	**245,107**	23,141
		651,866	42,378
Current liabilities			
Trade payables	23	**16,390**	7,820
Accrued expenses and other payables		**2,569**	3,340
Other borrowings	24	**–**	83
Taxes payable		**8,929**	498
		27,888	11,741
Net current assets		**623,978**	30,637
Total assets less current liabilities		**781,803**	35,224
Non-current liabilities			
Other borrowings	24	**–**	500
		–	500
Net assets		**781,803**	34,724
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	26	**29,285**	18,000
Reserves		**752,518**	16,724
Total equity		**781,803**	34,724

Pong Wai San Wilson
Director

Li Chi Chung
Director

BALANCE SHEET

AS AT 31 MARCH 2008

	Notes	2008 HK$'000	2007 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries	15	**8**	8
Current assets			
Prepayments, deposits and other receivables		**14**	6,000
Amounts due from subsidiaries	15	**512,465**	3,555
Financial assets at fair value through profit or loss	21	**3,518**	–
Cash and cash equivalents	22	**232,322**	22,394
		748,319	31,949
Current liabilities			
Accrued expenses and other payables		**322**	1,630
		322	1,630
Net current assets		**747,997**	30,319
Net assets		**748,005**	30,327
EQUITY			
Share capital	26	**29,285**	18,000
Reserves	28	**718,720**	12,327
Total equity		**748,005**	30,327

Pong Wai San Wilson
Director

Li Chi Chung
Director

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
Cash flows from operating activities			
Profit/(Loss) before income tax		**34,153**	(11,195)
Adjustments for:			
Interest income	6	**(6,020)**	(399)
Depreciation	7	**411**	734
Fair value loss on financial assets at fair value through profit or loss	7	**367**	–
Impairment loss on property, plant and equipment	7	**–**	10
Impairment loss on goodwill	7	**3,555**	3,067
Loss/(Gain) on disposals of property, plant and equipment	6, 7	**12**	(67)
Loss on disposals of subsidiaries	7	**37**	119
Share options benefits		**–**	5,595
Interest expenses	8	**2,587**	53
Operating profit/(loss) before working capital changes		**35,102**	(2,083)
Decrease in inventories		**1,693**	95
Increase in properties held for trading		**(42,917)**	–
Increase in trade receivables		**(32,866)**	(2,476)
Decrease/(Increase) in prepayments, deposits and other receivables		**11,825**	(4,979)
Increase in trade payables		**8,570**	3,700
(Decrease)/Increase in accrued expenses and other payables		**(1,727)**	1,147
Cash used in operations		**(20,320)**	(4,596)
Interest received		**6,020**	399
Interest paid		**–**	(53)
Hong Kong profits tax paid		**(138)**	(256)
Net cash used in operating activities		**(14,438)**	(4,506)
Cash flows from investing activities			
Acquisition of a subsidiary	30	**(20,544)**	(5,343)
Net proceeds from disposals of subsidiaries	31	**940**	–
Purchases of property, plant and equipment	14	**(864)**	(536)
Purchases of financial assets at fair value through profit or loss		**(3,885)**	(245)
Sales proceeds of disposals of property, plant and equipment		**5**	519
Net cash used in investing activities		**(24,348)**	(5,605)
Cash flows from financing activities			
Decrease in amount due from a shareholder		**–**	360
Increase in amount due to a shareholder		**–**	(453)
Proceeds from issue of shares		**269,005**	29,760
Issuing cost		**(8,170)**	–
New borrowings raised		**–**	500
Repayments of bank loans		**–**	(377)
Repayments of other borrowings		**(83)**	(500)
Net cash generated from financing activities		**260,752**	29,290
Net increase in cash and cash equivalents		**221,966**	19,179
Cash and cash equivalents at beginning of year		**23,141**	3,962
Cash and cash equivalents at end of year	22	**245,107**	23,141

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2008

	Equity attributable to equity holders of the Company							
	Share capital HK$'000	Share premium account* HK$'000	Share-based payment reserve* HK$'000	Convertible bond equity reserve* HK$'000	(Accumulated losses)/ Retained profits* HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 April 2006	4,605	14,918	–	–	(11,255)	8,268	80	8,348
Loss for the year	–	–	–	–	(11,653)	(11,653)	–	(11,653)
Total recognised income and expense for the year	–	–	–	–	(11,653)	(11,653)	–	(11,653)
Issue of new shares	13,014	15,067	–	–	–	28,081	–	28,081
Issuing cost	–	(1,777)	–	–	–	(1,777)	–	(1,777)
Disposals of a subsidiary	–	–	–	–	–	–	(80)	(80)
Recognition of share option benefits at fair value	–	–	5,595	–	–	5,595	–	5,595
Exercise of share options	381	11,424	(5,595)	–	–	6,210	–	6,210
At 31 March 2007 and 1 April 2007	**18,000**	**39,632**	**–**	**–**	**(22,908)**	**34,724**	**–**	**34,724**
Profit for the year	**–**	**–**	**–**	**–**	**27,657**	**27,657**	**–**	**27,657**
Total recognised income and expense for the year	**–**	**–**	**–**	**–**	**27,657**	**27,657**	**–**	**27,657**
Issue of new shares	**3,685**	**265,320**	**–**	**–**	**–**	**269,005**	**–**	**269,005**
Issuing cost	**–**	**(8,170)**	**–**	**–**	**–**	**(8,170)**	**–**	**(8,170)**
Equity component of convertible bonds (note 25)	**–**	**–**	**–**	**149,101**	**–**	**149,101**	**–**	**149,101**
Issue of shares upon conversion of convertible bonds	**7,600**	**450,987**	**–**	**(149,101)**	**–**	**309,486**	**–**	**309,486**
At 31 March 2008	**29,285**	**747,769**	**–**	**–**	**4,749**	**781,803**	**–**	**781,803**

* These reserve accounts comprise the consolidated reserves of HK$752,518,000 (2007: HK$16,724,000) in the consolidated balance sheet.

1. GENERAL INFORMATION

Richfield Group Holdings Limited (the "Company") was incorporated in the Cayman Islands on 10 January 2002 as an exempted company with limited liability under the Companies Law (2001 Second Revision) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is Unit 1209, 12th Floor, Silvercord Tower 2, 30 Canton Road, Tsim Sha Tsui, Hong Kong. The Company's shares are listed on The Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Pursuant to a resolution passed on 26 July 2007 at an annual general meeting, the Company's name was changed from Maxitech International Holdings Limited to Richfield Group Holdings Limited.

The principal activity of the Company is investment holding. Details of its subsidiaries (together with the Company referred to as the "Group") are set out in note 15 to the financial statements. In May 2007, the Group has completed the acquisition (the "Acquisition") of the entire equity interests in Richfield Realty Limited ("Richfield Realty") (note 30) which is principally engaged in the provision of property brokerage services, provision of schemes for property consolidation, assembly and redevelopment and property trading in Hong Kong (the "Property Assembly and Brokerage Business"). Details of the Acquisition have been set out in the Company's circular dated 10 May 2007 (the "Circular"). During the year, the Group is also engaged in the trading of recycled computers and the trading of bags and accessories.

The consolidated financial statements on pages 25 to 72 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards ("HKFRS"), Hong Kong Accounting Standards ("HKAS") and Interpretations ("Int") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The consolidated financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules").

The consolidated financial statements are presented in Hong Kong Dollars ("HK$"), which is also the functional currency of the Company and all values are rounded to the nearest thousand ("HK$'000") unless otherwise stated.

The consolidated financial statements for the year ended 31 March 2008 were approved for issue by the board of directors on 23 June 2008.

2. ADOPTION OF NEW OR AMENDED HKFRSs

2.1 In the current year, the Group has adopted all the new and amended HKFRSs which are relevant to the Group and first effective on 1 April 2007. The adoption of these new and amended HKFRSs did not result in significant alternations to the Group's accounting policies but gave rise to additional disclosures. The specific transitional provisions contained in some of these new or amended HKFRSs have been considered.

In accordance with the amendment to HKAS 1 *Presentation of Financial Statements – Capital Disclosures*, the Group now reports on its capital management objectives, policies and procedures in each annual financial report. The new disclosures that become necessary due to this change in HKAS 1 are set out in note 35 to the financial statements.

2. ADOPTION OF NEW OR AMENDED HKFRSs *(cont'd)*

2.1 *(cont'd)*

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

– a sensitive analysis explained the Group's market risk exposure in regard to its financial instruments, and

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

each as at the balance sheet date. These new disclosures are set out in note 34 to the financial statements. The first-time application of HKFRS 7, however, has not resulted in any prior-period adjustments on cash flows, income statement or balance sheet line items. Accordingly, no adjustments on prior year are required.

2.2 The Group has not early adopted the following HKFRSs that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[4]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[4]
HKFRS 8	Operating Segments[1]
HK(IFRIC)-Int 12	Service Concession Arrangements[2]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[3]
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interactions[2]
Amendments to HKAS 1 (Revised)	Presentation of financial statements – Puttable financial instruments and obligations arising on liquidation[1]
Amendments to HKAS 32	Financial instruments: presentation – Puttable financial instruments and obligations arising on liquidation[1]
Amendments to HKAS 39	Financial instruments: recognition and measurement – Puttable financial instruments and obligations arising on liquidation[1]
Amendments to HKFRS 7	Financial instruments: disclosures – Puttable financial instruments and obligations arising on liquidation[1]

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

Among those new Standards and Interpretation, HKAS 1 (Revised) is expected to be relevant to the financial statements. This amendment affects the presentation of owner changes in equity and introduces a statement of comprehensive income. Preparers will have the option of presenting items of income and expense and components of other comprehensive income either in a single statement of comprehensive income with subtotals or in two separate statements (a separate income statement followed by a statement of other comprehensive income). This amendment does not affect the financial position or results of the Group but will give rise to additional disclosures.

The directors of the Company (the "Directors") are currently assessing the impact of these HKFRSs but are not yet in a position to state whether they would have material financial impact on the consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements have been prepared on the historical cost convention, except for financial assets at fair value through profit or loss which are stated at fair value. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4 to the financial statements.

3.2 Basis of consolidation

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

3.3 Subsidiaries

Subsidiaries are entities over which the Group has the power to control 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 Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

Business combinations (other than for combining entities under common control) are accounted for by applying the purchase method. This involves the revaluation at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

In the Company's balance sheet, subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in disposal group. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the balance sheet date.

Minority interests represent the portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the Group and are not the Group's financial liabilities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

3.3 Subsidiaries *(cont'd)*

Minority interests are presented in the consolidated balance sheet within equity, separately from the equity attributable to the equity holders of the Company. Profit or loss attributable to the minority interest is presented separately in the consolidated income statement as an allocation of the Group's results. Where losses applicable to the minority exceed the minority interest in the subsidiary's equity, the excess and further losses applicable to the minority are allocated against the minority interests to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. Otherwise, the losses are charged against the Group's interests. If the subsidiary subsequently reports profits, such profits are allocated to the minority interests until the minority's share of losses previously absorbed by the Group has been recovered.

3.4 Goodwill

Goodwill represents the excess of the cost of a business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. The cost of the business combination 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, plus any costs directly attributable to the business combination.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 3.8).

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

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

3.5 Foreign currency translation

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the balance sheet date retranslation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in the income statement.

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 and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into HK$. Assets and liabilities have been translated into HK$ at the closing rates at the balance sheet date. Income and expenses have been converted into the HK$ at the exchange rates ruling at the transaction dates or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been dealt with separately in the exchange fluctuation reserve in equity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

3.5 Foreign currency translation *(cont'd)*

Exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

3.6 Related parties

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

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

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

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

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

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

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

3.7 Property, plant and equipment

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

Depreciation is provided to write off the cost less their estimated residual values over their estimated useful lives, using the straight-line method at the following rates per annum:

Plant and machinery	10%
Furniture, fixtures and equipment	20% to 30%
Leasehold improvements	20% or over the lease terms, whichever is shorter

The assets' estimated residual values, if any, and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

3.8 Impairment of non-financial assets

Goodwill, property, plant and equipment and interests in subsidiaries are subject to impairment testing.

Goodwill is tested for impairment at least annually, irrespective of whether there is any indication that it is impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount unless the relevant asset is carried at a revalued amount under the Group's accounting policy, in which case the impairment loss is treated as a revaluation decrease according to that policy. The recoverable amount is the higher of fair value, reflecting market conditions 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 assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose.

Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Interim financial reporting and impairment

Under the GEM Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34 – Interim Financial Reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition and reversal criteria as it would at the end of the financial year.

Impairment loss recognised in an interim period in respect of goodwill is not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

3.9 Opertaing leases

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

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases. Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the income statement on the straight-line method over the lease terms except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rental are charged to the income statement in the accounting period in which they are incurred.

3.10 Financial assets

The Group's financial assets are classified into the loans and receivables and financial assets at fair value through profit or loss.

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date, that is, the date that the Group commits to purchase or sell the asset. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. At each balance sheet date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

Loan and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are subsequently measured at amortised cost using the effective interest rate method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

At each balance sheet date, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment.

A provision for impairment of loans and receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

3.10 Financial assets *(cont'd)*

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are mainly financial assets held for trading and they are acquired for the purpose of selling in the near term.

Financial assets may be designated at initial recognition as at fair value through profit or loss if the following criteria are met:

– the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; or

– the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy and information about the group of financial assets is provided internally on that basis to the key management personnel; or

– the financial asset contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in income statement.

3.11 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

3.12 Properties held for trading

Properties held for trading are carried at the lower of cost and net realisable value. Cost comprises all costs of purchase. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

3.13 Accounting for income taxes

Income tax comprises current and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in the income statement.

Deferred tax is calculated using the liability method on temporary differences at the balance sheet date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

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

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised in the income statement, or in equity if they relate to items that are charged or credited directly to equity.

3.14 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of cash flow statement, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

3.15 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from share premium to the extent they are incremental costs directly attributable to the equity transaction.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

3.16 Retirement benefit costs and short-term employee benefits

(i) Defined contribution plan

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

(ii) Short-term employee benefits

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

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

3.17 Financial liabilities

The Group's financial liabilities include convertible bonds, bank borrowings, other borrowings and trade and other payables.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument and are derecognised when the obligations specified in the relevant contract are discharged, cancelled or expire. All interest related charges are recognised as an expense in finance costs in the income statement.

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

(i) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. These are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method.

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.

(ii) Trade and other payables

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

3.17 Financial liabilities *(cont'd)*

(iii) Convertible bonds

Convertible bonds that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

Convertible bonds issued by the Group that contain both financial liability and equity components are classified separately into respective liability and equity components on initial recognition. On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate for similar non-convertible debts. The difference between the proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the call option for conversion of the bond into equity, is included in equity as convertible bond equity reserve.

The liability component is subsequently carried at amortised cost using the effective interest rate method. The equity component will remain in equity until conversion or redemption of the bond.

When the bond is converted, the convertible bond equity reserve and the carrying value of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the bond is redeemed, the convertible bond equity reserve is released directly to retained profits.

3.18 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and 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.

All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

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 uncertain future events not wholly within the control of the Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in a business combination. They are initially measured at fair value at the date of acquisition and subsequently measured at the higher of the amount that would be recognised in a comparable provision as described above and the amount initially recognised less any accumulated amortisation, if appropriate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

3.19 Revenue recognition

Revenue comprises the fair value for the sale of goods and services and the use by others of the Group's assets yielding interest, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

Commission income is recognised in the accounting period in which the services are rendered and the Group's entitlement to commission income becomes unconditional or irrevocable;

Trading of property are recognised upon the signing of the sale and purchase agreement;

Sales of goods are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods;

Interest income is recognised on a time-proportion basis using the effective interest rate method; and

Management fee income is recognised pro-rata over the duration of the underlying agreement.

3.20 Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed.

3.21 Segment reporting

In accordance with the Group's internal financial reporting the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

In respect of business segment reporting, unallocated costs represent corporate expenses. Segment assets consist primarily of property, plant and equipment, inventories, receivables and operating cash, and mainly exclude corporate assets. Segment liabilities comprise operating liabilities and exclude items such as tax payable and certain corporate borrowings.

Capital expenditure comprises additions to property, plant and equipment, including additions resulting from acquisitions through purchases of a subsidiary.

In respect of geographical segment reporting, revenue is based on the country in which the customers are located and total assets and capital expenditure are where the assets are located.

3.22 Share-based payments

The Group operates equity-settled share-based compensation plans for remuneration of its employees, directors, consultants, advisors, suppliers or customers of the Company and its subsidiaries.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

3.22 Share-based payments *(cont'd)*

All share-based compensation is recognised as an expense in the income statement with a corresponding credit to share-based payment reserve, net of deferred tax where applicable. If vesting periods or other vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are exercised than originally vested.

At the time when the share options are exercised, the amount previously recognised in share-based payment reserve will be transferred to share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in share-based payment reserve will be transferred to retained profits.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

4.1 Estimated impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis in accordance with the accounting policy stated in note 3.8. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require estimations of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Goodwill of the Group amounted to HK$156,200,000 as at 31 March 2008 (2007: HK$3,555,000), further details of which are set out in note 16 to the financial statements.

4.2 Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less selling expenses. These estimates are based on the current market conditions and the historical experience of selling products of a similar nature. It could change significantly as a result of competitor actions. Management reassesses these estimations at the balance sheet date to ensure inventories are accounted for at the lower of cost and net realisable value.

4.3 Impairment of receivables

The impairment loss on trade receivables of the Group is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(cont'd)*

4.4 Taxation

The Group is subject to income taxes in Hong Kong. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provisions in the period in which such final tax liabilities determination is made.

5. SEGMENT INFORMATION

Primary reporting format – business segments

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

(a) the Property Assembly and Brokerage Business, details of which have been set out in note 1;

(b) Trading of bags and accessories segment represents the selling of bags and accessories via retail shops, department store counters, overseas agents and distributors;

(c) Trading of recycled computers segment (the "Recycled Computer Business"); and

(d) the corporate segment represents investment holding.

5. SEGMENT INFORMATION *(cont'd)*

Primary reporting format – business segments *(cont'd)*

	Property Assembly and Brokerage Business		Trading of bags and accessories		Recycled Computer Business		Corporate		Total	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Segment revenue:										
Sales to external customers	**80,687**	–	**31,406**	52,103	**31,062**	37,836	**–**	–	**143,155**	89,939
Segment results	**36,340**	–	**124**	767	**(2,928)**	(2,062)	**(367)**	–	**33,169**	(1,295)
Unallocated revenue									**6,119**	399
Unallocated costs									**(2,548)**	(10,246)
Operating profit/(loss)									**36,740**	(11,142)
Finance costs									**(2,587)**	(53)
Profit/(Loss) before income tax									**34,153**	(11,195)
Income tax									**(6,496)**	(458)
Profit/(Loss) for the year									**27,657**	(11,653)
Assets										
Segment assets	**557,023**	–	**157**	6,139	**3,872**	7,899	**3,518**	245	**564,570**	14,283
Unallocated assets									**245,121**	32,682
Total assets									**809,691**	46,965
Liabilities										
Segment liabilities	**17,898**	–	**618**	5,145	**170**	3,692	**–**	–	**18,686**	8,837
Unallocated liabilities									**9,202**	3,404
Total liabilities									**27,888**	12,241
Other segment information:										
Depreciation	**172**	–	**210**	355	**29**	8	**–**	–	**411**	363
Unallocated									**–**	371
									411	734
Capital expenditure	**881**	–	**147**	494	**55**	100	**–**	–	**1,083**	594
Unallocated									**–**	13
									1,083	607
Impairment loss on property, plant and equipment	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Unallocated									**–**	10
									–	10
Impairment loss on goodwill	**–**	–	**–**	–	**3,555**	3,067	**–**	–	**3,555**	3,067

5. SEGMENT INFORMATION *(cont'd)*

Secondary reporting format – geographical segments

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods and services.

Sales revenue by geographical markets:

	2008 HK$'000	2007 HK$'000
Hong Kong	**137,304**	67,738
People's Republic of China ("PRC") (Not including Hong Kong)	**3,317**	17,243
Taiwan	**785**	2,176
Singapore	**845**	2,024
Others	**904**	758
	143,155	89,939

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

	Segment assets		**Capital expenditure**	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Hong Kong	**561,052**	13,169	**1,083**	594
PRC	**–**	1,114	**–**	–
United Kingdom	**3,518**	–	**–**	–
Unallocated	**245,121**	32,682	**–**	13
	809,691	46,965	**1,083**	607

6. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and net value of services rendered, after allowances for trade discounts. All significant transactions amongst the companies comprising the Group have been eliminated on consolidation. Revenue recognised during the year is as follows:

	2008 **HK$'000**	2007 HK$'000
Revenue		
Sales of goods	**62,468**	89,939
Sales of properties	**21,014**	–
Commission income	**59,673**	–
	143,155	89,939
Other income		
Interest income	**6,020**	399
Management income	**250**	600
Gain on disposals of property, plant and equipment	**–**	67
Exchange gain, net	**99**	–
Sundry income	**443**	201
	6,812	1,267
	149,967	91,206

7. OPERATING PROFIT/(LOSS)

	2008 HK$'000	2007 HK$'000
Operating profit/(loss) is arrived at after charging the following:		
Auditors' remuneration	**380**	330
Bad debts written off	**–**	1,171
Cost of inventories recognised as expense	**59,777**	62,467
Contingent rents	**563**	1,471
Depreciation	**411**	734
Directors' remuneration (note 13)	**150**	3,424
Exchange loss, net	**–**	114
Fair value loss on financial assets at fair value through profit or loss	**367**	–
Impairment loss on property, plant and equipment	**–**	10
Impairment loss on goodwill (note 16)	**3,555**	3,067
Loss on disposals of property, plant and equipment	**12**	–
Loss on disposals of subsidiaries (note 31)	**37**	119
Minimum lease payments under operating lease rentals for land and buildings*	**6,218**	10,949
Staff costs (including directors' remuneration, note 13)		
Fees	**150**	720
Salaries	**12,268**	9,120
Pension scheme contributions	**453**	371
Share option benefits	**–**	3,218
Total employee benefits	**12,871**	13,429

* During the year, rental expenses of HK$722,000 (2007: Nil) were paid to the companies, the director of which is also a director of the major subsidiaries of the Group.

8. FINANCE COSTS

	2008 HK$'000	2007 HK$'000
Interests on borrowings and bank overdrafts wholly repayable within five years	**–**	53
Effective interest expense on the convertible bonds (note 25)	**2,587**	–
	2,587	53

9. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 17.5% (2007: 17.5%) on the estimated assessable profits arising in Hong Kong for the year. Income tax on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

(a) The amount of income tax in the consolidated income statement represents:

	2008 HK$'000	2007 HK$'000
Hong Kong		
Current tax for the year	**6,469**	201
Under provision in respect of prior years	**27**	–
Overseas		
Under provision in respect of prior years	**–**	257
Total income tax expense	**6,496**	458

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

	2008 HK$'000	2007 HK$'000
Profit/(Loss) before income tax	**34,153**	(11,195)
Tax calculated at the rates applicable to profit/(loss) in the tax jurisdictions concerned	**5,976**	(1,935)
Tax effect of non-deductible expenses	**1,831**	2,180
Tax effect of non-taxable revenue	**(1,228)**	(55)
Tax effect of temporary difference not recognised	**(83)**	49
Tax effect of unused tax losses not recognised	**36**	–
Under provision in prior years	**27**	257
Others	**(63)**	(38)
Income tax expense	**6,496**	458

(b) Details of deferred taxation of the Group are set out in note 29.

10. PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Of the consolidated profit attributable to the equity holders of the Company of HK$27,657,000 (2007: loss of HK$11,653,000), a loss of HK$1,744,000 (2007: HK$10,805,000) has been dealt with in the financial statements of the Company.

11. DIVIDENDS

	2008 HK$'000	2007 HK$'000
Final dividend proposed after the balance sheet date of HK0.717 cents per ordinary share (2007: Nil)	20,997	–

The final dividend proposed after the balance sheet date have not been recognised as a liability at the balance sheet date.

12. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the profit attributable to equity holders of the Company of HK$27,657,000 (2007: loss of HK$11,653,000) and the weighted average of 2,605,781,421 (2007: 1,631,251,472) ordinary shares in issue during the year.

Diluted earnings/(loss) per share for the year ended 31 March 2008 and 2007 was not presented as the impact of the exercise of the convertible bonds and share options respectively was anti-dilutive.

13. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

13.1 Directors' emoluments

13.1.1 Executive director and non-executive directors

			Group		
	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Share-based payment HK$'000	Contributions to pension scheme HK$'000	Total HK$'000
2008					
Executive director					
Mr. Pong Wai San Wilson	–	–	–	–	–
Non-executive director					
Mr. Li Chi Chung	–	–	–	–	–
Independent non-executive directors					
Mr. Koo Fook Sun Louis	50	–	–	–	50
Mr. Lai Hin Wing Henry	50	–	–	–	50
Mr. Lung Hung Cheuk	50	–	–	–	50
	150	–	–	–	150

13. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS *(cont'd)*

13.1 Directors' emoluments *(cont'd)*

13.1.1 Executive director and non-executive directors (cont'd)

	Group				
	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Share-based payment HK$'000	Contributions to pension scheme HK$'000	Total HK$'000
2007					
Executive directors					
Mr. Pong Wai San Wilson [1]	–	–	–	–	–
Mr. Chan Man Yin [2],[5]	60	–	676	–	736
Mr. Chan Ping Kuen Francis [2]	60	–	676	–	736
Mr. Wong Wing Cheung Peter [2], [3]	60	–	676	–	736
Mr. Ng Pak To, Petto [4]	180	–	–	–	180
Mr. Ong Chor Wei [4]	–	–	676	–	676
Non-executive director					
Mr. Li Chi Chung [1]	–	–	–	–	–
Independent non-executive directors					
Mr. Koo Fook Sun Louis [1]	–	–	–	–	–
Mr. Lai Hin Wing Henry [1]	–	–	–	–	–
Mr. Lung Hung Cheuk [1]	–	–	–	–	–
Mr. Lee Kun Hung [2]	120	–	–	–	120
Mr. Wong Hou Yan Norman [2]	120	–	–	–	120
Mr. Cheung Chi Hwa Justin [2]	120	–	–	–	120
	720	–	2,704	–	3,424

(1) Appointed on 23 March 2007
(2) Resigned on 23 March 2007
(3) Appointed on 19 April 2006
(4) Resigned on 19 April 2006
(5) Appointed on 1 June 2006

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2007: Nil).

13. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS *(cont'd)*

13.2 Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included nil (2007: four) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining five (2007: one) individuals during the year are as follows:

	2008 **HK$'000**	2007 HK$'000
Basic salaries, housing benefits, other allowances, share option and benefits in kind	**6,518**	1,033
Pension scheme contributions	**39**	16
	6,557	1,049

Their emoluments fell within the following bands:

	Number of individuals	
	2008	2007
Nil to HK$1,000,000	**4**	5
HK$3,500,001 to HK$4,000,000	**1**	–

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

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

14. PROPERTY, PLANT AND EQUIPMENT – GROUP

	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Leasehold improvements HK$'000	Total HK$'000
At 31 March 2006				
Cost	2,220	3,382	3,518	9,120
Accumulated depreciation	(1,761)	(2,938)	(3,211)	(7,910)
Net book amount	459	444	307	1,210
Year ended 31 March 2007				
Opening net book amount	459	444	307	1,210
Additions	–	104	432	536
Acquisition of a subsidiary (note 30)	–	71	–	71
Disposals	(332)	(120)	–	(452)
Depreciation	(127)	(254)	(353)	(734)
Impairment loss	–	(10)	–	(10)
Closing net book amount	–	235	386	621
At 31 March 2007				
Cost	–	2,841	2,389	5,230
Accumulated depreciation	–	(2,606)	(2,003)	(4,609)
Net carrying amount	–	235	386	621
Year ended 31 March 2008				
Opening net book amount	–	235	386	621
Additions	–	501	363	864
Acquisition of a subsidiary (note 30)	–	219	–	219
Disposals of subsidiaries (note 31)	–	(124)	(361)	(485)
Disposals	–	(17)	–	(17)
Depreciation	–	(211)	(200)	(411)
Closing net book amount	–	603	188	791
At 31 March 2008				
Cost	–	786	226	1,012
Accumulated depreciation	–	(183)	(38)	(221)
Net carrying amount	–	603	188	791

15. INTERESTS IN AND DUE FROM SUBSIDIARIES – COMPANY

	2008 HK$'000	2007 HK$'000
Non-current		
Unlisted investments, at cost	**8**	8
Current		
Due from subsidiaries	**512,465**	3,555
	512,473	3,563

Amounts due are unsecured, interest free and repayable on demand.

The Directors are of the opinion that a complete list of the particulars of all the subsidiaries will be of excessive length and therefore the following list contains only the particulars of the subsidiaries which materially affect the results or assets of the Group. Details of principal subsidiaries are as follows:

Company	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Vastwood Limited	British Virgin Islands ("BVI")	Ordinary US$1	100		Investment holding
Trigreat Investment Limited	BVI	Ordinary US$1	100		Investment holding
Multi Merchant Investments Limited	BVI	Ordinary US$1,000	100		Investment holding
Super Reach Limited	BVI	Ordinary US$1	100		Investment holding
Richfield Realty (note i)	Hong Kong ("HK")	Ordinary HK$1		100	Property agency and site Assembly
A-Join Property Agency Limited	HK	Ordinary HK$1		100	Property agency
Joy Management Limited	HK	Ordinary HK$1		100	Provision of property assembly consultancy service

15. INTERESTS IN AND DUE FROM SUBSIDIARIES – COMPANY *(cont'd)*

Company	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Charm Stand Limited	BVI	Ordinary US$1		100	Investment holding
Favour Choice International Limited	BVI	Ordinary US$1		100	Property holding
Beverly Win Limited	HK	Ordinary HK$1		100	Property holding
Fruitful Year International Limited	HK	Ordinary HK$1		100	Property holding
Mutual Wave Limited	HK	Ordinary HK$1		100	Property holding
Grand Business International Limited	BVI	Ordinary US$1		100	Property holding
Country Eagle Limited	HK	Ordinary HK$1		100	Property holding
Orient Luck Investment Limited	HK	Ordinary HK$1		100	Property holding
Merit Chance Limited	BVI	Ordinary US$1		100	Property holding
FX International Limited	HK	Ordinary HK$1,000,000		100	Trading of bags and accessories
Maxitech System Company Limited ("Maxitech System")	HK	Ordinary HK$2,500,000		100	Trading of recycled computers

Notes:

i. The company was newly acquired during the year (note 30).

ii. New Sonic Investments Limited, Resource Base Enterprises Limited, FX Creations International Limited and Million Hero Investments Limited were disposed of during the year (note 31).

iii. Join Forever Limited and Antex Development Limited were de-registered during the year.

16. GOODWILL – GROUP

Goodwill in 2008 and 2007 arose from the acquisition of Richfield Realty during the year and Maxitech System in previous year respectively. The net carrying amount of goodwill can be analysed as follows:

	2008 HK$'000	2007 HK$'000
Net carrying amount at 1 April	3,555	–
Arising from the acquisition of a subsidiary (note 30)	156,200	6,622
Impairment loss	(3,555)	(3,067)
Net carrying amount at 31 March	156,200	3,555

Goodwill is allocated to the Group's cash-generating units identified according to the business segment as follows:

	Notes	2008 HK$'000	2007 HK$'000
The Recycled Computer Business	(i)	–	3,555
The Property Assembly and Brokerage Business	(ii)	156,200	–
		156,200	3,555

Notes:

(i) The recoverable amounts of the cash-generating units engaged in the Recycled Computer Business were determined based on value-in-use calculations, using cash flow projections based on financial budgets covering a five-year period approved by management. In 2008, the discount rate applied to cash flow projection is 5.25% and the cash flows beyond the five-year period were extrapolated using a reduction rate of 1%. In 2007, the discount rate applied to cash flow projection was 5% and the cash flows beyond the five-year period were extrapolated using a reduction rate of 25%.

In view of continuous competition encountered and continuing loss incurred by the cash-generating units engaged in the Recycled Computer Business, goodwill of HK$3,555,000 brought forward from the previous year was written off under administrative expenses in the income statement (see note 5).

(ii) The recoverable amounts of the cash-generating units engaged in the Property Assembly and Brokerage Business were determined based on value-in-use calculations, using cash flow projections based on financial budgets covering a five-year period approved by management and valued by the professional valuers. The cash flows beyond the five-year period are extrapolated using an average growth rate of 10%. The growth rates reflect the long-term average growth rates of this cash-generating unit. The discount rate applied to cash flow calculation is 14%. Details of the carrying amount of goodwill are set out in note 30 to the financial statements.

Management's key assumptions include stable gross margins based on past performance and its expectation for market development. Management believes that this is the best available input for forecasting this market. The discount rates used are before tax and reflect specific risks relating to the relevant units.

Apart from the considerations described in determining the value in use of the cash-generating units above, the Group's management is not currently aware of any other probable changes that would necessitate changes in its key estimates.

17. AMOUNT DUE FROM A SHAREHOLDER – GROUP

The balance as at 31 March 2008 arose from the shortfall of the actual results of a subsidiary over its guaranteed results and is unsecured, interest free and repayable on demand. Details of the balance are set out in note 30 to the financial statements. Pursuant to the agreements entered into the shareholder and the Company on 12 June 2008 which are subject to the approval of the independent shareholders at the extraordinary general meeting, this balance is transferred to derivative financial instruments after the balance sheet date. Details of the agreements have been set out in note 36 to the financial statements and the Company's announcement dated 13 June 2008.

18. INVENTORIES – GROUP

The balance as at 31 March 2007 was all bags and accessories held for trading. There are no bags and accessories held on hand as at 31 March 2008.

19. PROPERTIES HELD FOR TRADING – GROUP

The analysis of carrying amount of properties held for sale is as follows:

	2008 **HK$'000**	2007 HK$'000
In Hong Kong		
– 10 to 50 years (medium leases)	**18,508**	–
– 50 years or more (long leases)	**24,409**	–
	42,917	–

20. TRADE RECEIVABLES – GROUP

	2008 **HK$'000**	2007 HK$'000
Non-current	**673**	–
Current	**39,386**	7,665
	40,059	7,665

For the trading of bags and accessories and the Recycled Computer Business, the Group's trading terms with its customers are mainly on credit, which generally have credit terms of up to 90 days (2007: 90 days) and do not bear any effective interest rate.

For the Property Assembly and Brokerage Business, the Group generally allows a credit period from 1 month to 3 years to its trade customers, in accordance with the terms of the mutual agreements after individual negotiations.

All trade receivables are subject to credit risk exposure. However, the Group does not identify specific concentrations of credit risk with regards to trade receivables, as the amounts recognised resemble a large number of receivables from various customers. Impairment on trade receivables is made when the debtors are identified to be irrecoverable.

20. TRADE RECEIVABLES – GROUP *(cont'd)*

Ageing analysis of trade receivables is as follows:

	2008 HK$'000	2007 HK$'000
Neither past due nor impaired	8,539	–
Less than 90 days past due	31,520	7,647
91 to 180 days past due	–	4
181 to 365 days past due	–	–
Over 1 year past due	–	14
Trade receivables that are past due but not impaired	31,520	7,665
	40,059	7,665

Based on the invoice dates, the ageing analysis of trade receivables is as follows:

	2008 HK$'000	2007 HK$'000
Within 90 days	39,108	7,647
91 to 180 days	278	4
181 to 365 days	673	–
Over 1 year	–	14
	40,059	7,665

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

	2008	2007
Renminbi ("RMB")	RMB1,389,000	RMB5,054,000

Receivables that were neither past due nor impaired are due from a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are considered fully recoverable. The Group does not hold any collateral over these balances.

As at 31 March 2008, the carrying amount of long term trade receivables of HK$673,000 was determined based on the present value of the estimated future cash outflows discounted using the effective interest rate of 6.75% per annum.

The Directors considered that the fair values of current trade receivables are not materially different from their carrying amounts because these amounts have short maturity periods. The fair values of long term trade receivables are not materially different from their carrying amounts because there is immaterial interest rate differentiation.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Listed securities:				
– Equity securities – Hong Kong	**–**	234	**–**	–
– Warrants – Hong Kong	**–**	11	**–**	–
Unlisted investment funds in United Kingdom	**3,518**	–	**3,518**	–
Market value	**3,518**	245	**3,518**	–

Financial assets at fair value through profit or loss are held for trading purposes.

22. CASH AND CASH EQUIVALENTS

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and in hand	**14,178**	3,134	**5,454**	2,387
Time deposits with original maturity less than three months	**230,929**	20,007	**226,868**	20,007
	245,107	23,141	**232,322**	22,394

Cash at bank earns interest at floating rates of 0.5% to 4% per annum based on the daily bank deposits rates.

23. TRADE PAYABLES – GROUP

The Group was granted by its suppliers' credit periods ranging from 30 days to 90 days. Based on the invoices dates, ageing analysis of trade payables was as follows:

	2008 HK$'000	2007 HK$'000
Within 90 days	15,317	7,318
91–180 days	600	491
181–365 days	–	–
Over 1 year	473	11
	16,390	7,820

The amounts denominated in a currency other than HK$ as at 31 March 2008 are nil (2007: US$409,000).

The Directors considered that the carrying amounts approximate their fair value.

24. OTHER BORROWINGS – GROUP

	2008 HK$'000	2007 HK$'000
Non-current		
Other loans	–	500
Current		
Other loans	–	83

Other loans of HK$500,000 were secured by the share of a subsidiary and bore interest at prime rate plus 4%. The balance was derecognised upon completion of the disposals of subsidiaries (note 31).

Other loans of HK$83,000 were secured by a personal guarantee from the ex-director, Mr. Ng Pak To Petto (resigned on 19 April 2006), and bore interest at 10% per annum. The balance was repaid during the year.

25. CONVERTIBLE BONDS – GROUP AND COMPANY

As described in note 1 to the financial statements, in May 2007, the Group has completed the acquisition of the entire equity interests in Richfield Realty which is engaged in the Property Assembly and Brokerage Business. Details of the Acquisition have been set out in the Circular dated 10 May 2007.

As a part of the consideration of the Acquisition, the Company issued convertible bonds in the principal amount of HK$456,000,000. The convertible bonds bore interest at 1% per annum with maturity date of 5 years from the date of issuance and were repayable after 5 years from the date of issuance or convertible into shares of the Company at the conversion price of HK$0.6 per share at any time from the date of issuance.

The fair value of the liability component of the convertible bonds was calculated using a market interest rate for an equivalent non-convertible bond (i.e. 9% per annum). The residual amount, representing the value of the equity conversion component, was included in convertible bond equity reserves.

The carrying amount of the convertible bonds before the conversion is analysed as follows:

	HK$'000
Fair value of convertible bonds	456,000
Equity component	(149,101)
Liability component on initial recognition	306,899
Interest expense (note 8)	2,587
Carrying amount of convertible bonds before conversion	309,486

Interest expense is calculated using the effective interest rate method by applying the effective interest rate of 9% to the liability component.

On 30 May 2007 and 15 August 2007, convertible bonds with the principal amount of HK$255,000,000 and HK$201,000,000 respectively were converted into 760,000,000 shares of the Company at the price of HK$0.60 per share. Accordingly, the amounts of HK$309,486,000 were credited to the share capital and share premium accounts during the year.

26. SHARE CAPITAL – GROUP AND COMPANY

	2008 Number of shares '000	2008 HK$'000	2007 Number of shares '000	2007 HK$'000
Authorised:				
Ordinary shares of HK$0.01 each	**10,000,000**	**100,000**	10,000,000	100,000

	2008 Number of shares '000	2008 Ordinary shares HK$'000	2007 Number of shares '000	2007 Ordinary shares HK$'000
Issued and fully paid:				
At the beginning of the year	**1,800,000**	**18,000**	460,504	4,605
Conversion of convertible bonds (note i)	**760,000**	**7,600**	–	–
Issue of new shares (note ii)	**368,500**	**3,685**	–	–
Issue of new shares (note iii)	**–**	**–**	15,300	153
Issue of new shares (note iv)	**–**	**–**	1,286,096	12,861
Exercise of share options (note v)	**–**	**–**	38,100	381
At the end of the year	**2,928,500**	**29,285**	1,800,000	18,000

Notes:

(i) On 30 May 2007 and 15 August 2007, convertible bonds with a principal amount of HK$255,000,000 and HK$201,000,000 respectively were converted into 760,000,000 shares of the Company at the price of HK$0.60 per share.

(ii) On 26 July 2007, the Company entered into a subscription agreement with Virtue Partner Group Limited. As a result, the Company allotted and issued 368,500,000 shares at HK$0.73 per share.

(iii) On 3 November 2006, the Company allotted and issued a total of 15,300,000 consideration shares at HK$0.18 each to the vendor as payment of part of the consideration for the acquisition of equity interest in Maxitech System.

(iv) On 12 July 2006, the Company allotted and issued 249,302,000 shares at HK$0.06 per share as a result of an open offer on the basis of one offer share for every two existing shares held.

On 12 January 2007, the Company entered into a subscription agreement with Virtue Partner Group Limited. As a result, the Company allotted and issued 1,036,794,000 shares at HK$0.01 per share.

(v) The Company adopted a share option scheme on 21 May 2002 pursuant to a written resolution of the Company. On 20 April 2006, options to subscribe for an aggregate of 38,100,000 shares at HK$0.163 per share had been granted by the Company under the scheme. On 26 May 2006, all the outstanding 38,100,000 share options were exercised.

27. SHARE-BASED EMPLOYEE COMPENSATION

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

Eligible participants of the Scheme include any employees, consultants, advisers, suppliers or customers of the Company and its subsidiaries, including any directors of the Company and its subsidiaries. The Scheme became effective on 21 May 2002 and, unless otherwise cancelled or amended, will remain in force for ten years from that date.

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

The offer of a grant of share options may be accepted in writing within 21 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted shall be determined by the board of directors and notified to the relevant grantee, but must not be more than ten years from the date of grant of the share options.

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

On 20 April 2006, share options to subscribe for an aggregate of 21,900,000 and 16,200,000 shares at HK$0.163 per share were granted to its employees and its business consultants by the Company under the Scheme respectively. The period during which the options are exercisable is from 20 April 2006 to 19 April 2007. All these 38,100,000 share options were exercised in May 2006 and no share options granted under the Scheme were outstanding as at 31 March 2007.

For the year ended 31 March 2008, no share options have been granted pursuant to the Scheme.

28. RESERVES

Group

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

Company

	Share premium account HK$'000	Share-based payment reserve HK$'000	Convertible bond equity reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2006	14,918	–	–	(16,500)	(1,582)
Issue of new shares	15,067	–	–	–	15,067
Issuing cost	(1,777)	–	–	–	(1,777)
Recognition of share option benefits at fair value	–	5,595	–	–	5,595
Exercise of share options	11,424	(5,595)	–	–	5,829
Loss for the year	–	–	(10,805)	(10,805)	
At 31 March 2007 and 1 April 2007	**39,632**	**–**	**–**	**(27,305)**	**12,327**
Issue of new shares	**265,320**	**–**	**–**	**–**	**265,320**
Issuing cost	**(8,170)**	**–**	**–**	**–**	**(8,170)**
Equity component of convertible bonds (note 25)	**–**	**–**	**149,101**	**–**	**149,101**
Issue of shares upon conversion of convertible bonds	**450,987**	**–**	**(149,101)**	**–**	**301,886**
Loss for the year	**–**	**–**	**–**	**(1,744)**	**(1,744)**
At 31 March 2008	**747,769**	**–**	**–**	**(29,049)**	**718,720**

The share premium account mainly arises from the shares issued at a premium. Under the Companies Law of the Cayman Islands, share premium is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum or Articles of Association and provided that immediately following the distribution of dividends, the Company is also able to pay its debts as they fall due in the ordinary course of business. In accordance with the Articles of Association of the Company, with the sanction of an ordinary resolution, dividends may also be declared and paid out of share premium.

29. DEFERRED TAX – GROUP

At the balance sheet date, the Group had unrecongnised deferred taxation assets as follows:

	2008 HK$'000	2007 HK$'000
Taxation effect of temporary differences arising as a result of:		
Tax losses available to set off against future assessable profits	**1,823**	1,196
Excess of depreciation charged in the financial statements over depreciation allowance claimed for tax proposes	**–**	526
Excess of depreciation allowance claimed for tax proposes over depreciation charged in the financial statements	**(79)**	–
	1,744	1,722

No provision for deferred taxation has been recognised in respect of the tax losses as this has not yet been all agreed with the Inland Revenue Department and there is unpredictability of future profit streams. The tax losses do not expire under current tax legislation.

30. ACQUISITION OF A SUBSIDIARY

As described in note 1 to the financial statements, on 29 May 2007, the Group has completed the acquisition of the entire equity interests in Richfield Realty which is engaged in the Property Assembly and Brokerage Business, at a consideration of HK$597,000,000 which was satisfied as to HK$120,000,000 by the issue of the promissory notes, HK$456,000,000 by the issue of the convertible bonds (note 25) and HK$21,000,000 by cash. Details of the Acquisition have been set out in the Circular dated 10 May 2007.

At the acquisition date, the fair value of the consideration of the Acquisition was HK$556,956,000. This is assessed based on the fair value of the following:

	2008 HK$'000
Fair value of promissory notes issued	**79,956**
Fair value of convertible bonds issued (note 25)	**456,000**
Cash paid	**21,000**
Purchase consideration	**556,956**

As described in the Circular, as a part of the consideration of the Acquisition, the Company issued promissory notes with a principal amount of HK$120,000,000. The promissory notes were unsecured, interest bearing at 1% per annum and were repayable on 28 May 2012. The fair value at the date of issue amounting to HK$79,956,000 was calculated at the discounted borrowing rate of 9% per annum.

30. ACQUISITION OF A SUBSIDIARY *(cont'd)*

As described in the Circular, the purchase consideration is contingent on the results of Richfield Realty where its guarantee profit for the year ended 28 May 2008 shall be no less than HK$150,000,000 (the "Guarantee Profit"). If the results of Richfield Realty for the year ended 28 May 2008 (the "Actual Profit") is less than the Guarantee Profit, the vendor, who subsequently became a shareholder of the Company upon conversion of convertible bonds as described in note 25 to the financial statements, shall compensate an amount, which is equivalent to 3.98 times of the difference between the Guarantee Profit and the Actual Profit, to the Group. This compensation is first to be setoff against the carrying value of the above promissory note and the remaining amount, if any, is therefore repayable by this shareholder (i.e. the vendor of the Acquisition and ex-convertible bond holder) to the Group.

However, as at 31 March 2008, as the Directors are of the view that the Guarantee Profit is no longer achievable, the carrying value of the above promissory notes of HK$79,956,000 is written back and the remaining amount of the compensation due from this shareholder, amounting to HK$317,800,000 is deducted from the cost of consideration and goodwill. Consequently, the fair value of the purchase consideration is restated as HK$159,200,000. Goodwill arising from the Acquisition is thus HK$156,200,000 and this is calculated as follows:

	2008 **HK$'000**
Purchase consideration:	
Fair value of promissory notes issued	**79,956**
Fair value of convertible bonds issued (note 25)	**456,000**
Cash paid	**21,000**
Less: Compensation to be received from a shareholder, (i.e vendor of the Acquisition) (note 17)	**(317,800)**
Cancellation of promissory notes	**(79,956)**
	159,200
Fair value of net assets acquired – shown as below	**(3,000)**
Goodwill (note 16)	**156,200**

The assets and liabilities as of 29 May 2007 arising from the Acquisition are as follows:

	Acquiree's carrying amount and fair value **HK$'000**
Property, plant and equipment (note 14)	**219**
Trade receivables	**1**
Deposits and other receivables	**737**
Amount due from a shareholder	**4,540**
Deferred tax assets	**226**
Bank balances	**456**
Accrued expenses and other payables	**(962)**
Tax payables	**(2,217)**
Net assets	**3,000**

30. ACQUISITION OF A SUBSIDIARY *(cont'd)*

Cash outflow on Acquisition:

	2008 **HK$'000**
Purchase consideration settled in cash	**21,000**
Cash and cash equivalents in a subsidiary acquired	**(456)**
Cash outflow on acquisition	**20,544**

Richfield Realty contributed revenues of HK$80,687,000 and net profit of HK$29,784,000 to the Group for the period from 29 May 2007 to 31 March 2008. Had the combination taken palce at 1 April 2007, the Group's revenue and profit after income tax for the year ended 31 March 2008 would have been HK$143,207,000 and HK$26,484,000 respectively. These pro forma information are for illustrative purposes only and are not necessarily an indication of revenue and result of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2007, nor are they intended to be a projection of future results.

In 2007, the Group acquired 100% equity interest in Maxitech System, a company incorporated in Hong Kong and engaged in the Recycled Computer Business, at a consideration of HK$8,500,000, a part of which was settled by the allotment and issue of 15,300,000 new shares of HK$0.01 each by the Company at a price of HK$0.18 each on 3 November 2006. At the completion date of acquisition, the market price of the shares of the Company was HK$0.18. Accordingly, the fair value of the consideration shares for this purpose was HK$2,754,000. Goodwill arising from this acquisition was HK$6,622,000.

Details of net assets acquired and goodwill are as follows:

	2007 HK$'000
Purchase consideration:	
Fair value of consideration shares (note 26 (iii))	2,754
Cash	5,746
	8,500
Fair value of net assets acquired – shown as below	(1,878)
Goodwill (note 16)	6,622

30. ACQUISITION OF A SUBSIDIARY *(cont'd)*

Cash outflow on Acquisition: *(cont'd)*

The assets and liabilities as of 3 November 2006 arising from the acquisition are as follows:

	Acquiree's carrying amount and fair value HK$'000
Property, plant and equipment (note 14)	71
Trade receivables	1,668
Other receivables	1,418
Bank balances	403
Trade payables	(440)
Accrued expenses and other payables	(1,076)
Tax payables	(166)
Net assets	1,878

Cash outflow on acquisition:

	2007 HK$'000
Purchase consideration settled in cash	5,746
Cash and cash equivalents in a subsidiary acquired	(403)
Cash outflow on acquisition	5,343

The acquired subsidiary contributed revenues of HK$37,836,000 and net profit of HK$828,000 to the Group for the period from 3 November 2006 to 31 March 2007. Had the combination taken place at 1 April 2006, the Group's revenue and loss after income tax for the year ended 31 March 2007 would have been HK$113,036,000 and HK$10,551,000 respectively. These pro forma information are for illustrative purposes only and are not necessarily an indication of revenue and result of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2006, nor are they intended to be a projection of future results.

31. DISPOSALS OF SUBSIDIARIES

During the year, the Group's subsidiaries, New Sonic Investments Limited, Resource Base Enterprises Limited, FX Creations International Limited and Million Hero Investments Limited were disposed of and Join Forever Limited and Antex Development Limited had completed the de-registeration.

In 2007, FX Wealthmark International Limited was de-registered.

Details of the disposals and its impact on the consolidated cash flow statement are summarised as follows:

	2008 HK$'000	2007 HK$'000
Net assets disposed of:		
Property, plant and equipment (note 14)	**485**	–
Cash and bank balances	**60**	–
Financial assets at fair value through profit or loss	**245**	–
Trade receivables	**473**	–
Other receivables	**90**	361
Deposits and prepayments	**108**	–
Tax prepaid	**82**	–
Accrued expenses and other payables	**(6)**	(162)
Other loans (note 24)	**(500)**	–
	1,037	199
Minority interests	**–**	(80)
	1,037	119
Total consideration	**1,000**	–
Loss on disposals of subsidiaries	**37**	119

Cash inflow on disposals:

	2008 HK$'000	2007 HK$'000
Sale consideration settled in cash	**1,000**	–
Cash and cash equivalents in a subsidiary disposed	**(60)**	–
Cash inflow on disposals	**940**	–

32. OPERATING LEASE COMMITMENTS

At 31 March 2008, the total future minimum lease payments under non-cancellable operating leases are payable by the Group as follows:

	2008	2007
	HK$'000	HK$'000
Within one year	**719**	7,876
In the second to fifth years	**161**	4,178
	880	12,054

The Group leases a number of properties under operating leases. The lease run for an initial period of one to three years, with an option to renew the lease and renegotiated the terms at the expiry date or at dates as mutually agreed between the Group and respective landlords/lessors.

33. MATERIAL RELATED PARTY TRANSACTIONS

Other than remuneration paid to key management personnel amounting to HK$150,000 (2007: HK$3,424,000), as disclosed in note 13 to the financial statements, there were no material related party transactions entered into by the Group during the year.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks which result from both its operating and investing activities. The Group has various other financial assets and liabilities such as trade receivables, trade payables, other receivables and other payables, which arise directly from its daily operations.

The main risks arising from the Group's financial instruments are market risk (including interest rate risk, foreign currency risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. As the Group's exposure to market risk is kept at a minimum level, the Group has not used any derivatives or other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes.

34.1 Interest rate risk

Other than deposits held in banks, the Group does not have significant interest-bearing assets. Besides time deposits which earn interest at fixed rates, cash at banks earn interest at floating rates of 0.5% to 4% per annum based on the daily bank deposits rates for the year. Any change in the interest rate promulgated by banks from time to time is not considered to have significant impact to the Group.

There were no borrowings as at 31 March 2008 and thus the Group does not have floating interest-bearing liabilities. As the interest rate risk exposure is considered as minimal, management did not consider it necessary to use interest rate swaps to hedge their exposure to interest rate risk because the Group does not have significant interest-bearing financial assets and liabilities with variable interest rates.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(cont'd)*

34.2 Foreign currency risk

Most of the Group's transactions are carried out in HK$ which is the functional currency of the group entities to which the transaction relate. Exposures to currency exchange rates arise from the Group's overseas sales, which is primarily denominated in RMB. Analysis of trade receivables in RMB is disclosed in note 20.

To mitigate the impact of exchange rate fluctuations, the Group's continually assesses and monitors the exposure to foreign currency risk. During the year, management did not consider it necessary to use foreign currency forward contracts to hedge the exposure to foreign currency risk as most of the assets and liabilities denominated in currencies other than the functional currency of the entity to which they related are short term foreign currency cash flows (due within 6 months).

As at 31 March 2007 and 2008, if a general depreciation of 5% in HK$ against RMB is estimated, with all other variable held constant, profit after tax for the year and retained profits will increase by HK$208,000 and HK$57,000 for the years ended 31 March 2007 and 2008 respectively. A general appreciation of the same percentage in HK$ against US$ would have had the equal but opposite effect on the profit after tax for the year and retained profits to the amount shown above, on the basis that all other variables remain constant.

The appreciation and depreciation of 5% in HK$ exchange rate against RMB represents management's assessment of a reasonably possible change in currency exchange rate over the period until the next annual balance sheet date.

34.3 Credit risk

The carrying amounts of cash and cash equivalents, trade receivables, other receivables and financial assets at fair value through profit or loss represent the Group's maximum exposure to credit risk in relation to financial assets. The objective of the Group's measures to manage credit risk is to control potential exposure to recoverability problem. Most of the Group's cash and cash equivalents are held in major financial institutions in Hong Kong, which management believes are of high credit quality.

The Group's trade and other receivables are actively monitored to avoid significant concentration of credit risk. Normally, the Group does not obtain collateral from customers. The Group has adopted a no-business policy with customers lacking an appropriate credit history where credit records are not available.

The financial assets at fair value through profit or loss represented an unlisted investment fund from the well-established bank and are not used for hedging purpose. It is mainly entered with bank with sound credit rating and management does not expect any investment counterparty to fail to meet its obligations. In this regard, the Group does not expect to incur material credit losses on managing these financial assets.

34.4 Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including short term investment of cash surpluses and the raising of loans to cover the expected cash demands. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(cont'd)*

34.4 Liquidity risk *(cont'd)*

At the balance sheet date, the Group's undiscounted cash flows under financial liabilities that have contractual maturities are summarised below:

		Contractual undiscounted cash flow		
	Carrying amount HK$'000	**Total HK$'000**	**Within 1 year or on demand HK$'000**	**In 2 to 5 years HK$'000**
2008				
Trade payables	16,390	16,390	16,390	–
2007				
Trade payables	7,820	7,820	7,820	–
Other loans	583	583	83	500
	8,403	8,403	7,903	500

34.5 Price risk

The Group is exposed to price risk because investments held by the Group are classified on the balance sheet as financial assets at fair value through profit or loss.

As at 31 March 2007 and 2008, if a general increase of 5% in market price of investment is estimated, with all other variable held constant, the profit after tax for the year and retained profits would increase by HK$145,000 and HK$10,000 for the years ended 31 March 2007 and 2008 respectively. A general decrease of the same percentage in market price of investment would have had the equal but opposite effect on the profit after tax for the year and retained profits to the amount shown above, on the basis that all other variables remain constant.

The increase and decrease of 5% in market price of investment represents management's assessment of a reasonably possible change in market price of investments over the period until the next annual balance sheet date.

34.6 Fair value

The fair values of the Group's current financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments.

The fair value of non-current financial assets and liabilities closely approximates their carrying value due to the immaterial interest rate differentiation.

35. CAPITAL RISK MANAGEMENT

The Group's capital management objectives are:

(a) to ensure the Group's ability to continue as a going concern;

(b) to provide an adequate return to shareholders;

(c) to support the Group's sustainable growth; and

(d) to provide capital for the purpose of potential mergers and acquisitions.

The Group monitors capital on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (represented by total liabilities less current and deferred income tax as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as equity, as shown in the balance sheet, plus net debts. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

	2008 HK$'000	2007 HK$'000
Total borrowings	18,959	11,743
Less: Cash and cash equivalents	(245,107)	(23,141)
Net debts	(226,148)	(11,398)
Total capital	748,005	30,327
Gearing ratio	N/A	N/A

36. POST BALANCE SHEET EVENTS

On 12 June 2008, the shareholder (i.e. the vendor of the Acquisition and ex-convertible bond holder) and the Company entered into the settlement agreements in respect of the shortfall of the actual results of a subsidiary over its guaranteed results. Pursuant to the settlement agreement, the compensation from the shareholder is first to be setoff against the carrying value of the promissory note and the remaining amount is to be compensated by a new guaranteed profit. Under the new guaranteed profit, the shareholder has irrevocably warranted and guaranteed to the Group that the new guaranteed profit for the 36-month period commencing from 1 April 2008 shall be no less than the remaining balance. As a result, the full amount due from a shareholder (note 17) is transferred to derivative financial instruments, based on the new settlement arrangement.

Details of the agreements have been set out in the Company's announcement dated 13 June 2008 and the agreements are subject to the approval of the independent shareholders at the extraordinary general meeting.

37. ULTIMATE HOLDING COMPANY

At 31 March 2008, the Directors consider the ultimate holding company to be Virtue Partner Group Limited, which was incorporated in the BVI. This entity does not produce financial statements available for public use.