



ANEX INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 723)

ANNUAL REPORT 2007

Corporate Information	2
Financial Highlights	4
Chairman's Statement	5
Chief Executive Officer's Statement	7
Management Discussion and Analysis	10
Biographical Details of Directors and Senior Management	14
Corporate Governance Report	17
Report of the Directors	22
Independent Auditor's Report	30
Consolidated Income Statement	32
Consolidated Balance Sheet	33
Balance Sheet	35
Consolidated Statement of Changes in Equity	37
Consolidated Cash Flow Statement	38
Notes to the Financial Statements	40
Five Years Financial Summary	107
Particulars of Major Properties	108

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Cheng Tun Nei (*Chairman*)
Mr. Kwok Hon Lam (*Vice Chairman*)
Dr. Siu Miu Man (*Chief Executive Officer*)
Mr. Kwok Chi Hang, Peter
Mr. Cheng Tze Kit, Larry

NON-EXECUTIVE DIRECTOR

Mr. Yeung Chee Tat

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Sun Kwong
Mr. Chow Nim Sun, Nelson
Mr. Lam Kwok Cheong

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Mr. Liu Kam Lung

AUTHORIZED REPRESENTATIVES

Dr. Siu Miu Man
Mr. Kwok Chi Hang, Peter

LEGAL ADVISERS TO THE COMPANY

As to Hong Kong Law

Sidley Austin
39/F, Two International Finance Centre
8 Finance Street Central
Hong Kong

As to Bermuda Law

Conyers Dill & Pearman
Room 2901, One Exchange Square
8 Connaught Place Central
Hong Kong

AUDITOR

CCIF CPA Limited
20/F., Sunning Plaza
10 Hysan Avenue
Causeway Bay
Hong Kong

PRINCIPAL BANKER

Hang Seng Bank Limited

SHARE REGISTRARS

Principal Registrar

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

Hong Kong Branch Registrar

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS

Room 1606-7, West Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong
Telephone: (852) 2857 7723
Fax: (852) 2857 1723
E-mail: enquiry@anex.com.hk
Website: www.anex-int.com

HONG KONG STOCK EXCHANGE CODE

Ordinary Share
723

Registered Warrant
473

FINANCIAL HIGHLIGHTS

	2007	2006	Changes
	HK\$'000	HK\$'000 (restated)	
Operating results			
Turnover	209,701	182,324	15.0%
Gross profit	14,800	16,273	-9.1%
Loss attributable to equity shareholders of the Company	(55,027)	(59,736)	-7.9%
Financial position at year end			
Property, plant and equipment	89,332	82,714	8.0%
Bank balances and cash	57,264	19,562	192.7%
Net current assets	77,934	10,411	648.6%
Total assets	299,792	197,596	51.7%
Total interest-bearing loans	30,467	26,827	13.6%
Total liabilities	141,653	89,685	57.9%
Equity attributable to the Company's equity shareholders	144,239	107,833	33.8%
Per share information			
Basic loss per share (Hong Kong cents)	(4.06)	(10.13)	-59.9%
Dividends per share (Hong Kong cents)	-	-	-
Net asset value per share (Hong Kong cents)	9.34	14.03	-33.4%

I hereby present the annual report and financial results of Anex International Holdings Limited together with its subsidiaries (the "Group") for the year ended 31 March 2007.

RESULTS

The Group's turnover risen by 15.0% to HK\$209.7 million for the year (2006: HK\$182.3 million). The loss per share amounted to HK4.06 cents for the current year.

DIVIDENDS

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

BUSINESS

The financial year 2007 is still a difficult year for the Group. The persistent hardship and keen competition constrained the performance of home appliances business.

In view of the shrink of the home appliances business, the Group has diversified its business and successfully developed real estate development business and building material business.

With the rapid development in property market in Macau, China and Hong Kong, the contract sum of incomplete projects for our building material division amounting to HK\$84.4 million. The major projects which the Group will supply marble and light-weighted building materials and installation including MGM Grand, Macau and Tiu Keng Leng Station in Hong Kong.

The Group is currently engaged in a residential property development project in Liaobu of Dongguan, Guangdong Province, with a GFA of 47,000 square meters and an existing shopping mall with floor space of approximately 13,000 square meters under renovation.

PROSPECTS

In view of the persistent hardship pertained to the home appliances business, our management team has been taken positive steps to save cost and continues to implement its stringent cost control. The Board will also endeavour to improve the operating efficiencies of the Group.

Following the acquisition of Ancen Properties Limited and BIP (HK) Company Limited and establishment of joint venture companies with our business partner in the year, and the recent proposed acquisition of 95% interest in a PRC company for involvement in a class 1 development project with 3,300 mu of land in Beijing, the Group would devote most of its resources to the businesses of property development and building material.

CHAIRMAN'S STATEMENT

In future, we have to continue to be adaptive and creative in developing our new business. To sustain the development of the Group, the Board will continue to strive for seeking different investment opportunities which are expected to show significant growth in the future.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to extend my sincere gratitude to our customers and business partners for their continued support. I would also like to thank the management team and all staff members to their dedicated services and hard work throughout the years.

Cheng Tun Nei

Chairman

Hong Kong

25 July 2007

I hereby present the annual report and financial results of Anex International Holdings Limited together with its subsidiaries (the "Group") for the year ended 31 March 2007.

RESULTS & REVIEW

For the year ended 31 March 2007, the Group recorded a loss of HK\$55.0 million (2006: HK\$59.7 million), representing a decrease of 7.9% from the previous year. Sales turnover of the Group was risen to HK\$209.7 million (2006: HK\$182.3 million), an increase of 15.0%. Loss per share was HK4.06 cents (2006: HK10.13 cents).

The financial year ended 31 March 2007 was a year full of challenges for the Group. The costs of raw materials and labor were continuously going up and put intensive pressure on our production costs. In addition, our customers diminished their demand following with our increase of the product prices and as a result, only part of the escalated costs could be recovered. A write-down of HK\$4.3 million for unsold inventories and HK\$1.3 million for mould deposits paid were made during the year due to the dropping of certain old product lines.

In view of the persistent hardship and keen competition to the home appliances business, the Group has diversified its business and successfully developed real estate development business and building materials business. Nevertheless, the real estate development business and building materials business are newly developed and the contribution to the Group was not significant for the year ended 31 March 2007.

CORPORATE GOVERNANCE

The Company invariably believes that a high standard of corporate governance and transparency is of utmost importance. The Group's Audit Committee and Remuneration Committee are mainly composed of Independent Non-executive Directors. They supervised the Group's management and decided the matters of finance, operation, as well as the employees' and Directors' remuneration.

EMPLOYEES

The total number of employees in the Group stood at 1,313 as at 31 March 2007. Expenditure on staff (excluding emoluments of the directors) amounted to HK\$41.1 million. Employees are remunerated according to their performance and contribution. Other employee benefits include but not limited to provident fund, insurance, medical cover, training program, as well as a share option scheme.

OUTLOOK

Home Appliances Manufacturing Business

In view of the difficulties associated with the home appliances business, our management team has been taking positive steps to prune down the production cost, to adopt measures to foster a better production management, and to lower wastage and inventory level. Simultaneously, we have adopted the Oracle information system to facilitate cost control and profit analysis.

Nevertheless, the industry is still under intense competition, the Group will re-position itself in the market and focus on the efficiency improvement of the operation in order to strive for better return.

Property Development Business

In the past years, the Central Government of the PRC implemented a number of regulatory measures on the property market by ways of land supply, foreign investment, finance provision and tax levy. Undoubtedly in the short term, these regulatory measures will have adverse effect on the property sector; however, with the fast economic development in China, the disposal income per capita will continue to increase and urbanization rate keeps on growing, people's demand to improve their living standards will never slow down. The Chinese property market is expected to maintain a rapid and stable development in the medium and the long-term.

Nevertheless, market players should be always aware of the risk exposure under the macro-economic environment, therefore, the Group always exercises its usual cautions when expanding business within China. Currently, the operation of the Group has diversified geographically from the second tier city – Dongguan, Guangdong Province to the first tier city – Beijing.

Dongguan, Guangdong Province

The Group is principally engaged in the development of property projects in Dongguan, Guangdong Province. In 2006, Guangdong Province experienced a relatively fast economic growth, stronger purchasing power and a continuous buoyant property market. According to the Bureau of Statistics of Guangdong Province, the GDP in Guangdong Province increased by 14.1% in 2006 and its per capita disposable income of urban residents rose by 8.4%.

At present, the Group has a residential property development project in Liaobu of Dongguan with a GFA of 47,000 square meters, and an existing shopping mall with floor space of approximately 13,000 square meters under renovation.

Beijing

As the political and cultural hub of China and the host of the 2008 Olympics, Beijing has a relatively high urban development pace with higher capacity and demand in its property market. The continuous increase in income of Beijing citizens also helps the Beijing property market to develop steadily. In 2006, the land transaction activities in Beijing were active, in particular residential sites. But the land supply within the Fifth Ring Road is becoming scarce and supply of new land is gradually focusing on rural areas beyond the Fifth Ring Road.

Recently the Group entered into joint venture agreements with the relevant parties for participating in Beijing Changping Qijiazhen District for a class 1 land development with an area of 3,300 acres or 2.2 million square meters. Changping Qijiazhen district is an outskirts of the Beijing Central District and within the area circled by the Sixth Ring Road. Upon completion and subject to relevant governmental approval, the Group through its subsidiary will hold a 52% stake in the project while the local partners would hold the rest. Besides regular income, the project would enhance the Group's capability to identify potential projects in the area due to better understanding on the local town planning and requirements during the process of land development.

Building Materials Business

The business has been developed since in the middle of the year with concentrating in marble, trendy and light-weight building materials supply and installation. We are confident that marble, trendy and light-weight building materials would be in high demand and should become the mainstream in the building industry in the coming years. Besides, with the rapid development in property market in Macau, China and Hong Kong, the Group's contract sum of the incomplete projects is now amounting to HK\$84.4 million. As the projects are still worked in progress, the contribution to the Group will be realized in the coming year. We shall closely monitor any associated business opportunities in the building materials markets.

With China's rapid economic growth, continued rise in people's disposable income, accelerated urbanization, appreciation of Renminbi and excess capital liquidity, the Group expects the prosperity of the property market will continue to grow. In accordance with our overall development strategy, the Group will adopt prudent approach in investment and strive for best return for shareholders.

ACKNOWLEDGEMENT

I wish to express my heartfelt gratitude to our business partners, shareholders and my colleague for their continuous support and contribution to the Group.

Dr. Siu Miu Man, Simon

Chief Executive Officer

Hong Kong
25 July 2007

FINANCIAL REVIEW

On 30 June 2006, the Company had successfully made a rights issue of one rights share for every existing share together with an issue of two bonus warrants for every five rights shares, at an issue price of HK\$0.10 per rights share, resulting in the issue of 768,642,000 shares of HK\$0.10 each for cash. As a result, a total of 307,457,000 warrants were issued which entitling the holders thereof to subscribe for new shares at an initial subscription price of HK\$0.10 per share upon exercise of one warrant. The gross proceeds amounted to HK\$76,864,000 and the net proceeds from the rights issue amounted to HK\$74,085,000. The rights issue enlarged the Group's capital base and strengthen its financial position.

For the year ended 31 March 2007, the turnover of the Group was HK\$209.7 million, representing a 15.0% increase over the corresponding figure of HK\$182.3 million in 2006. The increase in turnover was a result of the market promotion in the Group's Home Appliances Business and the launch of Building Materials Business.

Nevertheless, the accelerated cost of sales increased from HK\$166.1 million in the year ended 31 March 2006 to HK\$194.9 million in the year ended 31 March 2007 and accordingly, the gross profit margin decreased from 8.9% in the year ended 31 March 2006 to 7.1% in the year ended 31 March 2007. The deterioration in gross profit margin was mainly attributed to the intense competition in Home Appliances Business which placed strong pressure on the Group's selling prices and the increase in the price of raw materials.

The Group's gearing ratio expressed as a percentage of total interest-bearing borrowings over equity attributable to the Company's equity holders, dropped from 24.9% at the beginning of the year to 21.1% as at 31 March 2007. The decrease was mainly due to the enlarged Group's capital base as a result of the aforesaid rights issue. Working capital soared from last year's level to HK\$77.9 million due to the increase of cash and bank balance from the aforesaid rights issue and the inclusion of working capital arisen from acquisition of Ancen Properties Limited during the year.

The Group has HK\$30.4 million (2006: HK\$26.8 million) interest-bearing borrowings consisted of HK\$26.9 million (2006: HK\$23.4 million) overdraft, secured trust receipt loans, factoring loans, bills discounted and packing loans; HK\$2.4 million (2006: HK\$2.0 million) finance lease payable and other loans of HK\$1.1 million (2006: HK\$1.4 million). The aforesaid loans comprise approximately 99.7% (2006: 96.5%) thereof repayable within one year and 0.3% (2006: 2.8%) thereof repayable within the second year and the nil balance (2006: 0.7%) thereof repayable in the third year. All the loans are denominated in Hong Kong dollars. As at 31 March 2007, the Group had total cash and bank balances and pledged deposits amounting to HK\$57.2 million (2006: HK\$19.6 million).

BUSINESS SEGMENT

The Group had divided its businesses into three major segments, namely Home Appliance, Building Materials and Real Estate in the year under review for better performance measurement for each segment. Details of the business segment is set out in note 6 to the financial statements.

HUMAN RESOURCES AND REMUNERATION POLICY

During the year, the Group employed an average total of 1,693 (2006: 1,603) employees mostly in Hong Kong and mainland China. The total amount of remuneration paid by the Group to its employees (including directors) for the year was HK\$47.6 million (2006: HK\$36.0 million).

The Group believes that the key to success lies in its staffs and recruits individuals based on their competencies, merit and development potential. It rewards its employees according to prevailing market practices, employees' individual experience and performance and will review regularly. Apart from provident fund scheme and medical insurance coverage, the Group also awards discretionary bonuses to its employees based on their performance evaluation and it also maintains staff share option scheme.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

As announced by the Company on 11 September 2006, the Company entered into a share purchase agreement with an independent third party to acquire 30% further interest in Ancen Properties Limited ("Ancen") at a total consideration of HK\$18,290,000 (the "Acquisition of Ancen") on 8 September 2006. The principal business of Ancen is real estate development. On 20 October 2006, the Acquisition of Ancen was completed. The consideration was settled by cash and was financed by the net proceeds from the Rights Issue in June 2006. Please refer to the Company's circular dated 30 September 2006 for details.

As announced by the Company on 16 October 2006, the Company entered into a share purchase agreement with Mr. Cheng Tun Nei and Mr. Cheng Tze Kit, Larry, both are the executive directors of the Company, to acquire the entire interest in BIP (HK) Company Limited ("BIP") at a consideration of HK\$3,068,000 (the "Acquisition of BIP") on 13 October 2006. The principal business of BIP is construction related work and provision of project management service. The Acquisition of BIP was completed on 1 November 2006. The consideration was settled by cash and was funded by internal resources. Please refer to the Company's circular dated 1 November 2006.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

On 14 June 2007, the Company announced that Anex Properties Holdings Limited, a wholly-owned subsidiary of the Company, entered into an agreement with Mr. Li Jianchuan, a brother-in-law of Mr. Cheng Tun Nei, on 12 June 2007 to acquire 95% interest in Dongguan Anex Property Management Limited, a company incorporated in PRC, at a consideration of US\$1.9 million (equivalent to approximately HK\$14.82 million) concerning possible involvement in class 1 development of 3,300 mu of land in Beijing. Such acquisition is subject to the approval by the Company's independent shareholders at a special general meeting to be organised and announced by the Company.

CHARGE ON ASSETS AND PLEDGED DEPOSITS

General banking facilities granted to the Group were secured by certain properties of the Group situated in Hong Kong, which comprised leasehold land and buildings at a net book value amounting to HK\$12.1 million (2006: HK\$13.5 million) at end of year and time deposits of HK\$10.8 million (2006: HK\$7.3 million) at end of year.

CONTINGENT LIABILITIES

The Group undertook the obligation under a buy-back undertaking entered with a bank of approximately RMB20,927,000 (equivalent to approximately HK\$20,927,000) (2006: HK\$Nil) relating to the mortgage loans arranged for certain purchasers of the Group's properties sold. Pursuant to the terms of the undertaking, in the event of any default in mortgage payments by any of these purchasers, the Group is responsible to repay the outstanding mortgage principal balances together with accrued interest and penalties owed by the defaulted purchasers and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period commences from the dates of the drawdown of the relevant mortgage loans and ends when the Group obtains the "property title certificate" for the mortgagees.

A deposit of RMB2,953,000 (equivalent to HK\$2,953,000) was pledged to the bank as security for the Group's obligation under the above undertaking.

The Group provided a corporate guarantee and a deposit pledged to a bank for the issuance of a performance bond, in favour of an independent third party relating to a constructing contract, amounting to HK\$3,000,000.

No recognition was made because the fair value of the undertaking was insignificant and that the directors did not consider it probable that a claim would be made against the Group under the undertaking.

EXPOSURE TO EXCHANGE RISK

The Group mainly operates in mainland China, the USA, Germany, Hong Kong and Macau. Most of the Group's transactions, assets and liabilities are dominated in Renminbi, United States Dollars, Euro Dollars and Hong Kong Dollars.

Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Group manages its foreign risks by performing regular review and monitoring its foreign exchange exposures.

FINANCIAL INSTRUMENTS FOR HEDGING PURPOSES

The Group had neither foreign currency hedging activities nor any financial instruments for hedging purposes during the year.

DIRECTORS

Executive Directors

Mr. Cheng Tun Nei, aged 43, is the chairman of the Board. Mr. Cheng graduated from tertiary level education in mainland China. He is a businessman principally engaged in manufacturing of electronic products, hotel investment, real estate investment and development as well as import and export business for more than 20 years.

Mr. Kwok Hon Lam, aged 59, is the vice-chairman of the Board. He has many years of experience in the electrical appliances manufacturing industry and is one of the founders of the Group. He is responsible for the Group's overall business operations, particularly in research and development of new products, production management and real estate development. He is the father of Mr. Kwok Chi Hang, Peter.

Dr. Siu Miu Man, aged 50, is the chief executive officer of the Company. Dr. Siu holds a Master Degree of Business Administration from Brighton University, Master of Science Degree in Electronic Commerce from the HK Polytechnic University and an Honourable Doctorate Degree in Laws from the University of Santa Barbara, California. Dr. Siu is a corporate member of the Chartered Institute of Arbitrators and the Hong Kong Institution of Engineers. Dr. Siu has served as senior management in several listed companies and has got over 20 years of managerial experience in general management, finance, administration, sales and marketing.

Mr. Kwok Chi Hang, Peter, aged 31, is the deputy general manager of the Group. Prior to joining the Group in April 2003, he was licensed by the Securities and Futures Commission as a qualified investment advisor representative working from 2001 to 2002 in a listed company and participated in numerous corporate financing projects in the Greater China region. He is responsible for purchasing department and operation management of the Group's production base in Dongguan, the People's Republic of China. He graduated from University of Western Ontario, Canada with a bachelor's degree in economics in 1998, and further received a Master of Business Administration degree from University of South Australia in 2004. He is the eldest son of Mr. Kwok Hon Lam.

Mr. Cheng Tze Kit, Larry, aged 50, is the Managing Director of the Group's real estate division and acts as director of certain subsidiaries of the Group. Mr. Cheng is a Chartered Engineer, a member of the Institution of Mechanical Engineers, a member of the Institution of Engineering and Technology and a member of the Chartered Institution of Building Services Engineers. Prior to joining a Hong Kong-based real estate developer, he worked for the Hong Kong Government and a private investment company in Canada. Starting from 2002, he has been engaged in property development business.

Non-executive Director

Mr. Yeung Chee Tat, aged 34, obtained a bachelor of arts degree from York University, Canada. Mr. Yeung has over ten years of experience in marketing and is the group vice president of a renowned gift and premium trading enterprise in Hong Kong. He actively participates in various charity and social welfare programs in Hong Kong, including chairman of Hong Kong Walks for Millions (New Territories) and campaign member of the Hong Kong Community Chest. Mr. Yeung is the husband of Ms. Kwok Lai Ming, Winnie, the son-in-law of Mr. Kwok Hon Lam (an executive Director) and brother-in-law of Mr. Kwok Chi Hang, Peter (an executive Director).

Independent Non-Executive Directors

Mr. Chan Sun Kwong, aged 40, has more than 20 years experience in accounting, auditing, banking and company secretarial works. He is a fellow member of each of the Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants, United Kingdom and an associate member of both the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the UK. Mr. Chan currently serves as the executive director and company secretary of a company listed on the Main Board of the Stock Exchange.

Mr. Chow Nim Sun, Nelson, aged 51, has over twenty-six years of experience in residential, commercial, composite, institutional and industrial projects. Mr. Chow holds a Bachelor of Architecture degree from the University of Oregon, the United States of America. Mr. Chow is a member of The Hong Kong Institute of Architects (HKIA), an Authorised Person-Architect, an associate member of The Royal Australia Institute of Architects (RAIA), Registered Architect (Arb., HK), a member of the Royal Institute of British Architects (RIBA) and holds the People's Republic of China Class I Registered Architect Qualification.

Mr. Lam Kwok Cheong, aged 53, is a Justice of Peace and a solicitor of the High Court of the Hong Kong Special Administrative Region. He holds Bachelor of Laws degree from University of Hong Kong. Mr. Lam is currently a member of Election Committee, member of Yuen Long District Council and Yuen Long District Fight Crime Committee and Ex-Officio Member of Heung Yee Kuk New Territories. Mr. Lam is currently an independent non-executive director of Same Time Holdings Limited (Stock Code: 451), Wing Lee Holdings Limited (Stock Code: 876) and GFT Holdings Limited (Stock Code: 1003).

SENIOR MANAGEMENT

Mr. Liu Kam Lung, aged 43, is the secretary and chief financial officer of the Group. He joined the Group in February 2006, initially as an independent non-executive director until March 2006. Mr. Liu is an associate member of Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants, United Kingdom, an associate member of Hong Kong Institute of Chartered Secretaries and an associate member of Institute of Chartered Secretaries of Administrators, United Kingdom. Prior to joining the Group, Mr. Liu worked as an audit manager in an international accounting firm and then served as the secretary and financial controller of a PRC company listed on the Growth Enterprise Market of The Hong Kong Stock Exchange.

Mr. Lee Kwok Keung, aged 44, is the General Manager of the Group's building materials division and is responsible for the overall management of the division. Mr. Lee joined the Group in 2006. He has more than 20 years of experience in construction field with the involvement in method team, project management, tender estimation and project planning and design coordination.

Mr. Wong Yin Lung, Angus, aged 52, joined the Group in October 2006, is the Sales and Marketing Director of the Group's real estate division. Mr. Wong is a member of the Royal Institution of Chartered Surveyors, a member of the Hong Kong Institute of Surveyor, a Registered Professional Surveyor (General Practice) in Hong Kong, and he has a degree of Master of Business Administration from the Durham University of England, UK. Prior to joining the Group, his real estate experience included working for the Hong Kong Government, professional real estate consultant firms and real estate developers in Hong Kong, China and Canada. He has more than 30 years of wide spectrum of consultancy, government, corporate and real estate experience in Hong Kong, China and overseas.

Mr. Luk Wang Po, Paul, aged 42, is the Senior Project Manager of the Group's real estate division and is responsible for property development and project management. Mr. Luk graduated in Department of Building Engineering at Engineering College of South China. He joined the Group in October 2006. Prior to joining the Group, he worked in several publicly listed property companies in Hong Kong.

Mr. Leung Tak On, aged 43, is the Senior Manager of the Group's Real Estate division and is responsible for property development cost control. Mr. Leung is a member of the Royal Institution of Chartered Surveyors, a member of Hong Kong Institute of Surveyor and a Registered Professional Surveyor (Quantity Surveying Division) in Hong Kong. Prior to joining the Group in February 2006, he worked in several publicly listed property companies in Hong Kong.

Ms. Kwok Lai Ming, Winnie, aged 32, is the Marketing Manager and is responsible for sales and marketing. She graduated from the University of Toronto, Canada, with an Honours Bachelor degree in Science in 1997 and joined the Group in 1998. She is the daughter of Mr. Kwok Hon Lam.

CORPORATE GOVERNANCE PRACTICES

The board of directors of the Company (the “Board”) is committed to maintain a high standard of corporate governance. The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the financial year ended 31 March 2007, except with the deviation from code provision A.4.1 in respect of the requirement for all non-executive directors be appointed for a specific term and A.4.4 in respect of the establishment of a nomination committee, details of which are explained below. The Company periodically reviews its corporate governance practices to ensure that these continue to meet the requirements of the Code.

The Board of Directors

As at 31 March 2007, the Board comprises five executive directors, one non-executive director and three independent non-executive directors. The Board has received from each independent non-executive director a written confirmation of their independence and has satisfied itself of such independence up to the approval date of this report in accordance with the Listing Rules.

The brief biographic details of and the relationship among Board members are set out in the Biographical Details of Directors and Management on pages 14 to 16 of this report.

The Board supervises the management of business, approves the strategic plans, investment and funding decisions and reviews the Group’s financial and operational performance. The Board has delegated the authority and responsibility of overseeing the Group’s day to day operations to the executive committee.

The directors of the Company are fully insured under a Directors’ and Officers’ Liability Insurance policy for indemnification against costs, charges, losses, expenses and liabilities that may be incurred by them in the execution and discharge of their duties or any business in relation thereto.

Board members are provided with all agendas and adequate information prior to the meetings. Minutes of board meetings and meetings of all specialized committees under the board are kept by the company secretary and are available for inspection by the directors at all times. Each director is entitled to seek independent professional advice in appropriate circumstances at the expense of the Company.

CORPORATE GOVERNANCE REPORT

The Board held 8 meetings for the year ended 31 March 2007. Details of the attendance of individual directors at board meetings and committee meetings for the year ended 31 March 2007 are set out in the table below.

Directors	Number of meetings attended/held		
	Board	Audit Committee	Remuneration Committee
Executive Directors:			
Mr. Cheng Tun Nei	8/8		1/1
Mr. Kwok Hon Lam	7/8		
Dr. Siu Miu Man	8/8		
Mr. Kwok Chi Hang, Peter	7/8		
Mr. Loo Pak Hong <i>(retired on 22 August 2006)</i>	1/3		
Mr. Cheng Tze Kit, Larry <i>(appointed on 22 August 2006)</i>	5/5		
Non-Executive Director			
Ms. To Wing Yee, Janice <i>(retired on 22 August 2006)</i>	0/3		
Mr. Yeung Chee Tat <i>(appointed on 22 August 2006)</i>	4/5		
Independent Non-Executive Directors			
Mr. Chan Sun Kwong	8/8	3/3	
Mr. Fung Kwan Yin, James	7/8	3/3	1/1
Mr. Chow Nim Sun, Nelson	5/8	3/3	1/1

Chairman and Chief Executive Officer

The Company segregates the role of chairman and chief executive officer. The position of chairman is held by Mr. Cheng Tun Nei and Dr. Siu Miu Man holds the position of chief executive officer. The roles of the chairman and chief executive officer are clearly defined to ensure their independence and responsibilities. The chairman is responsible for the management of the Board whereas the chief executive officer is responsible for the day-to-day operations and implementing major strategies of the Group.

Appointments, Re-election and Removal of Directors

The Company has not yet adopted Code Provision A.4.1 which provides that non-executive directors should be appointed for a specific term. However, according to the bye-laws of the Company, each director appointed to fill a causal vacancy during the year shall subject to election by shareholders at the next following general meeting or subject to election at the next following annual general meeting if such director is appointed as an addition to the Board after their appointments. Moreover, one-third of the Directors (including the independent non-executive directors) shall retire from office by rotation at each annual general meeting.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry to all directors, the directors have complied with the required standard set out in the Model Code for the year ended 31 March 2007.

Board Committee

The Company currently has two Board Committees, namely the Audit Committee and the Remuneration Committee, to monitor and assess certain governance matters. All Board Committees have clear and specific written terms of reference and they report their work to the Board after each meeting.

The Company has not established a nomination committee. The appointment of new director is considered and approved by the Board. Such appointment is made on the basis of qualifications, experience and overall integrity of the potential candidate.

Audit Committee

As at the date of this report, the Audit Committee comprises three independent non-executive directors namely Mr. Chow Nim Sun, Nelson (as Chairman), Mr. Chan Sun Kwong and Mr. Lam Kwok Cheong. The major duties of the Audit Committee are to assist the Board to monitor the Company's financial statements, reporting system and internal control.

Remuneration Committee

The Remuneration Committee was established with specific written terms of reference to ensure that there are formal and transparent procedures for setting policies on the remuneration of directors and senior management. The Remuneration Committee currently comprises Mr. Cheng Tun Nei, Mr. Chow Nim Sun, Nelson and Mr. Lam Kwok Cheong

The Remuneration Committee is responsible for reviewing and making appropriate recommendations to the Board of the remuneration of the directors and senior management. The Remuneration Committee ensures that no director is involved in deciding his own remuneration.

Accountability and Audit

Financial Reporting

The directors acknowledge their responsibility for preparing financial statements that give a true and fair view of the financial position, results and cash flow of the Group and presenting the interim and annual reports and announcements to shareholders, the directors aim to present a balanced, cleared and understandable assessment of the Group's position and prospects.

In preparing the accounts for the year ended 31 March 2007, the directors have adopted suitable accounting policies and applied them consistently, made judgements and estimates that are prudent and reasonable and have prepared the accounts on a going concern basis.

CCIF CPA Limited was re-appointed as the Company's external auditor at the 2006 Annual General Meeting until the conclusion of the next Annual General Meeting.

The statement of the auditor of the Company regarding their responsibilities on the financial statements is set out in the Independent Auditor's Report on page 30 to 31 of this annual report.

Internal Control

The Board is responsible for ensuring that an adequate system of internal control is maintained within the Group, and for reviewing its effectiveness through the Audit Committee. The internal control system is to help to safeguard the Group's assets, to ensure the maintenance of accounting records and to ensure the compliance with relevant legislation and regulations.

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

Auditor's Remuneration

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

Services rendered	Fee paid/payable Approximately HK\$'000
Audit services (2006: approximately HK\$390,000)	600
Non-audit services (2006: approximately HK\$ Nil)	110
Total:	<u>710</u>

Communication with Shareholders

The Company communicated with the shareholders by convening annual general meeting and special general meeting, providing the comprehensive information on the Group's financial and business performance and activities in the annual report and interim report. The directors, senior executives and external auditors make their best effort to attend the Annual General Meeting of the Company to address shareholders queries.

The Company has informed the shareholders in its circular convening a general meeting the procedures for and the rights of shareholders to demand a poll and the chairman of a meeting has at the commencement of the meeting ensure that an explanation is provided of the procedure demanding a poll and the detailed procedures for conducting a poll.

REPORT OF THE DIRECTORS

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

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The principal activities of the Group comprise of the design and manufacture of electrical appliances, trading of merchandise, building material supply and installation, and property development business.

An analysis of the Group's performance for the year by business and geographical segment is set out in note 6 to the financial statements.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 March 2007 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 32 to 36.

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

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 107.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

During the year under review, a total of 7,642,000 new shares of the Company were allotted and issued to the holders of the 2008 Warrants of the Company who exercised the subscription rights in an aggregate amount of HK\$764,000 attaching to the 2008 Warrants at the subscription price of HK\$0.10 per share. As at the date of this report, a total of 70,489,000 new shares have been allotted and issued upon exercise of the 2008 Warrants, and the aggregate amount of the 2008 Warrants remaining outstanding is HK\$23,697,000 exercisable into 236,968,000 new shares of the Company.

Details of the movements in share capital of the Company are set out in note 30 to the financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

On 30 June 2006, rights issue of one rights share for every existing share together with an issue of two bonus warrants for every five rights shares was made, at an issue price of HK\$0.10 per rights share, resulting in the issue of 768,642,000 shares of HK\$0.10 each for a total cash consideration. As a result, a total of 307,457,000 warrants were issued which entitling the holders thereof to subscribe for new shares at an initial subscription price of HK\$0.10 per share upon exercise of one warrant. The gross proceeds amounted to HK\$76,864,000 and the net proceeds from the rights issue was HK\$74,085,000.

Save as disclosed above, during the year ended 31 March 2007, neither the Company nor its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

SHARE OPTION SCHEME

Details of the share option scheme of the Company are set out in note 31 to the financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 32 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 March 2007, the Company's reserves available for distribution, calculated in accordance with the Companies Act 1981 of Bermuda (as amended), amounted to HK\$Nil (2006: HK\$30,780,000).

DIRECTORS

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

Executive Directors:

Mr. Cheng Tun Nei (*Chairman*)

Mr. Kwok Hon Lam (*Vice Chairman*)

Dr. Siu Miu Man (*Chief Executive Officer*)

Mr. Kwok Chi Hang, Peter

Mr. Loo Pak Hong

(retired on 22 August 2006)

Mr. Cheng Tze Kit, Larry

(appointed on 22 August 2006)

Non-executive Director:

Ms. To Wing Yee, Janice

(retired in 22 August 2006)

Mr. Yeung Chee Tat

(appointed on 22 August 2006)

REPORT OF THE DIRECTORS

Independent Non-executive Directors:

Mr. Chan Sun Kwong

Mr. Fung Kwan Yin, James

(resigned on 2 April 2007)

Mr. Chow Nim Sun, Nelson

Mr. Lam Kwok Cheong

(appointed on 2 April 2007)

In accordance with Bye-laws 86 and 87 of the Company's Bye-laws, Mr. Lam Kwok Cheong, Mr. Cheng Tze Kit, Larry and Mr. Yeung Chee Tat shall retire by rotation at the forthcoming annual general meeting. Save for Mr. Cheng Tze Kit, Larry and Mr. Yeung Chee Tat who have indicated that they would not seek for re-election at the forthcoming annual general meeting, the other retiring director, Mr. Lam Kwok Cheong, being eligible, has agreed to offer himself for re-election. Mr. Liu Kam Lung will be proposed for election as executive Directors of the Company and Ms. Li Wa Hei will be proposed for election as non-executive Director of the Company at the forthcoming annual general meeting to fill the vacancies following the retirement of Mr. Cheng Tze Kit, Larry and Mr. Yeung Chee Tat.

DIRECTORS' SERVICE CONTRACTS

None of the Directors had any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable within one year without payment of compensation (other than statutory compensation)).

BIOGRAPHICAL DETAILS OF DIRECTORS' AND SENIOR MANAGEMENT

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 14 to 16.

DIRECTORS' INTERESTS IN CONTRACTS

During the year, none of the Directors had any direct or indirect material interest in any contracts of significance to the business of the Group to which the Company or any of its subsidiaries was a party save in respect the following:

- (a) During the year, the Group paid rental expenses to a related company wholly-owned by Mr. Cheng Tun Nei, the chairman of the Board, and his spouse for the lease of an office at a monthly rental of HK\$73,000 with total amount of HK\$880,000 paid during the year;
- (b) During the year, the Group paid rental expenses to a related company wholly-owned by Mr. Kwok Hon Lam, a Director, and his spouse for the lease of a residential property at a monthly rental of HK\$45,000 with total amount of HK\$540,000 paid during the year;
- (c) On 1 April 2006, the Company entered into a purchase agreement with a director, Mr. Cheng Tun Nei, to purchase a motor vehicle for a consideration of HK\$342,000;
- (d) The interest expense amounted to HK\$163,000 was paid during the year related to the unsecured loans of HK\$6,000,000 from a director, Mr. Cheng Tun Nei. The interest is calculated at a rate of 1% per annum over and above the prime Rate. The loans were settled on 29 June 2006; and

- (e) the Company entered into a share purchase agreement with Mr. Cheng Tun Nei and Mr. Cheng Tze Kit, Larry, both are the executive directors of the Company, to acquire the entire interest in BIP (HK) Company Limited (“BIP”) at a consideration of HK\$3,068,000 (the “Acquisition of BIP”) on 13 October 2006. The Acquisition of BIP was completed on 1 November 2006. The consideration was settled by cash and was funded by internal resources.

INTERESTS BY DIRECTORS AND CHIEF EXECUTIVE IN SHARES AND UNDERLYING SHARES

As at 31 March 2007, the interests and short positions of the Directors and chief executive in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) as recorded in the register maintained by the Company pursuant to Section 352 of SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Name of Directors	Capacity	Number of Issued Shares Held	Number of Warrants Held	Approximate Percentage of Issued Shares as at 31 March 2007
Mr. Cheng Tun Nei (Note 1)	Beneficial owner and family interest	375,996,000	62,259,200	24.34%
Mr. Kwok Hon Lam (Note 2)	Beneficial owner and family interest	87,462,000	30,000,800	5.66%

Notes:

- Out of 375,966,000 Shares and 62,259,200 Warrants, 370,604,000 Shares and 61,180,800 Warrants are directly beneficially owned by Mr. Cheng Tun Nei and 5,392,000 Shares and 1,078,400 Warrants are held by his spouse Ms. Li Wa Hei.
- Out of 87,462,000 Shares and 30,000,800 Warrants, 12,462,000 Shares and 30,000,800 Warrants are directly beneficially owned by Mr. Kwok Hon Lam and 75,000,000 Shares are held by Armstrong Inc., a company wholly-owned by his spouse Ms. Cheng Shuk Man.

Save as disclosed above, as at 31 March 2007, none of the Directors or the Company’s chief executive, had any interests or short positions in any shares or underlying shares of the Company or any of its associated corporation.

REPORT OF THE DIRECTORS

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

INTERESTS BY SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2007, so far as was known to any Directors or chief executive of the Company, the following persons (other than a Director or chief executive of the Company), as recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO, had notified the Company of relevant interests in the issued share capital of the Company:

Name of Substantial Shareholders	Capacity	Number of Issued Shares Held	Number of Warrants Held	Approximate Percentage of Issued Shares as at 31 March 2007
Ms. Li Wa Hei (Note 1)	Beneficial owner and family interest	375,996,000	62,259,200	24.34%
Equity Trustee Limited (Note 2)	Trustee	124,800,000	Nil	8.08%
Ms. Cheng Shuk Man (Note 3)	Beneficial owner and family interest	87,462,000	30,000,800	5.66%
Sanfull Securities Limited	Corporate interest	100,488,000	44,600,000	6.50%

Notes:

1. Out of 375,996,000 shares and 62,259,200 Warrants, 5,392,000 shares and 1,078,400 Warrants are directly beneficially owned by Ms. Li Wa Hei and 370,604,000 shares and 61,180,800 Warrants are held by her spouse Mr. Cheng Tun Nei.
2. Equity Trustee Limited is the trustee of the discretionary trusts for Saramade Company Limited established for the benefit of the family members of Mr. Kwok Hon Ching and Prominent Field Inc established for the benefit of the family members of Mr. Kwok Hon Kau Johnny.

3. Out of 87,462,000 Shares and 30,000,800 Warrants, 75,000,000 Shares are held by Armstrong Inc, a company wholly-owned by Ms. Cheng Shuk Man, and 12,462,000 Shares and 30,000,800 Warrants are held by her spouse Mr. Kwok Hon Lam.

Save as disclosed above, as at 31 March 2007, the Company had not been notified of any other relevant interests or short positions in any shares or underlying shares of the Company.

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.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 42.1% of the total sales for the year and sales to the largest customer included therein amounted to 12.9%. Purchases from the Group's five largest suppliers accounted for approximately 22.0% of the total purchases for the year.

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

ORDERS ON HAND

At the date of this report, the Group had outstanding orders on hand valued at approximately HK\$105.5 million. The directors regard this level of orders as satisfactory and they are confident that work orders can be maintained at this level.

CONNECTED TRANSACTIONS

Certain related party transactions as disclosed in note 34 to the financial statements also constituted connected transactions under the Listing Rules, required to be disclosed in accordance with Chapter 14A of the Listing Rules. The following continuing transactions between certain connected parties (as defined in the Listing Rules) and the Group have been entered into and/or are ongoing for which relevant announcements, if necessary, had been made by the Company in accordance with the requirements of the Listing Rules.

- (1) The Company has entered into a tenancy agreement with Gold Regent International Limited, a company wholly-owned by Mr. Cheng Tun Nei, the chairman of the Board, and his spouse, for the lease of an office for a term of 2 years commencing on 1 March 2006 at a monthly rental of HK\$73,340;

REPORT OF THE DIRECTORS

- (2) Anex Electrical Company Limited, a subsidiary of the Company has entered into a tenancy agreement with Mountain-Dew Limited, a company wholly-owned by Mr. Kwok Hon Lam, a Director, and his spouse, for the lease of a residential property for a term of 33 months commencing on 1 March 2006 at a monthly rental of HK\$45,000;
- (3) On 1 April 2006, the Company entered into a purchase agreement with a director, Mr. Cheng Tun Nei, to purchase a motor vehicle for a consideration of HK\$341,644; and
- (4) the Company entered into a share purchase agreement with Mr. Cheng Tun Nei and Mr. Cheng Tze Kit, Larry, both are the executive directors of the Company, to acquire the entire interest in BIP (HK) Company Limited (“BIP”) at a consideration of HK\$3,068,000 (the “Acquisition of BIP”) on 13 October 2006. The Acquisition of BIP was completed on 1 November 2006. The consideration was settled by cash and was funded by internal resources.

SUFFICIENCY OF PUBLIC FLOAT

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

SUBSEQUENT EVENTS

- (1) Disposal of Properties
 - (i) On 2 April 2007, the Company entered into a provisional agreement with an independent third party to dispose of Unit B on 6th Floor of Mai Shun Industrial Building at Kwai Chung at a consideration of HK\$3,150,000. The disposal of property was completed on 18 May 2007; and
 - (ii) On 20 April 2007, the Company entered into a provisional agreement with an independent third party to dispose of Units A & B on 9th Floor and two carparks of Mai Shun Industrial Building at Kwai Chung at a consideration of HK\$9,038,000. The disposal of property was completed on 30 May 2007.

(2) Proposed acquisition of subsidiary

On 14 June 2007, the Company announced that Anex Properties Holdings Limited, a wholly-owned subsidiary of the Company, entered into an agreement with Mr. Li Jianchuan, a brother-in-law of Mr. Cheng Tun Nei, on 12 June 2007 to acquire 95% interest in Dongguan Anex Property Management Limited, a company incorporated in PRC, at a consideration of US\$1.9 million (equivalent to approximately HK\$14.82 million) concerning possible involvement in class 1 development of 3,300 mu of land in Beijing. Such acquisition is subject to the approval by the Company's independent shareholders at a special general meeting to be organised and announced by the Company.

(3) Placement of the Company's shares

On 22 June 2007, the Company, Mr. Cheng Tun Nei ("Mr. Cheng"), and Taiwan Securities (HK) Co., Ltd. ("Placing Agent"), entered into the Agreement pursuant to which the Placing Agent has agreed to procure the purchasers to purchase up to 307,000,000 existing shares at the Placing Price of HK\$0.50 per share owned by Mr. Cheng to not less than six independent professional, institutional and individual investors. Pursuant to the Agreement, Mr. Cheng has conditionally agreed to subscribe up to 307,000,000 new shares at the Placing Price. On 26 June 2007, the Placing Agent has successfully placed 307,000,000 existing shares at the Placing Price of HK\$0.50 per share to not less than six independent professional, institutional and individual investors. The Subscription of 307,000,000 new shares by Mr. Cheng at the Subscription Price of HK\$0.50 per share was completed on 6 July 2007. The net proceeds from the top-up Subscription were HK\$148.7 million.

AUDITOR

The financial statements have been audited by Messrs. CCIF CPA Limited who retire and, being eligible, offer themselves for re-appointment.

On Behalf of the Board

Cheng Tun Nei

Chairman

Hong Kong

25 July 2007



CCIF

CCIF CPA LIMITED

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ANEX INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Anex International Holdings Limited (the "Company") set out on pages 32 to 106, which comprise the consolidated and company balance sheets as at 31 March 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2007 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

CCIF CPA Limited

Certified Public Accountants

Delores Teh

Practising Certificate Number P03207

Hong Kong, 25 July 2007

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2007

	Notes	2007 HK\$'000	2006 HK\$'000
TURNOVER	7	209,701	182,324
COST OF SALES		(194,901)	(166,051)
GROSS PROFIT		14,800	16,273
OTHER REVENUE	7	5,082	901
Selling and distribution expenses		(15,166)	(14,519)
Administrative expenses		(48,279)	(40,686)
Other operating expenses	9	(3,736)	(16,836)
LOSS FROM OPERATIONS	8	(47,299)	(54,867)
Finance costs	10	(2,671)	(2,334)
Share of loss of an associate	20(d)	(5,544)	(2,874)
LOSS BEFORE TAXATION		(55,514)	(60,075)
Income tax	13	131	176
LOSS FOR THE YEAR		(55,383)	(59,899)
ATTRIBUTABLE TO:			
Equity shareholders of the Company	14	(55,027)	(59,736)
Minority interests		(356)	(163)
LOSS FOR THE YEAR		(55,383)	(59,899)
LOSS PER SHARE			
– Basic	15(a)	(4.06 cents)	(10.13 cents)
– Diluted	15(b)	Not applicable	Not applicable

The notes on pages 40 to 106 form an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET

31 March 2007

	Notes	2007 HK\$'000	2006 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	89,332	82,714
Interest in leasehold land held for own use under operating leases	17	4,984	5,142
Goodwill	18	4,957	–
Interest in an associate	20	–	16,108
		<u>99,273</u>	<u>103,964</u>
CURRENT ASSETS			
Inventories	21	94,304	34,189
Interest in leasehold land held for own use under operating leases	17	158	226
Trade and other receivables	22	48,793	39,655
Pledged deposits		12,019	7,320
Cash and cash equivalents	24	45,245	12,242
		<u>200,519</u>	<u>93,632</u>
CURRENT LIABILITIES			
Bank loans and overdrafts	25	26,877	23,903
Trade and other payables	27	90,036	58,202
Provision for taxation	28	4,015	–
Finance lease payables	29	1,657	1,116
		<u>122,585</u>	<u>83,221</u>
NET CURRENT ASSETS		<u>77,934</u>	<u>10,411</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>177,207</u>	<u>114,375</u>
NON-CURRENT LIABILITIES			
Finance lease payables	29	833	935
Deferred tax liabilities	28	18,235	5,529
		<u>19,068</u>	<u>6,464</u>
NET ASSETS		<u>158,139</u>	<u>107,911</u>

CONSOLIDATED BALANCE SHEET

31 March 2007

	Notes	2007 HK\$'000	2006 HK\$'000
CAPITAL AND RESERVES			
Share capital	30	154,492	76,864
Reserves	32(a)	(10,253)	30,969
Total equity attributable to equity shareholders of the Company		144,239	107,833
Minority interests		13,900	78
TOTAL EQUITY		158,139	107,911

Approved and authorised for issue by the board of directors on 25 July 2007.

On behalf of the board

Cheng Tun Nei
Director

Siu Miu Man
Director

The notes on pages 40 to 106 form an integral part of these financial statements.

BALANCE SHEET

31 March 2007

	Notes	2007 HK\$'000	2006 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	629	189
Interest in subsidiaries	19	110,280	112,007
Interest in an associate	20	–	923
		<u>110,909</u>	<u>113,119</u>
CURRENT ASSETS			
Trade and other receivables	22	544	533
Pledged deposits		3,600	–
Cash and cash equivalents	24	10,369	1,283
		<u>14,513</u>	<u>1,816</u>
CURRENT LIABILITIES			
Trade and other payables	27	255	7,291
Finance lease payables	29	70	–
		<u>325</u>	<u>7,291</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>14,188</u>	<u>(5,475)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		125,097	107,644
NON-CURRENT LIABILITIES			
Finance lease payables	29	64	–
NET ASSETS		<u>125,033</u>	<u>107,644</u>

BALANCE SHEET

31 March 2007

	Notes	2007 HK\$'000	2006 HK\$'000
CAPITAL AND RESERVES			
Share capital	30	154,492	76,864
Reserves	32(b)	(29,459)	30,780
TOTAL EQUITY		125,033	107,644

Approved and authorised for issue by the board of directors on 25 July 2007.

On behalf of the board

Cheng Tun Nei
Director

Siu Miu Man
Director

The notes on pages 40 to 106 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2007

		Attributable to equity shareholders of the Company									
	Notes	Share capital	Capital reserve	Dis-tributable reserve	Property revaluation reserve	Fair value reserve	Exchange fluctuation reserve	Retained profits/(accumulated loss)	Minority interest	Total equity	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
		45,752	2,789	4,995	15,865	-	587	66,464	136,452	275	136,727
		-	-	-	1,862	-	-	-	1,862	-	1,862
	28(b)	-	-	-	(1,220)	-	-	-	(1,220)	-	(1,220)
		-	-	-	-	-	(637)	-	(637)	(34)	(671)
		-	-	-	642	-	(637)	-	5	(34)	(29)
		-	-	-	(417)	-	-	417	-	-	-
	30	9,151	-	-	-	-	-	-	9,151	-	9,151
	30	21,961	-	-	-	-	-	-	21,961	-	21,961
		-	-	-	-	-	-	(59,736)	(59,736)	(163)	(59,899)
		76,864	2,789	4,995	16,090	-	(50)	7,145	107,833	78	107,911
		76,864	2,789	4,995	16,090	-	(50)	7,145	107,833	78	107,911
		-	-	-	9,105	-	-	-	9,105	-	9,105
		-	-	(2,779)	-	-	-	-	(2,779)	-	(2,779)
		-	-	-	-	8,783	-	-	8,783	-	8,783
	28(b)	-	-	-	(1,892)	-	-	-	(1,892)	-	(1,892)
		-	-	-	(27)	-	-	-	(27)	27	-
		-	-	-	-	-	-	-	-	13,831	13,831
		-	-	-	-	-	-	-	-	(10)	(10)
		-	-	-	-	-	615	-	615	330	945
		-	-	(2,779)	7,186	8,783	615	-	13,805	14,178	27,983
		-	-	-	(709)	-	-	709	-	-	-
	30	76,864	-	-	-	-	-	-	76,864	-	76,864
	30	764	-	-	-	-	-	-	764	-	764
		-	-	-	-	-	-	(55,027)	(55,027)	(356)	(55,383)
		154,492	2,789	2,216	22,567	8,783	565	(47,173)	144,239	13,900	158,139
		154,492	2,789	2,216	22,567	8,783	565	(47,173)	144,239	13,900	158,139
		-	-	-	-	-	-	-	-	-	-
		154,492	2,789	2,216	22,567	8,783	565	(47,173)	144,239	13,900	158,139
		76,864	2,789	4,995	16,090	-	(50)	(8,040)	92,648	78	92,726
		-	-	-	-	-	-	15,185	15,185	-	15,185
		76,864	2,789	4,995	16,090	-	(50)	7,145	107,833	78	107,911

The notes on pages 40 to 106 form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 March 2007

	Notes	2007 HK\$'000	2006 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(55,514)	(60,075)
Adjustments for:			
Amortisation of land lease premium		149	142
Finance costs		2,671	2,334
Share of loss of an associate		5,544	2,874
Interest income		(1,326)	(120)
Loss on disposal of a subsidiary		67	–
(Gain)/loss on disposal of property, plant and equipment		(861)	2,162
Depreciation		10,122	10,634
Write-down of inventories		4,344	13,546
Impairment losses on trade and other receivables		1,362	1,723
Impairment loss on goodwill		2,327	–
Operating loss before changes in working capital		(31,115)	(26,780)
(Increase)/decrease in inventories		(12,335)	15,174
Increase in trade and other receivables		(1,824)	(3,053)
Increase in trade and other payables		7,953	2,327
(Decrease)/increase in bank loans		(559)	4,307
Cash used in operations		(37,880)	(8,025)
Overseas taxes refunded		–	176
NET CASH OUTFLOW FROM OPERATING ACTIVITIES		(37,880)	(7,849)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment to acquire property, plant and equipment and land lease premium	33(d)	(4,543)	(4,732)
Proceeds from disposal of property, plant and equipment		2,693	2,404
Net cash outflow from disposal of a subsidiary	33(b)	(38)	–
Net cash inflow from acquisition of subsidiaries	33(a)	7,191	–
Increase in mould deposits		(5,167)	(6,701)
Settlement of note receivable		–	4,500
Increase in pledged deposits		(4,699)	(6,319)
Interest received		1,326	120
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(3,237)	(10,728)

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 March 2007

	Notes	2007 HK\$'000	2006 HK\$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Placing of shares		-	9,151
Rights issue		74,085	21,961
Bonus warrants		764	-
Repayment of other loan		(325)	(5,475)
Interest paid		(2,413)	(2,216)
Interest element of finance lease payments		(258)	(118)
Capital element of finance lease payments		(2,036)	(1,206)
NET CASH INFLOW FROM FINANCING ACTIVITIES		69,817	22,097
NET INCREASE IN CASH AND CASH EQUIVALENTS		28,700	3,520
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		11,690	8,826
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET		770	(656)
CASH AND CASH EQUIVALENTS AT END OF YEAR	24	41,160	11,690

The notes on pages 40 to 106 form an integral part of these financial statements.

1. CORPORATE INFORMATION

ANEX International Holdings Limited (the “Company”) was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The principal activity of the Company is investment holding. The principal activities of the subsidiaries comprise design and manufacture of home appliances, trading of merchandise, real estate development and building materials supply and installation. The real estate development and building materials divisions are newly set up during the year.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. The adoption of these new and revised HKFRSs has not resulted in any significant impact on the Group’s results of operations for the year and financial position as at 31 March 2007.

In prior years, financial guarantees issued by the Group were disclosed as contingent liabilities in accordance with HKFRS 4: Insurance contracts and HKAS 37: Provisions, contingent liabilities and contingent assets. No provisions were made in respect of these guarantees unless it was more likely than not that the guarantee would be called upon.

With effect from 1 April 2006, in order to comply with the amendments to HKAS 39 in respect of financial guarantee contracts, the Group has changed its accounting policy for financial guarantees issued. Under the new policy, financial guarantees issued are accounted for as financial liabilities under HKAS 39 and measured initially at fair value, where the fair value can be reliably measured. Subsequently, they are measured at the higher of the amount initially recognised, less accumulated amortisation, and the amount of the provision, if any, that should be recognised in accordance with HKAS 37. Further details of the new policy are set out in note 3(o)(i).

2. STATEMENT OF COMPLIANCE (Continued)

The adoption of these amendments does not have a significant impact on the Group's and the Company's results of operations and financial position for the financial years 2006 and 2007.

During the year, the Company acquired new subsidiaries which were engaged in real estate development and building materials business. As the manufacturing of home appliances no longer attributed over 90% of the Group's consolidated result and assets, the Group has chosen business segment information as the primary reporting format. Further details of the policy are set out in note 3(u). Comparative figures have been restated to conform with the current year's disclosure requirements, the details of which have been disclosed in note 6 to the financial statements.

3. SUMMARY SIGNIFICANT ACCOUNTING POLICIES

a) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

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

- buildings held for own use (see note 3(e));

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

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

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

3. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) SUBSIDIARIES

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

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

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

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

Loans from holders of minority interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet in accordance with notes 3 (k) depending on the nature of the liability.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 3(g)), unless the investment is classified as held for sale.

3. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) ASSOCIATES

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

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

The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associates for the year, including any impairment loss on goodwill relating to the investment in associates recognised for the year (see note 3(d) and (g)).

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

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

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

d) GOODWILL

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

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 3(g)). In respect of associates, the carrying amount of goodwill is included in the carrying amount of the interest in the associate.

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

3. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) **GOODWILL** (Continued)

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

e) **PROPERTY, PLANT AND EQUIPMENT**

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

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

Other items of plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses.

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

- when a deficit arises on revaluation, it will be charged to income statement to the extent that it exceeds the amount held in the reserve in respect of that same asset immediately prior to the revaluation; and
- when a surplus arises on revaluation, it will be credited to income statement to the extent that a deficit on revaluation in respect of that same asset had previously been charged to income statement.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs.

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

3. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) PROPERTY, PLANT AND EQUIPMENT (Continued)

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

Buildings	Over the unexpired term of lease
Furniture and fixtures	20%
Machinery, engineering and other equipment	10%
Motor vehicles	10%
Moulds	10%

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

f) LEASED ASSETS

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

i) Classification of assets leased to the Group

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

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

3. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) LEASED ASSETS (Continued)

ii) *Assets acquired under finance leases*

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

iii) *Operating lease charges*

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in income statement as an integral part of the aggregate net lease payments made. Contingent rentals are written off as an expense of the accounting period in which they are incurred. The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property.

g) IMPAIRMENT OF ASSETS

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

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

3. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) IMPAIRMENT OF ASSETS (Continued)

- investments in subsidiaries and associates; and
- goodwill

If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

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

- Recognition of impairment losses

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

- Reversals of impairment losses

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

3. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) INVENTORIES

i) Home appliances manufacturing

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

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

ii) Real estate development

Inventories in respect of real estate development activities are carried at the lower of cost and net realisable value. Cost and net realizable values are determined as follows:

- Property under development for sale

The cost of properties under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses and an appropriate proportion of overheads. Net realizable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

- Completed properties held for sale

In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realizable value represents the estimated selling price less costs to be incurred in selling the property.

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

3. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (Continued)**i) TRADE, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS**

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

j) CASH AND CASH EQUIVALENTS

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

k) TRADE AND OTHER PAYABLES

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

l) INTEREST-BEARING BORROWINGS

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

m) TAXATION

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

3. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (Continued)

m) TAXATION (Continued)

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

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future. The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted. The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

3. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (Continued)

m) TAXATION (Continued)

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised. Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

n) CONSTRUCTION CONTRACTS

The accounting policy for contract revenue is set out in note 3(p)(ii). When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the balance sheet date. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Construction contracts in progress at the balance sheet date are recorded in the balance sheet at the net amount of costs incurred plus recognised profit less recognised losses and progress billings, and are presented in the balance sheet as the “Gross amount due from customers for contract work” (as an asset) or the “Gross amount due to customers for contract work” (as a liability), as applicable. Progress billings not yet paid by the customer are included in the balance sheet under “Trade receivables”. Amounts received before the related work is performed are included in the balance sheet, as a liability, as “Other payables and accruals”.

3. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) FINANCIAL GUARANTEES ISSUED, PROVISIONS AND CONTINGENT LIABILITIES

i) *Financial guarantees issued*

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

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

The amount of the guarantee initially recognised as deferred income is amortised in income statement over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 3(o)(iii) if and when (i) it becomes probable that the holder of the guarantee will call upon the group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

ii) *Contingent liabilities acquired in business combinations*

Contingent liabilities acquired as part of a business combination are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 3(o)(iii). Contingent liabilities acquired in a business combination that cannot be reliably fair valued are disclosed in accordance with note 3(o)(iii).

3. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) FINANCIAL GUARANTEES ISSUED, PROVISIONS AND CONTINGENT LIABILITIES (Continued)

iii) *Other provisions and contingent liabilities*

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

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

p) REVENUE RECOGNITION

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

i) *Sale of goods*

Revenue is recognised when goods are delivered which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

ii) *Contract revenue*

When the outcome of a construction contract can be estimated reliably, revenue from a fixed price contract is recognised using the percentage of completion method to determine the appropriate revenue to be recognised in a given period. The stage of completion is measured by reference to the gross billing value of contract work to date as compared to the total contract sum receivable under the contract, or the total costs incurred to date to estimated total contract costs for the contract, whichever is the lower.

3. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (Continued)

p) REVENUE RECOGNITION (Continued)

ii) *Contract revenue (Continued)*

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

iii) *Interest income*

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

q) TRANSLATION OF FOREIGN CURRENCIES

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

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

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

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

r) BORROWING COSTS

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

3. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (Continued)

s) RELATED PARTIES

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

- i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;
- ii) the Group and the party are subject to common control;
- iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;
- iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals; or
- v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals, or
- vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

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

t) EMPLOYEE BENEFITS

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

The employees of the Group's subsidiaries which operate in mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute a percentage of their payroll costs to the central pension scheme. The contributions are charged to income statement as they become payable in accordance with rules of the central pension scheme.

3. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (Continued)

t) **EMPLOYEE BENEFITS** (Continued)

ii) Share-based payments

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

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

iii) Termination benefits

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

u) **SEGMENT REPORTING**

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

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

3. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (Continued)

u) SEGMENT INFORMATION (Continued)

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

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

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

4. FINANCIAL RISK MANAGEMENT

The Group's activities are exposed to the following risks:

a) Interest rate risk

The Group's interest rate risk arises from interest-bearing borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk whilst borrowings at fixed rates expose the Group to fair value interest-rate risk. Details of the Group's bank loans and overdrafts have been disclosed in note 25 to the financial statements.

b) Foreign currency risk

The Group mainly operates in mainland China, the USA, Germany and Hong Kong. Most of the Group's transactions, assets and liabilities are dominated in RMB, United States Dollars, Euro Dollars and Hong Kong Dollars.

Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Group manages its foreign risks by performing regular review and monitoring its foreign exchange exposures.

4. FINANCIAL RISK MANAGEMENT (Continued)

c) Credit risk

The Group has policies in place to ensure that the sales of products are made to customers with appropriate credit history and the Group performs credit evaluation of its customers. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

d) Liquidity risk

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

a) Property, plant and equipment and depreciation

The Group management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

b) Impairment of assets

The Group tests annually whether assets have suffered any impairment. The recoverable amounts of cash-generating units have been determined on the value-in-use calculation. These calculations require use of estimate.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

c) Construction contracts

The Group's revenue and profit recognition on an uncompleted project is dependent on estimating the total outcome of the construction contract, the gross billing to date as well as the work done to date. Based on the Group's recent experience and the nature of the construction activity undertaken by the Group, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and revenue can be reliably estimated. As a result, until this point is reached the amounts due from customers for contract work as disclosed in note 23 will not include profit which the Group may eventually realize from the work done to date. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the balance sheet date, which would affect the revenue and profit recognized in future years as an adjustment to the amounts recorded to date.

d) Write-down/write-off of inventories

Inventories are written down to net realisable value based on an assessment of the realisability of inventories. Write-down/write-off of inventories are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of judgements and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and write-down/write-off of inventories in the periods in which such estimate has been changed.

6. SEGMENT INFORMATION

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

Business segments

The Group comprises the following main business segments:

Home appliances: the design and manufacture of electrical appliances and trading of merchandise.

Real estate: the development and sale of commercial premises and residential properties.

Building materials: the construction work of building and construction project of building materials.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2007

6. SEGMENT INFORMATION (Continued)

Business segments (Continued)

	Home appliances		Real estate		Building materials		Consolidated	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Revenue from external customers	203,010	182,324	-	-	6,691	-	209,701	182,324
Segment result	(27,642)	(49,415)	(1,015)	-	(2,854)	-	(31,511)	(49,415)
Unallocated operating income and expenses							(15,788)	(5,452)
Loss from operations							(47,299)	(54,867)
Finance costs	(2,427)	(2,080)	-	-	(8)	-	(2,435)	(2,080)
Unallocated corporate expenses							(5,780)	(3,128)
Income tax credit							131	176
Loss after taxation							(55,383)	(59,899)
ASSETS								
Segment assets	184,557	179,296	87,871	-	12,089	-	284,517	179,296
Unallocated corporate assets							15,275	18,300
Consolidated total assets							299,792	197,596
LIABILITIES								
Segment liabilities	88,937	76,798	24,946	-	9,140	-	123,023	76,798
Unallocated corporate liabilities							18,630	12,887
Consolidated total liabilities							141,653	89,685
OTHER INFORMATION								
Depreciation and amortisation for the year	10,122	10,768	8	-	12	-	10,142	10,768
Unallocated corporate expenses							129	8
							10,271	10,776
Impairment of								
- trade and other receivables	1,342	1,723	-	-	20	-	1,362	1,723
- positive goodwill	-	-	-	-	2,327	-	2,327	-
Significant non-cash expenses							4,344	13,546
- write-down of inventories								
Capital expenditure incurred during the year	7,908	9,035	503	-	207	-	8,618	9,035
Unallocated corporate capital expenditure							532	189
							9,150	9,224

6. SEGMENT INFORMATION (Continued)

Geographical segments

The following table presents revenue for the Group's geographical segment based on the location of external customers.

	Segment revenue	
	Revenue from external customers	
	2007	2006
	HK\$'000	HK\$'000
Europe	92,769	90,544
North America	69,713	58,416
South America	17,095	13,760
Asia Pacific	13,832	11,111
Middle East	11,423	5,752
Oceania	4,869	2,741
	209,701	182,324

Carrying amount of segment assets and capital expenditure by location of assets are as follows:

	Segment assets		Capital expenditure	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Europe	8,941	4,394	14	13
North America	3,652	7,483	16	-
South America	4,406	6,001	-	-
Asia Pacific	280,802	176,911	9,120	9,211
Middle East	1,401	2,427	-	-
Oceania	590	380	-	-
	299,792	197,596	9,150	9,224

NOTES TO THE FINANCIAL STATEMENTS

31 March 2007

7. TURNOVER AND OTHER REVENUE

Turnover represents the net invoiced value of good sold, after allowances for returns and trade discounts and revenue from construction contracts.

An analysis of turnover and other revenue is as follows:

	The Group	
	2007	2006
	HK\$'000	HK\$'000
Turnover		
Sales of goods	203,010	182,324
Revenue from construction contracts	6,691	–
	<hr/> 209,701	<hr/> 182,324
Other revenue		
Interest income	1,326	120
Sales of moulds	–	63
Sales of scrap materials	966	333
Gain on disposal of property, plant and equipment	861	–
Others	1,929	385
	<hr/> 5,082	<hr/> 901
	<hr/> 214,783	<hr/> 183,225

8. LOSS FROM OPERATIONS

The Group's loss from operations are arrived at after charging:

		The Group	
		2007	2006
		HK\$'000	HK\$'000
a)	Staff costs		
	Salaries, wages and other benefits	46,647	33,375
	Severance payments	371	2,165
	Pension scheme contributions	609	502
		47,627	36,042
b)	Other items		
	Cost of inventories sold*	189,137	166,051
	Depreciation	10,122	10,634
	Amortisation of land lease premium	149	142
	Minimum lease payments under operating leases for land and buildings (including directors' quarters)	1,737	817
	Auditor's remuneration		
	– audit services	600	390
	– other services	110	–
		710	390
	Impairment losses on trade receivables	20	13
	Exchange losses, net	773	509
	Share of an associate's taxation	–	271
		–	271

* Cost of inventories sold includes depreciation of HK\$7,789,000 (2006: HK\$8,088,000) and staff costs of HK\$21,251,000 (2006: HK\$16,163,000), the amount of which is also included in the respective total amounts disclosed separately above.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2007

9. OTHER OPERATING EXPENSES

	The Group	
	2007	2006
	HK\$'000	HK\$'000
Impairment loss on goodwill	2,327	–
Impairment losses on mould deposits (<i>note 22(c)</i>)	1,342	955
Write-down of inventories	–	12,964
Loss on disposal of property, plant and equipment	–	2,162
Impairment loss on note receivable	–	755
Loss on disposal of a subsidiary	67	–
	<hr/>	<hr/>
	3,736	16,836
	<hr/>	<hr/>

10. FINANCE COSTS

	The Group	
	2007	2006
	HK\$'000	HK\$'000
Interest on bank loans and other loans wholly repayable within five years	2,413	2,216
Finance charges on obligations under finance leases	258	118
	<hr/>	<hr/>
	2,671	2,334
	<hr/>	<hr/>

11. DIRECTORS' REMUNERATION

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

		2007		
	Fees HK\$'000	Salaries and other benefits HK\$'000	Retirement scheme contributions HK\$'000	Total HK\$'000
Executive directors				
Cheng Tun Nei	-	1,289	12	1,301
Cheng Tze Kit, Larry*	-	1,324	12	1,336
Kwok Hon Lam	-	1,564	-	1,564
Kwok Chi Hang, Peter	-	494	-	494
Loo Pak Hong#	-	50	-	50
Siu Miu Man	-	2,578	12	2,590
	-	7,299	36	7,335
Non-executive directors				
To Wing Yee, Janice#	32	-	-	32
Yeung Chee Tat*	61	-	-	61
	93	-	-	93

* Directors appointed on 22 August 2006

Directors retired on 22 August 2006

NOTES TO THE FINANCIAL STATEMENTS

31 March 2007

11. DIRECTORS' REMUNERATION (Continued)

	2007			Total HK\$'000
	Fees HK\$'000	Salaries and other benefits HK\$'000	Retirement scheme contributions HK\$'000	
Independent non-executive directors				
Chan Sun Kwong	180	-	-	180
Chow Nim Sun, Nelson	120	-	-	120
Fung Kwan Yin, James	60	-	-	60
	<u>360</u>	<u>-</u>	<u>-</u>	<u>360</u>
	<u>453</u>	<u>7,299</u>	<u>36</u>	<u>7,788</u>
	2006			
	Fees HK\$'000	Salaries and other benefits HK\$'000	Retirement scheme contributions HK\$'000	Total HK\$'000
Executive directors				
Chau Kwok Wai	-	716	10	726
Cheng Tun Nei	-	168	2	170
Kwok Hon Ching	-	1,120	11	1,131
Kwok Hon Kau, Johnny	-	918	6	924
Kwok Hon Lam	-	1,686	24	1,710
Kwok Chi Hang, Peter	-	420	12	432
Lee Yu Leung	-	233	6	239
Loo Pak Hong	-	-	-	-
Siu Miu Man	-	336	2	338
	<u>-</u>	<u>5,597</u>	<u>73</u>	<u>5,670</u>

11. DIRECTORS' REMUNERATION (Continued)

	2006			Total HK\$'000
	Fees HK\$'000	Salaries and other benefits HK\$'000	Retirement scheme contributions HK\$'000	
Non-executive directors				
To Wing Yee, Janice	10	–	–	10
	<u>10</u>	<u>–</u>	<u>–</u>	<u>10</u>
Independent non-executive directors				
Chan Kwok Wai	23	–	–	23
Chan Sun Kwong	25	–	–	25
Chow Cheuk Lap	50	–	–	50
Chow Nim Sun, Nelson	10	–	–	10
Fung Kwan Yin, James	8	–	–	8
Lee Ho Man, Eric	50	–	–	50
Liu Kam Lung, Peter	10	–	–	10
Tsun Kok Chung, Richard	8	–	–	8
Wong Lung Tak, Patrick	50	–	–	50
Wong Tik Tung	23	–	–	23
	<u>257</u>	<u>–</u>	<u>–</u>	<u>257</u>
	<u>267</u>	<u>5,597</u>	<u>73</u>	<u>5,937</u>

NOTES TO THE FINANCIAL STATEMENTS

31 March 2007

12. INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five highest paid individuals during the year included four (2006: four) directors, details of whose emoluments are set out in note 11 above. Details of the emoluments of the remaining one (2006: one) non-director, highest paid individual for the year are as follows:

	The Group	
	2007	2006
	HK\$'000	HK\$'000
Basic salaries, commissions and benefits in kind	1,289	564
Pension scheme contributions	12	12
	<hr/>	<hr/>
	1,301	576
	<hr/>	<hr/>

13. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

a) Income tax in the consolidated income statement represents:

No provision for Hong Kong profits tax has been provided as the Group did not generate any assessable profits arising in Hong Kong for financial years 2006 and 2007.

No provision for overseas profits tax has been provided as the overseas subsidiaries did not generate any profits which would have been subject to profits tax in their relevant countries for financial years 2006 and 2007.

	The Group	
	2007	2006
	HK\$'000	HK\$'000
Current tax		
– Hong Kong	(131)	–
– Overseas	–	(176)
	<hr/>	<hr/>
Tax credit	(131)	(176)
	<hr/>	<hr/>

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

b) Reconciliation between tax credit and accounting loss at applicable tax rates:

	The Group	
	2007	2006
	HK\$'000	HK\$'000
Loss before taxation	(55,514)	(60,075)
Tax at domestic income tax rate applicable of losses in the respective countries	(11,549)	(14,259)
Tax effect of non-taxable income	(1,311)	(210)
Tax effect of non-deductible expenses	1,652	503
Tax losses utilised from previous periods	(9)	–
Tax effect of losses not recognised	11,086	13,790
Tax credit	(131)	(176)

14. LOSS ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated loss attributable to equity shareholders of the Company includes a loss of HK\$57,460,000 (2006: HK\$37,250,000) which has been dealt with in the financial statements of the Company.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2007

15. LOSS PER SHARE

- a) The calculation of basic loss per share is based on the loss attributable to equity shareholders of the Company of HK\$55,027,000 (2006: HK\$59,736,000) and the weighted average number of 1,354,138,000 ordinary shares (2006: weighted average number of 589,558,000 ordinary shares after adjusting for the rights issue in the financial year 2007) in issue during the year.

Weighted average number of ordinary shares

	2007	2006
	No. of shares	No. of shares
	'000	'000
Issued ordinary shares at 1 April	768,642	457,525
Effect of issue of ordinary shares under placement and subscription	–	132,033
Effect of issue of ordinary shares under rights issue	585,274	–
Effect of issue of ordinary shares under bonus warrants	222	–
	<hr/>	<hr/>
Weighted average number of ordinary shares at 31 March	1,354,138	589,558
	<hr/>	<hr/>

- b) No diluted loss per share has been disclosed as the outstanding bonus warrants had an anti-dilutive effect on the basic loss per share for the year ended 31 March 2007.

Diluted loss per share for year ended 31 March 2006 has not been disclosed as no diluting events existed during the year.

16. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings held for own use carried at fair value HK\$'000	Furniture and fixtures HK\$'000	Machinery, engineering and other equipment HK\$'000	Motor vehicles HK\$'000	Moulds HK\$'000	Total HK\$'000
Cost or valuation						
At 1 April 2005	41,235	11,445	18,367	3,434	53,988	128,469
Additions	-	2,367	3,067	-	3,790	9,224
Disposals	(1,471)	-	(2,007)	(3,259)	(2,151)	(8,888)
Written off	-	(2,816)	(3,337)	-	(3,455)	(9,608)
Revaluation surplus	636	-	-	-	-	636
Exchange realignment	-	(76)	-	-	-	(76)
At 31 March 2006	40,400	10,920	16,090	175	52,172	119,757
At 1 April 2006	40,400	10,920	16,090	175	52,172	119,757
Disposal of a subsidiary	-	(27)	-	-	-	(27)
Additions	117	2,872	2,514	585	3,062	9,150
Disposals	(1,530)	(188)	-	-	-	(1,718)
Revaluation surplus	8,030	-	-	-	-	8,030
Exchange realignment	3	64	-	7	-	74
At 31 March 2007	47,020	13,641	18,604	767	55,234	135,266
Analysis of cost or revaluation						
At cost	-	13,641	18,604	767	55,234	88,246
At valuation	47,020	-	-	-	-	47,020
	47,020	13,641	18,604	767	55,234	135,266
Accumulated depreciation						
At 1 April 2005	-	6,366	9,456	3,016	23,442	42,280
Provided for the year	1,230	2,075	1,772	141	5,416	10,634
Write back on disposals	(4)	-	(890)	(3,125)	(956)	(4,975)
Written off	-	(2,816)	(3,337)	-	(3,455)	(9,608)
Write back on revaluation	(1,226)	-	-	-	-	(1,226)
Exchange realignment	-	(62)	-	-	-	(62)
At 31 March 2006	-	5,563	7,001	32	24,447	37,043
At 1 April 2006	-	5,563	7,001	32	24,447	37,043
Provided for the year	1,102	2,036	1,699	54	5,231	10,122
Write back on disposals	(28)	(183)	-	-	-	(211)
Write back on revaluation	(1,075)	-	-	-	-	(1,075)
Exchange realignment	1	54	-	-	-	55
At 31 March 2007	-	7,470	8,700	86	29,678	45,934
Net book value						
At 31 March 2007	47,020	6,171	9,904	681	25,556	89,332
At 31 March 2006	40,400	5,357	9,089	143	27,725	82,714

NOTES TO THE FINANCIAL STATEMENTS

31 March 2007

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Group (Continued)

- (a) The net book value of property, plant and equipment held under finance leases included in the total amount of machinery, engineering and other equipment and motor vehicles at 31 March 2007 amounted to HK\$5,619,000 (2006: HK\$2,877,000).
- (b) The Group's properties held for own use were revalued on an open market value at 31 March 2007 by RHL Appraisal Limited, who have among their staff, Fellows of Hong Kong Institute of Surveyors with recent experience in the location and category of property being revalued.
- (c) The analysis of net book value of properties at 31 March 2007 is as follows:

	The Group	
	2007	2006
	HK\$'000	HK\$'000
Held under medium term leases in		
– Hong Kong	6,810	10,270
– mainland China	40,210	30,130
	47,020	40,400
Representing:		
Properties carried at fair value	47,020	40,400

Had the Group's properties been carried at historical cost less accumulated depreciation and impairment losses, their carrying amounts would have been approximately HK\$26,095,000 (2006: HK\$29,438,000).

- (d) At 31 March 2007, certain of the Group's properties in Hong Kong with net book value of HK\$6,810,000 (2006: HK\$10,270,000) were pledged to a bank to secure banking facilities granted to the Group (note 25).

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Company

	Furniture and other equipment	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000
Cost			
At 1 April 2005	–	–	–
Additions	189	–	189
	<hr/>	<hr/>	<hr/>
At 31 March 2006	189	–	189
	<hr/>	<hr/>	<hr/>
At 1 April 2006	189	–	189
Additions	190	342	532
	<hr/>	<hr/>	<hr/>
At 31 March 2007	379	342	721
	<hr/>	<hr/>	<hr/>
Accumulated depreciation			
At 1 April 2005	–	–	–
Provided for the year	–	–	–
	<hr/>	<hr/>	<hr/>
At 31 March 2006	–	–	–
	<hr/>	<hr/>	<hr/>
At 1 April 2006	–	–	–
Provided for the year	58	34	92
	<hr/>	<hr/>	<hr/>
At 31 March 2007	58	34	92
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 March 2007	321	308	629
	<hr/>	<hr/>	<hr/>
At 31 March 2006	189	–	189
	<hr/>	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

31 March 2007

17. INTEREST IN LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASES

The Group

	HK\$'000
Cost	
At 1 April 2005	8,010
Disposals	(830)
	<hr/>
At 31 March 2006	7,180
	<hr/>
At 1 April 2006	7,180
Additions	240
Disposals	(433)
Exchange realignment	7
	<hr/>
At 31 March 2007	6,994
	<hr/>
Accumulated amortisation	
At 1 April 2005	1,846
Charge for the year	142
Written back on disposals	(176)
	<hr/>
At 31 March 2006	1,812
	<hr/>
At 1 April 2006	1,812
Charge for the year	149
Written back on disposals	(109)
	<hr/>
At 31 March 2007	1,852
	<hr/>
Net book value	
At 31 March 2007	5,142
	<hr/>
At 31 March 2006	5,368
	<hr/>

17. INTEREST IN LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASES (Continued)

- a) At 31 March 2007, certain of the Group's leasehold land in Hong Kong with net book value of HK\$2,793,000 (2006: HK\$3,204,000) was pledged to a bank to secure the banking facility granted to the Group (note 25).
- b) Analysed for reporting purpose:

	2007	2006
	HK\$'000	HK\$'000
Current portion	158	226
Non-current portion	4,984	5,142
	5,142	5,368

18. GOODWILL

The Group

	HK\$'000
Cost	
At 1 April 2005 and 31 March 2006	–
Acquisition of subsidiaries (<i>note 33(a)</i>)	7,284
	7,284
At 31 March 2007	7,284
Accumulated impairment losses	
At 1 April 2005 and 31 March 2006	–
Impairment loss	2,327
	2,327
At 31 March 2007	2,327
Carrying amount	
At 31 March 2007	4,957
	4,957
At 31 March 2006	–
	–

NOTES TO THE FINANCIAL STATEMENTS

31 March 2007

18. GOODWILL (Continued)

Impairment test for goodwill

Goodwill is allocated to the Group's cash-generating units ("CGU") identified according to business segment.

	2007	2006
	HK\$'000	HK\$'000
Real estate	4,957	–

In accordance with HKAS 36 "Impairment of Assets", and following the allocation of goodwill to CGU, the impairment test for goodwill was carried out by comparing the recoverable amounts to the carrying amounts as at the balance sheet date. The recoverable amount of a CGU is determined based on value-in-use calculations. The calculation uses pre-tax cash flow projections based on financial budgets approved by management covering a two-year period and the estimated terminal value at the end of the two-year period. Management determined profit forecast based on past performance and its expectation for the future changes in costs and sales prices. Future cashflows are discounted at 7.75%. The discount rates used are pre-tax and reflect specific risks relating to the relevant CGU. There was no evidence of impairment arising from tests of reasonable variations of the assumptions used. Based on the above, the directors are of the view that there was no evidence of impairment of goodwill in the real estate segment at 31 March 2007.

BIP (HK) was engaged in construction related activities and provision of project management service, for the purpose of streamlining the overall building materials business operation of the Group, the business of BIP (HK) have been transferred to its fellow subsidiaries. Therefore the business activities of BIP (HK) have slowed down significantly and there is little or no indication of profit generating ability in the foreseeable future. The directors consider that a full provision for impairment of the carrying amount of goodwill of HK\$2,327,000 is required. The provision has been charged to the income statement for the year ended 31 March 2007.

19. INTEREST IN SUBSIDIARIES

	The Company	
	2007	2006
	HK\$'000	HK\$'000
Unlisted shares, at cost	79,920	60,953
Due from subsidiaries (note (i))	240,521	212,236
	320,441	273,189
Less: provision for impairment losses (note (ii))	(210,161)	(161,182)
	110,280	112,007

Notes: i) The amounts due from subsidiaries are unsecured, have no fixed terms of repayment and are interest-free, except for an amount due from a subsidiary of HK\$Nil (2006: HK\$4,050,000), which bears interest at a rate ranging from 5.0% to 7.5% per annum.

ii) The impairment losses represent the write-down of amount due from subsidiaries of HK\$210,161,000 (2006: HK\$161,182,000).

The subsidiaries engaged in the home appliances activity have recurring operating losses with low liquidity ratios. The directors determine the recoverable amount based on value-in-use calculation using the discount rate at 7.75% and consider that provision on impairment of the amount due from subsidiaries of HK\$210,161,000 is required and the amount of HK\$48,979,000 has been charged to the income statement of the Company for the year ended 31 March 2007.

Particulars of the subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of ordinary share capital/ registered capital	Percentage of equity attributable to the Company		Principal activities
			directly	indirectly	
Anex Electrical Company Limited ("AECL")	Hong Kong	HK\$3,009,000 (Note (i))	100	–	Sale of electrical appliances
Anex Industrial Corporation Limited ("Anex Industrial")	Hong Kong	HK\$500,000	–	100	Dormant***

NOTES TO THE FINANCIAL STATEMENTS

31 March 2007

19. INTEREST IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of ordinary share capital/ registered capital	Percentage of equity attributable to the Company		Principal activities
			directly	indirectly	
Anco Industrial Company Limited	British Virgin Islands/ mainland China	US\$100	–	100	Dormant and land right holding
Anex USA Products, Inc. ("Anex USA")	United States of America	US\$10,000	–	100	Sale of electrical appliances***
Anco Industrial Company Limited	Hong Kong	HK\$10,000	–	100	Dormant
Anex Germany Products GmbH	Republic of Germany	EUR25,565	–	95	Sale of electrical appliances
Antec Appliances Limited	Hong Kong	HK\$2	100	–	Investment and assets holding
東莞安達電器製品 有限公司*	mainland China	HK\$20,000,000	–	100	Manufacturing electrical appliances
Anex Construction and Engineering Limited	Hong Kong	HK\$1	–	100	Dormant
Anex International Management Limited	Hong Kong	HK\$1	100	–	Human resources management

19. INTEREST IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of ordinary share capital/ registered capital	Percentage of equity attributable to the Company		Principal activities
			directly	indirectly	
Anex Construction and Engineering Holdings Limited	British Virgin Islands	US\$1	100	–	Investment holding
Anex Properties Holdings Limited	British Virgin Islands	US\$1	100	–	Investment holding
Ancen Properties Limited ("Ancen Properties")	Hong Kong	HK\$100	70	–	Investment holding
東莞嘉湖山莊建造 有限公司** ("東莞嘉湖山莊")	mainland China	RMB128,276,445	–	70	Real estate development
United Anex Engineering Limited	Hong Kong	HK\$10,000	–	60	Building material business
United Anex (Macau) Limited	Macau	MOP\$25,000	–	60	Building material business
BIP (HK) Company Limited	Hong Kong	HK\$10,000	–	100	Construction project
Idealboom Group Limited	British Virgin Islands	US\$1	–	100	Properties investment
Anex Far East (Macau) Limited	Macau	MOP\$25,000	–	100	Building material business

NOTES TO THE FINANCIAL STATEMENTS

31 March 2007

19. INTEREST IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of ordinary share capital/ registered capital	Percentage of equity attributable to the Company		Principal activities
			directly	indirectly	
Total Growth Limited	Hong Kong	HK\$1	100	–	Properties investment
Anex Far East Limited	Hong Kong	HK\$1	–	100	Building material business
Eagle Island Group Limited	Hong Kong	HK\$1	–	100	Properties investment

Note: i) The issued share capital of AECL comprises 30,000 non-voting deferred shares of HK\$100 each and 90 ordinary shares of HK\$100 each.

The non-voting deferred shares do not entitle the holders thereof to receive notice of or to attend or vote at any general meeting of AECL by virtue or in respect of their holdings of such non-voting deferred shares. The holders of the non-voting deferred shares shall not be entitled to any participation in the profit or assets of AECL except for a fixed non-cumulative dividend at the rate of 5% per annum for any financial year of AECL in respect of which the net profit of AECL available for dividend exceeds HK\$1,000,000,000. On a winding-up, the holders of the non-voting deferred shares shall be entitled, out of the surplus assets of AECL, to a return of the capital paid up on the non-voting deferred shares held by them respectively after a total sum of HK\$100,000,000,000 has been distributed in such winding-up on respect of each of the ordinary shares of AECL.

* A wholly-foreign owned enterprise registered in mainland China.

** A sino-foreign cooperated corporation registered in mainland China.

*** Anex Industrial and Anex USA were de-registered subsequent to the balance sheet date on 24 April 2007 and 17 April 2007, respectively.

20. INTEREST IN AN ASSOCIATE

	The Group		The Company	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Unlisted shares, at cost	-	-	-	-
Share of net assets	-	15,185	-	-
Due from an associate	-	923	-	923
	-	16,108	-	923

Notes:

- a) The amount due from an associate is unsecured, interest free and has no fixed terms of repayment.
- b) Particulars of the associate at 31 March 2006 are as follows:

Name	Business structure	Place of incorporation and operations	Percentage of ownership interest attributable to the Company		Principal activity
			directly	indirectly	
Ancen Properties Limited	Corporate	Hong Kong	40%	-	Investment holding
東莞嘉湖山莊建造有限公司	Sino-foreign cooperated corporation	mainland China	-	40%	Real estate development

NOTES TO THE FINANCIAL STATEMENTS

31 March 2007

20. INTEREST IN AN ASSOCIATE (Continued)

c) Extracts of the financial statements of the Group's associate are as follows:

	2007	2006
	HK\$'000	HK\$'000
Consolidated income statement		
Turnover	N/A	10,481
Net loss from ordinary activities attributable to shareholders	N/A	(7,186)
	<hr/>	<hr/>
Consolidated balance sheet		
Non-current assets	N/A	4,819
Current assets	N/A	58,639
Current liabilities	N/A	(17,713)
Non-current liabilities	N/A	(7,782)
	<hr/>	<hr/>

d) During the year, the Company acquired additional 30% equity interest of Ancen Properties and then it became the subsidiary of the Company (note 33(a)). The share of loss of an associate of HK\$5,544,000 recorded during the year represent the Group's share of loss of Ancen Properties from 1 April 2006 up to the date of conversion of Ancen Properties from an associate to a subsidiary of the Group.

21. INVENTORIES

(a) Inventories in the balance sheet comprise:

	The Group	
	2007	2006
	HK\$'000	HK\$'000
Home appliances		
Raw materials	23,884	12,055
Work in progress	9,690	9,895
Finished goods	7,892	12,239
	<hr/> 41,466 <hr/>	<hr/> 34,189 <hr/>
Real estate		
Property under development for sale	40,115	–
Completed property held for sale	12,723	–
	<hr/> 52,838 <hr/>	<hr/> – <hr/>
Total inventories	<hr/> 94,304 <hr/>	<hr/> 34,189 <hr/>

(b) The analysis of carrying value of land held for property under development for sale is as follows:

	2007	2006
	HK\$'000	HK\$'000
Outside Hong Kong – mainland China		
Long term lease	40,000	–
	<hr/> 40,000 <hr/>	<hr/> – <hr/>

Based on the legal opinion obtained by the Group, the Group continues to enjoy the rights of use of the parcel of land. Income is derived from the parcel of land including lease income and from other lawful means notwithstanding the fact that the certificate of state-owned land use is not under the name of 東莞嘉湖山莊.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2007

21. INVENTORIES (Continued)

- (c) The analysis of the amount of inventories recognized as an expense is as follows:

The amount of inventories carried at fair value less costs to sell at 31 March 2007 is HK\$1,096,000 (2006: HK\$5,361,000).

The amount of write-down of inventories to net realizable value and write-off of inventories recognised as an expense during the year is HK\$4,344,000 (2006: HK\$582,000) and HK\$Nil (2006: HK\$12,964,000) respectively.

- (d) The amount of property under development for sale expected to be recovered after more than one year is HK\$40,115,000. All of the other inventories are expected to be recovered within one year.

22. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Trade receivables (b)	24,839	23,832	-	-
Mould deposits (c)	10,316	8,862	-	-
Retention receivables	1,672	-	-	-
Prepayments, deposits and other receivables	10,138	6,961	544	533
Amounts due from customers for contract works (note 23)	1,828	-	-	-
	48,793	39,655	544	533

22. TRADE AND OTHER RECEIVABLES (Continued)

- (a) All of the trade and other receivables are expected to be recovered within one year.
- (b) Trade receivables less provision for impairment losses of HK\$20,000 (2006: HK\$13,000) with the following aging analysis as of the balance sheet date:

	The Group	
	2007	2006
	HK\$'000	HK\$'000
0 – 30 days	10,451	15,945
31 – 60 days	9,099	7,119
61 – 90 days	2,163	658
Over 90 days	3,126	110
	24,839	23,832

The Group's trading terms with its customers are mainly on credit and letters of credit, except for new customers where payment in advance and cash on delivery are normally required. Invoices are normally payable between 30 and 60 days after issuance, except for certain well-established customers where the terms are extended to 90 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management.

- (c) In prior years, the Group incurred labour costs, raw materials and other expenses for mould development and recorded these expenses as mould deposits. Due to the decision of dropping out certain product lines, the directors consider provision on impairment on the carrying amount of these mould deposits of HK\$1,342,000 (2006: HK\$955,000). The provision has been fully charged to the income statement for the year ended 31 March 2007.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2007

23. CONTRACT WORK IN PROGRESS

	The Group	
	2007	2006
	HK\$'000	HK\$'000
Contract costs incurred plus attributable profits less foreseeable losses to date	18,147	–
Progress billings to date	(20,807)	–
	(2,660)	–
Represented by:		
Amounts due from customers for contract works	1,828	–
Amounts due to customers for contract works	(4,488)	–
	(2,660)	–

24. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash at bank and in hand	45,245	12,242	10,369	1,283
Cash and cash equivalents in the balance sheet	45,245	12,242	10,369	1,283
Bank overdrafts, secured (note 25)	(4,085)	(552)		
Cash and cash equivalents in the consolidated cash flow statement	41,160	11,690		

Included in cash and cash equivalents in the balance sheet are the following amounts denominated in a currency other than the functional currency of the equity to which they relate:

	The Group		The Company	
	2007	2006	2007	2006
	'000	'000	'000	'000
Renminbi	28,681	5,587	1	–
Euro Dollars	58	226	–	–
US Dollars	580	156	–	–

25. BANK LOANS AND OVERDRAFTS

	The Group	
	2007	2006
	HK\$'000	HK\$'000
Bank loans, secured	22,792	23,351
Bank overdrafts, secured	4,085	552
	<hr/> 26,877 <hr/>	<hr/> 23,903 <hr/>
At 31 March 2007, the bank loans and overdrafts were repayable as follows:-		
Within 1 year or on demand	<hr/> 26,877 <hr/>	<hr/> 23,903 <hr/>

Notes:

The Group's bank loans and overdrafts are secured by:

- i) mortgages over certain of the Group's leasehold land and buildings which had an aggregate net book value at the balance sheet date of HK\$9,603,000 (2006: HK\$13,474,000);
- ii) the Group's time deposits amounting to HK\$7,800,000 (2006: HK\$7,320,000);
- iii) the director, Kwok Chi Hang, Peter of the Company had given a guarantee amounted to HK\$Nil (2006: HK\$10,000,000), this guarantee were released during the year;
- iv) the former director, Kwok Hon Ching of the Company had given a guarantee amounted to HK\$Nil (2006: HK\$22,000,000), this guarantee were released during the year; and
- v) the minority shareholder of a subsidiary, has given a corporate guarantee amounted to HK\$12,000,000 (2006: HK\$Nil).

26. DUE TO A DIRECTOR

	The Group and the Company	
	2007	2006
	HK\$'000	HK\$'000
Mr. Cheng Tun Nei ("Mr. Cheng")	<hr/> — <hr/>	<hr/> 6,000 <hr/>

The amount was unsecured, interest bearing at a rate of 1% per annum over and above the Hong Kong Dollar Prime Lending Rate as quoted by Hang Seng Bank Limited (the "Prime Rate") and is repayable on or before 28 August 2007. The loan has been fully settled on 29 June 2006. The Prime Rate at 31 March 2007 is 7.75% (2006: 7.75%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2007

27. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Trade payables (a)	35,553	31,473	–	–
Other payables and accruals	35,001	16,725	255	1,291
Due to a director (<i>note 26</i>)	–	6,000	–	6,000
Amounts due to customers for contract works (<i>note 23</i>)	4,488	–	–	–
Due to a minority shareholder (b)	7,207	–	–	–
Compensation payable (c)	3,680	–	–	–
Provision for long service payment	1,695	1,968	–	–
Mould deposits received	1,312	611	–	–
Other loan (d)	1,100	1,425	–	–
	90,036	58,202	255	7,291

- (a) An aged analysis of the Group's trade payables as at the balance sheet date, based on invoice date is as follows:

	The Group	
	2007 HK\$'000	2006 HK\$'000
0 – 30 days	6,311	11,198
31 – 60 days	3,095	5,951
61 – 90 days	5,457	4,080
Over 90 days	20,690	10,244
	35,553	31,473

- (b) The amount is unsecured, interest free and has no fixed terms of repayment.
- (c) A deposit of Euro 123,000 (equivalent to HK\$1,266,000) was pledged to a bank as security for the Group's compensation in connection with the goods return incurred during the year.
- (d) The amount is unsecured, bearing interest at rate of 9.00% (2006: 5.25% to 9.00%) per annum and has no fixed terms of repayment.

28. INCOME TAX IN THE CONSOLIDATED BALANCE SHEET

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

	The Group		The Company	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
At 1 April	-	-	-	-
Acquisition of subsidiaries	4,146	-	-	-
Charge for the year	(131)	-	-	-
At 31 March	<u>4,015</u>	-	<u>-</u>	-

(b) Deferred tax liabilities

The components of deferred tax liabilities recognised in the consolidated balance sheet and the movement during the year is as follows:

	Fair value gains on property under development for sale HK\$'000	Revaluation on building HK\$'000	Total HK\$'000
At 1 April 2005	-	4,309	4,309
Deferred tax charged to reserves	-	1,220	1,220
At 31 March 2006	-	5,529	5,529
At 1 April 2006	-	5,529	5,529
Deferred tax charged to reserves	-	1,892	1,892
Acquisition of subsidiaries (note 33(a))	10,814	-	10,814
At 31 March 2007	<u>10,814</u>	<u>7,421</u>	<u>18,235</u>

The Group has tax losses arising in Hong Kong of HK\$154,791,000 (2006: HK\$142,754,000) that are available for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised as it is not probable that future taxable profits against which the losses can be utilised will be available of the companies in which losses arose. The tax losses do not expire under current tax legislation.

Save as disclosed above, there was no other significant deferred tax liabilities that required to be provided for in the consolidated financial statements for both financial years.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2007

29. FINANCE LEASE PAYABLES

The Group and the Company leases certain of its engineering equipment and motor vehicles. These leases are classified as finance leases and have remaining lease terms ranging from two to three years.

At the balance sheet date, the total future minimum lease payments under finance leases and their present values were as follows:

	The Group			
	2007		2006	
	Present value of the minimum lease payments HK\$'000	Total minimum lease payments HK\$'000	Present value of the minimum lease payments HK\$'000	Total minimum lease payments HK\$'000
Within one year	1,657	1,760	1,116	1,203
After one year but within two years	833	861	757	790
After two years but within five years	-	-	178	182
	<u>833</u>	<u>861</u>	<u>935</u>	<u>972</u>
	2,490	2,621	2,051	2,175
Less: total future interest expenses		<u>(131)</u>		<u>(124)</u>
Present value of lease obligations		<u>2,490</u>		<u>2,051</u>

29. FINANCE LEASE PAYABLES (Continued)

	The Company			
	2007		2006	
	Present value of the minimum lease payments HK\$'000	Total minimum lease payments HK\$'000	Present value of the minimum lease payments HK\$'000	Total minimum lease payments HK\$'000
Within one year	70	86	-	-
After one year but within two years	64	78	-	-
After two years but within five years	-	-	-	-
	<u>64</u>	<u>78</u>	<u>-</u>	<u>-</u>
	134	164	-	-
Less: total future interest expenses		<u>(30)</u>		<u>-</u>
Present value of lease obligations		<u>134</u>		<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

31 March 2007

30. SHARE CAPITAL

The Group and the Company

	2007		2006	
	No. of shares '000	HK\$'000	No. of shares '000	HK\$'000
Authorised: Ordinary shares of HK\$0.10 each				
At 1 April	3,000,000	300,000	800,000	80,000
Increase in authorised share capital (a)	-	-	2,200,000	220,000
	<u>3,000,000</u>	<u>300,000</u>	<u>3,000,000</u>	<u>300,000</u>
At 31 March	3,000,000	300,000	3,000,000	300,000
Ordinary shares issued and fully paid:				
At 1 April	768,642	76,864	457,525	45,752
Issue of shares by placement and subscription	-	-	91,505	9,151
Issue of shares by rights issue (b)	768,642	76,864	219,612	21,961
Issue of shares by Bonus Warrants (c)	7,641	764	-	-
	<u>1,544,925</u>	<u>154,492</u>	<u>768,642</u>	<u>76,864</u>
At 31 March	1,544,925	154,492	768,642	76,864

- (a) On 30 March 2006, the Company held a special general meeting to increase its authorised share capital from HK\$80,000,000 comprising of 800,000,000 shares of HK\$0.10 each to HK\$300,000,000 comprising of 3,000,000,000 shares of HK\$0.10 each by the creation of an additional 2,200,000,000 shares of HK\$0.10 each.
- (b) On 30 June 2006, rights issue of one rights share for every existing share was made, at an issue price of HK\$0.10 per rights share resulting in the issue of 768,641,000 shares of HK\$0.1 each for a total cash consideration of HK\$76,864,000.

Up to 27 June 2006, the Company had received 22 valid acceptances for a total of 598,828,191 rights shares provisionally allotted under the rights issue and 26 valid applications for a total of 37,747,000 excess rights shares, resulting in a total valid applications for 636,575,000 rights shares, representing applications for 82.8% of the total number of rights shares available under the rights issue. The underwriter has procured the subscription of the remaining 132,067,000 rights shares.

30. SHARE CAPITAL (Continued)

- (c) The Company issued 307,457,000 bonus warrants to those person who have validly accepted and paid for rights share as mentioned in note (a) above (“Bonus Warrants”). The Bonus Warrants will expire on 8 July 2008. During December 2006 and March 2007, warrant-holders exercised the Bonus Warrants to subscribe for 72,000 and 7,569,000 ordinary shares respectively in the Company at exercise price of HK\$0.10 each.

31. SHARE OPTION SCHEME

The Company operates a share option scheme (the “Scheme”) and the principal terms of the Scheme are as follows:

i) Purpose

The purpose of the Scheme is to provide incentives and rewards to eligible participants who contribute to the success of the Group’s operation.

ii) Eligible participants

Eligible participants of the share option scheme include the Company’s directors and other employees of the Group.

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

iii) Maximum number of shares

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 as at the date of passing the Ordinary Resolution on 22 August 2006. As at the date of this Annual Report, the total number of shares available for issue under the Scheme is 153,728,348, representing 8.03% of the issued share capital.

iv) Maximum entitlement of each eligible participant

The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time.

31. SHARE OPTION SCHEME (Continued)

v) Option period

The Scheme became effective on 9 September 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

vi) Acceptance of offer

The offer of a grant of share options may be accepted within 28 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 is determinable by the directors, and commences after a certain vesting period and ends on the date which is not later than 10 years from the date of the offer of the share options or the expiry date of the Scheme, if earlier.

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

vii) Exercise price

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

viii) The remaining life of the Scheme

The directors shall be entitled at any time within 10 years commencing on 9 September 2002 to offer the grant of an option to any eligible participants.

No share option has been granted since the Scheme became effective on 9 September 2002.

32. RESERVES

(a) The Group

Notes	Capital reserve HK\$'000	Dis- tributable reserve HK\$'000	Property revaluation reserve HK\$'000	Fair value reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits/ (accumulated loss) HK\$'000	Total HK\$'000
At 1 April 2005	2,789	4,995	15,865	-	587	66,464	90,700
Surplus on revaluation	-	-	1,862	-	-	-	1,862
Deferred tax charged in the revaluation reserve	-	-	(1,220)	-	-	-	(1,220)
Exchange realignment	-	-	-	-	(637)	-	(637)
Net income recognised directly in equity	-	-	642	-	(637)	-	5
Revaluation reserve released on disposal	-	-	(417)	-	-	417	-
Loss for the year	-	-	-	-	-	(59,736)	(59,736)
At 31 March 2006	2,789	4,995	16,090	-	(50)	7,145	30,969
At 1 April 2006	2,789	4,995	16,090	-	(50)	7,145	30,969
Surplus on revaluation	-	-	9,105	-	-	-	9,105
Rights issue expenses	-	(2,779)	-	-	-	-	(2,779)
Fair value adjustment	-	-	-	8,783	-	-	8,783
Deferred tax charged in the revaluation reserve	-	-	(1,892)	-	-	-	(1,892)
Property revaluation reserve	-	-	(27)	-	-	-	(27)
Acquisition of a subsidiary	-	-	-	-	-	-	-
Disposal of a subsidiary	-	-	-	-	-	-	-
Exchange realignment	-	-	-	-	615	-	615
Net income recognized directly in equity	-	(2,779)	7,186	8,783	615	-	13,805
Revaluation reserve released on disposal	-	-	(709)	-	-	709	-
Loss for the year	-	-	-	-	-	(55,027)	(55,027)
At 31 March 2007	2,789	2,216	22,567	8,783	565	(47,173)	(10,253)

NOTES TO THE FINANCIAL STATEMENTS

31 March 2007

32. RESERVES (Continued)

(b) The Company

	Contributed surplus	Distributable reserve	(Accumulated losses)/ retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2005	60,733	4,995	2,302	68,030
Loss for the year	–	–	(37,250)	(37,250)
	<u>60,733</u>	<u>4,995</u>	<u>(34,948)</u>	<u>30,780</u>
At 31 March 2006	60,733	4,995	(34,948)	30,780
At 1 April 2006	60,733	4,995	(34,948)	30,780
Loss for the year	–	–	(57,460)	(57,460)
Rights issue expenses	–	(2,779)	–	(2,779)
	<u>60,733</u>	<u>2,216</u>	<u>(92,408)</u>	<u>(29,459)</u>
At 31 March 2007	<u>60,733</u>	<u>2,216</u>	<u>(92,408)</u>	<u>(29,459)</u>

(c) Nature of purposes of the reserves

i) Contributed surplus

The contributed surplus of the Company represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Group reorganisation in June 1991, over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders in certain circumstances.

ii) Distributable reserve

Pursuant to a special resolution passed on 15 September 2003, the share premium account of the Company was reduced by an amount of HK\$103,948,000 to HK\$Nil and of which HK\$98,953,000 was applied towards the elimination of the accumulated losses of the Company as at 31 March 2003, with the remaining balance of HK\$4,995,000 being credited to a distributable reserve of the Company. The reduction of share premium account was effective on 6 October 2003.

iii) Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of the overseas subsidiaries. The reserve is dealt with in accordance with the accounting policy set out in note 3(q).

32. RESERVES (Continued)

(c) Nature of purposes of the reserves (Continued)

iv) Fair value reserve

The fair value reserve represents the difference between the fair value and the carrying amount of the net assets attributable to the additional interest in a subsidiary being acquired on 20 October 2006 from a minority shareholder.

(d) Distributability of reserves

At 31 March 2007, the aggregate amount of reserves available for the distribution to equity shareholders of the Company calculated in accordance with the Companies Act 1981 of Bermuda (as amended) was HK\$Nil (2006: HK\$30,780,000) in certain circumstances.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2007

33. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisition of subsidiaries

The net assets acquired in the transactions and the goodwill arising are as follows:

	BIP (HK) Limited (note (i))			Ancen Properties Limited (note (ii))			Total fair value
	Acquiree's carrying amount before combination	Fair value adjustment	Fair value	Acquiree's carrying amount before combination	Fair value adjustment	Fair value	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash and bank balances	1,571	-	1,571	27,655	-	27,655	29,226
Inventories	-	-	-	19,525	32,769	52,294	52,294
Trade and other receivables	1,192	-	1,192	2,418	-	2,418	3,610
Amounts due from customers							
for contract works	2,280	-	2,280	-	-	-	2,280
Trade and other payables	(2,570)	-	(2,570)	(12,902)	-	(12,902)	(15,472)
Provision for taxation	(166)	-	(166)	(3,930)	-	(3,930)	(4,096)
Due to shareholders	-	-	-	(8,022)	-	(8,022)	(8,022)
Deferred tax liabilities	-	-	-	-	(10,814)	(10,814)	(10,814)
Amounts due to customers							
for contract works	(66)	-	(66)	-	-	-	(66)
Loan from a director	(1,500)	-	(1,500)	-	-	-	(1,500)
Minority interest	-	-	-	(7,423)	(6,587)	(14,010)	(14,010)
	<u>741</u>	<u>-</u>	<u>741</u>	<u>17,321</u>	<u>15,368</u>	<u>32,689</u>	<u>33,430</u>
Goodwill			<u>2,327</u>			<u>4,957</u>	<u>7,284</u>
			<u>3,068</u>			<u>37,646</u>	<u>40,714</u>

Analysis of the net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries

Total consideration settled in cash	(22,035)
Cash and cash equivalents in subsidiaries acquired	<u>29,226</u>
Cash inflow on acquisition of subsidiaries	<u>7,191</u>

33. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)**(a) Acquisition of subsidiaries (Continued)**

Notes:

- (i) On 1 November 2006, the Group acquired the entire equity interest of BIP (HK) for cash considerations of HK\$3,068,000 and the amount of goodwill arising as a result of the acquisition was HK\$2,327,000. BIP (HK) was principally engaged in construction projects. BIP (HK) contributed loss of HK\$1,344,000 to the Group's loss for the period between the date of acquisition and the balance sheet date.
- (ii) On 20 October 2006, the Group acquired 30% equity interest of Ancen Properties for cash considerations of HK\$18,967,000 and the amount of goodwill arising as a result of the acquisition was HK\$4,957,000. Ancen Properties and its wholly-owned subsidiary ("Ancen Group") were principally engaged in real estate development. Ancen Group contributed loss of HK\$1,575,000 to the Group's loss for the period between the date of acquisition and the balance sheet date. The Group originally held 40% equity interest of Ancen Group and was previously accounted for as an associate.
- (iii) Goodwill is attributable to the benefit of expected synergies, revenue growth and future market development of BIP (HK) and Ancen Properties. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.
- (iv) If the acquisition had been completed on 1 April 2006, total group revenue for the year would have been HK\$216,234,000, and loss for the year would have been HK\$68,513,000. The pro-forma information is for illustrative purpose only and is not necessarily an indication of revenue and results of the Group that actually would have been achieved had the acquisition been completed on 1 April 2006, nor is it intended to be a projection of future results.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2007

33. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Disposal of a subsidiary

The net liabilities of Anex Japan Corporation, which was dormant, at 31 March 2007 being the date of disposal were as follows:

	HK\$'000
Property, plant and equipment	27
Cash and bank balances	38
Other receivables	8
Due from group company	171
Other payables	(40)
	<hr/>
	204
Minority interests	(10)
Exchange reserve	44
	<hr/>
	238
Loss on disposal of a subsidiary	(67)
	<hr/>
	171
Satisfied by:	
Cash consideration	–
Waiver of amount due from group company	171
	<hr/>
	171
Net cash outflow arising on disposal:	
Cash received	–
Cash and bank balances disposed of	(38)
	<hr/>
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	<hr/> (38)

33. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(c) Moulds

Included in prior year were mould deposits of HK\$2,372,000 (2006: HK\$3,190,000) which were transferred to moulds under property, plant and equipment in the current year.

(d) Property, plant and equipment and land lease premium

During the year, the Group acquired property, plant and equipment and land lease premium with an aggregate cost of HK\$9,390,000 (2006: HK\$9,224,000) of which HK\$2,475,000 (2006: HK\$1,302,000) was acquired by means of finance leases. Cash payments of HK\$4,303,000 (net of moulds transferred as mentioned in (c) above) (2006: HK\$4,732,000) were made to purchase property, plant and equipment and land lease premium.

34. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year.

(a) Key management personnel remuneration

The key management personnel of the Group are the directors of the Company. Details of the remuneration paid to them are set out in note 11 to the financial statements.

(b) Other related party transactions

	Notes	The Group	
		2007 HK\$'000	2006 HK\$'000
Interest expense paid to a director	(i)	163	45
Rental of director's quarter paid to a related company	(ii)	540	484
Rental of office premises paid to a related company	(iii)	880	73
Motor vehicle purchased from a director	(iv)	342	–
Acquisition of a subsidiary from directors	(v)	3,068	–
		3,068	–

34. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Other related party transactions (Continued)

Notes:

- i) The interest expense related to an advance from a director (see note 26) of the Company, Mr. Cheng. The interest was calculated at a rate of 1% per annum over and above the Prime Rate.
- ii) The Company has entered into a lease agreement with a related company, Mountain-Dew Limited, a company controlled by Mr. Kwok Hon Lam, a director of the Company, to lease a director's quarter for a period of 33 months commencing on 1 March 2006 at a monthly rental of HK\$45,000 (2006: HK\$45,000). No outstanding balance at 31 March 2007.
- iii) The Company has entered into a lease agreement with a related company, Gold Regent International Limited, a company controlled by Mr. Cheng, to lease an office premises for a period of two years commencing on 1 March 2006 at a monthly rental of HK\$73,000 (2006: HK\$73,000). No outstanding balance at 31 March 2007.
- iv) The Company has entered into a transfer agreement with Mr. Cheng to transfer his motor vehicle to the Company on 1 April 2006 for a consideration of HK\$342,000 (2006: HK\$Nil). The consideration was settled in cash of HK\$143,000 and the transfer of the outstanding balance of a finance lease. The present value of the minimum lease payment at 31 March 2007 is HK\$134,000 (see note 29).
- v) During the year, the Group acquired 100% equity interest in BIP (HK) for a consideration of HK\$3,068,000 (2006: HK\$Nil), in which Mr. Cheng and Mr. Cheng Tze Kit, Larry, a director of the Company, are shareholders and directors of BIP (HK). No outstanding balance at 31 March 2007.

35. CONTINGENT LIABILITIES

Financial guarantee issued

The Group

The Group undertook the obligation under a buy-back undertaking entered with a bank of approximately RMB20,927,000 (equivalent to approximately HK\$20,927,000) (2006: HK\$Nil) relating to the mortgage loans arranged for certain purchasers of the Group's properties sold. Pursuant to the terms of the undertaking, in the event of any default in mortgage payments by any of these purchasers, the Group is responsible to repay the outstanding mortgage principal balances together with accrued interest and penalties owed by the defaulted purchasers and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period commences from the dates of the drawdown of the relevant mortgage loans and ends when the Group obtains the "property title certificate" for the mortgagees.

35. CONTINGENT LIABILITIES (Continued)

Financial guarantee issued (Continued)

The Group (Continued)

A deposit of RMB2,953,000 (equivalent to HK\$2,953,000) was pledged to a bank as security for the Group's obligation under the above undertaking.

The Group provided a corporate guarantee and a deposit pledged to a bank for the issuance of a performance bond, in favour of an independent third party relating to a construction contract, amounting to HK\$3,000,000.

No recognition was made because the fair value of the undertaking or guarantee as above was insignificant and that the directors did not consider it probable that a claim would be made against the Group under the undertaking or guarantee.

The Company

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	2007	2006
	HK\$'000	HK\$'000
Guarantees granted to subsidiaries for		
Banking facilities	42,000	39,800
Finance lease payables	2,355	2,051
	44,355	41,851
	44,355	41,851

The Company is also one of the entities covered by a cross guarantee arrangement issued by the Company and its subsidiaries to a bank in respect of banking facilities granted to the Group which remains in force so long as the Group has drawn down under the banking facilities. Under the guarantee, the Company and all the subsidiaries that are a party to the guarantee are jointly and severally liable for all and any of the borrowings of each of them from the bank which is the beneficiary of the guarantee.

No recognition was made because the fair value of the guarantee was insignificant and that the directors did not consider it probable that a claim would be made against the Company under the guarantee.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2007

36. OPERATING LEASE COMMITMENTS

The Group leases certain of its directors' quarters and office premises under operating lease commitments. Leases for these properties are negotiated for terms ranging one to two years.

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

	The Group		The Company	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	1,970	1,420	807	880
In the second to fifth years, inclusive	714	1,707	–	807
	<u>2,684</u>	<u>3,127</u>	<u>807</u>	<u>1,687</u>

37. CAPITAL COMMITMENTS

The Group's capital commitments outstanding at 31 March 2007 not provided for in the financial statements were as follows:

	The Group	
	2007	2006
	HK\$'000	HK\$'000
Contracted, but not provided for	<u>1,479</u>	<u>1,450</u>

38. EVENT AFTER BALANCE SHEET DATE

- (a) Subsequent to the balance sheet date on 12 June 2007, Anex Properties Holdings Limited, (“APHL”) a wholly-owned subsidiary of the Company, as the purchaser and Mr. Li Jianchuan (“Mr. Li”), brother-in-law of Mr. Cheng, as the vendor entered into the sale and purchase agreement (the “Agreement”) pursuant to which APHL agreed to acquire 95% equity interest in 東莞市安歷士物業管理有限公司, (Dongguan Anex Property Management Company Limited) (“DAPMCL”) from Mr. Li for a consideration of US\$1.9 million (equivalent to approximately HK\$14.8 million). Upon the completion of the Agreement, DAPMCL will become a subsidiary of the Company.

Mr. Li has given an undertaking in favour of APHL dated 12 June 2007 (the “Undertaking”). Pursuant to the terms of the Undertaking, Mr. Li has undertaken to APHL, among other things, to transfer 52% interest in 北京金濟房地產開發有限公司 (Beijing Jinji Property Development Company Limited) (“Beijing Jinji”) to DAPMCL for a consideration of RMB5.2 million (equivalent to approximately HK\$5.36 million), which represents 52% of the existing registered capital of Beijing Jinji. Save for the Undertaking, the Company and/or APHL and Mr. Li have not entered into any written agreement regarding the proposed transfer of 52% interest in Beijing Jinji.

Such acquisition is subject to the approval by the Company’s independent shareholders at a special general meeting to be organised and announced by the Company.

- (b) Subsequent to the balance sheet date on 22 June 2007, the Company, Mr. Cheng, a director and a substantial shareholder of the Company, and Taiwan Securities (Hong Kong) Limited (“Placing Agent”) entered into an agreement pursuant to which the Placing Agent has agreed to procure, on a best-effort basis, purchasers to purchase up to 307,000,000 existing shares, at the placing price of HK\$0.50 per share owned by Mr. Cheng.

Pursuant to the Agreement, Mr. Cheng has conditionally agreed to subscribe up to 307,000,000 new shares at the placing price of HK\$0.50 per share.

On 26 June 2007, the Placing Agent has successfully placed 307,000,000 existing shares at placing price of HK\$0.50 per share. In addition, the subscription of new shares to Mr. Cheng was completed on 6 July 2007. The net proceeds from the top-up subscription were HK\$148.7 million.

- (c) Subsequent to the balance sheet date on 2 April 2007 and 20 April 2007, the Company entered into two provisional agreements with two independent third parties to dispose certain properties held for own use at an aggregate consideration of HK\$12,188,000. The disposal of the properties were completed on 18 May 2007 and 30 May 2007.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2007

39. COMPARATIVE FIGURES

Certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment.

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

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

HKAS 1 (Amendment)	Capital Disclosures ¹
HKAS 23 (Revised)	Borrowing Costs ⁷
HKFRS 7	Financial Instruments: Disclosures ¹
HKFRS 8	Operating Segments ⁷
HK (IFRIC) – INT 8	Scope of HKFRS 2 ²
HK (IFRIC) – INT 9	Reassessment of Embedded Derivatives ³
HK (IFRIC) – INT 10	Interim Financial Reporting and Impairment ⁴
HK (IFRIC) – INT 11	HKFRS 2-Group and Treasury Share Transactions ⁵
HK (IFRIC) – INT 12	Service Concession Arrangements ⁶

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

FIVE YEAR FINANCIAL SUMMARY

RESULTS

	2007 HK\$'000	Year ended 31 March			
		2006 HK\$'000	2005 HK\$'000 (Restated)	2004 HK\$'000 (Restated)	2003 HK\$'000 (Restated)
Turnover	209,701	182,324	280,937	239,205	221,130
(Loss)/profit attributable to equity shareholders of the Company	(55,027)	(59,736)	293	(8,999)	4,457

ASSETS AND LIABILITIES

	2007 HK\$'000	As at 31 March			
		2006 HK\$'000	2005 HK\$'000 (Restated)	2004 HK\$'000 (Restated)	2003 HK\$'000 (Restated)
Total assets	299,792	197,596	222,794	230,882	196,696
Total liabilities	141,653	89,685	86,067	100,014	57,209
Net assets	158,139	107,911	136,727	130,868	139,487
EQUITY					
Equity attributable to equity shareholders of the Company	144,239	107,833	136,452	130,692	139,403
Minority interests	13,900	78	275	176	84
Total equity	158,139	107,911	136,727	130,868	139,487

The results for the years ended 31 March 2003, 2004 and 2005, and the assets, liabilities and equity as at 31 March 2003, 2004 and 2005 have been restated as a result of the prior year adjustment in respect of the adoption of Hong Kong Accounting Standards 1 “Presentation of Financial Statements”, 17 “Leases” and 32 “Financial Instruments: Disclosure and Presentation” as well as Interpretation 21 “Income Tax – Recovery of Revalued Non-Depreciation Assets” issued by the Hong Kong Institute of Certified Public Accountants.

PARTICULARS OF MAJOR PROPERTIES

GROUP PROPERTIES

1. Property under development for sale

Location	Intended use	Stage of completion	Expected date of completion	Site area (approximate sq m)	Gross floor area (approximate sq m)	Group's interest (%)
A parcel of land situated on the North-west Junction between Wuhuan Road and Guanzhang Road, Hengkeng Village, Liaobu Town, Dongguan, Guangdong Province, the PRC	Commercial & Residential	Foundation stage	Dec 2008	5,000	47,000	70

2. Properties held for sale

Location	Existing use	Gross floor area (sq m)	Group's interest (%)
Dongguan Jia Lake Mountain Villa, Jinyinling Section, Guanzhang Road, Hengkeng Village, Liaobu Town, Dongguan, Guangdong Province, the PRC	Street Shops and Shopping Mall	13,000	70