CLIMAX INTERNATIONAL COMPANY LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code : 439)

2011
ANNUAL REPORT

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

TSE On Kin *(Chairman)*
WONG Hin Shek *(Chief Executive Officer)*

Independent Non-executive Directors

LAU Man Tak
MAN Kwok Leung
WONG Yun Kuen

COMPANY SECRETARY

TSANG Kwai Ping

AUDIT COMMITTEE

LAU Man Tak *(Chairman)*
MAN Kwok Leung
WONG Yun Kuen

REMUNERATION COMMITTEE

LAU Man Tak *(Chairman)*
MAN Kwok Leung
WONG Yun Kuen

AUDITOR

SHINEWING (HK) CPA Limited

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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Wings Building
110–116 Queen's Road Central
Central
Hong Kong

Tel: (852) 3970 4060
Fax: (852) 3970 4065
Website: www.climaxintlco.com

REGISTRARS

Hong Kong

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

Bermuda

Codan Services Limited
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited
The Bank of East Asia, Limited
Bank of China (Hong Kong) Limited

STOCK CODE

439

CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board"), I am pleased to present the annual results of Climax International Company Limited (the "Company") and its subsidiaries (the "Group") for the financial year ended 31 March 2011.

The Company has submitted a proposal to the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 20 January 2011 for the purpose of resumption of trading of shares of the Company so as to protect the interests of the Company and its shareholders as a whole. The proposal was under review by the Stock Exchange and further announcement will be released as and when appropriate. For the year ended 31 March 2011, the Group has recorded turnover of approximately HK$87 million. The Group will continue to looking forward for strategic investment opportunities with an aim to further strengthen the asset base and/or to generate stable income to the Group.

I would like to take this opportunity to deliver my most sincere gratitude to the board members and management team for their devoted commitments during the year and look forward to their continuous support in the years to come.

Tse On Kin
Chairman

Hong Kong, 28 June 2011

MANAGEMENT DISCUSSION AND ANALYSIS

PERFORMANCE REVIEW

For the year ended 31 March 2011 ("2011"), the Group's turnover from electronic business was approximately HK$87 million, decreased by 48% as compared to HK$167 million for the year ended 31 March 2010 ("2010"). The Group recorded a gross profit of approximately HK$1 million from electronic business (2010: gross profit of HK$2 million).

Loss attributable to owners of the Company was approximately HK$4 million (2010: profit attributable to owners of the Company of HK$21 million).

OUTLOOK

On 20 January 2011, the Company entered into a conditional sale and purchase agreement with an independent third party whereby the Company agreed to purchase the entire interest of a company which, together with its subsidiaries, is principally engaged in manufacture and sales of paper packaging products and paper gift items and the printing of paper promotional materials, for the purpose of formulate a plan for the resumption of trading of the shares of the Company so as to protect the interests of the shareholders of the Company.

Upon completion of the above acquisition, the Group will enlarge the customer base in the paper product market and improve the quality of products in achieving the aim of expansion and profitability in newly acquired business.

Besides, the Group will closely monitor the conditions of paper product market and take advantage of the market adversities and seize upon further suitable investment opportunities to provide tremendous value-added to shareholders.

CAPITAL STRUCTURE

The Group had no change in capital structure during 2011.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2011, the total shareholders fund of the Group amounted to approximately HK$68 million (2010: HK$73 million), total assets of approximately HK$71 million (2010: HK$114 million) and total liabilities of approximately HK$3 million (2010: HK$42 million).

The gearing ratio as of 31 March 2011, defined as the percentage of total interest bearing debt to net asset value, was 0.04% (2010: 0.04%).

The Group's business operation and investment are in Hong Kong and most assets, liabilities and transactions of the Group are denominated in Hong Kong dollar, United States dollar and Renminbi. The directors did not consider the Group was exposed to any significant foreign currency exchange risk.

MANAGEMENT DISCUSSION AND ANALYSIS

INVESTMENT POSITION AND PLANNING

On 20 January 2011, the Company entered into a conditional sale and purchase agreement with an independent third party whereby the Company agreed to purchase the entire interest of a company which, together with its subsidiaries, is principally engaged in manufacture and sales of paper packaging products and paper gift items and the printing of paper promotional materials. The acquisition forms part of the resumption proposal of the Company which was under review by the Stock Exchange.

During 2011, the Group did not purchase any plant and equipment (2010: HK$43,000).

The Group has invested in shares of certain companies that are traded over the Stock Exchange. As at 31 March 2011, the Group held shares with fair value of approximately HK$4 million (2010: HK$4 million).

Save as disclosed above, the Group did not have any significant investment and there are no material acquisition or disposal of subsidiaries and associated companies during 2011.

CHARGES ON THE GROUP'S ASSETS AND CONTINGENT LIABILITIES

As at 31 March 2011, the Group did not pledge any assets.

As at 31 March 2011, the Group had no significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2011, the Group had 4 employees. The Group provides competitive remuneration packages to employees with attractive discretionary bonus payable to those with outstanding performance and contribution to the Group.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. TSE On Kin, aged 49, has joined the Group as a non-executive director from 6 September 2007 to 1 August 2008 and was appointed as chairman and executive director on 31 March 2010. Mr. Tse has over 20 years of management experience covering corporate planning, group restructuring, business development, project injection, merger and acquisition. He also has about 20 years experience in electronic manufacturing field. Mr. Tse has a Bachelor degree in Public Policy and Administration from York University in Canada. Mr. Tse is currently the chairman and executive director of Kong Sun Holdings Limited (stock code: 295), a non-executive director of Asia Energy Logistics Group Limited (stock code: 351) and an independent non-executive director of Value Convergence Holdings Limited (stock code: 821). Mr. Tse was also the former chairman and executive director of China Grand Forestry Green Resources Group Limited (stock code: 910) from September 2009 to December 2010 and New Times Energy Corporation Limited (stock code: 166) from May 2007 to April 2009 and non-executive director of New Times Energy Corporation Limited (stock code: 166) from May 2009 to November 2009.

Mr. WONG Hin Shek, aged 41, joined the Group on 18 June 2007 as an executive director of the Company and was appointed as the chief executive officer of the Company on 17 June 2008. Mr. Wong is the director of certain subsidiaries of the Company. Mr. Wong worked in a number of reputable investment banks and the Listing Division of the Stock Exchange and has extensive experience in finance, operation and strategic investment of listed companies in Hong Kong. Mr. Wong holds a Master of Science (Financial Management) degree from University of London in United Kingdom and a Bachelor of Commerce degree from University of Toronto in Canada. Mr. Wong is also a responsible officer of a licensed corporation which carries out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance. Mr. Wong is currently the chairman and an executive director of Hua Yi Copper Holdings Limited (stock code: 559). Mr Wong has been involved in management, business development, strategic investment and investor relations in this company. He was an executive director of China Public Procurement Limited (stock code: 1094) from November 2007 to September 2009 and Kingston Financial Group Limited (stock code: 1031) from February 2005 to April 2011.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. WONG Yun Kuen, aged 53, joined the Group on 26 June 2007 and is the member of audit committee and remuneration committee of the Company. Dr. Wong received his Ph.D. degree from Harvard University, and was "Distinguished Visiting Scholar" at Wharton School of the University of Pennsylvania. Dr. Wong has worked in financial industries in the United States and Hong Kong for many years, and has considerable experience in corporate finance, investment and derivative products. He is a member of the Hong Kong Securities Institute. Dr. Wong is an executive director of UBA Investments Limited (stock code: 768), and an independent non-executive director of Harmony Asset Limited (stock code: 428), Bauhaus International (Holdings) Limited (stock code: 483), Kaisun Energy Group Limited (stock code: 8203), China Yunnan Tin Minerals Group Company Limited (stock code: 263), Kong Sun Holdings Limited (stock code: 295), Kingston Financial Group Limited (stock code: 1031), ZMAY Holdings Limited (stock code: 8085), Hua Yi Copper Holdings Limited (stock code: 559), China Grand Forestry Green Resources Group Limited (stock code: 910) and New Island Printing Holdings Limited (stock code: 377). Harmony Asset Limited is also listed on Toronto Stock Exchange. Dr. Wong was an independent non-executive director of Grand Field Group Holdings Limited (stock code: 115) from September 2004 to September 2009, Superb Summit International Timber Company Limited (stock code: 1228) from April 2007 to June 2010 and China E-Learning Group Limited (stock code: 8055) from August 2007 to June 2010, and an executive director and chairman of Green Energy Group Limited (stock code: 979) from December 2009 to May 2010.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. LAU Man Tak, aged 41, joined the Group on 27 March 2008 and is the chairman of audit committee and remuneration committee of the Company. Mr. Lau graduated from Hong Kong Polytechnic University with a Bachelor degree in Accountancy. Mr. Lau has more than 15 years of finance, accounting and auditing experiences. Mr. Lau is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and an associate member of the Hong Kong Institute of Certified Public Accountants. He is also a member of the Hong Kong Securities Institute. Mr. Lau is currently an executive director of China Grand Forestry Green Resources Group Limited (stock code: 910), an independent non-executive director of Kingston Financial Group Limited (stock code: 1031), Kong Sun Holdings Limited (stock code: 295) and Guojin Resources Holdings Limited (stock code: 630). Mr. Lau was an executive director of Warderly International Holdings Limited (stock code: 607) from December 2007 to January 2010.

Mr. MAN Kwok Leung, aged 64, joined the Group on 13 May 2008 and is the member of audit committee and remuneration committee of the Company. Mr. Man is a solicitor of the High Court of Hong Kong and a civil celebrant of marriages. Mr. Man has extensive experience in legal practice. He had been appointed by Xinhua News Agency as a district advisor from 1995 to 1997. Mr. Man is currently appointed as a director of Apleichau Kai Fong Primary School, the deputy chairman of Apleichau Kai Fong Welfare Association, the secretary of Apleichau Promotion of Tourism Association and the honorary legal advisor of Junior Police Officers' Association. Mr. Man is currently an independent non-executive director of ZMAY Holdings Limited (stock code: 8085), Kong Sun Holdings Limited (stock code: 295), Hua Yi Copper Holdings Limited (stock code: 559) and Sam Woo Holdings Limited (stock code: 2322).

COMPANY SECRETARY

Ms. TSANG Kwai Ping, joined the Group on 24 November 2009. Ms. Tsang is a member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales. Ms. Tsang has extensive experiences in auditing and financial management.

DIRECTORS' REPORT

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2011.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries are trading of electronic products.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's largest supplier accounted for 100% of the Group's total purchases.

During the year, the Group's largest customer accounted for 100% of the Group's total sales.

None of the directors, their associates or any shareholders of the Company, which to the knowledge of the directors own more than 5% of the Company's issued share capital, has a beneficial interest in any of the Group's largest supplier or customer.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2011 and the state of affairs of the Company and the Group at that date are set out in the consolidated financial statements on pages 68 to 69 and 22 to 24.

The directors do not recommend the payment of any dividend in respect of the year ended 31 March 2011.

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 25 and other details of the reserves of the Company are set out in note 32 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

At 31 March 2011, the Company had no reserves available for distribution. However, the Company's share premium account, in the amount of approximately HK$131 million, may be distributed in the form of fully paid bonus shares.

PLANT AND EQUIPMENT

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

DIRECTORS' REPORT

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 consolidated financial statements and reclassified as appropriate, is set out on page 70. This summary does not form part of the audited consolidated financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year are set out in respective note 24 and 25 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws although there are no restrictions against such rights under the laws in Bermuda.

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

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

DIRECTORS AND SERVICE CONTRACTS

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

Executive Directors:

Mr. Tse On Kin *(Chairman)*
Mr. Wong Hin Shek *(Chief Executive Officer)*

Independent Non-executive Directors:

Mr. Lau Man Tak
Mr. Man Kwok Leung
Dr. Wong Yun Kuen

In accordance with Bye-law 87 of the Company's Bye-laws, Mr. Lau Man Tak, Mr. Man Kwok Leung and Dr. Wong Yun Kuen will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

None of the directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REPORT

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the directors and senior management of the Company are set out on pages 6 to 7.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company, its holding company, or any of its subsidiaries was a party and in which a director of the Company had a material interest, either directly or indirectly, subsisted during or at the end of the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31 March 2011, the following directors or chief executives of the Company or their associates had interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations, as notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (the "SFO"), or as recorded in the register to be kept under Section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code").

		Number of shares or underlying shares held			
Name of Director	**Capacity**	**Interest in ordinary shares held**	**Interest in underlying ordinary shares held**	**Total interest**	**Percentage of the issued share capital**
Wong Hin Shek	Beneficial owner	—	9,000,000	9,000,000	0.78%
Tse On Kin	Interest of controlled corporation	176,000,000 (Note)	—	176,000,000	15.32%

Note: The shares are held by Good Power International Limited of which the entire issued capital is beneficially owned by Mr. Tse On Kin. Accordingly, Mr. Tse On Kin is deemed to be interested in the shares beneficially owned by Good Power International Limited.

Save as disclosed above, as at 31 March 2011, no interests or short positions were held or deemed or taken to be held under Part XV of the SFO by any director or chief executives or their respective associates in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code or which were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 March 2011, the following shareholders had interests, directly or indirectly, or short positions in the shares and underlying shares of the Company would fall to be disclosed to the Company and the Stock Exchange under provisions of Division 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under Section 336 of the SFO:

		Number of shares or underlying shares held			
Name of shareholders	**Capacity**	**Interest in ordinary shares held**	**Interest in underlying ordinary shares held**	**Total interest**	**Percentage of the issued share capital**
Good Power International Limited	Beneficial owner	176,000,000	—	176,000,000	15.32%
Tse On Kin	Interest of controlled corporation	176,000,000 (Note 1)	—	176,000,000	15.32%
Sky Will Printing & Packaging (BVI) Limited ("Sky Will BVI")	Beneficial owner	—	400,000,000 (Note 2)	400,000,000	34.82%
Fung Ming	Interest of controlled corporation	—	400,000,000 (Note 3)	400,000,000	34.82%

Note:

1. The shares are held by Good Power International Limited of which the entire issued capital is beneficially owned by Mr. Tse On Kin. Accordingly, Mr. Tse On Kin is deemed to be interested in the shares beneficially owned by Good Power International Limited.

2. The interest in underlying shares represents part of a consideration of HK$110 million, of which HK$40 million payable by way of issue of convertible notes, for a conditional sale and purchase agreement entered by the Company to purchase the entire interest of a company which, together with its subsidiaries, is principally engaged in manufacture and sales of paper packaging products and paper gift items and the printing of paper promotional materials on 20 January 2011.

3. Sky Will BVI is 40% owned by Mr. Fung Ming. Accordingly, Mr. Fung Ming is deemed to be interested in the underlying shares beneficially owned by Sky Will BVI.

Save as disclosed above, as at 31 March 2011, the Company was not aware of any other person (other than the directors or chief executives of the Company) who had an interest, directly or indirectly, or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' REPORT

SHARE OPTION SCHEME

On 29 August 2002, the Company adopted a share option scheme (the "Scheme") which complies with the requirements of Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). During the year ended 31 March 2011, no option was granted under the Scheme.

Details of the movements in the options under the Scheme during the year were as follows:

Category/ Name of participant	Date of grant (Notes 1 & 2)	Exercise period (Note 1)	Original exercise price per share HK$	Number of share options: Outstanding at 1.4.2010	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.3.2011	Weighted average closing price (Note 3) HK$
Director									
Wong Hin Shek	17.6.2008	17.6.2008 to 16.6.2011	0.1740	9,000,000	—	—	—	9,000,000	N/A
Employees and others									
In aggregate	17.6.2008	17.6.2008 to 16.6.2011	0.1740	26,999,994	—	—	—	26,999,994	N/A
Total				35,999,994	—	—	—	35,999,994	
Weighted average exercise price				0.1740	N/A	N/A	N/A	0.1740	

Notes:

(1) All dates are shown day/month/year.

(2) The vesting period of the options is from the date of grant until the commencement of the exercise period.

(3) The weighted average closing price of the Company's shares immediately before the dates on which the options were exercised.

Save as disclosed above, none of the directors or their spouses and children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS

There are no transactions which would need to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.

MANAGEMENT CONTRACTS

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

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors as at the date of this report, the Company has maintained sufficient public float as required under the Listing Rules.

AUDIT COMMITTEE

The audit committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the audited consolidated financial statements for the year ended 31 March 2011.

AUDITOR

A resolution for the re-appointment of SHINEWING (HK) CPA Limited as auditor of the Group will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Tse On Kin
Chairman

Hong Kong, 28 June 2011

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this Corporate Governance Report of the Group for the year ended 31 March 2011.

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles of and complied with the applicable code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules (the "CG Code") during the year under review. The Company periodically reviews its corporate governance practices to ensure that these continue to meet the requirements of the CG Code.

THE BOARD

Responsibilities

The Board is responsible for the leadership and control of the Company and oversees the Group's business, strategic decisions and performances. The senior management was delegated the authority and responsibilities by the Board of the day-to-day management and operations of the Group. Approval has to be obtained from the Board prior to any significant transactions entered into by the senior management.

All directors have full and timely access to all relevant information in relation to the Company as well as the advice and services of the company secretary, if and when required, with a view ensuring that the Board procedures and all applicable rules and regulations are followed.

There are established procedures for directors to seek independent professional advice for them to discharge their duties and responsibilities, where appropriate at the Company's expenses.

Composition

The Board currently comprises two executive directors and three independent non-executive directors from different business and professional fields. The directors, including independent non-executive directors, have brought a wide spectrum of valuable business and professional expertise, experiences and independent judgement to the Board for its efficient and effective delivery of the Board function.

The Board of the Company comprises the following directors:

Executive Directors	Mr. Tse On Kin *(Chairman)* Mr. Wong Hin Shek *(Chief Executive Officer)*
Independent Non-executive Directors	Mr. Lau Man Tak Mr. Man Kwok Leung Dr. Wong Yun Kuen

The profiles of each director are set out in the "Biographical Details of Directors and Senior Management" section on pages 6 to 7.

The audit committee comprises three independent non-executive directors of the Company, namely, Mr. Lau Man Tak, Mr. Man Kwok Leung and Dr. Wong Yun Kuen. The Company has received written annual confirmation from each independent non-executive director of their independence pursuant to the requirements of rule 3.13 of the Listing Rules. The Company considers all independent non-executive directors to be independence in accordance with the independence guidelines set out in the Listing Rules.

CORPORATE GOVERNANCE REPORT

Induction for Directors

Each newly appointed director will receive comprehensive, formal and tailored induction on the first occasion of his/her appointment, so as to ensure that he/she has proper understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

There are also arrangements in place for providing continuing briefing and professional development to directors whenever necessary. The directors are continually updated with legal and regulatory developments, and business and market changes to facilitate the discharge of the responsibilities.

Board Meetings

Regular Board meetings are held at least four times a year at approximately quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company. The Board met 6 times during the year ended 31 March 2011.

Agenda and Board papers together with all appropriate, complete and reliable information are normally sent to all directors before each Board meeting to keep the directors apprised to the latest developments and financial position of the Company and to enable them to make informed decisions. All directors are given the opportunity to include matters in the agenda for regular Board meetings. The Board and each director also have separate and independent access to senior management whenever necessary.

Minutes of all Board meetings sufficient details of matters considered and decisions reached are kept by the secretary of the meetings and are open for inspection by the directors. The attendance of individual members of the Board meetings during the year ended 31 March 2011 is set out in the table below:

	Number of Board meetings attended/ eligible to attend
Executive directors	
Mr. Tse On Kin *(Chairman)*	3/6
Mr. Wong Hin Shek *(Chief Executive Officer)*	5/6
Independent non-executive directors	
Mr. Lau Man Tak	1/6
Mr. Man Kwok Leung	6/6
Dr. Wong Yun Kuen	4/6

CORPORATE GOVERNANCE REPORT

APPOINTMENT OF NON-EXECUTIVE DIRECTORS

The Company has specified the terms of appointments for non-executive directors. The terms of appointments of Mr. Lau Man Tak, Mr. Man Kwok Leung and Dr. Wong Yun Kuen as independent non-executive directors were re-determined on 1 January 2011. None of the independent non-executive directors have entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation. Moreover, they are also subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Bye-laws of the Company.

BOARD COMMITTEES

The Board has established two committees, namely the remuneration committee and audit committee. Each of which has specific written terms of reference.

Remuneration Committee

The remuneration committee comprises three independent non-executive directors. The committee is chaired by Mr. Lau Man Tak with Dr. Wong Yun Kuen and Mr. Man Kwok Leung as members.

The primary objectives of the remuneration committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the executive directors and senior management. The remuneration committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

Audit Committee

The audit committee comprises three independent non-executive directors. The committee is chaired by Mr. Lau Man Tak with Dr. Wong Yun Kuen and Mr. Man Kwok Leung as members. None of the members of the audit committee is a former partner of the Company's existing external auditors.

The main duties of the audit committee include the followings:

(a) to review the financial statements and reports and consider any significant or unusual items raised by the qualified accountant, compliance officer (if any), internal auditor (if any) or external auditor before submission to the Board.

(b) to review the relationship with the external auditor by reference to the work performed, their fees and terms of engagement, and make recommendation to the Board on the appointment, reappointment and removal of external auditor.

(c) to review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

CORPORATE GOVERNANCE REPORT

During the year, 2 committee meetings were held and the attendance of each member is set out as follows:

	Number of committee meetings attended/ eligible to attend
Committee members	
Mr. Lau Man Tak *(Chairman)*	2/2
Mr. Man Kwok Leung	2/2
Dr. Wong Yun Kuen	1/2

During the year, the audit committee discussed and reviewed the financial reporting matters including the interim and annual financial statements before submission to the Board, reviewed the management letter points from the external auditor in relation to the audit of the Group.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the directors. All directors have confirmed, following specific enquiry by the Company, that they had complied with the required standard set out in the Model Code throughout the year.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENT

The directors acknowledge their responsibility for preparing the financial statements of the Group and have adopted the accounting principles generally accepted in Hong Kong and compiled with the requirements of Hong Kong Financial Reporting Standards which also include Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. As at 31 March 2011, directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the directors have prepared the financial statements of the Company on a going concern basis. The reporting responsibilities of the Company's independent auditor are set out in the Independent Auditor's Report on pages 19 to 21.

EXTERNAL AUDITOR'S REMUNERATION AND REPORTING RESPONSIBILITIES

During the year, the remuneration in respect of the services rendered by the Group's external auditor is set out as follows:

Services rendered for the Group	**SHINEWING (HK) CPA Limited** HK$'000
Audit services — annual audit	450
Other audit services	380
Total	830

CORPORATE GOVERNANCE REPORT

INTERNAL CONTROLS

The Board is committed to implement a sound and effective internal control system to safeguard the shareholders' investment and the Company's assets. The Board had conducted a review of the effectiveness of the Group's internal control system. Procedures have been set up for safeguarding assets against unauthorized use or disposition, controlling over capital expenditure, maintaining proper accounting records and ensuring the reliability of financial information used for business and publication. Qualified management throughout the Group maintains and monitors the internal control system on an ongoing basis.

COMMUNICATION WITH SHAREHOLDERS

The Board recognises the importance of good communication with shareholders. Information in relation to the Group is disseminated to shareholders in a timely manner through a number of formal channels, which include interim and annual reports, announcements and circulars. Such published documents together with the latest corporate information are also made available on the Company's website.

Shareholders are encouraged to attend all general meetings of the Company, such as the annual general meeting for which at least 20 clear business days notice is given and at which the chairman and directors are available to answer questions on the Group's business.

CORPORATE GOVERNANCE ENHANCEMENT

Enhancing corporate governance is not simply a matter of applying and complying with the CG Code of the Stock Exchange but about promoting and developing an ethical and healthy corporate culture. We will continue to review and, where appropriate, improve our current practices on the basis of our experience, regulatory changes and developments. Any suggestions and recommendations from our shareholders are also welcome and will take into account in the ongoing enhancement of our transparency.

On behalf of the Board

Tse On Kin
Chairman

Hong Kong, 28 June 2011

INDEPENDENT AUDITOR'S REPORT

信永中和
ShineWing

SHINEWING (HK) CPA Limited
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

TO THE SHAREHOLDERS OF CLIMAX INTERNATIONAL COMPANY LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Climax International Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 22 to 69, which comprise the consolidated statement of financial position as at 31 March 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Except for the limitation in the scope of our work as described below, 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 consolidated financial statements.

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

INDEPENDENT AUDITOR'S REPORT

BASIS FOR QUALIFIED OPINION

Corresponding figures

As explained in our independent auditor's report dated 13 July 2010 on the Group's consolidated financial statements for the year ended 31 March 2010, due to the lost of accounting books and records and high turnover rate of accounting personnel of Climax Investments Limited and its subsidiaries (collectively referred to as the "CIL Group"), which was disposed of during the year ended 31 March 2010, we were unable to obtain sufficient appropriate audit evidence to ascertain the appropriateness of the profit for the year from discontinued operation of HK$33,358,000 as recorded in the Group's consolidated statement of comprehensive income for the year ended 31 March 2010, which included loss for the year of the CIL Group attributed to the Group of HK$11,470,000 and the gain on disposal of the CIL Group of HK$44,828,000, and the related amounts recorded in the consolidated statement of cash flows and the related amounts disclosed in the notes to the consolidated financial statements in respect of CIL Group for the year ended 31 March 2010. In addition, we were unable to obtain sufficient reliable evidence to satisfy ourselves as to the existence, accuracy and completeness of the adjustment and/or disclosures in relation to the contingent liabilities, commitment and pledge of assets of the CIL Group arising from the lawsuits and claims against it during the year ended 31 March 2010 and upon its disposal. We issued a "disclaimer opinion" on the consolidated financial statements for the year ended 31 March 2010 in respect of this scope limitation accordingly.

Any adjustments that might have been found necessary in respect of the above would have had a consequential impact on the related amounts recorded in the consolidated statement of comprehensive income and consolidated statement of cash flows; and the related disclosures thereof for the year ended 31 March 2010.

INDEPENDENT AUDITOR'S REPORT

QUALIFIED OPINION ON THE LOSS AND CASH FLOWS ARISING FROM LIMITATION OF SCOPE

In our opinion, except for the possible effects of any adjustments that might have been determined to be necessary had we been able to obtain sufficient information concerning the matters as described in the basis for qualified opinion paragraph, the consolidated statement of comprehensive income and the consolidated statement of cash flows give a true and fair view of the Group's loss and cash flows for the year ended 31 March 2011 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.

OPINION ON THE FINANCIAL POSITION

In our opinion, the consolidated statement of financial position gives a true and fair view of the state of affairs of the Group as at 31 March 2011 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.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Chong Kwok Shing
Practising Certificate Number: P05139

Hong Kong
28 June 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2011

	Notes	**2011 HK$'000**	2010 HK$'000
Continuing operations			
Revenue	7	**87,366**	166,927
Cost of sales		**(86,045)**	(165,238)
Gross profit		**1,321**	1,689
Other revenue	8	**808**	917
Administrative expenses		**(6,311)**	(10,696)
(Loss) gain on changes in fair value of held for trading investments		**(183)**	432
Loss on disposal of held for trading investments		**—**	(4,227)
Finance costs	9	**(2)**	(1)
Loss before tax		**(4,367)**	(11,886)
Income tax expense	10	**(4)**	—
Loss for the year from continuing operations		**(4,371)**	(11,886)
Discontinued operation			
Profit for the year from discontinued operation	11	**—**	33,358
(Loss) profit for the year	12	**(4,371)**	21,472
Other comprehensive expense			
Release of exchange differences upon disposal of subsidiaries		**—**	(1,096)
Other comprehensive expense for the year		**—**	(1,096)
Total comprehensive (expense) income for the year		**(4,371)**	20,376
(Loss) profit for the year attributable to:			
Owners of the Company			
— Loss for the year from continuing operations		**(4,371)**	(11,885)
— Profit for the year from discontinued operation		**—**	33,358
(Loss) profit for the year attributable to owners of the Company		**(4,371)**	21,473
Non-controlling interests			
— Loss for the year from continuing operations		**—**	(1)
— Profit for the year from discontinued operation		**—**	—
Loss for the year attributable to non-controlling interests		**—**	(1)
		(4,371)	21,472

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2011

	Note	**2011 HK$'000**	2010 HK$'000
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(4,371)**	20,377
Non-controlling interests		**—**	(1)
		(4,371)	20,376
(LOSS) EARNINGS PER SHARE			
Basic and diluted (loss) earnings per share (in Hong Kong cents)	15		
From continuing operations		**(0.38)**	(1.03)
From discontinued operation		**—**	2.90
		(0.38)	1.87

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2011

	Notes	**2011** **HK$'000**	2010 HK$'000
Non-current asset			
Plant and equipment	16	**240**	303
Current assets			
Trade receivables	17	**21**	39,494
Deposits, prepayments and other receivables	18	**6,211**	431
Held for trading investments	19	**4,299**	4,482
Deposits in other financial institutions	20	**170**	63
Bank balances and cash	21	**59,908**	69,722
		70,609	114,192
Current liabilities			
Trade and other payables	22	**2,526**	41,800
Income tax payable		**4**	—
Obligation under finance lease			
— amount due within one year	23	**6**	5
		2,536	41,805
Net current assets		**68,073**	72,387
Total assets less current liabilities		**68,313**	72,690
Non-current liability			
Obligation under finance lease			
— amount due after one year	23	**18**	24
		68,295	72,666
Capital and reserves			
Share capital	24	**11,486**	11,486
Reserves		**56,809**	61,180
Total equity attributable to owners of the Company and total equity		**68,295**	72,666

The consolidated financial statements on pages 22 to 69 were approved and authorised for issue by the board of directors on 28 June 2011 and are signed on its behalf by:

Director *Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2011

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000	Translation reserve HK$'000	Share options reserve HK$'000	Capital reserve HK$'000 (Note a)	Contributed surplus HK$'000 (Note b)	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 April 2009	11,486	131,205	1,096	2,935	17,900	103,941	(216,274)	52,289	1	52,290
Profit for the year	—	—	—	—	—	—	21,473	21,473	(1)	21,472
Other comprehensive expense for the year	—	—	(1,096)	—	—	—	—	(1,096)	—	(1,096)
Total comprehensive (expense) income for the year	—	—	(1,096)	—	—	—	21,473	20,377	(1)	20,376
Cancellation of share options	—	—	—	(675)	—	—	675	—	—	—
At 31 March 2010	11,486	131,205	—	2,260	17,900	103,941	(194,126)	72,666	—	72,666
Total comprehensive expense for the year	—	—	—	—	—	—	(4,371)	(4,371)	—	(4,371)
At 31 March 2011	11,486	131,205	—	2,260	17,900	103,941	(198,497)	68,295	—	68,295

Notes:

(a) The balance of capital reserve represents the capital reserve arising from the group restructuring which took place in 1992.

(b) The balance of contributed surplus arose as a result of the Company's capital reduction exercises which took place in the financial years of 2003 and 2006.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2011

	Note	2011 HK$'000	2010 HK$'000
OPERATING ACTIVITIES			
Loss before tax from continuing operations		**(4,367)**	(11,886)
Profit before tax from discontinued operation		**—**	33,282
		(4,367)	21,396
Adjustments for:			
Release of non-current prepayments		**—**	524
Depreciation for plant and equipment		**63**	243
Loss (gain) on changes in fair value of held for trading investments		**183**	(432)
Loss on written off of plant and equipment		**—**	3,610
Impairment loss recognised in respect of deposits, prepayments and other receivables		**—**	454
Impairment loss recognised in respect of amount due from a related company		**—**	320
Deposits forfeited for early termination of a rental agreement		**—**	691
Interest income		**(408)**	(181)
Dividend income		**(155)**	(148)
Gain on disposal of subsidiaries	26	**—**	(44,828)
Finance costs		**2**	15
Loss on disposal of held for trading investments		**—**	4,227
Allowance for inventories		**—**	200
Written off of other payables		**(245)**	(588)
Operating cash flows before movements in working capital		**(4,927)**	(14,497)
Decrease (increase) in trade receivables		**39,473**	(34,767)
(Increase) decrease in deposits, prepayments and other receivables		**(780)**	1,050
(Decrease) increase in trade and other payables		**(39,029)**	41,411
Cash used in operations		**(5,263)**	(6,803)
Income tax paid		**—**	(118)
NET CASH USED IN OPERATING ACTIVITIES		**(5,263)**	(6,921)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2011

	Note	**2011** **HK$'000**	2010 HK$'000
INVESTING ACTIVITIES			
Deposit paid for acquisition of an investment		**(5,000)**	—
(Increase) decrease in deposits in other financial institutions		**(107)**	69,740
Dividend received		**155**	148
Interest received		**408**	181
Purchase of plant and equipment		**—**	(13)
Repayment from related companies		**—**	63
Proceeds from disposal of held for trading investments		**—**	1,543
Net cash inflow on disposal of subsidiaries	26	**—**	2,342
NET CASH (USED IN) FROM INVESTING ACTIVITIES		**(4,544)**	74,004
FINANCING ACTIVITIES			
Repayment for obligation under finance lease		**(5)**	(1)
Interest paid		**(2)**	(15)
NET CASH USED IN FINANCING ACTIVITIES		**(7)**	(16)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(9,814)**	67,067
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**69,722**	2,655
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash		**59,908**	69,722

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

1. GENERAL

Climax International Company Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability with its shares listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the section headed "Corporation Information" to the annual report.

The functional currency of the major operating subsidiary is United States dollars ("US$") while that of the remaining subsidiaries are all in Hong Kong dollars ("HK$"). The functional currency of the Company is US$, which is different from its presentation currency, HK$. As the Company is listed in Hong Kong, the directors of the Company consider that it is appropriate to present the consolidated financial statements in HK$.

The Company is an investment holding company. Its subsidiaries principally engaged in trading of electronic products. Details of the principal activities of the subsidiaries are disclosed in note 31.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
Hong Kong Accounting Standard ("HKAS") 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 (Amendment)	Classification of Rights Issues
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK-Interpretation ("Int") 5	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners

HKFRS 3 (Revised 2008) Business Combinations

The Group applies HKFRS 3 (Revised) Business Combinations prospectively to business combinations of which the acquisition date is on or after 1 April 2010. The requirements in HKAS 27 (Revised) Consolidated and Separate Financial Statements in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 April 2010.

As there was no transaction during the current year in which HKFRS 3(Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the consolidated financial statements of the Group for the current or prior accounting periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

Results of the Group in future periods, may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs 2010 except for the amendments to HKFRS 3 (Revised in 2008), HKFRS 7, HKAS 1 and HKAS 28[1]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[2]
HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[4]
HKFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets[4]
HKFRS 9	Financial Instruments[6]
HKFRS 10	Consolidated Financial Statements[6]
HKFRS 11	Joint Arrangements[6]
HKFRS 12	Disclosure of Interests in Other Entities[6]
HKFRS 13	Fair Value Measurement[6]
HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 24 (Revised)	Related Party Disclosures[3]
HKAS 27 (2011)	Separate Financial Statements[6]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[6]
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[3]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

1 Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1 July 2010.
3 Effective for annual periods beginning on or after 1 January 2011.
4 Effective for annual periods beginning on or after 1 July 2011.
5 Effective for annual periods beginning on or after 1 January 2012.
6 Effective for annual periods beginning on or after 1 January 2013.

HKFRS 9 Financial Instruments issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard will have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The amendments to HKFRS 7 titled Disclosures — Transfers of Financial Assets increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The directors do not anticipate that these amendments to HKFRS 7 will have a significant effect on the Group's disclosures regarding transfers of financial assets. However, if the Group enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

HKAS 24 Related Party Disclosures (as revised in 2009) modifies the definition of a related party and simplifies disclosures for government-related entities.

The disclosure exemptions introduced in HKAS 24 (as revised in 2009) do not affect the Group because the Group is not a government-related entity.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

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

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 April 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

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

Revenue from sale of goods is recognised when the goods are delivered and title has passed.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Rental income under operating leases of buildings is recognised on a straight-line basis over the lease team.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Leasing

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

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs (see the accounting policy below).

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

From 1 April 2010 onwards, on the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Borrowing costs

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

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

Taxation

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Plant and equipment

Plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of plant and equipment less their residual values over their estimated useful lives using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into financial assets at fair value through profit or loss ("FVTPL") and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Financial assets at fair value through profit or loss

Financial assets at FVTPL represent financial assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, deposits and other receivables, deposits in other financial institutions, and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are mainly other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities including trade and other payables and obligation under finance lease are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to directors and employees after 7 November 2002 and vested on or after 1 January 2005

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated losses.

Share options granted to suppliers/consultants

Share options issued in exchange for goods or services are measured at the fair values of the goods or services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity (share options reserve), when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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.

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment of trade receivables

Allowances for estimated irrecoverable amounts are recognised in profit and loss when there is objective evidence that the receivables are not recoverable.

In making the judgement, management considered detailed procedures have been in place to monitor this risk as a significant proportion of the Group's working capital is devoted to trade receivables. In determining whether provision for impairment is required, the Group takes into consideration the ageing status, and likelihood of collection. Specific provision is only made for trade receivables that are unlikely to be collected. As at 31 March 2011, the carrying amount of trade receivables is approximately HK$21,000 (31 March 2010: HK$39,494,000). No allowance for doubtful debts was provided for the year ended 31 March 2011 and 2010.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt representing obligation under finance lease, cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on an annual basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through new shares issue. The directors of the Company will also consider the raise of long-term borrowings as second resource of capital when investment opportunities arise and the return of such investments will justify the cost of debts from the borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

6. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2011	2010
	HK$'000	HK$'000
Financial assets		
Fair value through profit or loss		
— held for trading investments	**4,299**	4,482
Loans and receivables (including cash and cash equivalents)	**65,207**	109,386
Financial liabilities		
Other financial liabilities stated at amortised cost	**2,550**	41,829

b. Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, deposits and other receivables, held for trading investments, deposits in other financial institutions, bank balances and cash, trade and other payables and obligation under finance lease. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

As at 31 March 2011, majority bank balances and cash and trade receivables (2010: majority bank balances and cash, held for trading investments and other payables) of the Group are denominated in foreign currencies which expose the Group to currency risk. The Group did not have a foreign currency hedging policy as at the end of the reporting period. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

6. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) Currency risk (Continued)

The carrying amounts of the Group's foreign currency denominated financial assets and financial liabilities at the reporting date are as follows:

	2011			2010		
	Financial assets HK$'000	**Financial liabilities HK$'000**	**Net exposure HK$'000**	Financial assets HK$'000	Financial liabilities HK$'000	Net exposure HK$'000
HK$	**6,810**	**2,526**	**4,284**	74,374	3,384	70,990
Renminbi ("RMB")	**41,948**	**—**	**41,948**	—	—	—

Sensitivity analysis

The Group is mainly exposed to HK$ and RMB (2010: HK$).

The following table details the Group's sensitivity to a possible percentage change in the functional currencies of the relevant group entities, US$ and HK$ against the relevant foreign currencies. The percentages in the table are the sensitivity rates used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for the relevant change in foreign currency rates.

A negative number below indicates an increase in loss (2010: a decrease in profit) after tax where the respective functional currencies strengthen certain percentages against the relevant foreign currencies. For the same percentages weakening of the respective functional currencies against the relevant foreign currencies, there would be an equal and opposite impact on the loss (2010: profit) after tax and accumulated losses, and the balances below would be positive.

	Effect on profit or loss after tax	
	2011 HK$'000	2010 HK$'000
Respective functional currencies strengthen against		
— HK$ by 1%	**(43)**	(710)
— RMB by 5%	**(2,097)**	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

6. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk primarily in relation to variable-rate deposits in other financial institutions and bank balances. The Group currently does not have an interest rate risk hedging policy. However, the management monitors interest rate exposure and will consider other necessary action when significant interest rate exposure is anticipated.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of prevailing market interest rate arising from the Group's deposits in other financial institutions and bank balances.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis points (2010: 100 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points (2010: 100 basis points) higher/lower and all other variables were held constant, the Group's loss for the year ended 31 March 2011 would decrease/increase by approximately HK$597,000 (2010: profit for the year would increase/decrease by HK$694,000).

(iii) Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities in Hong Kong. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk is mainly concentrated on equity instruments operating in telecommunication industry section quoted in the Stock Exchange. The management will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

If the prices of the respective equity instruments had been 10% (2010: 10%) higher/lower, loss for the year ended 31 March 2011 would decrease/increase by approximately HK$430,000 (2010: profit for the year would increase/decrease by HK$448,000) as a result of the changes in fair value of held for trading investments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

6. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk

As at 31 March 2011, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks and financial institutions with high credit-ratings assigned by international credit-rating agencies.

The Group's concentration of credit risk by geographical locations is mainly in Europe, which accounted for 100% (2010: 100%) of the total trade receivables as at 31 March 2011.

The Group has concentration of credit risk as 100% (2010: 0%) and 100% (2010: 99.6%) of the total trade receivables was due from the Group's largest customers and the five largest customers respectively.

Collateral held as security and other credit enhancement

The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

The amounts included below for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates different to those estimates of interest rates determined at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

6. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity table

	On demand or within 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total undiscounted cash flows	Carrying amount at 31 March
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 March 2011					
Non-derivative financial liabilities					
Trade and other payables	2,526	—	—	2,526	2,526
Obligation under finance lease	7	7	13	27	24
	2,533	7	13	2,553	2,550
At 31 March 2010					
Non-derivative financial liabilities					
Trade and other payables	41,800	—	—	41,800	41,800
Obligation under finance lease	7	7	20	34	29
	41,807	7	20	41,834	41,829

c. Fair value

The fair values of financial assets and financial liabilities are determined as follows:

— the fair values of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices, and ask prices respectively; and

— the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing model based on discounted cash flow analysis.

The directors of the Company consider that the fair values of other financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate their carrying amounts due to short term maturities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

6. FINANCIAL INSTRUMENTS (Continued)

c. Fair value (Continued)

Fair value measurements recognised in the consolidated statement of financial position

Financial instruments that are measured subsequent to initial recognition at fair value, are disclosed in the following hierarchy based on the degree to which the fair value is observable.

— Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

— Level 2 fair value measurements are those derived from inputs other than quoted prices included with Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

— Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at 31 March 2011, the Group's non-derivative financial assets held for trading of HK$4,299,000 (2010: HK$4,482,000) is classified as level 1.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2010: Nil).

7. REVENUE AND SEGMENT INFORMATION

The principle activity of the Group is trading of electronic products.

Revenue represents the net amounts received and receivable for goods sold by the Group to outside customers less discounts.

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial data and information provided regularly to the Group's chief operating decision maker, the Chief Executive Officer, for the purpose of allocating resources to segments and assessing their performance. The Group is organised into a single operating segment of trading of electronic products. Accordingly, no reportable segment is presented.

Paper products segment was discontinued with effect from 17 March 2010. Its revenue and results are stated in note 11.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

7. REVENUE AND SEGMENT INFORMATION (Continued)

(a) Geographical information

The Group's operations are located in Hong Kong during the year ended 31 March 2011. During the year ended 31 March 2010, the Group's operations were located in Hong Kong and the People's Republic of China (the "PRC") before the disposal of certain subsidiaries on 17 March 2010.

The Group's revenue from continuing operations from external customers and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers		Non-current assets	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Europe	**87,366**	135,900	**—**	—
Australia	**—**	31,027	**—**	—
Hong Kong	**—**	—	**240**	303
	87,366	166,927	**240**	303

Non-current asset excluded those relating to discontinued operation.

(b) Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2011	2010
	HK$'000	HK$'000
Customer A	**—***	92,064
Customer B	**87,366**	74,863

* The corresponding revenue did not contribute over 10% of the total sales of the Group in the respective year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

8. OTHER REVENUE

	2011	2010
	HK$'000	HK$'000
Continuing operations		
Dividend income	**155**	148
Interest income	**408**	181
Written off of other payables	**245**	588
	808	917

9. FINANCE COSTS

	2011	2010
	HK$'000	HK$'000
Continuing operations		
Interest on obligation under finance lease	**2**	1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

10. INCOME TAX EXPENSE

Continuing operations

	2011	2010
	HK$'000	HK$'000
Hong Kong Profits Tax		
— Under-provision in prior year	**4**	—

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

No provision for Hong Kong Profits Tax has been made as the Group did not have any assessable profits subject to Hong Kong Profits Tax for both years.

No provision for tax in other jurisdictions has been made as the Group did not have any assessable profits in the respective jurisdictions for both years.

The income tax expense can be reconciled to the loss before tax per consolidated statement of comprehensive income as follows:

	2011	2010
	HK$'000	HK$'000
Loss before tax (from continuing operations)	**(4,367)**	(11,886)
Tax at Hong Kong Profits Tax rate at 16.5% (2010: 16.5%)	**(720)**	(1,961)
Tax effect of expenses not deductible for tax purpose	**187**	196
Tax effect of income not taxable for tax purpose	**(93)**	(42)
Tax effect of tax losses and other deductible temporary differences not recognised	**626**	1,807
Under-provision in prior year	**4**	—
Income tax expense	**4**	—

At 31 March 2011, the Group had unused tax losses and other deductible temporary difference of approximately HK$20,247,000 (2010: HK$16,484,000) and HK$152,000 (2010: HK$123,000) respectively available for offsetting against future profits. No deferred tax asset has been recognised in respect of these tax losses and deductible temporary difference due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

11. DISCONTINUED OPERATION

On 8 October 2009, the Group entered into a sale agreement with Good Billion Holdings Limited ("Good Billion"), a company wholly-owned by Mr. Tse On Kin, who is a substantial shareholder of the Group, to dispose of Climax Investments Limited and its subsidiaries (hereinafter collectively referred to as the "CIL Group"), which carried out the Group's paper products business.

The disposal was effected in order to generate cash flows for the expansion of the Group's electronic products business. The disposal was completed on 17 March 2010, on which date control of the CIL Group passed to the acquirer.

The profit for the year from the discontinued operation is analysed as follows:

	Year ended 31 March 2011 HK$'000	Year ended 31 March 2010 HK$'000
Loss of paper products operation for the year attributable to the Group	—	(11,470)
Gain on disposal of paper products operation (Note 26)	—	44,828
	—	33,358

The results of the paper products operation for the period from 1 April 2009 to 17 March 2010, which have been included in the consolidated statement of comprehensive income, were as follows:

	Year ended 31 March 2011 HK$'000	Period ended 17 March 2010 HK$'000
Revenue	—	12,768
Cost of sales	—	(13,339)
Gross loss	—	(571)
Other revenue	—	1,347
Selling and distribution expenses	—	(811)
Administrative expenses	—	(11,497)
Finance costs	—	(14)
Loss before tax	—	(11,546)
Income tax credit	—	76
Loss for the year/period	—	(11,470)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

11. DISCONTINUED OPERATION (Continued)

Loss for the year/period from discontinued operation has been arrived at after charging (crediting):

	Year ended 31 March 2011 HK$'000	Period ended 17 March 2010 HK$'000
Allowance for inventories	—	200
Release of non-current prepayments	—	524
Loss on written off of plant and equipment	—	2,659
Staff costs	—	6,573
Rental income, net of outgoings included in administrative expenses of Nil (2010: HK$524,000)	—	(666)

No charge or credit arose on gain on discontinuance of the operation.

Cash flows from discontinued operation:

	Year ended 31 March 2011 HK$'000	Period ended 17 March 2010 HK$'000
Net cash outflows from operating activities	—	(850)
Net cash inflows from investing activities	—	1,247
Net cash outflows from financing activities	—	(289)
Net cash inflows	—	108

The carrying amounts of the assets and liabilities of the CIL Group at the date of disposal were disclosed in Note 26.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

12. (LOSS) PROFIT FOR THE YEAR

(Loss) profit for the year has been arrived at after charging:

	2011	2010
	HK$'000	HK$'000
Continuing operations		
Directors' emoluments (Note 13)	**240**	219
Other staff costs	**1,278**	404
Retirement benefit scheme contributions for staff	**49**	17
Total staff costs	**1,567**	640
Auditor's remuneration	**450**	450
Depreciation for plant and equipment	**63**	243
Exchange loss	**59**	—
Loss on written off of plant and equipment	**—**	951
Impairment loss recognised in respect of deposits, prepayments and other receivables	**—**	454
Impairment loss recognised in respect of amount due from a related company	**—**	320
Deposits forfeited for early termination of a rental agreement	**—**	691
Lease payment in respect of rented premises	**600**	2,385

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(i) Directors' emoluments

The emoluments paid or payable to each of the 5 (2010: 6) directors were as follows:

	Fees HK$'000	Salaries and other benefits HK$'000	Contributions to retirement benefits scheme HK$'000	Share-based payment HK$'000	Total HK$'000
Year ended 31 March 2011					
Executive directors					
Tse On Kin	60	—	—	—	60
Wong Hin Shek	—	—	—	—	—
	60	—	—	—	60
Independent non-executive directors					
Lau Man Tak	60	—	—	—	60
Man Kwok Leung	60	—	—	—	60
Wong Yun Kuen	60	—	—	—	60
	180	—	—	—	180
	240	—	—	—	240

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(i) Directors' emoluments (Continued)

	Fees HK$'000	Salaries and other benefits HK$'000	Contributions to retirement benefits scheme HK$'000	Share-based payment HK$'000	Total HK$'000
Year ended 31 March 2010					
Executive directors					
Tse On Kin (Note a)	—	—	—	—	—
Wong Hin Shek	—	—	—	—	—
Chan Hoi Ling (Note b)	39	—	—	—	39
	39	—	—	—	39
Independent non-executive directors					
Lau Man Tak	60	—	—	—	60
Man Kwok Leung	60	—	—	—	60
Wong Yun Kuen	60	—	—	—	60
	180	—	—	—	180
	219	—	—	—	219

Notes:

(a) Appointed on 31 March 2010.
(b) Resigned on 24 November 2009.

No director has waived any emoluments during the two years ended 31 March 2011 and 2010.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(ii) Employees' emoluments

No director was included in the five highest paid individuals of the Group for the two years ended 31 March 2011 and 2010. The emoluments of the five highest paid employees are as follows:

	2011 **HK$'000**	2010 HK$'000
Salaries and other benefits	**1,278**	2,527
Contributions to retirement benefits scheme	**49**	24
	1,327	2,551

Emoluments of these employees were within the following bands:

	Number of employee(s)	
	2011	2010
Nil to HK$1,000,000	**5**	4
HK$1,000,001 to HK$1,500,000	**—**	1
	5	5

No emoluments have been paid by the Group to any of the directors of the Company and the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the two years ended 31 March 2011 and 2010.

14. DIVIDEND

No dividend was paid or proposed during the year ended 31 March 2011, nor has any dividend been proposed since the end of the reporting period (2010: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

15. (LOSS) EARNINGS PER SHARE

For continuing and discontinued operations

The calculation of the basic and diluted (loss) earnings per share attributable to the owners of the Company is based on the loss for the year attributable to owners of the Company of approximately HK$4,371,000 (2010: profit of HK$21,473,000) and the following data:

	2011	2010
Number of shares		
Weighted average number of shares for the purpose of basic and diluted (loss) earnings per share	**1,148,661,140**	1,148,661,140

From continuing operations

The calculation of the basic and diluted loss per share from continuing operations attributable to the owners of the Company is based on the following data:

(Loss) earnings figures are calculated as follows:

	2011 **HK$'000**	2010 HK$'000
(Loss) profit for the year attributable to owners of the Company	**(4,371)**	21,473
Less:		
Profit for the year from discontinued operation	—	33,358
Loss for the purpose of basic and diluted loss per share from continuing operations	**(4,371)**	(11,885)

The denominators used are the same as those detailed above for both basic and diluted loss per share.

From discontinued operation

Basic and diluted earnings per share for the discontinued operation is HK2.90 cents per share (2011: Nil), based on the profit for the year ended 31 March 2010 from the discontinued operation of approximately HK$33,358,000 (2011: Nil) and the denominators detailed above for both basic and diluted earnings per share.

The computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options as the exercise price of those options is higher than the average market price for shares during two years ended 31 March 2011 and 2010 before the suspension of trading in shares on the Stock Exchange in September 2008.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

16. PLANT AND EQUIPMENT

	Furniture and fixtures HK$'000	Machinery and equipment HK$'000	Motor vehicles HK$'000	Office equipment HK$'000	Total HK$'000
COST					
At 1 April 2009	7,318	56,743	1,268	6,776	72,105
Additions	43	—	—	—	43
Written off	(6,985)	(56,743)	(1,268)	(6,776)	(71,772)
At 31 March 2010 and 31 March 2011	376	—	—	—	376
DEPRECIATION					
At 1 April 2009	5,864	54,300	1,057	6,771	67,992
Provided for the year	243	—	—	—	243
Eliminated on written off	(6,034)	(54,300)	(1,057)	(6,771)	(68,162)
At 31 March 2010	73	—	—	—	73
Provided for the year	63	—	—	—	63
At 31 March 2011	136	—	—	—	136
CARRYING VALUES					
At 31 March 2011	240	—	—	—	240
At 31 March 2010	303	—	—	—	303

The above items of plant and equipment are depreciated over their estimated useful lives, using the straight-line method, at the following rates per annum:

Furniture and fixtures	8% — 33%
Machinery and equipment	8% — 14%
Motor vehicles	20%
Office equipment	10% — 20%

As at 31 March 2011, the carrying value of furniture and fixtures in respect of assets held under finance lease was approximately HK$23,000 (2010: HK$29,000).

During the year ended 31 March 2010, certain machinery and equipment related to the paper products operation has been fully written off as no future economic benefits were expected to arise from these assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

17. TRADE RECEIVABLES

	2011	2010
	HK$'000	HK$'000
Trade receivables	**21**	39,494
Less: impairment loss recognised	**—**	—
	21	39,494

The Group allows an average credit period of 90 days (2010: 90 days) to its trade customers. The following is an aged analysis of trade receivables net of impairment loss recognised presented based on the invoice date at the end of the reporting period. The Group did not hold any collateral over these balances.

	2011	2010
	HK$'000	HK$'000
Within 30 days	**—**	34,099
31 – 60 days	**9**	4,961
61 – 90 days	**9**	252
91 – 120 days	**3**	171
Over 120 days	**—**	11
	21	39,494

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK$3,000 (2010: HK$182,000) which are past due as at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. Trade receivables that were past due but not impaired relate to independent customers that have a good track record with the Group. Based on the past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

17. TRADE RECEIVABLES (Continued)

Ageing of trade receivables which are past due but not impaired

	2011	2010
	HK$'000	HK$'000
91 – 120 days	**3**	171
Over 120 days	**—**	11
Total	**3**	182

Trade receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default.

Movement in the impairment loss on trade receivables

	2011	2010
	HK$'000	HK$'000
1 April	**—**	7,037
Disposal of subsidiaries	**—**	(7,037)
31 March	**—**	—

The Group did not hold any collateral over these balances. The factors considered by management in determining the allowance are described in note 4. It was assessed that the remaining portion of the receivables is expected to be recovered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

18. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2011	2010
	HK$'000	HK$'000
Other receivables	—	454
Less: impairment loss recognised	—	(454)
	—	—
Deposits and prepayments	**1,211**	431
Refundable deposit paid for acquisition of an investment	**5,000**	—
	6,211	431

Movement in the impairment loss on deposits, prepayments and other receivables

	2011	2010
	HK$'000	HK$'000
1 April	**454**	18,985
Impairment loss recognised	—	454
Written off on receivables	**(454)**	—
Disposal of subsidiaries	—	(18,985)
31 March	—	454

As at 31 March 2010, included in other receivables amounting approximately HK$454,000 was due from an investee of unlisted equity investments held by the Group and full amount of impairment loss was recognised during the year ended 31 March 2010. As at 31 March 2010, included in the impairment loss on deposits, prepayments and other receivables were individually impaired other receivables with an aggregate balance of approximately HK$454,000 since the management considered the prolonged outstanding balances were uncollectible. No impairment loss on deposits, prepayments and other receivables was included as at 31 March 2011. The Group did not hold any collateral over these balances. The factors considered by management in determining the impairment are described in note 4.

Included in deposits, prepayments and other receivables as at 31 March 2011 are refundable deposit of HK$5,000,000 paid for acquisition of an investment.

Pursuant to a conditional sale and purchase agreement entered into between the Company and an independent third party (the "Vendor"), on 20 January 2011, the Vendor agreed to sell and the Company agreed to purchase the entire issued share capital of a company which, together with its subsidiaries, is principally engaged in manufacture and sale of paper packaging products and paper gift items and the printing of paper promotional materials.

Details are set out in the Company's announcement dated 9 February 2011.

The proposed acquisition had not yet been completed at the date of this report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

19. HELD FOR TRADING INVESTMENTS

The held for trading investments comprise equity securities listed in Hong Kong and are stated at fair values which are based on the quoted market bid prices on the Stock Exchange.

20. DEPOSITS IN OTHER FINANCIAL INSTITUTIONS

The amounts represented deposits placed with securities brokers for trading listed securities in Hong Kong and carried interest at prevailing market rates for both years.

21. BANK BALANCES AND CASH

Bank balances and cash comprise bank balances carrying interest at prevailing market rates.

22. TRADE AND OTHER PAYABLES

	2011	2010
	HK$'000	HK$'000
Trade payables	—	38,381
Other payables and accruals	**2,526**	3,419
	2,526	41,800

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period.

	2011	2010
	HK$'000	HK$'000
Within 30 days	—	33,604
31 – 60 days	—	4,777
	—	38,381

The average credit period on purchases of goods is 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

23. OBLIGATION UNDER FINANCE LEASE

	2011	2010
	HK$'000	HK$'000
Analysed for reporting purposes as:		
Current liabilities	**6**	5
Non-current liabilities	**18**	24
	24	29

It is the Group's policy to lease certain of its furniture and fixtures under finance lease. The contracted lease term is 5 years. Interest rates are fixed at the contract date. For the year ended 31 March 2011, the average effective borrowing rate (which was also equal to contracted interest rates) is 7.68% (2010: 7.68%). The lease is on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

	Minimum lease payments		**Present value of minimum lease payments**	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable under finance lease				
Within one year	**7**	7	**6**	5
In more than one year but not more than two years	**7**	7	**6**	6
In more than two years but not more than five years	**13**	20	**12**	18
	27	34	**24**	29
Less: Future finance charges	**(3)**	(5)	**N/A**	N/A
Present value of lease obligation	**24**	29	**24**	29
Less: Amount due for settlement within one year shown under current liabilities			**(6)**	(5)
Amount due for settlement after one year			**18**	24

The Group's obligation under finance lease is secured by the lessors' charge over the leased assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

24. SHARE CAPITAL

	Number of shares	Par value per ordinary share HK$	Share capital HK$'000
Authorised:			
At 1 April 2009, 31 March 2010 and 31 March 2011	10,000,000,000	0.01	100,000
Issued and fully paid:			
At 1 April 2009, 31 March 2010 and 31 March 2011	1,148,661,140	0.01	11,486

25. SHARE OPTIONS

On 29 August 2002, the Company adopted a share option scheme (the "Scheme") which complies with the new requirements of Chapter 17 of the Listing Rules effective 1 September 2001.

No option was granted during the year ended 31 March 2011 and 2010.

The details of the movements in the number of options outstanding during the year which have been granted under the Scheme are as follows:

Year ended 31 March 2011

Category/ name of participant	Date of grant (Notes 1&2)	Exercise period (Note 1)	Exercise price per share HK$	Number of share options						Weighted average closing price (Note 3)
				Outstanding at 1.4.2010	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding at 31.3.2011	
Director										
Wong Hin Shek	17.6.2008	17.6.2008 to 16.6.2011	0.1740	9,000,000	—	—	—	—	9,000,000	N/A
Others										
In aggregate	17.6.2008	17.6.2008 to 16.6.2011	0.1740	26,999,994	—	—	—	—	26,999,994	N/A
Total				35,999,994	—	—	—	—	35,999,994	
Weighted average exercise price				0.1740	N/A	N/A	N/A	N/A	0.1740	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

25. SHARE OPTIONS (Continued)

The details of the movements in the number of options outstanding during the year which have been granted under the Scheme are as follows:

Year ended 31 March 2010

Category/ name of participant	Date of grant (Notes 1&2)	Exercise period (Note 1)	Exercise price per share HK$	Number of share options: Outstanding at 1.4.2009	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding at 31.3.2010	Weighted average closing price (Note 3)
Director										
Wong Hin Shek	17.6.2008	17.6.2008 to 16.6.2011	0.1740	9,000,000	—	—	—	—	9,000,000	N/A
Employees and others										
In aggregate	30.4.2007	30.4.2007 to 29.4.2010 (Note 4)	0.2084	6,180,000	—	—	—	(6,180,000)	—	N/A
	17.6.2008	17.6.2008 to 16.6.2011	0.1740	26,999,994	—	—	—	—	26,999,994	N/A
				33,179,994	—	—	—	(6,180,000)	26,999,994	
Total				42,179,994	—	—	—	(6,180,000)	35,999,994	
Weighted average exercise price				0.1790	N/A	N/A	N/A	0.2084	0.1740	

Notes:

(1) All dates are shown day/month/year.

(2) The vesting period of the options is from the date of grant until the commencement of the exercise period.

(3) The weighted average closing price of the Company's shares immediately before the dates on which the options were exercised.

(4) The grantee of the share options is no longer the employee of the Group after the completion of disposal of the CIL Group on 17 March 2010. Those share options lapsed on the date of cessation of the employment with the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

26. DISPOSAL OF SUBSIDIARIES

As referred to in note 11, on 17 March 2010, the Group discontinued its paper products operation at the time of disposal of its subsidiaries, the CIL Group. The net liabilities of the CIL Group at the date of disposal were as follows:

	HK$'000
Prepayments — non-current	9,693
Trade receivables	2,497
Deposits, prepayments and other receivables	6,235
Bank balances and cash	158
Trade and other payables	(56,867)
Income tax payable	(2,136)
Obligation under finance lease — amount due within one year	(492)
Amount due to ultimate holding company	(364,843)
Amount due to a fellow subsidiary	(320)
Net liabilities disposed of	(406,075)
Translation reserve realised on disposal of subsidiaries	(1,096)
Disposal of the total indebtedness owned by the CIL Group to the Company at the date of disposal	364,843
Gain on disposal	44,828
Total consideration	2,500
Satisfied by:	
Cash	2,500
Net cash inflow arising from disposal:	
Cash consideration	2,500
Bank balances and cash disposed of	(158)
	2,342

The impact of the CIL Group on the Group's results and cash flows in the prior period is disclosed in note 11.

27. COMMITMENTS

	2011 **HK$'000**	2010 HK$'000
Capital expenditure in respect of acquisition of assets contracted but not provided in the consolidated financial statements	**565**	1,420

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

28. OPERATING LEASES

The Group as lessee

	2011	2010
	HK$'000	HK$'000
Minimum lease payments paid under operating leases during the year:		
Premises	**600**	2,385

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2011	2010
	HK$'000	HK$'000
Within one year	**—**	550

Operating lease payments represent rentals payable by the Group for its office premises. Leases are negotiated for a term of one year. The lease payments are fixed and no arrangements have been entered into for contingent rental.

29. RETIREMENT BENEFITS SCHEME

Hong Kong

A retirement plan has been established for all eligible employees of the Group in Hong Kong starting from 1 January 1996. Eligible employees enjoy a defined contribution scheme to which the employees and the Group contribute 5% and 5–10% of monthly salary respectively. Employees under the defined contribution scheme are entitled to 100% of the employers' contribution and the accrued interest upon retirement or leaving the Group after completing ten years of service counting from the date of joining the Group, or at a reduced scale of between 30% and 90% after completing three to nine years of service counting from the date of joining the Group. From 1 December 2000 onwards, staff in Hong Kong are required to join the new Mandatory Provident Fund Scheme (the "MPF Scheme"). Contributions to the MPF Scheme are made in accordance with the statutory limits prescribed by the Mandatory Provident Fund Ordinance.

	2011	2010
	HK$'000	HK$'000
Employers' contributions under defined contribution schemes and MPF Scheme	**49**	66

The PRC

No defined contribution retirement scheme organised by the government in PRC was noted for the year ended 31 March 2011. For the year ended 31 March 2010, the Group participates in a defined contribution retirement scheme organised by the government in PRC. All employees of the Group in PRC are entitled to an annual pension equal to a fixed portion of their individual final basic salaries at their retirement date. The Group is required to contribute a specified percentage of the payroll of its employees to the retirement scheme. The total contribution incurred in connection with the scheme for the year ended 31 March 2010 was approximately HK$81,000. No forfeited contributions may be used by the employers to reduce the existing level of contributions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

30. RELATED PARTY TRANSACTIONS

Other than as disclosed elsewhere in the consolidated financial statements, during the year the Group entered into the following related party transactions:

(i) on 17 March 2010, the Company completed the disposal of the entire interest in CIL Group to Good Billion Holdings Limited, which is wholly-owned by Mr. Tse On Kin, a substantial shareholder and the director of the Company. Details of the disposal are stated in notes 11 and 26 respectively.

(ii) the Group paid rent amounting HK$600,000 during the year ended 31 March 2011 (2010: HK$400,000) to Kingston Property Investment Limited, of which Mr. Tse On Kin is one of the directors since 29 July 2009.

(iii) no consultancy fees was paid to Mr. Chan Hoi Lam during the year ended 31 March 2011 (2010: HK$207,000).

The remuneration of key management of the Group is set out in note 13.

31. PRINCIPAL SUBSIDIARIES

Name of subsidiary	Place of incorporation	Issued and fully paid share/ registered capital	Percentage of nominal value of issued share/ registered capital held by the Company				Principal activities
			2011		2010		
			directly	indirectly	directly	indirectly	
New Able Investments Limited	British Virgin Islands	US$1	**100%**	**—**	100%	—	Investment holding
New Able Trading Limited	Hong Kong	HK$1	**100%**	**—**	100%	—	Trading of electronic products
Instant Up Limited	Hong Kong	HK$1	**100%**	**—**	100%	—	Provision of administrative services
Advance Summit Limited (Note)	British Virgin Islands	US$1	**100%**	**—**	—	—	Inactive

Note:

The Company was incorporated on 15 June 2010.

None of the subsidiaries had any debt securities outstanding at 31 March 2011 and 2010 or at anytime during both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

32. THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	NOTES	**2011 HK$'000**	2010 HK$'000
Non-current assets			
Plant and equipment		**183**	233
Investments in subsidiaries		**—**	—
		183	233
Current assets			
Amounts due from subsidiaries	(a)	**64,921**	2,833
Deposits, prepayments and other receivables		**6,101**	270
Bank balances		**6**	7
		71,028	3,110
Current liabilities			
Accruals and other payables		**2,526**	3,176
Amounts due to subsidiaries	(a)	**1,069**	163
		3,595	3,339
Net current assets (liabilities)		**67,433**	(229)
Total assets less current liabilities		**67,616**	4
Capital and reserves			
Share capital		**11,486**	11,486
Reserves	(b)	**56,130**	(11,482)
Total equity		**67,616**	4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

32. THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Notes:

(a) The amounts are unsecured, interest-free and repayable on demand.

(b) The movement of reserves of the Company is as follows:

	Share premium HK$'000	**Share options reserve** HK$'000	**Contributed surplus** HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000
At 1 April 2009	131,205	2,935	103,941	(292,540)	(54,459)
Profit for the year and total comprehensive income for the year	—	—	—	42,977	42,977
Cancellation of share options	—	(675)	—	675	—
At 31 March 2010	131,205	2,260	103,941	(248,888)	(11,482)
Profit for the year and total comprehensive income for the year	—	—	—	67,612	67,612
At 31 March 2011	**131,205**	**2,260**	**103,941**	**(181,276)**	**56,130**

FIVE YEAR FINANCIAL SUMMARY

CONSOLIDATED RESULTS

	Year ended 31 March				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Note 1)	(Note 1)		
Revenue	**87,366**	179,695	70,116	167,321	258,910
(Loss)/profit before tax	**(4,367)**	21,396	(99,546)	(41,376)	(59,711)
Income tax expense	**(4)**	76	(76)	(2,232)	—
(Loss)/profit for the year	**(4,371)**	21,472	(99,622)	(43,608)	(59,711)
Attributable to:					
Owners of the Company	**(4,371)**	21,473	(99,622)	(43,608)	(59,711)
Non-controlling interests	**—**	(1)	—	—	—
	(4,371)	21,472	(99,622)	(43,608)	(59,711)

Note 1: The consolidated results for the year ended 31 March 2010 and 2009 included the results from continuing and discontinued operations.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 March				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Property, plant and equipment	**240**	303	4,113	32,665	63,852
Prepayments	**—**	—	10,217	24,071	26,311
Available-for-sale investments	**—**	—	—	—	3,500
Financial assets at fair value through profit or loss	**—**	—	—	12,357	—
Net current assets/(liabilities)	**68,073**	72,387	37,960	51,963	(2,903)
	68,313	72,690	52,290	121,056	90,760
Share capital	**11,486**	11,486	11,486	9,576	6,180
Reserves	**56,809**	61,180	40,803	110,528	80,396
Total equity attributable to owners of the Company	**68,295**	72,666	52,289	120,104	86,576
Non-controlling interests	**—**	—	1	1	1
Obligations under finance leases	**18**	24	—	951	4,183
	68,313	72,690	52,290	121,056	90,760