MXTECH

MAXITECH INTERNATIONAL HOLDINGS LIMITED
全美國際控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8136)

2007 Annual Report

* For identification purposes only

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

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

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

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

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BOARD OF DIRECTORS

Executive Directors

Ng Pak To, Petto *(resigned on 19 April 2006)*
Ong Chor Wei *(resigned on 19 April 2006)*
Wong Wing Cheung, Peter
(appointed on 19 April 2006 and resigned on 23 March 2007)
Chan Man Yin *(resigned on 23 March 2007)*
Chan Francis Ping Kuen *(resigned on 23 March 2007)*
Pong Wai San, Wilson *(appointed on 23 March 2007)*

Non-Executive Director

Li Chi Chung *(appointed on 23 March 2007)*

Independent Non-Executive Directors

Lee Kun Hung *(resigned on 23 March 2007)*
Wong Hou Yan, Norman *(resigned on 23 March 2007)*
Cheung Chi Hwa, Justin *(resigned on 23 March 2007)*
Koo Fook Sun, Louis *(appointed on 23 March 2007)*
Lai Hin Wing, Henry *(appointed on 23 March 2007)*
Lung Hung Cheuk *(appointed on 23 March 2007)*

COMPLIANCE OFFICER

Ng Pak To, Petto *(resigned on 19 April 2006)*
Wong Wing Cheung, Peter
(appointed on 19 April 2006 and resigned on 23 March 2007)
Pong Wai San, Wilson *(appointed on 23 March 2007)*

QUALIFIED ACCOUNTANT

Chan Francis Ping Kuen CA, CPA *(resigned on 1 September 2006)*
Tsang Ho Ka, Eugene AMA, CPA(Aust), CPA
(appointed on 1 September 2006 and resigned on 23 March 2007)
Lee Wing Yin ACCA, CPA *(appointed on 23 March 2007)*

COMPANY SECRETARY

Chan Francis Ping Kuen *(resigned on 1 September 2006)*
Tsang Ho Ka, Eugene
(appointed on 1 September 2006 and resigned on 23 March 2007)
Lee Wing Yin *(appointed on 23 March 2007)*

AUDIT COMMITTEE

Lee Kun Hung *(resigned on 23 March 2007)*
Wong Hou Yan, Norman *(resigned on 23 March 2007)*
Cheung Chi Hwa, Justin *(resigned on 23 March 2007)*
Koo Fook Sun, Louis *(appointed on 23 March 2007)*
Lai Hin Wing, Henry *(appointed on 23 March 2007)*
Lung Hung Cheuk *(appointed on 23 March 2007)*

AUTHORISED REPRESENTATIVES

Ng Pak To, Petto *(resigned on 1 April 2006)*
Wong Wing Cheung, Peter
(appointed on 1 April 2006 and resigned on 23 March 2007)
Chan Francis Ping Kuen *(resigned on 23 March 2007)*
Pong Wai San, Wilson *(appointed on 23 March 2007)*
Lee Wing Yin *(appointed on 23 March 2007)*

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

REGISTERED OFFICE

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

AUDITORS

Messrs. Grant Thornton
Certified Public Accountants

LEGAL ADVISOR

Michael Li & Co.

PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited
Hang Seng Bank Limited

STOCK CODE

8136

Chairman's Statement

On behalf of the Board of Directors (the "Board"), we hereby present the annual report of Maxitech International Holdings Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31 March 2007 to our shareholders.

MARKET OVERVIEW

The retail environment in Hong Kong and the environment of trading of recycled computers continuously experienced a tough year due to the keen competition from the competitors as well as experienced an increase of rental and costs in Hong Kong.

The Group recorded a decrease in wholesale sales by approximately 42.7% in the year under review compared to the previous corresponding year mainly due to less orders from existing customers.

The Group also recorded a decrease in retail sales by approximately 13.8% in the year under review compared to the previous corresponding year mainly due to closure of the retail outlets, retail shop outlets and department store counter in Taiwan.

A new business of trading of recycled computer was acquired on 3 November 2007 and has contributed approximately 42.1% of the Group's turnover in the year under review.

As a result of the above, the overall sales was increased by approximately 26.8%

FINANCIAL OVERVIEW

For the year ended 31 March 2007, the Group recorded a turnover of approximately HK$89,939,000 (2006: approximately HK$70,913,000), representing an increase of approximately 26.8% compared to the previous corresponding year. The turnover for the year ended 31 March 2007 comprised retail sales, wholesale sales and trading of recycled computers which accounted for approximately 38%, 19.9% and 42.1% (2006: approximately 56%, 44% and 0% respectively) of the total turnover respectively. As at 31 March 2007, the Group had 14 (2006: 12) retail outlets in Hong Kong which consisted of 12 (2006: 9) retail shops and 2 (2006: 3) department store counters.

Net loss attributable to shareholders for the year ended 31 March 2007 amounted to approximately HK$11,653,000 as compared to net loss attributable to shareholders of approximately HK$5,359,000 for the year ended 31 March 2006. The losses were mainly attributed to increase in the impairment loss of goodwill, rental expenses, cost of inventories sold, staff costs and directors' remuneration.

PROSECTS AND APPRECIATION

The Group views the prospects of its business in retail and wholesale as challenging as the Group is experiencing rental and costs increase in Hong Kong and overseas while sales have not increased in phase due to a more competitive business environment. To streamline its operations and maintain cost control, the Group will continue to shift its existing retail network in Hong Kong and overseas to franchise and agency arrangement with a view to remain competitive.

By acquiring Maxitech System Company Limited, the Group has diversified the Group business to include distribution and trading of recycled computer parts and to reduce its reliance on the retail and wholesale business. In view of the competitive business environment in electric consumer products in Hong Kong, the Board has observed that the prospect of this business is highly challenging and it provides limited contribution to the profitability of the Group in the foreseeable future.

While the Group will continue its existing businesses, pursuant to a management review of the business environment and the competitive landscape for the Group's existing businesses, taking into account the recurring losses suffered in both divisions and the limited prospect, the Board intends to restrain from making further material investments in those existing businesses.

Chairman's Statement *(cont'd)*

To seek more business opportunities and to maximize the return to the Group in the long run, the Group entered into an acquisition agreement to acquire Richfield Realty Limited on 10 April 2007, Richfield Realty Limited is principally engaged in the provision of property brokerage services, carrying out schemes for property consolidation, assembly and redevelopments and property trading in Hong Kong, the acquisition was completed on 29 May 2007. The Board realized that the consolidation, assembly and redevelopment of properties and development sites in urban districts of Hong Kong has ample market potential and consider that the acquisition offers the Group a good business opportunity in view of the growing trend of the property market and the shortage of supply of land in urban districts in Hong Kong. The Directors further consider that the acquisition would provide a steady income stream to the Group and make a positive contribution to the profitability of the Group.

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

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

Pong Wai San, Wilson
Chairman

25 June 2007

Management Discussion and Analysis

GENERAL

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

BUSINESS OVERVIEW

During the year ended 31 March 2007, the retail and wholesale business recorded a decrease in turnover of approximately 26.5%, with a net profit margin of approximately 1.5%. The decrease in turnover and the low profit margin were mainly attributable to the lower pricing of goods as a result of increase of competitive and challenging business environment and the increase in operating cost and rental expenses.

Turnover for the trading of recycled computers was approximately HK$37,836,000, with a net loss of approximately HK$2,062,000. The net loss is attributable to the low profit margin due to the competitive business environment in electric consumer products, the increase in costs of inventories sold and the impairment loss of goodwill.

Despite the increase in the overall sales, the Group recorded a net loss of approximately HK$11,653,000 in the year under review. The losses were mainly attributed to increase in the impairment loss of goodwill, rental expenses, cost of inventories sold, staff costs and directors' remuneration.

FINANCIAL REVIEW

Results

For the year ended 31 March 2007, the Group recorded a turnover of approximately HK$89,939,000 (2006: approximately HK$70,913,000), representing an increase of approximately 26.8% as compared to the previous corresponding year. The increase in turnover was attributed to the contributed of the turnover of the new business of trading of recycled computers which accounted for 42.1% of the Group's total turnover despite the decrease in the retail segment and the wholesale segment by 13.8% and 42.7% respectively.

Net loss attributable to shareholders for the year ended 31 March 2007 amounted to approximately HK$11,653,000 (2006: approximately HK$5,359,000). The losses were mainly attributed to increase in the impairment loss of goodwill, the rental expenses, cost of inventories sold, staff costs and directors' remuneration

Liquidity, financial resources and capital structure

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

As at 31 March 2007, the Group had net current assets of approximately HK$30,637,000 (2006: approximately HK$5,089,000) including bank and cash balances of approximately HK$23,141,000. As at 31 March 2006, bank and cash balances (including pledged bank deposits) were approximately HK$3,962,000.

As at 31 March 2007, the Group had other secured loan of approximately HK$583,000 (2006: 583,000), of which approximately HK$83,000 (2006: HK$500,000) was repayable within one year and approximately HK$500,000 (HK$83,000) was repayable beyond one year but within five years.

As at 31 March 2007, the gearing ratio (defined as the ratio between total bank borrowings and total assets) was approximately 0 (2006: 0.03). The Group has no fixed interest bank borrowing.

Management Discussion and Analysis *(cont'd)*

The shares of the Company were listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited ("GEM") on 21 May 2002.

On 26 May 2006, 38,100,000 share options were exercised and 38,100,000 ordinary shares were issued and allotted on 12 June 2006.

On 12 July 2006, the Company by way of an open offer of new shares, issued 249,302,000 shares on the basis of one offer share for every two existing shares. Following the completion of open offer on 14 July 2006, the total issued share capital is enlarge to 747,906,000 shares.

On 3 November 2006, the Company acquired Maxitech System Company Limited and 15,300,000 shares were issued as part of the consideration for the acquisition. Following the completion on the same day, the total issued share capital enlarged to 763,206,000 shares.

On 12 January 2007, the Company entered a subscription agreement with Virtue Partner Group Limited, a company incorporated in the British Virgin Islands and beneficially and wholly owned by Mr. Pong, which the the Company conditionally agreed to allot and issue 1,036,794,000 shares. Following the completion on 23 March 2007, the total issued share capital was enlarged to 1,800,000,000 shares.

On 10 April 2007, the Company entered into an acquisition agreement (the "Acquisition Agreement") with Richfield (Holdings) Limited (the "RHL") to acquire Richfield Realty Limited and a convertible bond of HK$456,000,000 (the "Convertible Bond"), which forms part of the consideration for the acquisition, was issued upon the completed on 29 May 2007. The Convertible Bond can be converted into the shares of the Company at an initial conversion price of HK$0.6 per share (subject to adjustments in accordance with the terms of the Convertible Bond) during its conversion period. On 1 June 2007, RHL exercised its conversion rights to convert part of the Convertible Bond of HK$255,000,000 into 425,000,000 shares and the total issued share capital was further enlarged to 2,225,000,000 shares.

Significant investments

As at 31 March 2007 and 31 March 2006, there was no significant investment held by the Group.

Material acquisitions or disposals of subsidiaries and affiliated companies

As set out in the section headed "Liquidity, financial resources and capital structure" above, the Company has acquired the whole equity interests in Maxitech System Company Limited and Richfield Realty Limited on 3 November 2006 and 29 May 2007, respectively.

Maxitech System Company Limited is principally engaged in trading of recycled computers, which include PCs, laptops and computer parts (such as RAM modules, LCD panels, hard disks, DVD-ROMs, plastic covers, and keyboards etc.)

Richfield Realty Limited is principally engaged in the provision of property brokerage services, carrying out schemes for property consolidation, assembly and redevelopments and property trading in Hong Kong.

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

Management Discussion and Analysis *(cont'd)*

Contingent liabilities

As at 31 March 2007 and 31 March 2006, the Group had no material contingent liabilities.

Lease and contracted commitments

The Group leases certain of its office premises, warehouses, retail shops and department store counters under non-cancellable operating lease arrangements with lease terms ranging from one to three years.

As at 31 March 2007, the Group had total future minimum lease payments in respect of non-cancellable operating leases for land and buildings falling due as follows:

	2007	2006
	HK$'000	HK$'000
Within one year	**7,876**	6,165
In the second to fifth years, inclusive	**4,178**	3,905
	12,054	10,070

Foreign exchange exposure

The Group's income and expenditure during the year ended 31 March 2007 were denominated in United States ("US") dollars, Hong Kong ("HK") dollars and Renminbi ("RMB"), and most of the assets and liabilities as at 31 March 2007 were denominated in HK dollars and RMB. Accordingly, the Board is of the view that, to a certain extent, the Group is exposed to foreign currency exchange risk. For the US dollars foreign exchange exposure, the Board believes the exposure is small as the exchange rate of US dollars to HK dollars is comparatively stable. However, the Group is exposed to RMB foreign exchange exposure and fluctuation of exchange rates of RMB against HK dollars could affect the Group's results of operations. During the year, no hedging transaction or arrangement was made.

Treasury policies

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

Management Discussion and Analysis *(cont'd)*

Segment information

Business segments

	2007 HK$'000	2006 HK$'000
Retail sales	**34,238**	39,715
Wholesale sales	**17,865**	31,198
Trading of recycled computers	**37,836**	–
	89,939	70,913

Geographical segments		
PRC:		
Hong Kong, SAR	**67,738**	53,664
Elsewhere	**17,243**	5,617
Taiwan	**2,176**	9,393
Singapore	**2,024**	1,744
Others	**758**	495
	89,939	70,913

Business segments

Retail sales

Retail sales decreased by approximately 13.8%, as compared to the previous corresponding year, to approximately HK$34,238,000 (2006: approximately HK$39,715,000).

Wholesale sales

Wholesale sales comprised sales to agents and sales to distributors.

Sales to agents decreased by approximately HK$22,000, as compared to the previous corresponding year, to approximately HK$11,242,000 (2006: approximately HK$11,264,000). The decrease was mainly attributed to the decrease in sales to the agents in the PRC.

Sales to distributors decreased by approximately 66.8%, as compared to the previous corresponding year, to approximately HK$6,623,000 (2006: approximately HK$19,934,000). The decrease was mainly attributed to the decrease in orders from existing customers.

Trading of recycled computers

Trading of recycled computers comprised of trading and distribution of recycled computers and related accessories. Trading of recycled computers represents approximately 42.1% of the total turnover which amounts to approximately HK$37,836,000 (2006: Nil).

Management Discussion and Analysis *(cont'd)*

Geographical segments

For the year ended 31 March 2007, sales in Hong Kong was increased by approximately 26.2% as compared to the previous corresponding year. The increase was mainly attributed to the increase in the sale portion of the trading of recycled computers.

For the year ended 31 March 2007, sales to elsewhere in the PRC was increased by approximately 207.0% as compared to the previous corresponding year. The increase was mainly attributed to the increase in sales to the Group's agents in the PRC.

For the year ended 31 March 2007, sales to Taiwan decreased by approximately 76.8% as compared to the previous corresponding year. The decrease was mainly attributed to the close of the retail outlets in Taiwan in last year.

For the year ended 31 March 2007, sales to Singapore increased by approximately 16.1% as compared to the previous corresponding year. The increase was attributed to the increase in sales to the Group's agent in Singapore.

For the year ended 31 March 2007, sales to other countries increased by approximately 53% as compared to the previous corresponding year. The increase was mainly attributed to the increase in orders from countries other than above.

Please refer to note 5 to the financial statements in this annual report for details on business and geographical segments.

Future plans for material investments and expected source of funding

While looking at ways to improve the business further, the Group is looking for business opportunities elsewhere to improve the financial performance and improve shareholders returns.

The Group observed that the consolidation, assembly, and redevelopment of properties and development sites in urban districts of Hong Kong had ample market potential. On 10 April 2007, the Group entered into the Acquisition Agreement to acquire the whole equity interests of Richfield Realty Limited, which is principally engaged in the provision of property brokerage services, carrying out schemes for property consolidation, assembly and redevelopments and property in Hong Kong, and the Acquisition Agreement was completed on 29 May 2007. The Group considers that this business can offer the Group a good business opportunity in view of the growing trend of the property market and the shortage of supply of land in urban districts in Hong Kong. The Group further considers that this business would provide a steady income stream to the Group and make a positive contribution to the profitability of the Group.

Employees and remuneration policies

As at 31 March 2007, the Group had 86 (2006: 80) employees, including Directors. Total staff costs (including directors' emoluments) were approximately HK$13,429,000 for the year ended 31 March 2007 (2006: approximately HK$11,848,000). Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. Year-end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to statutory mandatory provident fund scheme to its employees in Hong Kong.

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Pong Wai San, Wilson, aged 38, is the chairman of the Group. Mr. Pong is responsible for the overall strategic planning, marketing and managing function of the Group. He is also the founder and Chief Executive Officer of the EVI Group. The principal businesses of the EVI Group are selling and installation of computer hardware and software, provision of computer training services and provision of internet education services. He holds a bachelor degree in Applied Science from the University of British Columbia. He also held various positions in a number of charity organizations in Hong Kong. Before founding the EVI Group, he had held various senior management positions with various local and international securities houses and a multinational company. Mr. Pong was appointed as an executive Director of the Company and Chairman of the Group on 23 March 2007.

NON-EXECUTIVE DIRECTOR

Mr. Li Chi Chung, aged 38. Mr Li is currently a solicitor practising in Hong Kong. He obtained a bachelor degree in laws from The University of Sheffield in England in 1990. Mr Li was admitted as a solicitor of the High Court of Hong Kong in 1993 and his practice has been focused on commercial related matters. Mr. Li is currently an independent non-executive director of PINE Technology Holdings Limited, a company listed on the GEM of the Stock Exchange. He is an independent non-executive director of Eagle Nice (International) Holdings Limited and Kenford Group Holdings Limited respectively which are companies listed on the main board of the Stock Exchange. He is also the company secretary of Prime Investments Holdings Limited, a company listed on the main board of the Stock Exchange. Mr. Li appointed as a non-executive Director of the Company on 23 March 2007.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Koo Fook Sun, Louis, aged 51. He is a founder and the managing director of Hercules Capital Limited, a corporate finance advisory firm. He has over 20 years of experience in investment banking and professional accounting. He was the managing director and head of the corporate finance department of a major international bank and a director and chief executive officer of a company listed on the main board of the Stock Exchange. Mr. Koo currently acts as an independent non-executive director of Weichai Power Co. Ltd., Li Ning Company Limited, Good Friend International Holdings Inc., Midland Holdings Limited, China Communications Construction Company Limited and Xingda International Holdings Limited, which are companies listed on the main board of the Stock Exchange, and Midland IC&I Limited, which is listed on GEM of the Stock Exchange. He graduated with a bachelor's degree in business administration from the University of California at Berkeley in 1980 and is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Koo was appointed as an independent non-executive Director of the Company on 23 March 2007.

Mr. Lai Hin Wing, Henry, aged 50, is a partner of Messrs. P. C. Woo & Co., a firm of a solicitors and notaries in Hong Kong, and has been practising in the legal field for more than twenty-five years. Graduated from the University of Hong Kong with a bachelor of law degree, Mr. Lai was admitted as a solicitor in Hong Kong, England and Wales and the State of Victoria, Australia. Mr. Lai is a notary public and a China appointed attesting officer in Hong Kong. He also serves on the board of another listed company, Allied Properties (H.K.) Limited as an non-executive director. Mr. Lai was appointed as an independent non-executive Director of the Company on 23 March 2007.

Mr. Lung Hung Cheuk, aged 60. He is a retired chief superintendent of the Hong Kong Police Force ("Hong Kong Police") of the Government of Hong Kong Special Administrative Region ("HKSAR"). He joined the Hong Kong Police in 1966 as a Probationary Inspector at the age of 19. He was promoted to the rank of chief inspector in 1980; superintendent in 1986; senior superintendent in 1993 and chief superintendent in 1997. He had serviced in various police posts, namely Special Branch, Police Tactical Unit, Police Public Relations Bureau and in a number of police divisions at management level. Prior to his retirement in April 2002, he was the commander of Sham Shui Po Police District. Mr. Lung was also the secretary and then the chairman of the Superintendents' Association ("SPA") of the Hong Kong Police from 1993 to 2001. The membership of the SPA comprises the top management of the Hong Kong Police from superintendents up to and including the commissioner of Hong Kong Police. He was awarded the Police Meritorious Service Medal by the Chief Executive of the HKSAR in 2000. Mr. Lung appointed as a non-executive Director of the Company on 23 March 2007.

Directors and Senior Management *(cont'd)*

SENIOR MANAGEMENT

Mr. Ho Kai Chung, David, aged 42, is an ex-director of the Company and co-founder of the Group. He holds a Higher Certificate in Three-Dimensional Design from the Hong Kong Polytechnic University. He is responsible for the design, development and promotional activities of the Group. Mr. Ho has over fifteen years of experience in design and advertising. He has also received an award from the Hong Kong Designers Association for excellence in his creative endeavour. Prior to joining the Group in August 1993, he was self-employed in a retail business in gift items, under the name Take 1.

Ms. Ho Pui Lai, aged 44, is the vice president for administration and one of the founders of the Group. Madam Ho is responsible for the administration and management functions of the Group. Madam Ho has over ten years of experience in business administration. She has obtained several professional diploma in Human Resources Management granted by Hong Kong Productivity Council. Prior to founding the Group in April 1993, she worked as an interior designer for an architectural and interior design company. She is the sister of Mr. Ho Kai Chung, David.

Mr. Lee Wing Yin, aged 37, is an associate member of The Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountants. He has over nine years' working experience in auditing and business advisory services with six years in international accounting firms. Prior to joining Maxitech International Holdings Limited, he was engaged as investment officer in the EVI Group. He had held senior financial management positions with various local companies before joining the EVI Group. Mr. Lee was appointed as the qualified accountant and company secretary of the Company on 23 March 2007.

Ms. Kwan Wai Fan, Betty, aged 36, is the sales and operation manager of the Group. She is responsible for the retail operation for the Hong Kong market. She has over fifteen years of experience in the retail industry. Prior to joining the Group in May 1999, she worked in various managerial and sales positions for a bags retailer.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 of the GEM Listing Rules. The Company has applied the principles in the Code and complied with the code provisions set out in the Code for the year ended 31 March 2007 except that: (i) the roles of chairman and chief executive officer are not separate and are performed by the same individual, and (ii) no nomination committee of the Board is established.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had made specific enquiry of all directors, the directors have complied with such code of conduct and the required standard of dealings regarding securities transactions throughout the year ended 31 March 2007.

BOARD OF DIRECTORS AND BOARD MEETING

The Board members for the year ended 31 March 2007 were:

Executive Director

Ng Pak To, Petto (resigned on 19 April 2006)
Ong Chor Wei (resigned on 19 April 2006)
Wong Wing Cheung, Peter (appointed on 19 April 2006 and resigned on 23 March 2007)
Chan Man Yin (resigned on 23 March 2007)
Chan Francis Ping Kuen (resigned on 23 March 2007)
Pong Wai San, Wilson (appointed on 23 March 2007)

Non-executive Director

Li Chi Chung (appointed on 23 March 2007)

Independent non-executive director

Lee Kun Hung (resigned on 23 March 2007)
Wong Hou Yan, Norman (resigned on 23 March 2007)
Cheung Chi Hwa, Justin (resigned on 23 March 2007)
Koo Fook Sun, Louis (appointed on 23 March 2007)
Lai Hin Wing, Henry (appointed on 23 March 2007)
Lung Hung Cheuk (appointed on 23 March 2007)

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

The directors' biographical information are set out on page 10 of this Annual Report. All executive directors have given sufficient time and attention to the affairs of the Group. Each executive director has sufficient experience to hold the position so as to carry out his duties effectively and efficiently. There is no relationship among the members of the board of directors.

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

Corporate Governance Report *(cont'd)*

Under the code provision A.4.2, every director should be subject to retirement by rotation at least once every three years. In order to comply with this code, the existing articles of association will be proposed at the forthcoming annual general meeting to make the necessary amendments.

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

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

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

Directors	**Attendance**
Chan Man Yin (resigned on 23 March 2007)	3/4
Lee Kun Hung (resigned on 23 March 2007)	3/4
Wong Hou Yan, Norman (resigned on 23 March 2007)	3/4
Cheung Chi Hwa, Justin (resigned on 23 March 2007)	3/4
Chan Francis Ping Kuen (resigned on 23 March 2007)	3/4
Wong Wing Cheung, Peter (resigned on 23 March 2007)	3/4
Pong Wai San, Wilson (appointed on 23 March 2007)	1/4
Li Chi Chung (appointed on 23 March 2007)	1/4
Koo Fook Sun, Louis (appointed on 23 March 2007)	1/4
Henry Lai Hin Wing (appointed on 23 March 2007)	1/4
Lung Hung Cheuk (appointed on 23 March 2007)	1/4

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of Chairman and Chief Executive Officer of the Company have been performed by Mr. Pong. The Board considered that the non-segregation would not result in considerable concentration of power in one person and has the advantage of a strong and consistent leadership which is conducive to making and implementing decisions quickly and consistently. The Board will review the effectiveness of this arrangement from time to time and will consider appointing an individual as Chief Executive Officer when it thinks appropriate.

REMUNERATION OF DIRECTORS

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

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

Details of the attendance of the meeting of the remuneration committee are as follows:

Members	Attendance
Pong Wai San, Wilson (appointed on 23 March 2007)	1/1
Koo Fook Sun, Louis (appointed on 23 March 2007)	1/1
Lai Hin Wing, Henry (appointed on 23 March 2007)	1/1
Lung Hung Cheuk (appointed on 23 March 2007)	1/1

NOMINATION OF DIRECTORS

No nomination committee was established by the Company.

The Company is in the progress of forming a nomination committee which is expected to be established in accordance with the GEM Listing Rules as and when appropriate.

AUDITORS' REMUNERATION

The Company has appointed Messrs. Grant Thornton as the auditors of the Group (the "Auditors"). The Board is authorized in the annual general meeting to determine the remuneration of the Auditors. During the year, the Auditors only perform the work of statutory audit for the year ended 31 March 2007 and did not involve any non-audit assignment of the Group. The remuneration of the auditors for the year ended 31 March 2007 is approximately HK$330,000.

Corporate Governance Report *(cont'd)*

AUDIT COMMITTEE

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

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

Members	**Attendance**
Lee Kun Hung (resigned on 23 March 2007)	3/4
Wong Hou Yan, Norman (resigned on 23 March 2007)	3/4
Cheung Chi Hwa, Justin (resigned on 23 March 2007)	3/4
Koo Fook Sun, Louis (appointed on 23 March 2007)	1/1
Lai Hin Wing, Henry (appointed on 23 March 2007)	1/1
Lung Hung Cheuk (appointed on 23 March 2007)	1/1

The Group's unaudited quarterly, interim results and annual audited results for the year ended 31 March 2007 have been reviewed by the audit committee during the year, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

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

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

Directors' Report

For the Year Ended 31 March 2007

The directors present their annual report and the audited financial statements of Maxitech International Holdings Limited (the "Company") and its subsidiaries (together referred to as the "Group") for the year ended 31 March 2007.

CHANGE OF THE COMPANY'S NAME

Pursuant to the special resolution passed on 17 January 2007 at an extraordinary general meeting, the Company's name was changed from FX Creations International Holdings Limited to Maxitech International Holdings Limited.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries of the Company are set out in note 15 to the financial statements. During the year, the trading of recycled computers business was acquired.

SEGMENT INFORMATION

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2007 and the state of affairs of the Group and the Company at that date are set out in the financial statements on pages 24 to 58.

The directors do not recommend the payment of dividends.

Directors' Report *(cont'd)*

For the Year Ended 31 March 2007

SUMMARY FINANCIAL INFORMATION

The following is a summary of the consolidated results and of the consolidated assets and liabilities of the Group for the five years ended 31 March 2007:

Consolidated results

	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**89,939**	70,913	69,893	65,847	59,564
(Loss)/profit before income tax	**(11,195)**	(5,300)	(9,728)	644	2,253
Income tax	**(458)**	(100)	(223)	(281)	(542)
(Loss)/profit after income tax	**(11,653)**	(5,400)	(9,951)	363	1,711
Attributable to:					
Equity holders of the Company	**(11,653)**	(5,359)	(10,045)	751	1,696
Minority interests	**–**	(41)	94	(388)	15
Net (loss)/profit attributable to shareholders	**(11,653)**	(5,400)	(9,951)	363	1,711

Consolidated assets and liabilities

	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**46,965**	14,851	26,568	37,327	34,713
Total liabilities	**(12,241)**	(6,503)	(14,640)	(15,448)	(13,197)
Minority interests	**–**	(80)	(121)	(27)	(415)
Net assets	**34,724**	8,268	11,807	21,852	21,101

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL AND SHARE OPTION SCHEME

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

RESERVES

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

Directors' Report *(cont'd)*

For the Year Ended 31 March 2007

MAJOR CUSTOMERS AND SUPPLIERS

During the year, turnover made to the five largest customers of the Group accounted for approximately 69% (2006: 67%) of the Group's total turnover for the year. Turnover made to the Group's largest customers accounted for approximately 52% (2006: 45%) of the Group's total turnover for the year.

Purchases from the five largest suppliers of the Group accounted for approximately 80% (2006: 79%) of the Group's total purchases for the year. Purchases from the Group's largest suppliers accounted for approximately 45% (2006: 34%) of the Group's total purchases for the year.

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

DIRECTORS

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

Executive directors:

Pong Wai San, Wilson *(Appointed on 23 March 2007)*
Chan Man Yin *(Resigned on 23 March 2007)*
Chan Francis Ping Kuen *(Resigned on 23 March 2007)*
Wong Wing Cheung, Peter *(Appointed on 19 April 2006 and resigned on 23 March 2007)*
Ng Pak To, Petto *(Resigned on 19 April 2006)*
Ong Chor Wei *(Resigned on 19 April 2006)*

Non-executive director:

Li Chi Chung *(Appointed on 23 March 2007)*

Independent non-executive directors:

Koo Fook Sun, Louis *(Appointed on 23 March 2007)*
Lai Hin Wing, Henry *(Appointed on 23 March 2007)*
Lung Hung Cheuk *(Appointed on 23 March 2007)*
Lee Kun Hung *(Resigned on 23 March 2007)*
Wong Hou Yan, Norman *(Resigned on 23 March 2007)*
Cheung Chi Hwa, Justin *(Resigned on 23 March 2007)*

In accordance with Article 86(3) of the Company's Articles of Association, Mr. Pong Wai San, Wilson, Mr. Li Chi Chung, Mr. Koo Fook Sun, Louis, Mr. Lai Hin Wing, Henry and Mr. Lung Hung Cheuk who were appointed as Directors of the Company on 23 March 2007 retire at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

The Company confirmed that it has received from each of its independent non-executive Directors the annual confirmation for his independence pursuant to Rule 5.09 of the Rules Governing the Listing of Securities on Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and consider them to be independent as at the date of this report.

Directors' Report *(cont'd)*

For the Year Ended 31 March 2007

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 10 to 11 of the annual report.

DIRECTORS' INTERESTS IN CONTRACTS

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

DIRECTORS' SERVICE CONTRACTS

Mr. Koo Fook Sun, Louis, Mr. Lai Hin Wing, Henry and Mr. Lung Hung Cheuk, all independent non-executive directors of the Company, have each entered into a letter of appointment with the Company for an initial term of one year commencing from 23 March 2007 and expiring on 22 March 2008. Their appointments are subject to retirement by rotation and/or re-election in accordance with the article of association of the Company.

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

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

As at 31 March 2007, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the required standards of dealings by directors as referred to in Rules 5.46 to 5.67 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM listing Rules"), were as follows:

	Number of Shares			Approximate
Director	Personal interest	Corporate interest *(Note)*	Total	percentage of shareholding
Mr. Pong Wai San, Wilson	306,000,000	1,036,794,000	1,342,794,000	74.6%

Note: These shares are beneficially owned by Virtue Partner Group Limited, a company wholly owned by Mr. Pong Wai San, Wilson.

Save as disclosed above, as at 31 March 2007, none of the directors had any other interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register kept by the Company under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2007, other than the interests of certain directors as disclosed under the section headed "Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures of the company or any associated corporation" above, the directors of the Company were not aware of any other person (other than the directors of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

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

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

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 of the GEM Listing Rules. The Company has applied the principles in the Code and complied with the code provisions set out in the Code for the year ended 31 March 2007 except that: (i) the roles of the chairman and chief executive officer are not separate and are performed by the same individual, and (ii) no nomination committee of the Board is established.

CONNECTED TRANSACTIONS

There were no significant connected party transactions entered into by the Group for the year ended 31 March 2007.

AUDIT COMMITTEE

The Company set up an audit committee (the "Committee") on 2 May 2002, with written terms of reference in compliance with the GEM Listing Rules, for the purpose of reviewing and providing supervision over the financial reporting process and internal control of the Group. The Committee comprises three independent non-executive directors of the Company, namely Mr. Lee Kun Hung (resigned on 23 March 2007), Mr. Wong Hou Yan, Norman (resigned on 23 March 2007), Mr. Cheung Chi Hwa, Justin (resigned on 23 March 2007), Mr. Koo Fook Sun, Louis (appointed on 23 March 2007), Mr. Lai Hin Wing, Henry (appointed on 23 March 2007) and Mr. Lung Hung Cheuk (appointed on 23 March 2007). The consolidated financial statements of the Group for the year ended 31 March 2007 have been reviewed by the Committee, who is of the opinion that such statements comply with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made. 4 meetings were held during the current financial year.

AUDITORS

Baker Tilly Hong Kong Limited resigned as auditors of the Company on 27 March 2007. At the extraordinary general meeting of the Company held on 3 May 2007, Grant Thornton were appointed as auditors of the Company for the year ended 31 March 2007 to fill the casual vacancy. Saved as disclosed herein, there was no other change in auditors of the Company in any of the proceding three years.

Grant Thornton retire and, being eligible, offer themselves for re-appointment. A resolution for the reappointment of Grant Thornton as auditors of the Company will be proposed at the forthcoming annual general meeting.

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

Hong Kong
25 June 2007

Independent Auditors' Report

Certified Public Accountants
Member of Grant Thornton International

Grant Thornton
均富會計師行

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

We have audited the consolidated financial statements of Maxitech International Holdings Limited (the "Company") set out on pages 24 to 58, which comprise the consolidated and company balance sheets as at 31 March 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

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

OPINION

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

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

25 June 2007

Consolidated Income Statement

For the year ended 31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
Revenue	6	**89,939**	70,913
Cost of sales		**(62,467)**	(38,576)
Gross profit		**27,472**	32,337
Other revenue	6	**1,267**	2,179
Selling and distribution expenses		**(19,193)**	(23,031)
Administrative expenses		**(20,688)**	(16,277)
Operating loss	7	**(11,142)**	(4,792)
Finance costs	8	**(53)**	(508)
Loss before income tax		**(11,195)**	(5,300)
Income tax expense	9	**(458)**	(100)
Loss for the year		**(11,653)**	(5,400)
Attributable to:			
Equity holders of the Company	10	**(11,653)**	(5,359)
Minority interests		**–**	(41)
Loss for the year		**(11,653)**	(5,400)
Dividends	11	**–**	–
Loss per share for loss attributable to equity holders of the Company			
Basic	12	**(HK 0.7 cents)**	(HK 0.4 cents)
Diluted	12	**N/A**	N/A

Consolidated Balance Sheet

As at 31 March 2007

	Notes	**2007 HK$'000**	2006 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*14*	**621**	1,210
Goodwill	*16*	**3,555**	–
Rental and sundry deposits		**411**	2,132
		4,587	3,342
Current assets			
Inventories	*17*	**1,693**	1,788
Trade receivables	*18*	**7,665**	3,521
Prepayments, deposits and other receivables		**9,634**	1,876
Amount due from a minority shareholder	*19*	**–**	360
Financial assets at fair value through profit or loss	*20*	**245**	–
Taxes refundable		**–**	2
Cash and cash equivalents	*21*	**23,141**	3,962
		42,378	11,509
Current liabilities			
Trade payables	*22*	**7,820**	3,680
Accrued expenses and other payables		**3,340**	1,279
Taxes payable		**498**	131
Amount due to a shareholder	*23*	**–**	453
Bank borrowings	*24*	**–**	377
Other borrowings	*25*	**83**	500
		11,741	6,420
Net current assets		**30,637**	5,089
Total assets less current liabilities		**35,224**	8,431
Non-current liabilities			
Other borrowings	*25*	**500**	83
		500	83
Net assets		**34,724**	8,348
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	*26*	**18,000**	4,605
Reserves		**16,724**	3,663
		34,724	8,268
Minority interests		**–**	80
Total equity		**34,724**	8,348

Pong Wai San Wilson
Director

Li Chi Chung
Director

Balance Sheet

As at 31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries	15	**8**	147
Current assets			
Prepayments, deposits and other receivables		**6,000**	–
Amount due from a subsidiary	15	**3,555**	–
Cash and cash equivalents	21	**22,394**	3,661
		31,949	3,661
Current liabilities			
Accrued expenses and other payables		**1,630**	332
Amount due to a shareholder	23	**–**	453
		1,630	785
Net current assets		**30,319**	2,876
Net assets		**30,327**	3,023
EQUITY			
Share capital	26	**18,000**	4,605
Reserves	28	**12,327**	(1,582)
Total equity		**30,327**	3,023

Pong Wai San Wilson
Director

Li Chi Chung
Director

Consolidated Cash Flow Statement

For the year ended 31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
Cash flows from operating activities			
Loss before income tax		**(11,195)**	(5,300)
Adjustments for:			
Depreciation		**734**	1,737
Impairment loss on property, plant and equipment		**10**	3,500
Gain on disposal of property, plant and equipment		**(67)**	–
Loss on disposal of a subsidiary	*31*	**119**	–
Impairment loss on goodwill		**3,067**	–
Share options benefits		**5,595**	–
Interest income		**(399)**	(152)
Interest expenses		**53**	508
Operating (loss)/profit before working capital changes		**(2,083)**	293
Decrease in inventories		**95**	1,235
(Increase)/Decrease in trade receivables		**(2,476)**	3,070
(Increase)/Decrease in prepayments, deposits and other receivables		**(4,979)**	793
Increase in trade payables		**3,700**	262
Decrease in bills payable		**–**	(4,381)
Increase/(Decrease) in accrued expenses and other payables		**1,147**	(38)
Cash (used in)/generated from operations		**(4,596)**	1,234
Interest received		**399**	152
Interest paid		**(53)**	(508)
Hong Kong profits tax paid		**(256)**	(110)
Net cash (used in)/generated from operating activities		**(4,506)**	768
Cash flows from investing activities			
Acquisition of a subsidiary	*30*	**(5,343)**	–
Proceeds from disposals of other investments		**–**	1,330
Withdrawals of pledged bank deposits		**–**	2,742
Purchase of property, plant and equipment		**(536)**	(281)
Purchase of financial assets at fair value through profit or loss		**(245)**	–
Sales proceeds of disposal of property, plant and equipment		**519**	–
Net cash (used in)/generated from investing activities		**(5,605)**	3,791
Cash flows from financing activities			
Decrease in amount due from a minority shareholder		**360**	–
(Decrease)/Increase in amount due to a shareholder		**(453)**	453
Net proceeds from issue of new shares		**29,760**	1,820
New borrowings raised		**500**	583
Repayments of bank loans		**(377)**	(1,170)
Repayments of other borrowings		**(500)**	–
Net cash generated from financing activities		**29,290**	1,686
Net increase in cash and cash equivalents		**19,179**	6,245
Cash and cash equivalents at beginning of year		**3,962**	(2,283)
Cash and cash equivalents at end of year	*21*	**23,141**	3,962

Consolidated Statement of Changes in Equity

For the year ended 31 March 2007

	Equity attributable to equity holders of the Company						
	Share capital HK$'000	Share premium account HK$'000	Share-based payment reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 April 2005	4,000	13,703	–	(5,896)	11,807	121	11,928
Loss for the year	–	–	–	(5,359)	(5,359)	(41)	(5,400)
Total recognised income and expense for the year	–	–	–	(5,359)	(5,359)	(41)	(5,400)
Issue of new shares	605	1,392	–	–	1,997	–	1,997
Issuing cost	–	(177)	–	–	(177)	–	(177)
At 31 March 2006 and 1 April 2006	4,605	14,918	–	(11,255)	8,268	80	8,348
Loss for the year	–	–	–	(11,653)	(11,653)	–	(11,653)
Total recognised income and expense for the year	–	–	–	(11,653)	(11,653)	–	(11,653)
Issue of new shares	13,014	15,067	–	–	28,081	–	28,081
Issuing cost	–	(1,777)	–	–	(1,777)	–	(1,777)
Disposal of a subsidiary	–	–	–	–	–	(80)	(80)
Recognition of share option benefits at fair value	–	–	5,595	–	5,595	–	5,595
Exercise of share options	381	11,424	(5,595)	–	6,210	–	6,210
At 31 March 2007	18,000	39,632	–	(22,908)	34,724	–	34,724

Notes to the Financial Statements

For the year ended 31 March 2007

1. GENERAL INFORMATION

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

Pursuant to a special resolution passed on 17 January 2007 at an extraordinary general meeting, the Company's name was changed from FX Creations International Holdings Limited to Maxitech International Holdings Limited.

The principal activity of the Company is investment holding. The subsidiaries (together with the Company referred to as the "Group") are principally engaged in the retail and wholesale of bags and accessories and the trading of recycled computers.

The financial statements on pages 24 to 58 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange ("GEM Listing Rules").

The financial statements for the year ended 31 March 2007 were approved for issue by the board of directors on 25 June 2007.

2. ADOPTION OF NEW OR AMENDED HKFRSs

From 1 April 2006, the Group has adopted all the new and amended HKFRSs which are first effective on 1 April 2006 and relevant to the Group. The adoption of these new and amended HKFRSs did not result in significant changes to the Group's accounting policies. The specific transitional provisions contained in some of these new or amended HKFRSs have been considered.

2.1 New or amended HKFRSs that have been issued but are not yet effective

The Group has not early adopted the following HKFRSs that have been issued but are not yet effective. The directors of the Company are currently assessing the impact of these HKFRSs but are not yet in a position to state whether they would have material financial impact on the Group's financial statements.

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

Notes:

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

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

The financial statements have been prepared on the historical cost convention, except for financial assets at fair value through profit or loss which are stated at fair value.

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

3.2 Basis of consolidation

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

3.3 Subsidiaries

Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

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

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

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

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

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

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

3.4 Goodwill

Goodwill represents the excess of the cost of a business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. The cost of the business combination is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group, plus any costs directly attributable to the business combination.

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

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

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

3.5 Foreign currency translation

The financial statements are presented in Hong Kong Dollars ("HK$"), which is also the Company's functional currency and all values are rounded to the nearest thousand except when otherwise indicated.

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

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

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

3.6 Related parties

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

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

(b) the party is an associate;

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

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

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

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

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

3.7 Property, plant and equipment

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

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

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

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

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

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

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

3.8 Impairment of assets

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

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

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount unless the relevant asset is carried at a revalued amount under the Group's accounting policy, in which case the impairment loss is treated as a revaluation decrease according to that policy. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

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

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

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

3.9 Lease

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the income statement on a straight line basis over the lease terms except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rental are charged to the income statement in the accounting period in which they are incurred.

3.10 Financial assets

The Group's accounting policies for financial assets other than investments in subsidiaries are set out below.

Financial assets are classified into the loans and receivables and financial assets at fair value through profit or loss.

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

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

3.10 Financial assets *(cont'd)*

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

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

Loans and receivables

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

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

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

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

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

3.10 Financial assets *(cont'd)*

Financial assets at fair value through profit or loss (cont'd)

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

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

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

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

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

3.11 Inventories

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

3.12 Accounting for income taxes

Income tax comprises current and deferred tax.

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

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

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

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

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

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

Notes to the Financial Statements *(cont'd)*

For the year ended 31 March 2007

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

3.13 Cash and cash equivalents

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

3.14 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium to the extent they are incremental costs directly attributable to the equity transaction.

3.15 Retirement benefit costs and short-term employee benefits

(i) *Defined contribution plan*

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

(ii) *Short-term employee benefits*

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

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

3.16 Financial liabilities

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

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as an expense in finance costs in the income statement.

(i) *Borrowings*

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

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

(ii) *Trade and other payables*

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

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

3.17 Provisions and contingent liabilities

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

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

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

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

3.18 Revenue recognition

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

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

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

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

Machine rental income is accounted for on a straight-line basis over the period of the relevant leases.

3.19 Borrowing costs

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

3.20 Segment reporting

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

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

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

3.20 Segment reporting *(cont'd)*

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

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

3.21 Share-based payments

All share-based payment arrangements granted after 7 November 2002 and had not vested on 1 January 2005 are recognised in the financial statements. The Group operates equity-settled share-based compensation plans for remuneration of its employees, consultants, advisers, suppliers or customers of the Company and its subsidiaries.

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

Other than employee services, all services received in exchange for the grant of any share-based compensation are measured at the fair value of the goods or services received. That fair value is measured at the date the Group obtains the goods or the counterparty renders service.

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

4.1 Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 3.8. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

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

4.2 Net realisable value of inventories

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

4.3 Impairment of receivables

The Group's management review receivables on a regular basis to determine if any provision for impairment is necessary. This estimate is based on the credit history of its customers, past settlement and industry practice and current market conditions. Management reassess the impairment of receivables at each balance sheet date.

4.4 Taxation

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

5. SEGMENT INFORMATION

Primary reporting format – business segments

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

(a) the retail segment represents the selling of bags and accessories via retail shops and department store counters;

(b) the wholesale segment represents the selling of bags and accessories via overseas agents and distributors;

(c) the trading segment represents the trading of recycled computers; and

(d) the corporate segment represents investment holding.

For the year ended 31 March 2007

5. SEGMENT INFORMATION *(cont'd)*

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

	Retail		Wholesale		Trading		Corporate		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:										
Sales to external customers	**34,238**	39,715	**17,865**	31,198	**37,836**	–	**–**	–	**89,939**	70,913
Segment results	**(432)**	3,761	**1,199**	1,219	**(2,062)**	–	**–**	–	**(1,295)**	4,980
Unallocated costs									**(9,847)**	(9,772)
Operating loss									**(11,142)**	(4,792)
Finance costs									**(53)**	(508)
Loss before income tax									**(11,195)**	(5,300)
Income tax									**(458)**	(100)
Loss for the year									**(11,653)**	(5,400)
Assets										
Segment assets	**3,694**	4,172	**2,445**	4,806	**7,899**	–	**245**	–	**14,283**	8,978
Unallocated assets	**–**	–	**–**	–	**–**	–	**–**	–	**32,682**	5,873
Total assets									**46,965**	14,851
Liabilities										
Segment liabilities	**3,019**	3,577	**2,126**	103	**3,692**	–	**–**	–	**8,837**	3,680
Unallocated liabilities	**–**	–	**–**	–	**–**	–	**–**	–	**3,404**	2,823
Total liabilities									**12,241**	6,503
Other segment information:										
Depreciation	**355**	644	**–**	962	**8**	–	**–**	–	**363**	1,606
Unallocated	**–**	–	**–**	–	**–**	–	**–**	–	**371**	131
									734	1,737
Capital expenditure	**494**	208	**–**	–	**100**	–	**–**	–	**594**	208
Unallocated	**–**	–	**–**	–	**–**	–	**–**	–	**13**	73
									607	281
Impairment loss on property, plant and equipment	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Unallocated									**10**	3,500
									10	3,500
Impairment loss on goodwill	**–**	–	**–**	–	**3,067**	–	**–**	–	**3,067**	–
Unallocated									**–**	–
									3,067	–

Notes to the Financial Statements *(cont'd)*

For the year ended 31 March 2007

5. SEGMENT INFORMATION *(cont'd)*

Primary reporting format – geographical segments

The following table presents revenue, certain assets and expenditure information for the Group's geographical segments.

	Hong Kong, SAR		PRC (not including Hong Kong, SAR)		Taiwan		Singapore		Others		Unallocated		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:														
Sales to external customers	**67,738**	53,664	**17,243**	5,617	**2,176**	9,393	**2,024**	1,744	**758**	495	**–**	–	**89,939**	70,913
Other segment information:														
Segment assets	**13,169**	7,275	**1,114**	673	**–**	1,030	**–**	–	**–**	3	**32,682**	5,870	**46,965**	14,851
Capital expenditure	**594**	208	**–**	–	**–**	–	**–**	–	**–**	–	**13**	73	**607**	281

6. REVENUE AND OTHER REVENUE

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

	2007	2006
	HK$'000	HK$'000
Revenue		
Sales	**89,939**	70,913
Other revenue		
Interest income	**399**	152
Management income	**600**	900
Machinery rental income	**–**	600
Gain on disposal of property, plant and equipment	**67**	–
Sundry income	**201**	527
	1,267	2,179
Total revenue	**91,206**	73,092

7. OPERATING LOSS

	2007 HK$'000	2006 HK$'000
Operating loss is arrived at after charging and crediting the following:		
Crediting:		
Interest income	**399**	152
Gain on disposal of property, plant and equipment	**67**	–
Charging:		
Auditors' remuneration	**330**	250
Bad debts written off	**1,171**	1,495
Cost of inventories recognised as expense	**62,467**	38,576
Contingent rents	**1,471**	3,452
Depreciation	**734**	1,737
Directors' remuneration *(note 13)*	**3,424**	909
Exchange losses, net	**114**	32
Impairment loss on property, plant and equipment	**10**	3,500
Impairment loss on goodwill	**3,067**	–
Loss on disposal of other investments	**–**	260
Loss on disposal of a subsidiary	**119**	–
Minimum lease payments under operating lease rentals for land and buildings	**10,949**	7,867
Staff costs (including directors' remuneration, *note 13)*		
Fees	**720**	258
Salaries	**9,120**	11,213
Pension scheme contributions	**371**	377
Share option benefits	**3,218**	–

8. FINANCE COSTS

	2007 HK$'000	2006 HK$'000
Interests on bank loans and overdrafts wholly repayable within five years	**53**	508

9. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits arising in Hong Kong for the year. Income tax on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

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

	2007 HK$'000	2006 HK$'000
Current tax		
– Hong Kong		
Tax for the year	**201**	110
Over provision in respect of prior years	**–**	(10)
– Overseas		
Under provision in respect of prior years	**257**	–
Deferred tax *(note 29)*	**–**	–
Total income tax expense	**458**	100

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

	2007 HK$'000	2006 HK$'000
Loss before income tax	**(11,195)**	(5,300)
Tax on loss before income tax, calculated at the rates applicable to loss in the tax jurisdiction concerned	**(1,935)**	(927)
Tax effect of non-deductible expenses	**2,180**	851
Tax effect of non-taxable revenue	**(55)**	(27)
Tax effect of temporary difference not recognised	**49**	100
Tax effect of prior year's unrecognised tax losses utilised this year	**–**	(82)
Tax effect of unused tax losses not recognised	**–**	195
Others	**(38)**	–
Under/(Over) provision in prior years	**257**	(10)
Income tax expense	**458**	100

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

10. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Of the consolidated loss attributable to the equity holders of the Company of HK$11,653,000 (2006: HK$5,359,000), a loss of HK$10,805,000 (2006: HK$16,545,000) has been dealt with in the financial statements of the Company.

11. DIVIDENDS

No dividends have been paid or declared by the Company during the year (2006: Nil).

12. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to equity holders of the Company of HK$11,653,000 (2006: HK$5,359,000) and on the weighted average of 1,631,251,472 (2006: 1,234,616,142) ordinary shares in issue during the year. The weighted average number of ordinary shares for the purpose of basic earnings per share for the year ended 31 March 2006 had been restated for the rights issue on 12 July 2006 and the subscription on 12 January 2007 (note 26(ii)).

Diluted loss per share for the year ended 31 March 2007 was not presented because the impact of the exercise of the share options was anti-dilutive. Details of the issue of convertible bond after balance sheet date are set out in note 36.

Notes to the Financial Statements *(cont'd)*

For the year ended 31 March 2007

13. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

13.1 Directors' emoluments

13.1.1 Executive directors, non-executive director and independent non-executive directors

	Group				
	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Share-based payment HK$'000	Contributions to pension scheme HK$'000	Total HK$'000
2007					
Executive directors					
Mr. Pong Wai San Wilson (1)	–	–	–	–	–
Mr. Chan Man Yin (2), (7)	60	–	676	–	736
Mr. Chan Ping Kuen Francis (2), (3)	60	–	676	–	736
Mr. Wong Wing Cheung Peter (2), (4)	60	–	676	–	736
Mr. Ng Pak To, Petto (5)	180	–	–	–	180
Mr. Ong Chor Wei (5)	–	–	676	–	676
Mr. Ho Kai Chung (6)	–	–	–	–	–
Non-executive director					
Mr. Li Chi Ching (1)	–	–	–	–	–
Independent non-executive directors					
Mr. Koo Fook Sun Louis (1)	–	–	–	–	–
Mr. Lai Hin Wing Henry (1)	–	–	–	–	–
Mr. Lung Hung Cheuk (1)	–	–	–	–	–
Mr. Lee Kun Hung (2), (8)	120	–	–	–	120
Mr. Wong Hou Yan Norman (2), (8)	120	–	–	–	120
Mr. Cheung Chi Hwa Justin (2), (9)	120	–	–	–	120
	720	–	2,704	–	3,424

	Group			
	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Contributions to pension scheme HK$'000	Total HK$'000
2006				
Executive directors				
Mr. Pong Wai San Wilson (1)	–	–	–	–
Mr. Chan Man Yin (2), (7)	100	–	–	100
Mr. Chan Ping Kuen Francis (2), (3)	20	–	–	20
Mr. Wong Wing Cheung Peter (2), (4)	–	–	–	–
Mr. Ng Pak To, Petto (5)	–	313	–	313
Mr. Ong Chor Wei (5)	–	–	–	–
Mr. Ho Kai Chung (6)	–	327	11	338
Non-executive director				
Mr. Li Chi Ching (1)	–	–	–	–
Independent non-executive directors				
Mr. Koo Fook Sun Louis (1)	–	–	–	–
Mr. Lai Hin Wing Henry (1)	–	–	–	–
Mr. Lung Hung Cheuk (1)	–	–	–	–
Mr. Lee Kun Hung (2), (8)	47	–	–	47
Mr. Wong Hou Yan Norman (2), (8)	47	–	–	47
Mr. Cheung Chi Hwa Justin (2), (9)	44	–	–	44
	258	640	11	909

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

13.1 Directors' emoluments *(cont'd)*

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

Notes:

(1) Appointed on 23 March 2007

(2) Resigned on 23 March 2007

(3) Appointed on 1 February 2006

(4) Appointed on 19 April 2006

(5) Resigned on 19 April 2006

(6) Resigned on 3 May 2005

(7) Appointed on 1 June 2006

(8) Appointed on 20 June 2005

(9) Appointed on 4 July 2005

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2006: Nil).

13.2 Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included four (2006: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2006: three) individuals during the year are as follows:

	2007	2006
	HK$'000	HK$'000
Basic salaries, housing benefits, other allowances, share option and benefits in kind	**1,033**	795
Pension scheme contributions	**16**	35
	1,049	830

The emoluments of the above remaining employee fall within the HK$1,000,001 – HK$1,500,000 band.

During the year, no emoluments were paid by the Group to any of the directors or the highest paid employees as an inducement to join or upon joining the Group, or as compensation for loss of office (2006: Nil).

There was no arrangement under which any of the five highest paid employees waived or agreed to waive any remuneration during the year (2006: Nil).

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Leasehold improvements HK$'000	Total HK$'000
At 1 April 2005				
Cost	5,061	3,309	3,969	12,339
Accumulated depreciation	(1,255)	(2,621)	(2,297)	(6,173)
Net book amount	3,806	688	1,672	6,166
Year ended 31 March 2006				
Opening net book amount	3,806	688	1,672	6,166
Additions	–	73	208	281
Impairment loss	(2,841)	–	(659)	(3,500)
Depreciation	(506)	(317)	(914)	(1,737)
Closing net book amount	459	444	307	1,210
At 31 March 2006				
Cost	2,220	3,382	3,518	9,120
Accumulated depreciation	(1,761)	(2,938)	(3,211)	(7,910)
Net book amount	459	444	307	1,210
Year ended 31 March 2007				
Opening net book amount	**459**	**444**	**307**	**1,210**
Additions	**–**	**104**	**432**	**536**
Acquisition of a subsidiary	**–**	**71**	**–**	**71**
Disposals	**(332)**	**(120)**	**–**	**(452)**
Depreciation	**(127)**	**(254)**	**(353)**	**(734)**
Impairment loss	**–**	**(10)**	**–**	**(10)**
Closing net book amount	**–**	**235**	**386**	**621**
At 31 March 2007				
Cost	**–**	**2,841**	**2,389**	**5,230**
Accumulated depreciation	**–**	**(2,606)**	**(2,003)**	**(4,609)**
Net carrying amount	**–**	**235**	**386**	**621**

At 31 March 2007, no plant and machinery (2006: net book value of HK$459,000) were leased to the third party.

At 31 March 2006, the carrying amount of plant and machinery was reduced to their recoverable amounts which were determined by reference to the estimation of future cash flows expected to be generated from the respective assets.

Notes to the Financial Statements *(cont'd)*

For the year ended 31 March 2007

15. INTERESTS IN AND LOAN TO SUBSIDIARIES – COMPANY

	2007 **HK$'000**	2006 HK$'000
Non-current		
Unlisted investments, at cost	**8**	64
Due from subsidiaries	**–**	83
	8	147
Current		
Due from a subsidiary	**3,555**	–
	3,563	147

Amounts due are unsecured, interest free and repayable on demand. Details of subsidiaries are as follows:

Company	**Place of incorporation/ registration and operations**	**Nominal value of issued share capital**	**Percentage of equity attributable to the Company**		**Principal activities**
			Direct	**Indirect**	
Super Reach Limited	British Virgin Islands	Ordinary US$1	100	–	Investment holding
New Sonic Investments Limited	British Virgin Islands	Ordinary US$1	100	–	Investment holding
Multi Merchant Investments Limited	British Virgin Islands	Ordinary US$1,000	100	–	Investment holding
Trigreat Investments Limited	British Virgin Islands	Ordinary US$1	100	–	Investment holding
Antex Development Limited	Hong Kong	Ordinary HK$1	–	100	Dormant
Resource Base Enterprises Limited	British Virgin Islands	Ordinary US$100	–	100	Investment holding
Hugo Point International Limited	Hong Kong	Ordinary HK$100	–	100	Dormant

15. INTERESTS IN AND LOAN TO SUBSIDIARIES – COMPANY *(cont'd)*

Company	Place of incorporation/ registration and operations	Nominal value of issued share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
FX Creations International Limited	Hong Kong	Ordinary HK$500,000	–	100	Retail and distribution of bags
FX International Limited	Hong Kong	Ordinary HK$1,000,000	–	100	Retail and trading of bags and accessories
Solid Wealth Limited	British Virgin Islands	Ordinary US$1,000	–	100	Dormant
Million Hero Investments Limited	British Virgin Islands	Ordinary US$1,000	–	100	Investment holding
Maxitech System Company Limited *(note i)*	Hong Kong	Ordinary HK$2,500,000	–	100	Trading of recycled computers

Note i: The company is newly acquired during the year (note 30).

Note ii: FX Wealthmark International Limited was de-registered during the year.

16. GOODWILL — GROUP

Goodwill arising during the year results from the acquisition of Maxitech System Company Limited ("Maxitech System"). The net carrying amount of goodwill can be analysed as follows:

	2007 HK$'000	2006 HK$'000
Net carrying amount at 1 April	**–**	–
Acquisition of a subsidiary *(note 30)*	**6,622**	–
Impairment	**(3,067)**	–
Net carrying amount at 31 March	**3,555**	–

The carrying amount of goodwill is allocated to the trading of recycled computers cash-generating unit.

The recoverable amounts for the cash-generating unit given above were determined based on value-in-use calculations, using cash flow projections based on financial budgets covering a five-year period approved by the management. The discount rate applied to cash flow projection is 5% and cash flows beyond the five year period are extrapolated using a reduction rate of 25%.

16. GOODWILL — GROUP *(cont'd)*

Management has determined the budgeted gross margins based on past performance and its expectation for market development. The discount rates used are before tax and reflect specific risks relating to the relevant units.

The forecast for the Group's trading of recycled computers unit was adjusted in 2007 for the decline of this market, Impairment testing taking into account these latest developments resulted in the reduction of goodwill associated with this product line.

The related goodwill impairment loss of HK$3,067,000 (2006: Nil) was included under administrative expenses in the income statement and attributed to the Group's trading segment (see note 5).

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

17. INVENTORIES — GROUP

All inventories held at year end are finished goods.

18. TRADE RECEIVABLES — GROUP

The Group's trading terms with its customers are mainly on credit, which generally have credit terms of up to 90 days (2006: 90 days). Each customer has a maximum credit limit. The Group seeks to maintain strict controls over its outstanding receivables to minimise credit risk. Overdue balances are reviewed by senior management on a regular basis.

Based on the goods delivery dates, the ageing analysis of the Group's trade receivable was as follows:

	2007	2006
	HK$'000	HK$'000
Within 90 days	**7,647**	3,485
91-180 days	**4**	–
181-365 days	**–**	–
Over 1 year	**14**	36
	7,665	3,521

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

	2007	2006
	'000	'000
Renminbi ("RMB")	**RMB5,054**	–

The directors of the Group considered that the fair values of trade receivables are not materially different from their carrying amounts because these amounts have short maturity periods on their inception.

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers.

19. AMOUNT DUE FROM A MINORITY SHAREHOLDER — GROUP

The balance was unsecured, interest free and has been repaid during the year.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS – GROUP

	2007 **HK$'000**	2006 HK$'000
Listed securities:		
– Equity securities — Hong Kong	**234**	–
– Warrants — Hong Kong	**11**	–
Market value of listed securities	**245**	–

The carrying value of the above financial assets is classified as held for trading.

21. CASH AND CASH EQUIVALENTS

	Group		**Company**	
	2007 **HK$'000**	2006 HK$'000	**2007** **HK$'000**	2006 HK$'000
Cash at bank and in hand	**3,134**	3,962	**2,387**	3,661
Time deposits with original maturity less than three months	**20,007**	–	**20,007**	–
Cash and cash equivalents	**23,141**	3,962	**22,394**	3,661

Cash at bank earns interest at floating rates based on daily bank deposits rates.

22. TRADE PAYABLES — GROUP

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

	2007 **HK$'000**	2006 HK$'000
Within 90 days	**7,318**	3,229
91-180 days	**491**	400
181-365 days	**–**	51
Over 1 year	**11**	–
	7,820	3,680

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

	2007 **'000**	2006 '000
United States Dollars ("USD")	**USD409**	–

The directors of the Group considered that the carrying amounts approximate their fair value.

23. AMOUNT DUE TO A SHAREHOLDER – GROUP AND COMPANY

The balance was unsecured, interest free and has been repaid during the year.

24. BANK BORROWINGS — GROUP

	Effective interest rate	2007 HK$'000	2006 HK$'000
Short-term bank loans, secured	**8.75%**	**–**	377

The bank loans were secured by personal guarantee given by the ex-director, Mr. Ng Pak To Petto (resigned on 19 April 2006), Ms. Ho Pui Lai and the ex-director, Mr. Ho Kai Chung David (resigned on 3 May 2005).

The bank loans have been fully repaid during the year.

25. OTHER BORROWINGS — GROUP

	2007 HK$'000	2006 HK$'000
Non-current portion	**500**	83
Current portion	**83**	500
Total other borrowings	**583**	583

Other borrowings of HK$83,000 was secured by a personal guarantee from the ex-director, Mr. Ng Pak To Petto (resigned on 19 April 2006), and bore interest at 10% per annum. The balance is repaid through monthly instalments up to 9 May 2007.

The loan of HK$500,000 was secured by the share of a subsidiary and bore interest at prime rate plus 4%. The loan will be repayable on 24 August 2008.

The directors of the Group considered that the carrying amounts approximate their fair value.

26. SHARE CAPITAL — GROUP AND COMPANY

	2007 Number of shares '000	**2007** HK$'000	2006 Number of shares '000	2006 HK$'000
Authorised:				
Ordinary shares of HK$0.01 each	**10,000,000**	**100,000**	10,000,000	100,000

	Number of shares '000	**Ordinary shares HK$'000**
Issued and fully paid:		
At 1 April 2005	**400,000**	**4,000**
Issue of new shares	**60,504**	**605**
At 31 March 2006 and 1 April 2006	**460,504**	**4,605**
Issue of new shares *(note i)*	**15,300**	**153**
Issue of new shares *(note ii)*	**1,286,096**	**12,861**
Exercise of share options *(note iii)*	**38,100**	**381**
At 31 March 2007	**1,800,000**	**18,000**

Notes:

(i) On 3 November 2006, the Company allotted and issued a total of 15,300,000 consideration shares at HK$0.18 each to the vendor as payment of part of the consideration for the acquisition of equity interest in Maxitech System (note 30).

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

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

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

27. SHARE-BASED PAYMENTS

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

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

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

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

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

On 20 April 2006, share options to subscribe for an aggregate of 21,900,000 and 16,200,000 shares at HK$0.163 per share were granted to its employees and its business consultants by the Company under the scheme respectively. The period during which the options are exercisable is from 20 April 2006 to 19 April 2007. All share-based compensation will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the options. On 26 May 2006, all the outstanding 38,100,000 share options were exercised and no share options granted under the scheme were outstanding as at 31 March 2007. The weighted average share price of these shares at the date of exercise was HK$0.26.

The fair values of options granted to its employees during the year were determined using the Black-Scholes valuation model. Significant inputs into the calculation included a weighted average share price of HK$0.26 and exercise price of HK$0.163. Furthermore, the calculation takes into account future dividend of HK$ Nil and a volatility rate of 109%, based on expected share price. Risk-free interest rate was determined at 4.76%. The underlying expected volatility was determined by reference to historical data, adjusted for maverich share prices that exceeded a 365 days average. No special features pertinent to the options granted were incorporated into measurement of fair value.

The fair values of services received from its business consultants were measured at a market price for those services.

In total, HK$3,218,000 of share-based employee compensation expense (2006: Nil) and HK$2,377,000 of share-based payment to its business consultants (2006: Nil) has been included in the consolidated income statement for 2007 and the corresponding amount of which has been credited to share-based payment reserve (note 28). No liabilities were recognised due to share-based payment transactions.

28. RESERVES

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

Company

	Share premium account HK$'000	Share-based payment reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
At 1 April 2005	13,703	–	45	13,748
Issue of new shares	1,392	–	–	1,392
Issuing cost	(177)	–	–	(177)
Loss for the year	–	–	.(16,545)	(16,545)
At 31 March 2006 and 1 April 2006	14,918	–	(16,500)	(1,582)
Issue of new shares	**15,067**	**–**	**–**	**15,067**
Issuing cost	**(1,777)**	**–**	**–**	**(1,777)**
Recognition of share option benefits at fair value	**–**	**5,595**	**–**	**5,595**
Exercise of share options	**11,424**	**(5,595)**	**–**	**5,829**
Loss for the year	**–**	**–**	**(10,805)**	**(10,805)**
At 31 March 2007	**39,632**	**–**	**(27,305)**	**12,327**

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

29. DEFERRED TAX — GROUP

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

	2007 **HK$'000**	2006 HK$'000
Taxation effect of temporary differences arising as a result of:		
Tax losses available to set off against future assessable profits	**1,196**	299
Excess of depreciation charged in the financial statements over depreciation allowance claimed for tax proposes	**526**	461
	1,722	760

No provision for deferred taxation has been recognised in respect of the tax losses as this has not yet been all agreed with the Inland Revenue Department and it is not certain that they can be utilised in the foreseeable future. The tax losses do not expire under current tax legistration.

30. ACQUISITION OF A SUBSIDIARY

On 3 November 2006, the Group acquired 100% equity interest in Maxitech System, a company incorporated in Hong Kong and engaged in the trading of recycled computers, at a consideration of HK$8,500,000 with part of the consideration being settled by the allotment and issue of 15,300,000 new shares of HK$0.01 each by the Company at a price of HK$0.18 each. HKFRS 3 "Business Combinations" requires the fair value of the share consideration for accounting purposes to be determined at the acquisition date. At the acquisition date, the market price of the shares of the Company was HK$0.18. Accordingly, the fair value of the consideration shares for this purpose was HK$2,754,000. The amount of goodwill arising as a result of the acquisition was HK$6,622,000.

Details of net assets acquired and goodwill are as follows:

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

The goodwill is attributed to the profitability of the acquired business and the synergies expected to arise after the Group's acquisition of Maxitech system.

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

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

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

Cash outflow on acquisition:

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

The acquired subsidiary contributed revenues of HK$37,836,000 and net profit of HK$828,000 to the Group for the period from 3 November 2006 to 31 March 2007. If the acquisition had occurred on 1 April 2006, the Group's revenue would have been HK$113,036,000 and loss before allocations would have been HK$10,551,000.

31. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

31.1 Disposal of a Subsidiary

During the year, FX wealthmark International Limited was de-registered.

	2007 HK$'000	2006 HK$'000
Net assets disposed of:		
Other receivables	361	–
Accruals and other payables	(162)	–
	199	–
Minority interests	(80)	–
	119	–
Loss on disposal of a subsidiary	(119)	–
Total consideration	–	–

32. OPERATING LEASE COMMITMENTS

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

	2007	2006
	HK$'000	HK$'000
Within one year	**7,876**	6,165
In the second to fifth years	**4,178**	3,905
	12,054	10,070

The Group lease a number of properties under operating leases. The lease run for an initial period of one to three years, with an option to renew the lease and renegotiated the terms at the expiry date or at dates as mutually agreed between the Group and respective landlords/lessors. None of the leases include contingent rentals.

33. MATERIAL RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties:

	2007	2006
	HK$'000	HK$'000
Key management personnel remuneration		
– Salaries and other short-term employee benefits	**720**	898
– Retirement benefits costs	**–**	11
– Share option benefits	**2,704**	–
	3,424	909

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans and cash. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, trade payables, other receivables and other payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, foreign currency risk, credit risk and fair value. The board has reviewed and agreed policies for managing each of these risks and they are summarised below.

34.1 Cash flow interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates and the Group has no significant interest-bearing assets or liabilities. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

34.2 Foreign currency risk

The Group mainly operated in Hong Kong and with most of the transactions settled in Hong Kong dollars and Renminbi and did not have significant exposure to risk resulting from changes in foreign currency exchange rates.

34.3 Credit risk

The Group has no significant concentrations of credit risk. The carrying amount of trade receivables represents the Group's maximum exposure to credit risk in relation to its financial assets. No other financial assets carry a significant exposure to credit risk.

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

34.3 Credit risk *(cont'd)*

The Group's trade and other receivables are actively monitored to avoid significant concentration of credit risk.

The Group has adopted a no-business policy with customers lacking an appropriate credit history where credit records are not available.

34.4 Fair value

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

35. ULTIMATE HOLDING COMPANY

At 31 March 2007, the directors consider the ultimate holding company to be Virtue Partner Group Limited, which is incorporated in the British Virgin Islands. This entity does not produce financial statements available for public use.

36. POST BALANCE SHEET EVENTS

36.1 On 29 May 2007, the Group acquired the entire equity interests in Richfield Realty Limited ("Richfield Realty") at a consideration of HK$597,000,000 which satisfied as to HK$456,000,000 by the issue of the convertible bond, HK$120,000,000 by the issue of the promissory note and HK$21,000,000 by cash. Richfield Realty is engaged in the provision of property brokerage services, carrying out schemes for property consolidation, assembly and redevelopment in Hong Kong.

Convertible bonds in the aggregate amount of HK$456,000,000 has been issued as part of the consideration on 29 May 2007. The convertible bond can be converted into shares of the Company at an initial conversion price of HK$0.6 per share (subject to adjustments in accordance with the terms of the convertible bond) during its conversion period. Further details of which are set out in the Company's circular dated 10 May 2007 and announcement dated 29 May 2007.

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount HK$'000
Property, plant and equipment	227
Trade receivables	17,176
Deposits and other receivables	272
Bank and cash balances	281
Amount due from a shareholder	10,870
Accrued liabilities and other payables	(887)
Provision for tax	(2,217)
Net assets acquired	25,722

The above figures are extracted from the management accounts of Richfield Realty.

The fair value of purchase consideration and acquirees's fair value cannot be determined reliably when the board of directors approved the financial statements for issue as the valuation of fair value of convertible bond and promissory note and the assessment of acquiree's fair value is still in process.

36.2 On 1 June 2007, the convertible bond holder exercised its conversion rights to convert part of the convertible bond of HK$255,000,000 into 425,000,000 shares of the Company.

37. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation of the financial statements.