THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Mascotte Holdings Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or the transferee.

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities.

MASCOTTE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 136)

MAJOR TRANSACTION

A notice convening the Special General Meeting ("**SGM**") to be held at 30/F., China United Centre, 28 Marble Road, North Point, Hong Kong on 30 June 2009 at 9:00 a.m. is set out on pages 114 to 116 of this circular. Whether or not you are able to attend the SGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the office of the Company's branch share registrar of the Company in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the appointed time for holding the meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting and any adjourned meeting (as the case may be) should you so wish.

15 June 2009

CONTENTS

In this circular, the following expressions shall have the meanings set out below unless the context requires otherwise:

"Acquisition"	the proposed acquisition by the Company of the Sale Shares pursuant to the Agreement;
"Agreement"	the share purchase agreement dated 12 May 2009 entered into between Marvel Century and Popovic Investments in respect of the Sale Shares;
"Allied Loyal"	Allied Loyal International Investments Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of Popovic Investments prior to Completion;
"Amerinvest International"	Amerinvest International Forestry Group Limited, a company incorporated in the British Virgin Islands and is a third party independent of the Company and the connected persons of the Company;
"Announcement"	the announcement of the Company dated 15 May 2009 in relation to the Acquisition;
"associate(s)"	has the meaning ascribed to it in the Listing Rules;
"Board"	the board of Directors;
"Business Day"	a day (other than Saturday or Sunday) on which banks are generally open for banking business in Hong Kong;
"China Capital Strategy"	China Capital Strategy Limited, a company incorporated in Hong Kong and is a third party independent of the Company and the connected persons of the Company;
"Company"	Mascotte Holdings Limited, a company incorporated in Bermuda, the shares of which are listed on the main board of the Stock Exchange;
"Completion"	completion of the sale and purchase of the Sale Shares;
"Completion Date"	the date on which Completion will take place, being the third Business Day after the day on which the last condition precedent is fulfilled or waived or such other date as Marvel Century and Popovic Investments may agree in writing;

"Concession Contract"	the concession contract dated 18 June 2007 entered into among China Capital Strategy, Amerinvest International and Allied Loyal;
"Concession Rights and Interests"	the economic gains including future capital gains and future cash flow profit accrued under the Forestry Contracts in respect of the Forest Land;
"connected person(s)"	has the meaning ascribed to it under the Listing Rules;
"Consideration"	the consideration of HK$130,000,000 for the Acquisition;
"Conversion Shares"	the 260,000,000 to be issued by the Company upon conversion in full by the holders of the Convertible Bond of the conversion rights attaching to the Convertible Bond at the initial conversion price of HK$0.50 per Share (subject to adjustment);
"Convertible Bond"	the convertible bond in the principal amount of HK$130,000,000 to be issued on Completion;
"Directors"	directors of the Company;
"Enlarged Group"	the Group together with the Target Group immediately after Completion;
"Forest Land"	Forest Land I, Forest Land II and Forest Land III;
"Forest Land I"	a parcel of forest land located in Forest No.92, Nan Xian He Ying Pan Mountain, Liu Shun Village, Simao District, Puer City, Yunnan Province (雲南省普洱市思茅區六順鄉南線河營盤山) with a site area of approximately 10,182 Chinese Mu;
"Forest Land II"	a parcel of forest land located in Forest No.104, Gan Niu Zhai Mountain, Yi Xiang Town, Simao District, Puer City, Yunnan Province (雲南省普洱市思茅區倚象鎮趕牛寨大山) with a site area of approximately 16,344 Chinese Mu;

"Forest Land III"	a parcel of forest land located in Forest No.104, Gan Niu Zhai Mountain, Yi Xiang Town, Simao District, Puer City, Yunnan Province (雲南省普洱市思茅區倚象鎮趕牛寨大山) with a site area of approximately 10,209 Chinese Mu;
"Forestry Contracts"	the contracts entered into between the People's Government and China Capital Strategy in respect of the granting of the forest land use right (林地使用權) and forest tree ownership right (林木所有權) of the Forest Land by the People's Government to China Capital Strategy;
"Group"	the Company and its subsidiaries;
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"Last Trading Day"	12 May 2009, being the last trading day prior to the suspension of trading in Shares pending the release of the Announcement;
"Latest Practicable Date"	12 June 2009, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Marvel Century"	Marvel Century Limited, a company incorporated in the British Virgin Islands with limited liability;
"People's Government"	The People's Government of Simao District, Puer City, Yunnan Province (雲南省普洱市思茅區人民政府);
"PRC"	the People's Republic of China;
"Popovic Investments"	Popovic Investments Limited, a company incorporated in the British Virgin Islands with limited liability;

"Richful Zone"	Richful Zone International Limited, a company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of Popovic Investments prior to Completion;
"RMB"	Renminbi, the lawful currency of the PRC;
"Sale Shares"	the 17,478,973 ordinary shares of US$1.00 each in the share capital of Richful Zone, representing the entire issued share capital of Richful Zone;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"SGM"	the special general meeting of the Company to be held on 30 June 2009 at 30/F., China United Centre, 28 Marble Road, North Point, Hong Kong at 9:00 a.m. for the purpose of approving, among other things, the Acquisition and the issue of the Convertible Bond;
"Share(s)"	share(s) of HK$0.10 each in the share capital of the Company;
"Shareholder(s)"	holder(s) of the Shares;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"substantial shareholder"	has the same meaning ascribed to it under the Listing Rules;
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers;
"Target Group"	Richful Zone and Allied Loyal;
"US$"	United States dollars, the lawful currency of the United States of America;
"Willie International"	Willie International Holdings Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the main board of the Stock Exchange; and
"%"	per cent.

MASCOTTE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 136)

Executive Directors:
Mr. Peter Temple Whitelam *(Chairman)*
Mr. Lo Yuen Wa Peter
(Acting Chief Executive Officer)
Mr. Au Yeung Kai Chor
Mr. Lam Suk Ping

Independent non-executive Directors:
Mr. Chan Sze Hung
Ms. Kristi L Swartz
Ms. Hui Wai Man, Shirley

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and Principal place of business in Hong Kong:
1st Floor
Po Chai Industrial Building
28 Wong Chuk Hang Road
Aberdeen
Hong Kong

15 June 2009

To the Shareholders

Dear Sir/Madam,

MAJOR TRANSACTION

INTRODUCTION

The Board announced that on 15 May 2009, Marvel Century, a wholly-owned subsidiary of the Company, and Popovic Investments entered into the Agreement, pursuant to which Popovic Investments has conditionally agreed to sell the Sale Shares to Marvel Century at a consideration of HK$130,000,000, which will be satisfied in full by the issue of the Convertible Bond to Popovic Investments (or its nominee).

Richful Zone, through its wholly-owned subsidiary, Allied Loyal, owns 50% of the Concession Rights and Interests in respect of the Forest Land, which is located in Simao District, Puer City, Yunnan Province, the PRC, with a total site area of approximately 36,735 Chinese Mu.

As the applicable percentage ratios (as defined in the Listing Rules) are more than 25% but less than 100%, the Acquisition constitutes a major transaction for the Company under Rule 14.06(3) of the Listing Rules. The Agreement and transactions contemplated thereunder are conditional upon, among other things, the approval by the Shareholders at the SGM by poll. An associate of Willie International, the ultimate beneficial owner of Popovic Investments, held 1,695,800 Shares, representing approximately 0.59% of the existing issued share capital of the Company, as at the Latest Practicable Date, and is therefore required to abstain from voting in the SGM.

The purpose of this circular is to give you, among other things, (i) further details about the Acquisition and the Convertible Bond; and (ii) financial information on the Group; (iii) financial information on the Target Group; and (iv) a notice of the SGM to consider and, if thought fit, to approve the Agreement and transactions contemplated thereunder.

AGREEMENT

Date of the Agreement: 12 May 2009

Parties

Vendor: Popovic Investments

Purchaser: Marvel Century

The principal activity of Popovic Investments is investment holding. Based on the information provided by Popovic Investments to the Company, the principal asset held by Popovic Investments is the holding of the shares of Richful Zone. Popovic Investments is an indirect wholly-owned subsidiary of Willie International. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Popovic Investments and its ultimate beneficial owner are third parties independent of the Company and the connected persons of the Company. There is no common director between Willie International and the Company and as none of the Directors is interested in the Acquisition, no Director is therefore required to abstain from voting.

Assets to be Acquired

Pursuant to the Agreement, Marvel Century has agreed to acquire, and Popovic Investments have agreed to sell the Sale Shares, representing the entire share capital of Richful Zone as at the Latest Practicable Date. Richful Zone is an investment holding company.

Consideration

The consideration for the acquisition of the Sale Shares shall be HK$130,000,000, which will be satisfied in full by the issue of the Convertible Bond by the Company to Popovic Investments (or its nominees).

The Consideration was determined after arm's length negotiations between Marvel Century and Popovic Investments with reference to, among other things, the net asset value of the Target Group per its unaudited consolidated balance sheet as at 5 May 2009 of approximately HK$130,936,963 after taking into account the total acquisition cost of the entire issued share capital of Allied Loyal and the shareholder's loan amounted to HK$136,000,000 by Richful Zone minus the cumulative amortization of 50% of the Concession Rights and Interests from the date of completion of the original acquisition of 50% of the Concession Rights and Interests by Richful Zone up to 5 May 2009 in the total amount of HK$5,037,037.

The Directors are of the view that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Principal terms of the Convertible Bond

Set out below are the principal terms of the Convertible Bond:

Aggregate principal amount:	HK$130,000,000
Conversion price:	HK$0.50 per Share, subject to customary anti-dilutive adjustments upon the occurrence of the following events:

(i) any alteration to the nominal value of the Shares as a result of consolidation or subdivision of the Shares;

(ii) any issue of Shares to the Shareholders by way of capitalization of profits or reserves, other than Shares issued in lieu of the whole or any part of a cash dividend;

(iii) any capital distribution to the Shareholders;

(iv) any issue of Shares to all or substantially all Shareholders as a class by way of rights, or the issue or grant to all or substantially all Shareholders as a class, by way of rights, any options, warrants or other rights to subscribe for or purchase any Shares, in each case at less than 90 per cent. of the market price per Share on the last dealing day preceding the date of the announcement of the terms of the issue or grant;

(v) any issue of securities (other than Shares or options, warrants or other rights to subscribe for or purchase Shares) to all or substantially all Shareholders as a class by way of rights or grant to all or substantially all Shareholders as a class by way of rights of any options, warrants or other rights to subscribe for or purchase any securities (other than Shares or options, warrants or other rights to subscribe for or purchase Shares);

(vi) any issue (otherwise than as mentioned in sub-paragraph (iv) above) wholly for cash any Shares (other than Shares issued on the exercise of Conversion Rights or on the exercise of any other rights of conversion into, or exchange or subscription for, Shares) or on the issue or grant of (otherwise than as mentioned in sub-paragraph (iv) above) options, warrants or other rights to subscribe for or purchase Shares in each case at a price per Share which is less than 90 per cent. of the market price on the dealing day last preceding the date of announcement of the terms of such issue;

(vii) save in the case of an issue of securities arising from a conversion or exchange of other securities in accordance with the terms applicable to such securities themselves, if and whenever the Company or any subsidiary or any other person shall issue wholly for cash any securities which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares (or grant any such rights in respect of any existing securities so issued) to be issued by the Company upon conversion, exchange or subscription at a consideration per Share which is less than 90 per cent. of the market price per share on the last dealing day preceding the date of announcement of the terms of issue of such securities;

(viii) any modification of the rights of conversion, exchange or subscription attaching to any such securities as are mentioned in sub-paragraph (vii) above (other than in accordance with the terms applicable to such securities) so that the consideration per Share (for the number of Shares available on conversion, exchange or subscription following the modification) is less than 90 per cent. of the market price per share on the last dealing day preceding the date of announcement of the proposals for such modification; or

(ix) if and whenever the Company or any subsidiary or (at the direction or request of or pursuant to any arrangements with the Company or any subsidiary) any other person issues, sells or distributes any securities in connection with an offer by or on behalf of the Company or any subsidiary or such other person pursuant to which offer the Shareholders generally are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Conversion Price falls to be adjusted under subparagraphs (iv) to (vii) above) provided that the conversion price shall not be less than the par value of a Share, which is presently HK$0.10.

Interest rate: 4% per annum on the principal amount of the Convertible Bond outstanding from time to time payable on quarterly basis on the last day of each quarter.

Maturity date: The third anniversary of the date of issue of the Convertible Bond.

Redemption: Unless previously converted, the Convertible Bond shall be redeemed by the Company at its principal amount outstanding on the maturity date.

	At any time up to (and excluding) the commencement of the 7 (seven) calendar day period ending on the maturity date, the Company may by written notice to the bondholder, redeem all or part of the then outstanding principal amount of the Convertible Bond at a redemption price equal to 100% of the principal amount of the Convertible Bond.
Transferability:	The Convertible Bond or any part(s) thereof may be assigned or transferred to any third party. If the Convertible Bond or any part(s) thereof shall be transferred to any company or other person which is a connected person of the Company, the Company shall promptly notify the Stock Exchange.
Conversion rights and conversion period:	The holders of the Convertible Bond shall have the right to convert the whole or any part of the outstanding principal amount of the Convertible Bond into Shares at any time following the date of issue of the Convertible Bond until the date two days before (and excluding) the maturity date of the Convertible Bond into Shares at the initial conversion price of HK$0.50 per Share, subject to adjustment provided always that if the issue of such Conversion Shares will result in an insufficiency of the public float of Shares, the Company will not issue such Conversion Shares and the Convertible Bond will continue until redeemed on the maturity date.
Conversion shares, restriction on conversion and moratorium to sell:	Upon full conversion of the Convertible Bond at the initial conversion price of HK$0.50 per Share (subject to adjustment), an aggregate of 260,000,000 Shares will be issued, representing approximately (i) 90.93% of the existing issued share capital of Company; and (ii) 47.63% of the issued share capital of Company as enlarged by the issue of the Conversion Shares.

	Notwithstanding the conversion right attaching to the Convertible Bond, the Company shall not issue any Shares if, upon such issue, the holder of the Convertible Bond and parties acting in concert with it (within the meaning under the Takeovers Code) will at the material time beneficially hold 30% (or such percentage as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) or more of the then enlarged issued share capital of the Company at the relevant date of conversion of the relevant Convertible Bond.
Voting:	Holder(s) of the Convertible Bond shall not be entitled to receive notices of, attend or vote at any meetings of the Company by reason only of it being the holders of the Convertible Bond.
Listing:	No application will be made for the listing of the Convertible Bond on the Stock Exchange or any other stock exchange. An application will be made for the listing of and permission to deal in the Conversion Shares to be issued as a result of the exercise of the conversion rights attaching to the Convertible Bond.
Ranking:	The Conversion Shares will rank pari passu in all respects with all the Shares in issue at the date on which the conversion rights attaching to the Convertible Bond are exercised.

Conversion price of Conversion Shares

The initial conversion price of the Convertible Bond of HK$0.50 per Conversion Share represents:

(i) a premium of approximately 2.0% to the closing price of the Shares of HK$0.49 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 2.0% to the average of the closing prices of the Shares of HK$0.51 per Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day;

(iii) a discount of approximately 2.0% to the average of the closing prices of the Shares of HK$0.51 per Share as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day;

(iv) a discount of approximately 69.5% to the closing price per Share of HK$1.64 as quoted on the Stock Exchange on the Latest Practicable Date; and

(v) a discount of approximately 81.9% to the audited net asset value per Share of HK$2.76 as at 31 March 2008.

Conditions Precedent

Completion shall be conditional upon the fulfilment (or waiver, as the case may be) of the following conditions:

(i) Marvel Century having notified Popovic Investments that it is reasonably satisfied with its due diligence review on the financial, legal, commercial and taxation aspects of the Target Group and its title to assets and its interests in the Concession Rights and Interests in respect of the Forest Land;

(ii) the receipt to the satisfaction of Marvel Century of the legal opinions issued by a PRC law firm on issues including but not limited to the titles of the Forest Land, the ownership of the Concession Rights and Interest and the validity of the transactions contemplated under the Agreement;

(iii) the approval by the Shareholders in general meeting of (a) the acquisition by Marvel Century of the Sale Shares and the transactions contemplated under the Agreement; and (b) the issue of the Convertible Bond and the Conversion Shares by the Company to Popovic Investments (or its nominee);

(iv) the approval by the shareholders of Willie International in general meeting of the disposal by Popovic Investments of the Sale Shares and the transactions contemplated under this Agreement, if required by the Listing Rules;

(v) if applicable, the obtaining of all consents by Popovic Investments from government or regulatory authorities or third parties which are necessary in connection with the execution and performance of the Agreement and any of the transactions contemplated under the Agreement;

(vi) there having been no breach by Popovic Investments of any obligations, undertakings, representations and warranties under the Agreement;

(vii) there having been no breach by Marvel Century of any obligations, undertakings, representations and warranties under the Agreement;

(viii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Conversion Shares; and

(ix) (if required and applicable) the Bermuda Monetary Authority granting its permission in respect of the allotment and issue and the subsequent free transferability of the Convertible Bond and the Conversion Shares.

Marvel Century may waive the above conditions (i), (ii) and (vi). Popovic Investments may waive the above condition (vii). If the above conditions are not fulfilled or waived (as the case may be) on or before 30 June 2009 or such other date as Marvel Century and Popovic Investments may agree in writing, the Agreement will be terminated, and all obligations of Marvel Century and Popovic Investments under the Agreement shall cease, provided that rights and liabilities of the parties hereto which have accrued prior to termination shall subsist.

As at the Latest Practicable Date, condition (iv) had been fulfilled or waived.

Completion

Completion of the Agreement shall take place on the Completion Date, being the third Business Day after the day on which the last conditions precedent are fulfilled or waived or such other date as Marvel Century and Popovic Investments may agree, subject to the conditions precedent being fulfilled or waived in accordance with the Agreement.

Upon Completion, Richful Zone and Allied Loyal will become wholly-owned subsidiaries of the Company. The results and assets and liabilities of both companies will be consolidated in the accounts of the Group.

EFFECT ON THE SHAREHOLDING STRUCTURE

The following table set out the effects of the issue of the Convertible Shares on the shareholding structure of the Company based on the issued share capital and shareholding structure of the Company as at the Latest Practicable Date and assuming Completion having taking place and conversion in full of the Convertible Bond into Conversion Shares at the initial conversion price of HK$0.50 per Share, without taking into account issue of new Shares, if any, after the Latest Practicable Date and prior to Completion:

	As at the Latest Practicable Date		**Upon Completion**		**Upon full conversion of the Convertible Bond at the initial conversion price of HK$0.50**	
	Number of Shares	*Approximate %*	*Number of Shares*	*Approximate %*	*Number of Shares*	*Approximate %*
Director *(Note 1)*	300,000	0.10	300,000	0.10	300,000	0.05
Popovic Investments and its associates *(Note 2)*	1,695,800	0.59	1,695,800	0.59	261,695,800	47.94 *(Note 3)*
Public Shareholders	283,928,215	99.31	283,928,215	99.31	283,928,215	52.01
Total	285,924,015	100.00	285,924,015	100.00	545,924,015	100.00

Notes:

(1) Mr. Lam Suk Ping, being an executive Director.

(2) Popovic Investments is an indirect wholly-owned subsidiary of Willie International (stock code: 273), a company listed on the Stock Exchange. As at the Latest Practicable Date, Willie International, though its associate was interested in 1,695,800 Shares.

(3) Pursuant to the terms of the Convertible Bond, notwithstanding the conversion right attaching to the Convertible Bond, the Company is restricted to issue any Shares if, upon such issue, Popovic Investments and its associates will at the material time beneficially hold 30% (or such percentage as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) or more of the then enlarged issued share capital of the Company at the relevant date of conversion of the relevant Convertible Bond.

As at the Latest Practicable Date, the Company had no outstanding share options, warrants or other securities which carry rights to subscribe for or be converted into Shares.

The transaction contemplated under the Agreement will not result in a change of control of the Company after the issue of the Convertible Bond as pursuant to the terms of the Convertible Bond, the Company is restricted to issue any Shares if, upon such issue, the holder of the Convertible Bond and parties acting in concert with it (within the meaning under the Takeovers Code) will at the material time beneficially hold 30% (or such percentage as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) or more of the then enlarged issued share capital of the Company at the relevant date of conversion of the relevant Convertible Bond.

INFORMATION ON THE TARGET GROUP

Richful Zone

Richful Zone is wholly-owned by Popovic Investments. It was incorporated in the British Virgin Islands with limited liability on 8 January 2007. The principal business of Richful Zone is investment holding. The principal asset held by Richful Zone is its investment in Allied Loyal. Based on the representation of Popovic Investments to the Company, save for the holding of the entire issued share capital of Allied Loyal, Richful Zone has no other material assets, nor does it have any material liabilities. There is no statutory requirement in the jurisdiction of Richful Zone's place of incorporation for Richful Zone to prepare any financial statements and therefore no audited accounts have been prepared by Richful Zone since its incorporation.

Allied Loyal

Allied Loyal is wholly-owned by Richful Zone. It was incorporated in the British Virgin Islands with limited liability on 2 January 2007. Allied Loyal is an investment holding company and its sole asset is its 50% interest in the Concession Rights and Interests in respect of the Forest Land, which is located in Simao District, Puer City, Yunnan Province, the PRC, with a total site area of approximately 36,735 Chinese Mu.

In January 2007, the People's Government granted the forest land use right (林地使用權) and the forest tree ownership right (林木所有權) of the Forest Land to China Capital Strategy for a term of 50 years. On 13 June 2007, by way of a concession contract, China Capital Strategy sold 50% of the Concession Rights and Interests in respect of the Forest Land to Amerinvest International at a consideration of US$1.00 and under such concession contract, China Capital Strategy pay 50% of the attributable profit in relation to the Concession Rights and Interests in respect of the Forest Land to Amerinvest International.

On 18 June 2007, pursuant to the Concession Contract, Allied Loyal acquired 50% of the Concession Rights and Interests in respect of the Forest Land from Amerinvest International. Pursuant to the Concession Contract, Allied Loyal shall have the right to, at any time, request China Capital Strategy to transfer 50% of the forest land use right and the forest tree ownership right to Allied Loyal. The Directors have no present intention to exercise such right upon Completion. Pursuant to the Concession Contract, China Capital Strategy shall be responsible for the operation and management of the Forest Land under the Forestry Contracts, and Allied Loyal shall pay to China Capital Strategy an annual management fee at the lower of the attributable profits distributed to Allied Loyal or 8% of the annual turnover generated by the Forest Land under the Forestry Contracts. No management fee will be charged by China Capital Strategy in the event that the operation of the Forest Land under the Forestry Contracts recorded no distributable profits during the relevant year. Allied Loyal is not required to make any capital commitment for operation of the Forest Land. Upon Completion, the terms of the Concession Contract (including the payment term of management fee) will continue to subsist and China Capital Strategy will continue to be responsible for the operation and management of the Forest Land under the Forestry Contracts. Pursuant to the Concession Contract, Allied Loyal is obliged to pay China Capital Strategy an annual management fee only if there is attributable profit distributed to Allied Loyal. No profit has ever been distributed since the original acquisition of 50% of the Concession Rights and Interests by Richful Zone. As such, no management fee has been charged by China Capital Strategy in the operation of the Forest Land under the Forestry Contracts as at the Latest Practicable Date.

The Forest Land is currently planted with pine trees and mixed broad leave woods and such pine trees and mixed broad leave woods will be processed into furniture and various construction materials.

The market value of the Forest Land in its existing state as appraised by BMI Appraisals Limited, an independent professional valuer not connected with any of the directors, chief executive and substantial shareholders of the Company and its subsidiaries and associates is at approximately RMB280,000,000 as at 30 April 2009, to which Marvel Century will own 50% of the Concession Rights and Interests upon completion of the Acquisition. Details of the valuation report of the Forest Land are set out in Appendix IV to this circular.

Although there is no statutory requirement in the jurisdiction of Allied Loyal's place of incorporation for Allied Loyal to prepare any financial statements, audited accounts have been prepared by Allied Loyal for the period from 2 January 2007 to 31 December 2007 and the year ended 31 December 2008.

Financial information of the Target Group

According to the accountants' report of the Target Group as set out in Appendix II to this circular, the consolidated financial information of Richful Zone for the period from 8 January 2007 (being the date of incorporation of Richful Zone) to 31 December 2007 and the financial year ended 31 December 2008 are as follows:

	Year ended 31 December 2008 (audited) *HK$'000*	**Period from 8 January 2007 to 31 December 2007** (audited) *HK$'000*
Turnover	–	–
Loss before taxation	2,797	1,677
Loss after taxation	2,797	1,677
Net liabilities	4,474	1,677

As at 31 December 2008, the Target Group had net current liabilities of approximately HK$136.3 million and net liabilities of HK$4.5 million. In this connection, the reporting accountant has drawn to the attention of the Directors in the accountants' report of the Target Group as set out in Appendix II to this circular in relation to the adoption of the going concern basis in the preparation of the financial information of the Target Group. The Directors also noted that the net current liabilities and net liabilities, as disclosed in the accountants' report of the Target Group as set out in Appendix II to this circular, were arisen predominantly due to amounts owed by the Target Group to its holding companies. It was part of the commercial terms agreed between the Popovic Investments and Marvel Century that such outstanding amounts, which totaled approximately HK$136.3 million, be settled prior to the entering into of the Agreement by the proceeds from the issue of new shares by Richful Zone to Popovic Investments, with the resultant effect that the Target Group had net assets of HK$130.9 million and no material liabilities immediately prior to entering into of the Agreement. Accordingly, the Directors consider that the concern over the adoption of the going concern basis in the preparation of the financial information of the Target Group as mentioned above was a foregone issue at the time of entering into the Agreement.

Information on the Forest Land

The Forest Land is located in Puer City, Yunnan Province, the PRC with a total area of approximately 36,735 Chinese Mu.

Forest Land I

Forest I is a mixed forest of mostly Pinus kesiya var langbianensis (commonly called Simao Pine) with transitioning trees of mixed species. It is located at the southwestern part of Simao District of Puer City, Yunnan Province, the PRC and is fragmented into tracts and sub-plantation tracts. According to the first forest transfer agreement made between the People's Government and China Capital Strategy on 24 January 2007, portion of the land use rights and forestry trees entitlement of Forest Land I were transferred to China Capital Strategy for a term of 50 years from 24 January 2007 to 23 January 2057. Forest Land I covered an area of approximately 10,182 Chinese Mu.

Forest Land II and Forest Land III

Forest Land II and Forest Land III are mainly pine and oak forest. They are located at the southeastern part of Simao District and fragmented into tracts and sub-plantation tracts. According to the second and third forest transfer agreements made between the People's Government and China Capital Strategy on 24 January 2007, portion of the land use rights and forestry trees entitlement of Forest Land II and Forest Land III were transferred to China Capital Strategy for a term of 50 years from 24 January 2007 to 23 January 2057. Forest Land II and Forest Land III covered a total area of approximately 26,817 Chinese Mu.

MANAGEMENT DISCUSSION AND ANALYSIS ON FINANCIAL POSITION AND RESULTS OF OPERATIONS OF THE TARGET GROUP

The following are the management discussion and analysis of the performance of the Target Group:

(1) Review of Past Performance

Richful Zone was incorporated on 8 January 2007. Save for its 100% shareholding in Allied Loyal, Richful Zone did not have and had not had any significant businesses and/or operations, profits or losses, and assets and liabilities as at the Latest Practicable Date. Both Richful Zone and Allied Loyal are engaged in investment holding.

The Target Group has not generated any revenue as no profit has ever been distributed since the original acquisition of 50% of the Concession Rights and Interests by Richful Zone. As a result, the Target Group recorded a loss of HK$1,676,855 and HK$2,796,913, respectively for the period from 8 January 2007 to 31 December 2007 and the year ended 31 December 2008. The Target Group did not record any turnover for the period from 8 January 2007 to 31 December 2007 and the year ended 31 December 2008.

The Target Group does not have any geographical segment information as the Forest Land is located in Yunnan Province.

The Target Group does not have any business segment information as it was only invested in the Concession Rights and Interests in respect of the Forest Land for the period from 8 January 2007 to 31 December 2007 and the year ended 31 December 2008.

(2) Material Acquisitions and Disposals

Save for its interest in the Concession Rights and Interests in respect of the Forest Land, the Target Group did not have any significant investments, material acquisitions and disposals during the period from 8 January 2007 to 31 December 2007 and the year ended 31 December 2008.

(3) Financial Resources and Liquidity

The audited net liabilities of the Target Group as at 31 December 2007 and 31 December 2008 were HK$1,676,847 and HK$4,473,760, respectively. The Target Group had no bank balances and cash, and bank borrowing as at 31 December 2007 and 31 December 2008.

The gearing ratio of the Target Group was nil, as the Target Group had no bank borrowing, and had net liabilities as at 31 December 2007 and 31 December 2008.

Net current liabilities of the Target Group as at 31 December 2007 and 31 December 2008 amounted to HK$136,303,110 and HK$136,352,548 respectively, which comprised mainly amounts due to an immediate holding company and an intermediate holding company.

There was no change in capital structure during the period from 8 January 2007 to 31 December 2007 and the year ended 31 December 2008.

(4) Contingent Liabilities

The Target Group did not have any material contingent liabilities as at 31 December 2007 and 31 December 2008.

(5) Employees and Emoluments Policies

For the period from 8 January 2007 to 31 December 2007 and the year ended 31 December 2008, apart from the directors who received no remuneration, the Target Group did not have any employees as its activities have been minimal and have relied on its holding company for its routine accounting and administrative support.

(6) Pledge of Assets

The Target Group did not charge any of its assets as at 31 December 2008.

(7) Foreign Exchange Exposure

As most of the assets and liabilities of the Target Group are denominated in HK$, there is no exposure of the Target Group to foreign currency fluctuation. No financial instrument was used for hedging purposes during the period from 8 January 2007 to 31 December 2007 and the year ended 31 December 2008.

(8) Prospect

Save that the Target Group will continue holding its 50% interest in the Concession Rights and Interests in respect of the Forest Land, there is no other concrete plan for material investments or capital assets in the coming year. The Directors consider that the investment in the Target Group will provide a good opportunity for the Company to participate in forest harvesting and timber processing, which is in line with the Company's strategy to participate in natural resources investments in the PRC. The Forest Land is situated in Yunnan where the climate and soil are suitable for the planting of pine trees and mixed broad leave woods. The Forest Land has started logging in 2008. Although the current scale of logging is still small, given that pine trees can be logged at different growing stage for different purposes, it is anticipated that the logging scale will gradually increase and it is expected that the Forest Land will generate profit as early as in 2010. Taking into account the steady and growing demand for pine trees and mixed broad leave woods due to the growing economy in the PRC, which can be processed into furniture and various construction materials, it is expected that the operation of the Forest Land under the Forestry Contracts will bring reasonable return to the Target Group in the future.

FINANCIAL EFFECTS OF THE ACQUISITION

Upon completion of the Acquisition, each of Richful Zone and Allied Loyal will be accounted for as a subsidiary of the Company and their results, assets and liabilities will be consolidated with that of the Group. The Acquisition will increase the Group's non-current assets by approximately HK$130 million. As the consideration of the Acquisition is to be satisfied by the issue of the Convertible Bond, which is a financial instrument comprising both equity and liability components, the Group's equity and non-current liabilities will increase accordingly with the total increase matching the increase in non-current assets of approximately HK$130 million. No goodwill would be recorded as the fair value of the net assets of Richful Zone attributable to the Company is equal to the consideration of HK$130,000,000.

As the consideration of the Acquisition is to be satisfied by the issue of the Convertible Bond, thus there will not be any immediate material adverse impact caused to the Group's financial resources.

The 50% of the Concession Rights and Interests acquired will result in an amortization charge of approximately HK$2.7 million per year which will initially have a negative impact on the Group's earnings but such impact will gradually be offset by the return that the Company expects to be generated from the Concession Rights and Interests. Save for the aforesaid, it is expected that there will not be any material effect on the earnings of the Group.

REASONS FOR THE ACQUISITION

The principal business of the Company is investment holding and its subsidiaries are principally engaged in the (i) manufacturing and sale of accessories for photographical, electrical and multimedia products; (ii) property investment; and (iii) investment in securities.

As disclosed in the Company's 2009 Interim Report, the Company has implemented a diversification strategy aiming to identify suitable investment opportunities in, among others, various types of natural resources projects including but not limited to coal mines in the PRC. It is a continuous process of the Company to identify and explore investment opportunities in coal mines and other suitable projects that fit into the Company's diversification strategy.

In addition to coal mines, the Directors also consider forestry as a suitable natural resources investment. Forestry industry is fast growing in the PRC so as to meet surging domestic demand and exports, and the growth is long term and sustainable because it is scarce natural resources which can be processed into products for both household and industrial consumption. The Directors consider that investment in the Target Group will provide a good opportunity for the Company to participate in forest harvesting and timber processing, which is in line with the Company's strategy to participate in natural resources investments in the PRC. The Directors also consider, among other investment opportunities under exploration, that the investment in the Target Group will allow the Company to diversify its business and reduce the Group's reliance on the manufacturing and sale of accessories for photographical, electrical and multimedia products businesses, which are highly competitive, and thereby improving the Group's earnings base.

The Directors consider that it is the ideal time for the Company to invest in the Forest Land, as opposed to a Greenfield site, as China Capital Strategy has already spent two years in carrying out the relevant preparation for the development of the Forest Land, in particular, to carry out the relevant infrastructure works such as to build up the transportation network so as to provide the required support for consignment of larger scale of logging in the coming years. In near future, both the original and natural raw forest can be logged in larger scale and trees already replanted since logging of the natural forest can also be started to be logged. Various types of products can be processed from the trees of varying age and sizes starting from trees planted for a minimum of 3 years. With over 47 years of logging rights remaining to fully explore the potentials of the Forest Land and without any cash outlay, the Directors consider that the investment in the Target Group will bring strategic and operational benefits to the Group.

By investing in the Target Group and taking into account that the Consideration is less than 50% of the market value of the Forest Land as at 30 April 2009, which is greater than the net book value of the Target Group of HK$130,962,962.97 as recorded in the unaudited consolidated balance sheet of the Target Group as at 5 May 2009, the Directors believe that the Concession Rights and Interests in respect of the Forest Land will bring attractive return, both in terms of capital gain and future recurring income from timber harvesting and processing, to the Group in the medium to long term spectrum. It is proposed that the Consideration be paid by the issue of the Convertible Bond and not by payment of cash because this is the best financing method available to the Company.

The Company became acquainted with China Capital Strategy through Popovic Investments. China Capital Strategy is the holding company of a group of companies which has started investing in forestry in Yunnan Province since early 2007. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, China Capital Strategy is a wholly-owned subsidiary of Amerinvest International Forestry Group Company Limited ("**AIFG**"), which is incorporated in the British Virgin Islands. AIFG's ultimate beneficial shareholders include a number of high net worth individuals and other investment funds some of which have over 10 years experience in investing in natural resources projects in the PRC including forestry projects in Yunnan Province, the PRC. China Capital Strategy is currently operating over 180,000 Chinese Mu and planning to increase to over 400,000 Chinese Mu. The business scope of China Capital Strategy and its subsidiaries includes upstream and downstream, from timber logging, reforestation and trading to wood processing and at present, China Capital Strategy and its subsidiaries have over 100 employees. China Capital Strategy and its subsidiaries have strong foothold in Yunnan and built up solid relationships with the relevant PRC government authorities. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, China Capital Strategy has strong PRC management team having the relevant qualifications such as forestry and agricultural education or agricultural engineering, and finance and accounting with over 15 years of experience working with some of the leading PRC state-owned enterprises engaged in forestry operations in Yunnan Province, the PRC. The management team of China Capital Strategy is responsible for the management of the Forest Land comprises 5 members, of which Chen Wengang, Huang Yuanguang and Huang Pigang are the engineers; He Jun is the economist and Han Yi is the accountant. Mr. Chen Wengang is the general manager of China Capital Strategy, primarily responsible for the overall operation of the Forest Land and the production plants of China Capital Strategy and has over 18 years of extensive knowledge and experience in the timber industry, including about 8 years of working in leading PRC state-owned enterprises engaged in forestry operations in Yunnan Province, the PRC prior to joining China Capital Strategy. Mr. Huang Yuanguang has in depth forestry industry knowledge and over 20 years of operational and managerial experience in the timber industry. He is a deputy general manager and the head of manufacturing department of China Capital Strategy, primarily responsible for the production of timber logs for different products and has about 15 years of working experience in leading PRC state-owned enterprises engaged in forestry operations in Yunnan Province, the PRC prior to joining China Capital Strategy. Mr. Huang Pigang is a deputy general manager and the head of sales department of China Capital Strategy, primarily responsible for sales and marketing of timber logs and has over 19 years of experience in forest operations, including about 14 years of working in leading PRC state-owned enterprises engaged in forestry operations in Yunnan Province, the PRC prior to joining China Capital Strategy. Mr. He Jun is a deputy general manager of China Capital Strategy, primarily responsible for overseeing and monitoring the overall operations and sales of China Capital Strategy and reporting to the board of directors of China Capital Strategy from time to time. He has over 37 years of experience in timber industry, including about 30 years working in leading PRC state-owned enterprises engaged in forestry operations in Yunnan Province, the PRC prior to joining China Capital Strategy. Mr. Han Yi is the financial controller of China Capital Strategy, primarily responsible for the financial reporting, corporate finance and other related finance matters of China Capital Strategy. He has over 9 years of experience working in finance and accounting industry.

In view of China Capital Strategy's strong management team as disclosed above and the proven track records of some of its management team members in operating and managing forest business prior to joining China Capital Strategy, the Directors are confident in working with China Capital Strategy despite the fact that China Capital Strategy has only started investing in forestry in Yunnan Province in 2007. China Capital Strategy is experienced in the operation and management of forestry business through its experienced management team. The Directors consider that it would be beneficial to the Group to cooperate with China Capital Strategy, who is experienced in the forestry industry, and for China Capital Strategy to be responsible for the operation and management of the Forest Land under the Forestry Contracts. Allied Loyal will not take part in the operation and management of the Forest Land nor have any board representation in China Capital Strategy. However, through reporting obligation on the part of China Capital Strategy to Allied Loyal, the Company will be able to monitor the financial performance of the Forest Land.

Although the Company has never invested in forestry business, the Directors consider that the forestry industry is rapidly developing and investment in the Target Group is fair and reasonable since China Capital Strategy has a management team which is experienced in the operation and management of forestry industry.

The Forest Land is situated in Yunnan where the climate and soil are suitable for the planting of pine trees and mixed broad leave woods. The Forest Land has started logging in 2008. Although the current scale of logging is still small as substantive time has been spent in carrying out the infrastructure works, given that the infrastructure has already been put in place, pine trees can be logged at different growing stage for production of different types of products and it may not necessary for the Company to wait for long time in order to get investment return as pine trees can be logged at different growing stage to process various types of products, it is anticipated that the logging scale will gradually increase and it is expected that the Forest Land will generate profit towards the end of 2010. Taking into account the steady and growing demand for pine trees and mixed broad leave woods due to the growing economy in the PRC, which can be processed into furniture and various construction materials, the Directors believe that the Acquisition will provide good investment prospects and return to the Company in the long term, and thereby broaden the Company's earning base in the long run.

The Directors believe that the terms of the Agreement (including the Consideration) are on normal commercial terms and are fair and reasonable, and in the interests of the Company and the Shareholders as a whole. The Directors consider the issue of Convertible Bond as Consideration is fair and reasonable and in the best interest of the Shareholders as a whole as it is the best financing method for the Company given that the Company would not need to use substantial amount of its existing cash resources to fund the Acquisition.

RISK FACTORS

Possible risk factors which may be faced by the Company resulting from the Acquisition are as follows:

Investments in new business

The Acquisition constitutes an investment in the new business sector, including forest harvesting and timber processing. The new business, coupled with the regulatory environment, may pose significant challenges to the Company's administrative and financial resources. Since the Company does not have significant experience in the new business and will rely on the expertise of an independent third party to operate and manage the new business, it is not in a position to assure the timing and amount of any return or benefits that may be received from the new business.

Policies and regulations

The new business is subject to extensive governmental regulations, policies and controls. There can be no assurance that the relevant government will not change such laws and regulations or impose additional or more stringent laws or regulations. Failure to comply with the relevant laws and regulations in the forestry development and natural resources production projects may adversely affect the Company.

Country risk

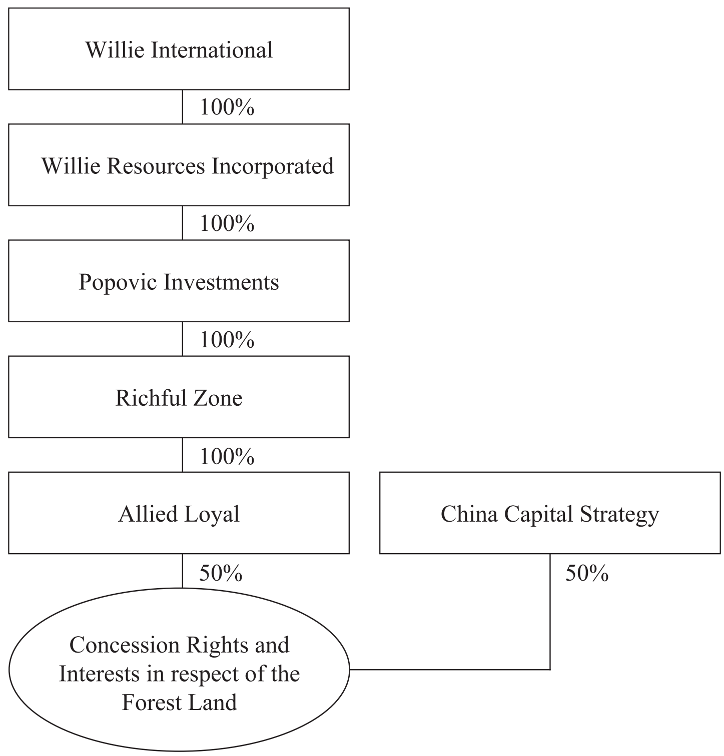
The Company is entering into a new business in the PRC, which the Company does not have any exposure to. There can be a risk relates to the likelihood that changes in the business environment will occur that reduce the profitability of doing business in the PRC. The change of political and economic conditions in the PRC may adversely affect the Company.

As the Directors have no expertise or previous experience in the investment of forestry business, Shareholders and the public are reminded to exercise caution when dealing in the Shares.

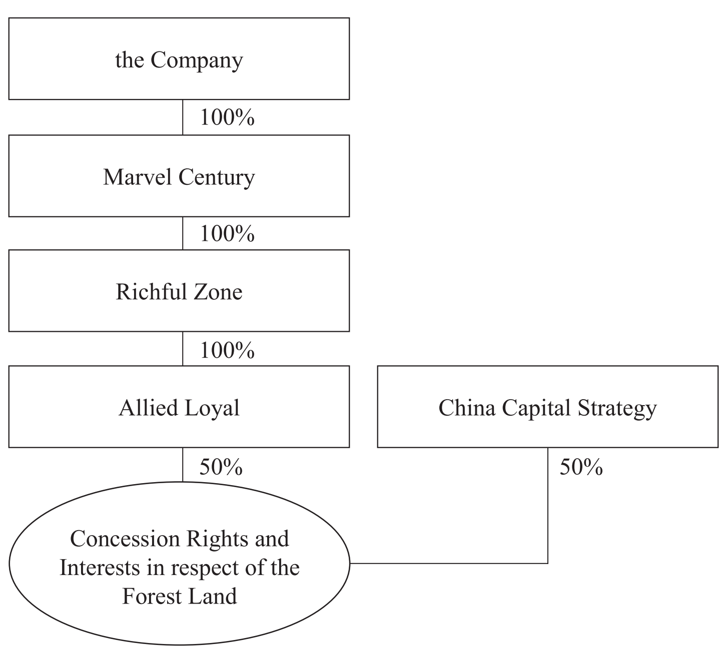
CORPORATE STRUCTURE

Set out below is the corporate structure of the Company and Richful Zone before and after the Completion:

Before Completion



Immediately after Completion



LISTING RULES IMPLICATIONS

As the applicable percentage ratios (as defined in the Listing Rules) are more than 25% but less than 100%, the Acquisition constitutes a major transaction for the Company under Rule 14.06(3) of the Listing Rules. The Agreement and transactions contemplated thereunder are conditional upon, among other things, the approval by the Shareholders at the SGM by poll. An associate of Willie International, the ultimate beneficial owner of Popovic Investments, held 1,695,800 Shares, representing approximately 0.59% of the existing issued share capital of the Company, as at the Latest Practicable Date, and is therefore required to abstain from voting in the SGM.

As Completion is subject to the fulfillment of a number of conditions precedent, the transactions contemplated under the Agreement may or may not proceed. The Shareholders and potential investors should exercise caution when dealing in the Shares.

SGM

The notice of the SGM is set out on page 114 to page 116 on this circular. A form of proxy for use at the SGM is enclosed. At the SGM, resolution will be proposed for Shareholders to consider and, if thought fit, to approve the Acquisition and the issue of the Convertible Bond. An associate of Willie International, the ultimate beneficial owner of Popovic Investments, held 1,695,800 Shares, representing approximately 0.59% of the existing issued share capital of the Company, as at the Latest Practicable Date, and is therefore required to abstain from voting in the SGM.

Whether or not Shareholders are able to attend the SGM, Shareholders are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the branch share registrar of the Company in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the SGM. Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the SGM should Shareholder so wish.

Pursuant to Rule 13.39(4) of the Listing Rules, all votes at the SGM will be taken by poll and the Company will announce the results of the poll in the manner set out in Rule 13.39(5) of the Listing Rules.

RECOMMENDATION

The Directors consider that the terms of the Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole, and accordingly recommend that all Shareholders should vote in favour of the special resolutions in the notice of SGM.

GENERAL

Based on the information provided by China Capital Strategy, China Capital Strategy is principally engaged in the management and operation of forest land. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, China Capital Strategy and Amerinvest International and their ultimate beneficial owners are third parties independent of the Company and the connected persons of the Company.

Your attention is also drawn to the additional information set out in the appendices to this circular.

By Order of the Board
Mascotte Holdings Limited
Lo Yuen Wa Peter
Acting chief executive officer

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

Set out below is a summary of the audited consolidated results and financial information of the Group for the three years ended 31 March 2008 and the unaudited consolidated results and financial information of the Group for the six months ended 30 September 2008. The figures for the years ended 31 March 2008, 2007 and 2006 are extracted from the 2008, 2007 and 2006 annual reports of the Company. The figures for the six months ended 30 September 2008 are extracted from the 2008 interim report of the Company. The Company's auditors have not issued any qualified opinion on the Group's financial statements for the three years ended 31 March 2008.

FINANCIAL SUMMARY

RESULTS

	Six months ended 30 September	**Year ended 31 March**		
	2008	**2008**	**2007**	**2006**
	(unaudited)	(audited)	(audited)	(audited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	221,038	649,284	232,496	209,396
Cost of sales	(217,630)	(652,381)	(162,376)	(151,248)
Gross profit/(loss)	3,408	(3,097)	70,120	58,148
Other income	42,906	20,473	1,278	1,729
Selling and distribution costs	(4,222)	(6,396)	(7,445)	(6,940)
Administrative expenses	(22,463)	(47,013)	(43,790)	(32,219)
Impairment loss on goodwill	–	–	(4,243)	(2,799)
Gain on disposal of property, plant and equipment	2,852	–	–	–
(Loss)/gain on fair value changes on investment properties	–	(29,295)	1,873	(21)
Unrealised loss of financial assets at fair value through profit or loss	(89,330)	(161,349)	–	–
Finance costs	(11)	(2,607)	(2,942)	(1,704)
(Loss)/Profit before taxation	(66,860)	(229,284)	14,851	16,194
Income tax expense	(1,108)	(3,504)	(4,546)	(3,452)
(Loss)/Profit for the period/year	(67,968)	(232,788)	10,305	12,742
Attributable to:				
Equity holders of the Company	(67,676)	(232,808)	10,540	12,472
Minority interests	(292)	20	(235)	270
	(67,968)	(232,788)	10,305	12,742

ASSETS AND LIABILITIES

	At 30 September 2008 (unaudited) *HK$'000*	At 31 March 2008 (audited) *HK$'000*	2007 (audited) *HK$'000*	2006 (audited) *HK$'000*
Non-current assets				
Investment properties	133,373	133,373	210,575	34,650
Property, plant and equipment	5,502	7,877	47,479	47,439
Prepaid lease payments	5,593	5,926	5,927	4,694
Goodwill	–	–	–	4,243
Deposits paid	–	–	–	18,000
	144,468	147,176	263,981	109,026
Current assets				
Financial assets at fair value through profit or loss	158,665	173,928	–	–
Available for sale financial assets	20,000	–	–	–
Other receivables and prepayments	19,698	25,599	7,188	12,050
Inventories	8,459	8,100	12,764	8,667
Prepaid lease payments	653	653	588	435
Trade and bills receivables	45,418	28,541	38,898	27,098
Loan receivables	305,000	225,000	6,885	46,710
Income tax recoverable	22	22	22	–
Bank balances and cash	26,804	41,426	14,895	44,736
	584,719	503,269	81,240	139,696
Current liabilities				
Trade payables	19,783	13,467	13,535	13,677
Other payables and accrued charges	19,398	17,549	14,025	10,203
Income tax payable	10,491	9,908	8,915	6,539
Bank borrowings	–	–	28,740	16,298
Bank overdrafts	–	–	223	117
	49,672	40,924	65,438	46,834
Net current assets	535,047	462,345	15,802	92,862
NET ASSETS	679,515	609,521	279,783	201,888

	At 30 September 2008 (unaudited) *HK$'000*	At 31 March 2008 (audited) *HK$'000*	2007 (audited) *HK$'000*	2006 (audited) *HK$'000*
Capital and reserves				
Share capital	285,924	190,616	44,400	42,400
Reserves	390,483	415,505	192,115	148,174
Equity attributable to equity holders of the Company	676,407	606,121	236,515	190,574
Minority interests	3,108	3,400	3,037	3,205
Total equity	679,515	609,521	239,552	193,779
Non-current liabilities				
Bank borrowings	–	–	40,231	8,109
	679,515	609,521	279,783	201,888

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS ON THE GROUP FOR THE YEAR ENDED 31 MARCH 2008

Set out below is the audited consolidated financial statements of the Group for the year ended 31 March 2008 together with comparative figures, as extracted from the 2008 annual report of the Company.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2008

	Notes	2008 HK$	2007 HK$
Turnover	4	649,284,414	232,495,986
Cost of sales		(652,380,952)	(162,376,080)
Gross (loss)/profit		(3,096,538)	70,119,906
Other income	6	20,472,863	1,277,518
Net unrealised holding loss on investments held for trading		(161,349,037)	–
Selling and distribution costs		(6,395,637)	(7,444,937)
Administrative expenses		(47,013,314)	(43,790,021)
Impairment loss on goodwill		–	(4,242,843)
(Loss)/gain on fair value changes on investment properties		(29,294,811)	1,872,833
Finance costs	7	(2,607,416)	(2,941,632)
(Loss)/Profit before taxation	8	(229,283,890)	14,850,824
Income tax expense	10	(3,503,788)	(4,545,643)
(Loss)/Profit for the year		(232,787,678)	10,305,181
Attributable to:			
Equity holders of the Company		(232,807,416)	10,540,043
Minority interests		19,738	(234,862)
		(232,787,678)	10,305,181
Dividend paid	11	–	4,240,001
			(Restated)
(Loss)/earnings per share	12		
Basic		(19.2) cents	2.3 cents

CONSOLIDATED BALANCE SHEET

At 31 March 2008

	Notes	2008 HK$	2007 HK$
Non-current assets			
Investment properties	13	133,372,944	210,575,000
Property, plant and equipment	14	7,876,989	47,479,261
Prepaid lease payments	15	5,926,114	5,927,024
Goodwill	16	–	–
		147,176,047	263,981,285
Current assets			
Investments held for trading	17	173,928,275	–
Inventories	18	8,100,370	12,764,156
Prepaid lease payments	15	652,883	588,183
Trade and bills receivables	19	28,540,690	38,898,292
Loan receivables	20	225,000,000	6,884,950
Other receivables and prepayments	21	25,598,628	7,187,720
Income tax recoverable		21,819	21,819
Bank balances and cash	22	41,425,921	14,895,312
		503,268,586	81,240,432
Current liabilities			
Trade payables	23	13,466,688	13,535,064
Other payables and accrued charges		17,548,353	14,024,848
Income tax payable		9,908,359	8,915,190
Bank borrowings	24	–	28,740,106
Bank overdrafts		–	223,035
		40,923,400	65,438,243
Net current assets		462,345,186	15,802,189
Total assets less current liabilities		609,521,233	279,783,474
Capital and reserves			
Share capital	25	190,616,010	44,400,010
Reserves		415,505,371	192,115,081
Equity attributable to equity holders of the Company		606,121,381	236,515,091
Minority interests		3,399,852	3,037,543
Total equity		609,521,233	239,552,634
Non-current liabilities			
Bank borrowings	24	–	40,230,840
		609,521,233	279,783,474

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2008

	Attributable to equity holders of the Company									
	Share capital	Share premium	Special reserve	Translation reserve	Reserve fund	Enterprise expansion reserve	Retained profits	Total	Minority interests	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
At 1 April 2006	42,400,010	66,672,487	14,900,773	(23,904)	1,083,258	1,083,258	64,457,847	190,573,729	3,204,909	193,778,638
Exchange movement during the year recognised directly in equity	–	–	–	(2,289,117)	–	–	–	(2,289,117)	67,496	(2,221,621)
Profit for the year	–	–	–	–	–	–	10,540,043	10,540,043	(234,862)	10,305,181
Total recognised income for the year	–	–	–	(2,289,117)	–	–	10,540,043	8,250,926	(167,366)	8,083,560
Dividend paid	–	–	–	–	–	–	(4,240,001)	(4,240,001)	–	(4,240,001)
Issue of share	2,000,000	6,600,000	–	–	–	–	–	8,600,000	–	8,600,000
Acquisition of assets and liabilities through acquisition of a subsidiary	–	–	33,330,437	–	–	–	–	33,330,437	–	33,330,437
At 31 March 2007	44,400,010	73,272,487	48,231,210	(2,313,021)	1,083,258	1,083,258	70,757,889	236,515,091	3,037,543	239,552,634
At 1 April 2007	44,400,010	73,272,487	48,231,210	(2,313,021)	1,083,258	1,083,258	70,757,889	236,515,091	3,037,543	239,552,634
Exchange movement during the year recognised directly in equity	–	–	–	12,887,724	–	–	–	12,887,724	342,571	13,230,295
Loss for the year	–	–	–	–	–	–	(232,807,416)	(232,807,416)	19,738	(232,787,678)
Total recognised income for the year	–	–	–	12,887,724	–	–	(232,807,416)	(219,919,692)	362,309	(219,557,383)
Issue of share, net of expenses	16,976,000	57,506,200	–	–	–	–	–	74,482,200	–	74,482,200
Share options granted and exercised	4,240,000	24,303,782	–	–	–	–	–	28,543,782	–	28,543,782
Convertible notes issued and converted, net of expenses	125,000,000	362,500,000	–	–	–	–	–	487,500,000	–	487,500,000
Release of special reserve upon disposal of subsidiaries	–	–	(1,000,000)	–	–	–	–	(1,000,000)	–	(1,000,000)
At 31 March 2008	190,616,010	517,582,469	47,231,210	10,574,703	1,083,258	1,083,258	(162,049,527)	606,121,381	3,399,852	609,521,233

The special reserve at 1 April 2006 represented the difference between the nominal amount of the share capital issued by the Company and the aggregate nominal value of the share capital of the subsidiaries acquired pursuant to the group reorganisation on 5 September 1997. On 24 July 2006, the Group acquired assets and liabilities from the substantial shareholder of the Group by way of acquisition of a subsidiary at a discount of HK$33,330,437, which represented the excess of fair value of assets and liabilities acquired through the acquisition of a subsidiary over the consideration paid and was deemed as capital contribution from the substantial shareholder and credited to special reserve.

Reserve fund and enterprise expansion reserve are reserves required by the relevant laws in the People's Republic of China ("PRC") applicable to a subsidiary of the Company in the PRC for enterprise development purposes.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2008

	Note	2008 HK$	2007 HK$
OPERATING ACTIVITIES			
(Loss)/Profit before taxation		(229,283,890)	14,850,824
Adjustments for:			
Interest expenses		2,607,416	2,941,632
Impairment loss on receivables		44,024	5,669,243
Allowance for inventories		150,401	1,017,365
Release of prepaid lease payments		639,454	452,091
Depreciation of property, plant and equipment		2,339,660	2,740,432
Gain on disposal of investment properties		(300,000)	–
(Gain)/Loss on disposal of property, plant and equipment		(10,288,621)	58,674
Gain on disposal of subsidiaries	26	(3,955,433)	–
Net unrealised holding loss on investments held for trading		161,349,037	–
Interest income		(3,130,124)	(879,942)
Impairment loss on goodwill		–	4,242,843
Equity-settled share-based payment		4,023,782	–
Loss/(Gain) on fair value changes on investment properties		29,294,811	(1,872,833)
Operating cash flows before movements in working capital		(46,509,483)	29,220,329
Changes in working capital:			
Investments held for trading		(335,277,312)	–
Inventories		5,578,707	(4,818,551)
Trade and bills receivables		10,458,443	(16,791,879)
Other receivables and prepayments		(18,464,561)	4,926,796
Trade and other payables		(1,021,296)	(1,090,305)
Other payables and accrued charges		3,539,939	(5,734,160)
Cash (used in) generated from operations		(381,695,563)	5,712,230
Tax paid		(3,431,287)	(2,544,955)
Net cash (used in) from operating activities		(385,126,850)	3,167,275

	Note	2008 HK$	2007 HK$
INVESTING ACTIVITIES			
Addition of investment properties		(5,242,281)	(4,582,000)
Addition of property, plant and equipment		(819,334)	(2,927,255)
Purchase of prepaid lease land		–	(1,633,108)
Proceeds from disposal of subsidiaries	26	58,299,436	–
Proceeds from disposal of property, plant and equipment		33,437,715	300,885
Proceeds from disposal of investment properties		28,300,000	–
New loan receivables raised		(250,000,000)	(13,000,000)
Repayment of loan receivables		31,884,950	52,488,050
Interest received		3,130,124	879,942
Acquisition of subsidiaries		–	(101,874,096)
Net cash used in investing activities		(101,009,390)	(70,347,582)
FINANCING ACTIVITIES			
New bank loans raised		–	67,487,085
Repayment of bank loans		(71,252,361)	(23,130,335)
Proceeds from issue of convertible notes, net of expenses		487,500,000	–
Proceeds from issue of new shares, net of expenses		74,482,200	–
Proceeds from issue of new shares based on share option scheme		24,520,000	–
Dividend paid		–	(4,240,001)
Interest paid		(2,607,416)	(2,941,632)
Net cash from financing activities		512,642,423	37,175,117
Net increase (decrease) in cash and cash equivalents		26,506,183	(30,005,190)
Cash and cash equivalents at beginning of the year		14,672,277	44,619,398
Effect of foreign exchange rate changes		247,461	58,069
Cash and cash equivalents at end of the year		41,425,921	14,672,277
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		41,425,921	14,895,312
Bank overdrafts		–	(223,035)
		41,425,921	14,672,277

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2008

1. GENERAL

The Company is a public company incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and principal place of business of the Company are disclosed in the directory of the annual report.

The Company acts as an investment holding company and is principally engaged in trading of investments. Its subsidiaries are principally engaged in the manufacture and sale of accessories for photographic, electrical and multimedia products, and property investment.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2006/07 financial statements except for the adoption of the following new/revised HKFRS that are effective from the current year. The adoption of the following new/revised HKFRS had no material impact on the results and financial position for the current or prior accounting periods have been prepared and presented. A summary of the principal accounting policies adopted by the Group is set out below.

Adoption of new/revised HKFRS

HKAS 1 (Amendment): Capital disclosures

The amendment requires financial statements to provide additional disclosures in relation to the Group's objectives, policies and processes for managing capital. These new disclosures are shown in note 3 to the financial statements.

HKFRS 7: Financial instruments: Disclosures

HKFRS 7 superseded HKAS 30 Disclosures in the financial statements of banks and similar financial institution and incorporated all the disclosure requirements previously in HKAS 32, while the presentation requirements in HKAS 32 remain unchanged. HKFRS 7 requires financial statements to disclose information for the purpose of evaluating the significance of the Group's financial instruments, the nature and risks arising from those financial instruments to which the Group is exposed to and how the Group manages them. The new disclosures are included throughout the financial statements.

HK(IFRIC)-Int 8: Scope of HKFRS 2

This interpretation clarifies the presumption under HKFRS 2 that for transactions in which share-based payments are made to parties other than employees, the fair value of goods or services can be measured reliably even the entity cannot specifically identify some or all the goods or services received. During the year, the Group had issued equity instruments to parties other than employees ("qualified allotees") in accordance with share option schemes. The interpretation had been adopted and the fair value had been measured and accounted for in the financial statements.

Basis of measurement

The measurement basis used in the preparation of these financial statements is historical cost, except for investment properties and investments held for trading, which are measured at fair value.

Basis of consolidation

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

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

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

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

Minority interest represents the portion of profit or loss and net assets not held by the Group and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet, separately from equity holders of the parent. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

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.

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

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

Impairment testing on capitalised goodwill

For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the Group's relevant cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the unit may be impaired. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

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

Revenue recognition

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

Rental income, including rentals invoiced in advance from properties let under operating leases, is recognised on a straight-line basis over the term of the relevant lease.

Sales of goods are recognised when goods are delivered and title has passed.

Proceeds from sales of investments held for trading are recognised on the transaction date when the relevant sale and purchase contract is entered into.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Investment properties

Investment properties, which are properties held to earn rentals and/or for capital appreciation, are measured initially at costs including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at its fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognised.

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment, over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Prepaid lease payments

Prepaid lease payments are up-front payments to acquire fixed term interests in lessee-occupied land. The premiums are stated at cost and are amortised over the period of the lease on a straight-line basis to the consolidated income statement.

Impairment of non-financial assets (other than goodwill (see the accounting policy in respect of goodwill))

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

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

Borrowing costs

All borrowing costs are recognised as and included in finance costs in the consolidated income statement in the period in which they are incurred.

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease.

The Group as lessee

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

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, leasehold land which title is not expected to pass to the lessee by the end of the lease term is classified as an operating lease unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is classified as a finance lease.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value.

Financial assets

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. They are carried at fair value, with any resultant gain and loss recognised in profit or loss.

Financial assets are classified as held for trading if they are (i) acquired principally for the purpose of selling in the near future; (ii) part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or (iii) derivatives that are not designated and effective hedging instruments.

Financial assets are designated at initial recognition as at fair value through profit or loss if (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis; or (ii) they are part of a group of financial assets and that are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) they contain embedded derivatives that would need to be separately recorded.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and bills receivables, loan receivables, other receivables and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment loss. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

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

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Convertible notes

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

At initial recognition the liability component of the convertible notes is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in income statement on the liability component is calculated using the effective interest method. The equity component is recognised in the capital reserve until either the note is converted or redeemed.

If the note is converted, the capital reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, the capital reserve is released directly to retained profits.

Bank borrowings

Bank borrowings are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

Other financial liabilities

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

Equity instruments

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

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts.

Taxation

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

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

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in income statement in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Hong Kong dollars using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (translation reserve). Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Employee benefits

Retirement benefit costs

Payments to defined contribution retirement benefit plans/state-managed retirement benefit scheme/the Mandatory Provident Fund Scheme are charged as expenses when employees have rendered service entitling them to the contributions.

Long service payment

The Group's net obligation in respect of long service payment under the Hong Kong Employment Ordinance is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value and the fair value of any related assets including retirement scheme benefit, is deducted.

Share based payment transactions

Equity-settled transactions

The Group's employees and consultants receive remuneration in the form of share-based payment transactions, whereby the employees and consultants rendered services in exchange for shares or rights over shares. The cost of such transactions with employees and consultants is measured by reference to the fair value at the transaction date. The fair value of share options granted to employees and consultants is recognised as staff costs and consultancy fee respectively with a corresponding increase in a reserve within equity. The fair value is determined using the binominal model, taking into account the terms and conditions of the transactions, other than conditions linked to the price of the shares of the Company.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the year in which the performance conditions are fulfilled, ending on the date on which the relevant employees and consultants become fully entitled to the award (i.e. vesting date). During the vesting period, the number of share options that is expected to vest ultimately is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the income statement for the year of the review, with a corresponding adjustment to reserve within equity. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

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 as the secondary reporting format.

Unallocated costs represent corporate expenses. Segment assets consist primarily of property, plant and equipment, inventories, receivables, operating cash and investments held for trading. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings.

In respect of geographical segment reporting, sales are based on the destination of shipment of merchandise and total assets and capital expenditure are where the assets are located.

Related parties

A party is related to the Group if

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

(b) the party is an associate of the Group;

(c) the party is a joint venture in which the Group is a venturer;

(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 employees of the Group, or of any entity that is a related party of the Group.

Critical accounting estimates and judgements

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

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

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

Allowance for inventories

The Group's management reviews the carrying amount of inventories at each balance sheet date, and make allowance for obsolete and slow-moving items identified that are no longer recoverable or suitable for use in production. Management estimates the net realisable value for inventories based primarily on the latest invoice prices and current market conditions.

Allowance for doubtful debts

The provisioning policy for doubtful debts of the Group is based on the evaluation of collectability of the accounts and loan receivables. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer/borrower. If the financial conditions of these customers/borrowers were to deteriorate and result in an impairment of their ability to make payments, additional allowance will be required.

Fair value of investment properties

Investment properties are stated at fair value based on the valuations performed by independent professional valuers. In determining the fair value, the valuers have based on a method of valuation which involves certain estimates. In relying on the valuation reports, the directors of the Group have exercised their judgement and are satisfied that the method of valuations is reflective of the current market conditions.

Future changes in HKFRS

At the date of authorisation of these financial statements, the HKICPA has issued a number of new/revised HKFRS that are not yet effective for the current year and which have not been early adopted.

The directors are in the process of assessing the possible impact on the future adoption of those new/revised HKFRS, but are not yet in a position to reasonably estimate their impact on the Group's financial statements.

3. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group's principal financial instruments are bank balances and cash, investments held for trading, loans and other receivables, bank borrowings and other financial liabilities. The main purpose of these financial instruments is to raise and maintain finance for the Group's operations. The Group has various other financial instruments such as trade receivables and trade payables, which arise directly from its business activities.

The main risks arising from the Group's financial instruments are equity price risk, credit risk, foreign currency risk and liquidity risk. The directors regularly review and implement a number of strategies on its risk management to limits the Group's exposure to those risks to a minimum. The directors review and agree policies for managing each of these risks and they are summarized below.

Equity price risk

The Group is exposed to equity price risk arising from trading of listed securities classified as investments held for trading in the balance sheet. The sensitively analysis has been determined based on the exposure to equity risk.

At the balance sheet date, if the quoted market prices had been 30% higher or lower while all other variables were held constant, the Group's net loss would decrease or increase by HK$52.7 million (2007: HK$nil) as a result of changes in fair value of investments.

The sensitivity analysis has been determined assuming that the reasonably possible changes in the stock market index or other relevant risk variables had occurred at the balance sheet date and had been applied to the exposure to equity price risk in existence at that date. It is also assumed that the fair values of the Group's investments would change in accordance with the historical correlation with the relevant stock market index or the relevant risk variables, that none of the Group's investments held for trading would be considered impaired as a result of a reasonably possible decrease in the relevant stock market index or other relevant risk variables, and that all other variables remain constant. The stated changes represent directors' assessment of reasonably possible changes in the relevant stock market index or the relevant risk variables over the period until the next annual balance sheet date. No analysis is performed last years as there were no investments held for trading as at 31 March 2007.

Foreign currency risk

Most of the Group's business transactions were conducted in Hong Kong dollars, Renminbi, Euro dollars and United States dollars. As at 31 March 2007, certain bank borrowings of the Group are denominated in HK$ which was not the functional currencies of those subsidiaries. However, foreign currency risk for bank borrowings would not have significant effect for the Group as the Group did not have any outstanding bank borrowings as at 31 March 2008.

The following table details the Group's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate:

	2008			**2007**		
	United States Dollars	**Euros**	**Renminbi**	**United States Dollars**	**Euros**	**Renminbi**
Trade and other receivables	3,127,219	91,125	–	4,735,787	32,661	–
Cash and cash equivalents	579,500	19,562	–	689,539	68,713	–
Trade and other payables	(137,779)	–	(1,024,594)	(4,012)	–	(846,873)
Overall net exposure	3,568,940	110,687	(1,024,594)	5,421,314	101,374	(846,873)

Sensitivity analysis

The following table indicates the approximate change in the Group's net loss (2007: net profit) in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the balance sheet date.

	2008		**2007**	
	Increase/ (decrease) in foreign exchange rates	**(Decrease)/ increase in net loss** *HK$*	**Increase/ (decrease) in foreign exchange rates**	**Increase/ (decrease) in net profit** *HK$*
United States Dollars	1%	(277,424)	1%	421,415
	(1%)	277,424	(1%)	(421,415)
Euros	17%	(231,447)	17%	172,336
	(17%)	231,447	(17%)	(172,336)
Renminbi	10%	113,730	10%	(84,687)
	(10%)	(113,730)	(10%)	84,687

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to each of the Group entities' exposure to currency risk for financial instruments in existence at the date, and that all other variables, in particular interest rates, remain constant. No impact on the other equity reserves is expected. The analysis is performed on the same basis for 2007.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date. In this respect, it is assumed that the pegged rate between Hong Kong dollar and United States dollar would be materially unaffected by any changes in movement in value of United States dollar against other currencies.

Cash flow interest rate risk

The Group has exposures to interest rate risk as its bank borrowings are subject to floating interest rates. However, cash flow interest rate risk is considered minimal as the Group repaid most of bank borrowings during the year.

The interest rate risk for bank balances exposed is considered minimal as such amounts are placed in banks with maturity less than three months.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations at the balance sheet date in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet.

The Group's credit risk is primarily attributable to its loan receivables and trade receivables. The Group is exposed to concentration of credit risk as full amount of its loan receivables and a substantial portion of its trade receivables is generated from a limited number of counterparties and customers respectively. As at 31 March 2008, the top five customers of the Group accounted for about 54% (2007: 44%) of the Group's trade receivables. The Group manages its credit risk by closely monitoring the granting of credit period.

The Group reviews the recoverable amount of each individual debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. The Group also entered into hedging arrangement to manage the risk exposure on the loan receivables as detailed in note 20(b) to the financial statements. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Although the bank balances are concentrated on certain counterparties, the credit risk on liquid funds is limited because the counterparties are licensed banks.

Other than the above, the Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Liquidity risk

The liquidity risk of the Group is controlled by maintaining sufficient banking facilities and cash and cash equivalents, which is generated from the operating cash flow and financing cash flow.

The table below analyses the Group financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows:

	Within 1 year *HK$*	Between 1 and 2 years *HK$*	Between 2 and 5 years *HK$*	Over 5 years *HK$*	Total *HK$*
As at 31 March 2008					
Trade payables	13,466,688	–	–	–	13,466,688
Other payables and accrued charges	17,548,353	–	–	–	17,548,353
Income tax payable	9,908,359	–	–	–	9,908,359
	40,923,400	–	–	–	40,923,400
As at 31 March 2007					
Trade payables	13,535,064	–	–	–	13,535,064
Other payables and accrued charges	14,024,848	–	–	–	14,024,848
Income tax payable	8,915,190	–	–	–	8,915,190
Bank overdrafts	223,035	–	–	–	223,035
Bank borrowings	28,740,106	6,500,377	17,650,540	16,079,923	68,970,946
	65,438,243	6,500,377	17,650,540	16,079,923	105,669,083

Capital management

The objectives of the Group's capital management are to safeguard the entity's ability to continue as a going concern and to provide returns for shareholders. The Group manages its capital structure and makes adjustments, including payment of dividend to shareholders, return capital to shareholders or issue new shares or sell assets to reduce debts. No changes were made in the objectives, policies or processes during the years ended 31 March 2008 and 2007.

The Group monitors capital using a gearing ratio, which is total of interest-bearing bank borrowings and overdrafts, trade and other payables and tax payable, net of cash and bank balances divided by the equity attributable to equity holders of the Company. The gearing ratio as at the balance sheet dates were as follows:

	2008 *HK$*	2007 *HK$*
Interest-bearing bank borrowings and overdrafts	–	69,193,981
Trade and other payables	31,015,041	27,559,912
Tax payable	9,908,359	8,915,190
Less: Cash and bank balances	(41,425,921)	(14,672,277)
	(502,521)	90,996,806
Equity attributable to equity holders of the Company	606,121,381	236,515,091
Gearing ratio	N/A	38%

Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using the relevant prevailing market rates.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

The fair value of investments held for trading is based on the quoted market bid prices available on the relevant Stock Exchange.

4. TURNOVER

	2008	**2007**
	HK$	*HK$*
Gross rental income	7,409,650	5,454,328
Proceeds from sales of investments held for trading	442,928,857	–
Sales of goods	198,945,907	227,041,658
	649,284,414	232,495,986

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into three operating divisions – trading of investments, manufacture and sales of goods and property investment (i.e. rental of properties). These divisions are the basis on which the Group reports its primary segment information.

Consolidated income statement for the year ended 31 March 2008

	Trading of investments	**Manufacture and sales of goods**	**Property investment**	**Consolidated**
	HK$	*HK$*	*HK$*	*HK$*
Turnover				
To external customers	442,928,857	198,945,907	7,409,650	649,284,414
Segment results	(229,198,537)	15,944,139	(13,815,423)	(227,069,821)
Unallocated other income				13,936,443
Unallocated corporate expenses				(13,543,096)
Finance costs				(2,607,416)
Loss before taxation				(229,283,890)
Income tax expense				(3,503,788)
Loss for the year				(232,787,678)

Consolidated balance sheet at 31 March 2008

	Trading of investments *HK$*	Manufacture and sales of goods *HK$*	Property investment *HK$*	Consolidated *HK$*
Assets				
Segment assets	190,454,834	52,437,092	138,137,948	381,029,874
Unallocated corporate assets				269,414,759
Consolidated total assets				650,444,633
Liabilities				
Segment liabilities	–	24,082,039	5,965,445	30,047,484
Unallocated corporate liabilities				10,875,916
Consolidated total liabilities				40,923,400

Other information for the year ended 31 March 2008

	Trading of investments *HK$*	Manufacture and sales of goods *HK$*	Property investment *HK$*	Unallocated *HK$*	Consolidated *HK$*
Allowance for inventories	–	150,401	–	–	150,401
Capital additions	–	819,334	5,142,281	–	5,961,615
Depreciation of property, plant and equipment	–	1,922,542	–	417,118	2,339,660
Gain on disposal of property, plant and equipment	–	–	–	(10,288,621)	(10,288,621)
Gain on disposal of investment properties	–	–	(300,000)	–	(300,000)
Gain on disposal of subsidiaries	–	–	(3,955,433)	–	(3,955,433)
Impairment loss on receivables	–	44,204	–	–	44,204
Loss on fair value changes on investment properties	–	–	29,294,811	–	29,294,811
Net unrealised holding loss on investments held for trading	161,349,037	–	–	–	161,349,037
Release of prepaid lease payments	–	639,454	–	–	639,454

Consolidated income statement for the year ended 31 March 2007

	Manufacture and sales of goods *HK$*	Property investment *HK$*	Consolidated *HK$*
Turnover			
To external customers	227,041,658	5,454,328	232,495,986
Segment results	25,863,886	3,033,401	28,897,287
Unallocated other income			879,942
Unallocated corporate expenses			(11,984,773)
Finance costs			(2,941,632)
Profit before taxation			14,850,824
Income tax expense			(4,545,643)
Profit for the year			10,305,181

Consolidated balance sheet at 31 March 2007

	Manufacture and sales of goods *HK$*	Property investment *HK$*	Consolidated *HK$*
Assets			
Segment assets	78,977,573	215,906,834	294,884,407
Unallocated corporate assets			50,337,310
Consolidated total assets			345,221,717
Liabilities			
Segment liabilities	23,720,359	2,220,553	25,940,912
Unallocated corporate liabilities			79,728,171
Consolidated total liabilities			105,669,083

Other information for the year ended 31 March 2007

	Manufacture and sales of goods *HK$*	Property investment *HK$*	Unallocated *HK$*	Consolidated *HK$*
Allowance for inventories	1,017,365	–	–	1,017,365
Capital additions	2,469,994	158,973,311	454,481	161,897,786
Depreciation of property, plant and equipment	1,540,152	55,828	1,144,452	2,740,432
Gain on fair value changes on investment properties	–	(1,872,833)	–	(1,872,833)
Impairment loss on goodwill	4,242,843	–	–	4,242,843
Impairment loss on receivables	5,332,243	–	337,000	5,669,243
Loss on disposal of property, plant and equipment	58,674	–	–	58,674
Release of prepaid lease payments	452,091	–	–	452,091

Geographical segments

The Group's sales of goods are principally carried out in Europe, United States of America, Hong Kong and other regions in the PRC. Property investment is carried out in Hong Kong and other regions in the PRC. Trading of investments is carried out in Hong Kong.

The following table provides an analysis of the Group's turnover by geographical market, irrespective of the origin of the goods/services:

	2008 *HK$*	2007 *HK$*
Europe	117,893,556	144,230,581
United States of America	28,842,268	26,142,551
Hong Kong	451,602,626	12,150,703
Other regions in the PRC	18,585,254	17,051,948
Others	32,360,710	32,920,203
	649,284,414	232,495,986

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

	Carrying amount of segment assets		Additions to property, plant and equipment		Additions to investment properties	
	2008 *HK$*	2007 *HK$*	2008 *HK$*	2007 *HK$*	2008 *HK$*	2007 *HK$*
Hong Kong	221,920,645	97,463,788	450,470	2,504,359	292,500	20,830,167
Other regions in the PRC	159,109,229	197,420,619	368,864	458,260	4,849,781	138,105,000
	381,029,874	294,884,407	819,334	2,962,619	5,142,281	158,935,167

6. OTHER INCOME

	2008	2007
	HK$	*HK$*
Bank interest income	801,112	257,992
Dividend income from investments held for trading	152,655	–
Other interest income	2,329,012	621,950
Exchange gains, net	2,132,166	–
Gain on disposal of subsidiaries	3,955,433	–
Gain on disposal of investment properties	300,000	–
Gain on disposal of property, plant and equipment	10,288,621	–
Sundry income	513,864	397,576
	20,472,863	1,277,518

7. FINANCE COSTS

	2008	2007
	HK$	*HK$*
Interest on:		
Bank borrowings wholly repayable within five years	743,561	2,440,319
Bank borrowings not wholly repayable within five years	1,863,855	501,313
	2,607,416	2,941,632

8. (LOSS)/PROFIT BEFORE TAXATION

	2008	2007
	HK$	*HK$*
(Loss)/Profit before taxation has been arrived at after charging/(crediting):		
Allowance for inventories	150,401	1,017,365
Auditor's remuneration	980,000	930,000
Change in fair value of investment properties	29,294,811	(1,872,833)
Cost of inventories recognised as expenses	149,648,944	161,358,715
Cost of investments held for trading	502,581,607	–
Depreciation of property, plant and equipment	2,339,660	2,740,432
Equity-settled share-based payment	4,023,782	–
Impairment loss on receivables	44,204	5,669,243
Minimum lease payments for operating leases in respect of rented premises	3,548,381	2,191,341
Release of prepaid lease payments	639,454	452,091
Staff costs including directors' emoluments and contributions to retirement benefits schemes	38,790,798	35,356,563
Exchange (gain)/loss, net	(2,132,166)	1,897,771
(Gain)/Loss on disposal of property, plant and equipment	(10,288,621)	58,674
Gain on disposal of investment properties	(300,000)	–
Gain on disposal of subsidiaries	(3,955,433)	–
Gross rental income from investment properties	(7,409,650)	(5,454,328)
Less: direct operating expenses that generated rental income	639,798	1,391,681
	(6,769,852)	(4,062,647)

9. DIRECTORS' EMOLUMENTS AND HIGHEST PAID EMPLOYEES

Directors' emoluments

The emoluments paid or payable to each of the directors are as follows:

Name of Director	Appointed during the year	Resigned during the year	Fees	Salaries and other benefits	Retirement benefits scheme contribution	Rental paid/ rateable value in respect of quarters provided	Total
			HK$	*HK$*	*HK$*	*HK$*	*HK$*
2008							
Executive Directors							
Au Yeung Kai Chor	6 June 2007	–	–	400,000	10,000	–	410,000
Chan Oi Ling, Maria Olimpia	–	–	–	4,760,000	12,000	908,947	5,680,947
Chung, Wilson	28 January 2008	–	–	50,000	–	–	50,000
Lam Yu Ho, Daniel	–	28 January 2008	–	1,900,000	–	–	1,900,000
Peter Temple Whitelam	1 August 2007	–	–	240,000	–	–	240,000
Wong, Dickie *(note)*	6 June 2007	28 January 2008	–	909,041	7,792	–	916,833
Independent Non-Executive Directors							
Chan Sze Hung	6 June 2007	–	164,247	–	–	–	164,247
Cheung Ngai Lam	–	–	50,000	–	–	–	50,000
Hui Wai Man, Shirley	31 March 2008	–	–	–	–	–	–
Kristi L Swartz	12 November 2007	–	46,027	–	–	–	46,027
Lui Wai Shan, Wilson	–	–	54,726	–	–	–	54,726
Wong Yui Leung, Larry	–	12 November 2007	56,877	–	–	–	56,877
			371,877	8,259,041	29,792	908,947	9,569,657

Note: During the year, the Group paid salaries and allowances of HK$1,412,000 in aggregate to Ms. Dickie Wong, in which HK$916,833 was paid for the capacity as director of the Company as disclosed above; the balance was paid during the period of which she was not acting as director of the Company.

Name of Director	Appointed during the year	Resigned during the year	Fees	Salaries and other benefits	Retirement benefits scheme contribution	Rental paid/ rateable value in respect of quarters provided	Total
			HK$	*HK$*	*HK$*	*HK$*	*HK$*
2007							
Executive Directors							
Chan Oi Ling, Maria Olimpia	–	–	–	3,900,000	12,000	871,800	4,783,800
Lam Yu Ho, Daniel	–	–	–	1,720,000	–	–	1,720,000
Cheng Lok Hing	–	31 January 2007	–	471,329	–	–	471,329
Cheng Chun Kit	–	31 January 2007	–	471,329	–	–	471,329
Ji Hong	–	31 January 2007	–	46,729	–	15,323	62,052
Independent Non-Executive Directors							
Wong Yui Leung, Larry	–	–	80,000	–	–	–	80,000
Lui Wai Shan, Wilson	–	–	50,000	–	–	–	50,000
Cheung Ngai Lam	–	–	50,000	–	–	–	50,000
			180,000	6,609,387	12,000	887,123	7,688,510

Highest paid employees

The five highest paid individuals of the Group included three (2007: two) executive directors, details of whose emoluments are set out above. The emoluments of the remaining two (2007: three) highest paid individuals are as follows:

	2008	2007
	HK$	*HK$*
Salaries and other benefits	2,309,179	2,887,073
Retirement benefits scheme contributions	12,000	20,000
Rentals paid/rateable value in respect of quarters provided	216,000	252,600
	2,537,179	3,159,673

The emoluments were within the following bands:

	No. of employees 2008	2007
Nil to HK$1,000,000	–	2
HK$1,000,001 to HK$1,500,000	2	1
	2	3

10. INCOME TAX EXPENSE

	2008	2007
	HK$	*HK$*
The charge comprises:		
Current year		
Hong Kong	1,708,563	3,285,714
Other regions in the PRC	1,795,225	1,201,879
	3,503,788	4,487,593
(Over) under provision in prior years		
Hong Kong	–	(1,062)
Other regions in the PRC	–	59,112
	–	58,050
	3,503,788	4,545,643

Hong Kong Profits Tax is calculated at 17.5% (2007: 17.5%) of the estimated assessable profits for the year.

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

On 16 March 2007, the National People's Congress approved the Enterprise Income Tax Law of the PRC (the "new EIT Law"), which is effective from 1 January 2008. In December 2007, the State Council promulgated the Implementation Regulations to the new EIT Law, or the EIT Implementation, which is also effective from 1 January 2008. Pursuant to the new EIT Law, the new enterprise income tax rates for domestic and foreign enterprises are unified at 25%, subject to certain transitional arrangements. Pursuant to the relevant laws and regulations in the PRC, one of the Company's PRC subsidiaries was exempted from PRC income tax for two years starting from its first profit-making year (i.e. calendar year 2005), followed by a 50% reduction for the next three years.

The income tax expense for the year can be reconciled from profit before taxation per the consolidated income statement as follows:

	2008	2007
	HK$	*HK$*
(Loss)/Profit before taxation	(229,283,890)	14,850,824
Tax at the Hong Kong Profits tax rate of 17.5% (2007: 17.5%)	(40,124,681)	2,598,894
Non-deductible expenses	9,368,943	3,138,314
Tax exempt revenue	(4,615,639)	(1,673,529)
Underprovision in prior years	–	58,050
Unrecognised tax losses	39,221,292	92,114
Unrecognised temporary differences	51,549	(53,301)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(357,399)	430,912
Others	(40,277)	(45,811)
Income tax expense for the year	3,503,788	4,545,643

At 31 March 2008, the Group has unused tax losses of HK$222,729,000 (2007: HK$11,022,746) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. All losses may be carried forward indefinitely.

11. DIVIDEND

No dividend has been proposed by the directors for the years ended 31 March 2008 and 2007.

On 25 September 2006, a dividend of HK1 cent per share amounting to HK$4,240,001 was paid to shareholders as the final dividend in respect of 2006.

12. (LOSS)/EARNINGS PER SHARE – BASIC

The calculation of basic (loss)/earnings per share attributable to equity holders of the Company is based on the following data:

	2008	**2007**
	HK$	*HK$*
(Loss)/Earnings for the purpose of basic earnings per share	(232,807,416)	10,540,043

	No. of shares	
	2008	**2007**
		(Restated)
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	1,213,815,645	454,173,870

No diluted loss per share is presented for the year 2008 as all of the Company's share options granted and convertible notes issued, which had been fully exercised and converted respectively during the year, have an anti-dilutive effect. No diluted earnings per share were presented for the year 2007 as there were no potential ordinary shares in issue.

The weighted average number of ordinary shares adopted in the calculation of the basic (loss)/earnings per share for both years has been adjusted to reflect the impact of the rights issue effected subsequent to the balance sheet date.

13. INVESTMENT PROPERTIES

		2008	**2007**
	Note	*HK$*	*HK$*
At fair value			
At beginning of the year		210,575,000	34,650,000
Exchange adjustments		15,397,974	(2,883,000)
Acquisition of assets through acquisition of subsidiaries		–	154,353,167
Additions		5,242,281	4,582,000
Transferred from deposit paid		–	18,000,000
Disposal of assets through disposal of subsidiaries	*26*	(40,547,500)	–
Disposal		(28,000,000)	–
(Loss)/Gain on fair value changes		(29,294,811)	1,872,833
At end of the year		133,372,944	210,575,000

The carrying values of the Group's investment properties at 31 March 2008 are analysed as follows:

	2008	2007
	HK$	*HK$*
Situated in Hong Kong held under long leases	–	40,065,000
Situated in other regions in the PRC held under medium-term leases	133,372,944	170,510,000
	133,372,944	210,575,000

All of the Group's property interests in land held under operating leases to earn rentals or for capital appreciation purpose are measured using the fair value model and are classified and accounted for as investment properties.

The investment property held by Jet Star Industries Limited was valued as HK$115,000,000 (RMB104,000,000) by RHL Appraisal Limited. The Group's remaining investment properties were valued by Chung, Chan & Associates, Chartered Surveyors.

The investment properties have been valued as at 31 March 2008 on the basis carried out at that date by the aforesaid independent qualified professional valuers not connected with the Group, who are members of Hong Kong Institute of Surveyors and have appropriate qualifications and recent experiences in the valuation of properties in the relevant locations. The valuation, which conforms to Hong Kong Institute of Surveyors Valuation Standards, was arrived at using two primary methods, namely the comparison approach and the income capitalisation approach.

Certain of the Group's investment properties are rented out under operating leases.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Leasehold improvements	Furniture, fixtures and equipment	Plant and machinery	Motor vehicles	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Cost						
At 1 April 2006	56,224,387	3,089,280	3,677,370	21,549,980	5,851,302	90,392,319
Exchange adjustments	239,338	11,724	4,022	624,865	55,139	935,088
Acquisition of subsidiaries	–	15,011	20,353	–	–	35,364
Additions	–	489,521	280,549	209,353	1,947,832	2,927,255
Disposals	–	–	(246,448)	–	(984,840)	(1,231,288)
At 31 March 2007	56,463,725	3,605,536	3,735,846	22,384,198	6,869,433	93,058,738
Exchange adjustments	684,507	39,014	13,223	1,798,692	189,941	2,725,377
Additions	–	332,066	209,739	277,529	–	819,334
Disposal of subsidiaries	(19,663,527)	(1,081,516)	(163,143)	–	–	(20,908,186)
Disposals	(28,976,388)	(611,491)	(1,185,749)	(6,141,552)	(558,231)	(37,473,411)
At 31 March 2008	8,508,317	2,283,609	2,609,916	18,318,867	6,501,143	38,221,852
Depreciation						
At 1 April 2006	12,328,424	2,574,179	2,909,015	20,525,294	4,617,008	42,953,920
Exchange adjustments	98,349	11,396	3,687	600,736	42,686	756,854
Provided for the year	1,278,804	205,835	216,099	380,684	659,010	2,740,432
Eliminated on disposals	–	–	(169,948)	–	(701,781)	(871,729)
At 31 March 2007	13,705,577	2,791,410	2,958,853	21,506,714	4,616,923	45,579,477
Exchange adjustments	363,878	35,950	9,502	1,746,926	138,734	2,294,990
Provided for the year	657,726	143,578	187,493	751,085	599,778	2,339,660
Eliminated on disposal of subsidiaries	(4,527,041)	(895,321)	(122,585)	–	–	(5,544,947)
Eliminated on disposals	(6,537,033)	(203,981)	(1,021,480)	(6,140,204)	(421,619)	(14,324,317)
At 31 March 2008	3,663,107	1,871,636	2,011,783	17,864,521	4,933,816	30,344,863
Carrying values						
At 31 March 2008	4,845,210	411,973	598,133	454,346	1,567,327	7,876,989
At 31 March 2007	42,758,148	814,126	776,993	877,484	2,252,510	47,479,261

The above item of property, plant and equipment are depreciated on straight-line basis at the following rates per annum:

Leasehold land and buildings	Over the estimated useful lives of 50 years or the terms of the leases or the term of the relevant joint venture by which the buildings are held, whichever is the shorter
Leasehold improvements	15% or the terms of the leases, if shorter
Furniture, fixtures and equipment	15%
Plant and machinery	20%
Motor vehicles	20%

The carrying values of the Group's leasehold land and buildings at 31 March 2008 are analysed as follows:

	2008	2007
	HK$	*HK$*
Situated in Hong Kong held under long leases	–	11,399,677
Situated in Hong Kong held under medium-term leases	–	26,519,235
Situated in other regions in the PRC held under medium-term leases	4,845,210	4,839,236
	4,845,210	42,758,148

15. PREPAID LEASE PAYMENTS

	2008	2007
	HK$	*HK$*
Leasehold interests in land in other regions in the PRC under medium-term lease	6,578,997	6,515,207
Analysed for reporting purposes as:		
Current	652,883	588,183
Non-current	5,926,114	5,927,024
	6,578,997	6,515,207

16. GOODWILL

	HK$
Cost	
At 1 April 2006, 1 April 2007 and 31 March 2008	7,042,015
Impairment	
At 1 April 2006	2,799,172
Impairment loss recognised	4,242,843
At 31 March 2007 and 2008	7,042,015
Carrying amount	
At 31 March 2007 and 2008	–

For the purpose of impairment testing in previous years, goodwill was allocated to an individual cash generating unit (CGU) which was engaged in manufacture and sales of goods and was expected to benefit from that business combination. During the year ended 31 March 2007, the Group recognised an impairment loss of HK$4,242,843.

17. INVESTMENTS HELD FOR TRADING

	2008	2007
	HK$	*HK$*
At fair value		
Equity securities, listed in Hong Kong	173,928,275	–

The fair value of listed equity securities is based on quoted market prices in active markets at the balance sheet.

18. INVENTORIES

	2008	2007
	HK$	*HK$*
Raw materials	5,000,022	6,310,889
Work-in-progress	842,725	1,014,571
Finished goods	2,257,623	5,438,696
	8,100,370	12,764,156

All inventories, excluding those fully provided for with nil carrying value, are stated at cost.

19. TRADE AND BILLS RECEIVABLES

	2008	2007
	HK$	*HK$*
Trade and bills receivables	36,625,712	46,982,329
Less: Allowances for doubtful debts *(note 19 (b))*	8,085,022	8,084,037
	28,540,690	38,898,292

(a) Ageing analysis

The Group allowed a credit period ranging from 30 days to 150 days to its trade customers. The aged analysis of trade and bills receivables (net of allowances for doubtful debts) is as follows:

	2008	2007
	HK$	*HK$*
Aged analysis of trade and bills receivables:		
Within 60 days	17,906,260	14,779,000
61 – 150 days	10,634,430	22,632,207
	28,540,690	37,411,207
Discounted bills receivables aged within 60 days	–	1,487,085
	28,540,690	38,898,292

(b) Allowances for doubtful debts

	2008	2007
	HK$	*HK$*
At beginning of year	8,084,037	4,275,049
Impairment loss recognised	–	5,332,243
Uncollectible amounts written off	–	(1,523,255)
Exchange adjustment	985	–
At balance sheet date	8,085,022	8,084,037

Impairment losses in respect of trade and bills receivables are recorded using an allowance account unless the Group is satisfied that the recovery of the amount is remote, in which the impairment loss is written off against trade receivables directly.

All allowances for doubtful debts as at 31 March 2008 and 2007 were made for specific unsecured trade receivables, which recoverability is considered doubtful by the directors. The Group does not hold any collateral over these balances.

(c) Trade and bills receivables that are not impaired

The ageing analysis of trade and bills receivables that neither individually nor collectively considered to be impaired is as follows:

	2008	**2007**
	HK$	*HK$*
Neither past due nor impaired	24,088,701	36,439,046
Within 60 days	4,451,989	2,459,246
	28,540,690	38,898,292

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

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

20. LOAN RECEIVABLES

		2008	**2007**
	Notes	*HK$*	*HK$*
Loans advanced for management of investment properties	*(a)*	–	6,884,950
Loan to Leadup Resources Investments Limited	*(b)*	200,000,000	–
Loan to an independent third party	*(c)*	25,000,000	–
		225,000,000	6,884,950

Notes:

(a) Pursuant to various agreements signed between the Group and certain companies which developed and managed the investment properties of the Group in the PRC on 29 September 2006 and 7 November 2006, the Group advanced totalling HK$13,000,000 to those companies for property management purpose. The loans outstanding at 31 March 2007 amounted to HK$6,884,950 had been fully repaid during the year.

(b) A facility letter together with a supplementary facility letter ("Facility Letter") were entered into between the Company and Leadup Resources Investments Limited (the "Borrower") pursuant to which the Company granted a term loan facility in an amount of HK$200,000,000 to the Borrower for the purpose of proposed acquisition/investment ("Acquisition") in a mining business in northwest PRC (the "Borrower's investments"). The Company was granted a first right of refusal ("First Refusal Rights") to invest in the Borrower's investments if there is an independent third party proposes to acquire the Borrower's investments. The loan is secured by the personal guarantee of the ultimate equity owner of the Borrower. The original repayment date was on 19 May 2008 and interest bearing at 2.2% per annum.

Subsequent to the balance sheet date, the Facility Letter was amended and supplemented. Pursuant to the latest letter of agreement dated 26 June 2008 made between the Borrower and the Company, the repayment date of the outstanding loan receivable from the Borrower of amount HK$167,266,667 (the "Debt"), which comprises the outstanding principal amount of HK$160,000,000 and accrued interest of HK$7,266,667, is extended to 1 August 2008.

To reduce the risk exposure on the recoverability of the Debt, on 16 July 2008, the Company and Hennabun PT Limited ("HPT"), a securities investment company, entered into an agreement ("Agreement") pursuant to which the Company obtained an irrevocable option granted by HPT, subject to an option fee of HK$2,400,000, to require HPT to, inter alia, acquire at the Company's sole and absolute discretion, all or part of the Debt at its face value together with all other rights, including the First Refusal Rights obtained by the Company. As of 16 July 2008, the directors are not aware of any further development on the Acquisition and the exercise of the First Refusal Rights.

(c) The loan is unsecured, interest bearing at HSBC prime rate and repayable on 25 July 2008.

(d) The directors assessed the collectability of the above loan receivables at the balance sheet date individually with reference to borrowers' past collection history, quality of the undertaking obtained and current creditworthiness. In the directors' opinion, no allowance for impairment loss was considered necessary.

21. OTHER RECEIVABLES AND PREPAYMENTS

Other receivables and prepayments are expected to be recovered within one year.

22. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits which carry fixed interest rate at 0.3% (2007: 1.9%) per annum with an original maturity of three months or less.

23. TRADE PAYABLES

	2008	**2007**
	HK$	*HK$*
Aged analysis of trade payables:		
Within 60 days or on demand	13,391,426	13,535,064
61 – 150 days	5,405	–
More than 150 days	69,857	–
	13,466,688	13,535,064

24. BANK BORROWINGS

	2008	2007
	HK$	*HK$*
Bank borrowings comprise the following:		
Bank loans		
– secured	–	57,483,861
– unsecured	–	11,487,085
	–	68,970,946
The bank borrowings are repayable as follows:		
Within one year	–	28,740,106
More than one year and not more than two years	–	6,500,377
More than two years and not more than three years	–	6,768,752
More than three years and not more than four years	–	5,851,389
More than four years and not more than five years	–	5,030,399
More than five years	–	16,079,923
	–	68,970,946
Less: amounts due within one year shown under current liabilities	–	(28,740,106)
Amounts due after one year	–	40,230,840

The carrying amounts of the Group's borrowings are analysed as follows:

Denominated in	**2008**	**2007**	**Interest rate (2007)**
	HK$	*HK$*	
Hong Kong dollars	–	19,113,800	Hong Kong Inter-bank Offered Rate plus 1.5% to 2.25%
Hong Kong dollars	–	39,857,146	Hong Kong Prime Rate or Hong Kong Prime Rate minus 1.5%
Renminbi	–	10,000,000	5% discount on The People's Bank of China lending rate
	–	68,970,946	

The Group did not have any bank borrowings as at 31 March 2008. At 31 March 2007, there were bank borrowings amounting to approximately HK$40,370,000 denominated in Hong Kong dollars which was not the functional currency of those subsidiaries.

25. SHARE CAPITAL

Movements during the year in the share capital of the Company were as follows:

		Number of shares		Nominal value	
		2008	2007	2008	2007
	Note			*HK$*	*HK$*
Ordinary shares of HK$0.10 each:					
Authorised:					
At beginning of the year		1,000,000,000	1,000,000,000	100,000,000	100,000,000
Increased during the year	*(a)*	9,000,000,000	–	900,000,000	–
At end of the year		10,000,000,000	1,000,000,000	1,000,000,000	100,000,000
Issued and fully paid:					
At beginning of the year		444,000,100	424,000,100	44,400,010	42,400,010
Issue of shares for acquisition		–	20,000,000	–	2,000,000
Exercise of share options granted to employees under share option scheme	*(b)*	16,000,000	–	1,600,000	–
Exercise of share options granted to consultants under share option scheme	*(c)*	26,400,000	–	2,640,000	–
Placement of shares	*(d)*	64,800,000	–	6,480,000	–
Placement of shares	*(e)*	104,960,000	–	10,496,000	–
Issue of shares pursuant to conversions of convertible notes	*(f)*	1,250,000,000	–	125,000,000	–
At end of the year		1,906,160,100	444,000,100	190,616,010	44,400,010

Notes:

(a) At the special general meeting held on 11 July 2007, the authorized share capital of the Company were increased from HK$100,000,000 divided into 1,000,000,000 shares to HK$1,000,000,000 divided into 10,000,000,000 shares by the creation of additional 9,000,000,000 unissued shares of HK$0.1 each.

(b) On 4 May 2007, 16,000,000 shares options were granted to the employees under the share option scheme at an exercise price of HK$0.46 per ordinary shares of HK$0.1 each. These granted share options were fully exercised on 7 May 2007.

(c) On 6 November 2007, 26,400,000 shares options were granted to the consultants of the Company under the share option scheme at an exercise price of HK$0.65 per ordinary shares of HK$0.1 each. These granted share options were fully exercised on 7 November 2007.

(d) On 8 June 2007, the Company entered into a placing agreement with Chung Nam Securities Limited ("Chung Nam"), as placing agent, pursuant to which the Company conditionally agreed to place, through the placing agent on an underwritten basis, 64,800,000 shares to independent investors at a price of HK$0.45 per share.

(e) On 17 July 2007, the Company entered into a placing agreement with Chung Nam, as placing agent, pursuant to which the placing agent agreed to place on an underwritten basis, 104,960,000 shares to independent investors at a price of HK$0.45 per share.

(f) On 17 July 2007, the Company entered into a placing agreement ("CN Placing Agreement") with Chung Nam, as placing agent, pursuant to which, the placing agent agreed, on a best effort basis, to place up to HK$500,000,000 principal amount of non-interest bearing convertible notes due on 15 December 2010, convertible into 1,250,000,000 shares at the initial conversion price of HK$0.40 per share to independent investors.

During the year, the Company had allotted and issued a total of 1,250,000,000 shares to 38 independent placees at the conversion price of HK$0.40 per conversion shares in aggregate principal amount of HK$500,000,000.

There was no outstanding unconverted convertible note at 31 March 2008.

All ordinary shares rank equally with one vote attached to each fully paid ordinary share.

26. DISPOSAL OF SUBSIDIARIES

During the year ended 31 March 2008, the Group disposed of its entire interest in a subsidiary, Hop Shing Trading Limited ("Hop Shing"), to a third party, Great Asia Properties Limited, at a consideration of HK$30,000,000 in cash.

In addition, during the year, the Group also disposed of its entire interest in a subsidiary, Mascotte Investments Limited ("MIL") to Kada International Limited, an investment company wholly-owned by the substantial shareholder of the Group, at a consideration of HK$29,000,000 in cash.

The disposal had the following effect on the Group's assets and liabilities:

	MIL	**Hop Shing**	**2008**
	HK$	*HK$*	*HK$*
Net assets disposal of			
Investment properties	9,755,000	30,792,500	40,547,500
Property, plant and equipment	15,363,239	–	15,363,239
Other debtor and prepayment	130,004	102,829	232,833
Cash and bank balances	628,564	72,000	700,564
Other creditors and accruals	(291,017)	(508,552)	(799,569)
	25,585,790	30,458,777	56,044,567
Release of special reserve	(1,000,000)	–	(1,000,000)
Gain/(Loss) on disposal	4,414,210	(458,777)	3,955,433
Total consideration satisfied by cash consideration	29,000,000	30,000,000	59,000,000

Analysis of net inflow of cash and cash equivalents in respect of the disposal of subsidiaries:

Cash consideration	29,000,000	30,000,000	59,000,000
Cash and cash equivalents disposed	(628,564)	(72,000)	(700,564)
Net inflow of cash and cash equivalents	28,371,436	29,928,000	58,299,436

27. OPERATING LEASE ARRANGEMENTS

The Group as lessee

At 31 March 2008, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2008	**2007**
	HK$	*HK$*
Within one year	2,949,557	680,790
In the second to fifth year inclusive	4,822,609	–
	7,772,166	680,790

Leases are negotiated for term of two to five year with fixed monthly rentals over the lease terms.

The Group as lessor

The Group leases out all its investment properties under operating leases with lease term of one to fifteen years. The future aggregate minimum rental receivables under non-cancellable operating leases are as follows:

	2008	**2007**
	HK$	*HK$*
Within one year	5,358,555	4,729,936
In the second to fifth year inclusive	4,955,252	6,746,416
Over five years	–	400,960
	10,313,807	11,877,312

28. PLEDGE OF ASSETS

At 31 March 2008, the Group had the following pledges over its assets to secure banking facilities granted to the Group.

(a) Investment properties with an aggregate carrying value of HK$131,992,944 (2007: HK$154,170,000).

(b) Leasehold land and buildings with an aggregate carrying value of HK$3,299,203 (2007: HK$26,645,549).

(c) Prepaid lease payments with an aggregate carrying value of HK$6,578,997 (2007: HK$6,515,207).

29. SHARE OPTION SCHEME

Pursuant to the Company's share option scheme (the "Scheme") adopted on 21 August 2003, for the primary purpose of providing incentive to directors and eligible employees and suppliers of goods or services of the Group, including consultants ("consultants"), and which will expire 10 years after the date of adoption (the "Option Period"), the board of directors of the Company may, at its discretion, grant options to eligible employees, including executive directors and consultants, of the Company or any of its subsidiaries to subscribe for shares in the Company at a price of (i) the closing price of the shares of the Stock Exchange on the date of grant of the option, which must be a trading day or (ii) the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the options or (iii) the nominal value of the shares, whichever is the higher.

The maximum number of shares in respect of which options may be granted (together with options exercised and options then outstanding) under the Scheme shall not, when aggregated with any shares subject to any other schemes, exceed 30% of the total number of the issued share of the Company from time to time. The maximum number of shares in respect of which options may be granted to each participant (including both exercised and outstanding options) in any 12-month period cannot exceed 1% of the total number of the issued share of the Company. Upon acceptance of option, the grantee shall pay HK$1 to the Company by way of consideration of the grant. An option may be exercised at any time during the Option Period.

(a) Movement in share option scheme during the year ended 31 March 2008:

Name of category of participant	Date of grant	As at 1 April 2007	Granted during the year	Exercised during the year	As at 31 March 2008	Exercise price *HK$*	Share price at the date of grant *(note i)* *HK$*	Share price at the date of exercise *(note ii)* *HK$*
Staff	4 May 2007	–	16,000,000	(16,000,000)	–	0.46	0.46	0.60
Consultants	6 November 2007	–	26,400,000	(26,400,000)	–	0.65	0.65	0.94
		–	42,400,000	(42,400,000)	–			

Notes:

(i) The share price at the date of grant is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options.

(ii) The share price at the date of exercise is the Stock Exchange closing price on the trading date at the date of exercise of the options.

No share options were granted, lapsed, exercised or expired under the Scheme during the year ended 31 March 2007.

(b) Fair value of share options and assumptions

The fair value of share options granted under the share option scheme at the grant dates was ranged from HK$0.07553 to HK$0.10664 per share option, which was calculated using the Binominal Model (Hull-White Sub-Optimal) with the following inputs:

Weighted average exercise price	HK$0.46 to HK$0.65
Expected volatility	76.33% to 90.08%
Expected life	5.75 to 6.25 years
Risk free rate	3.314% to 4.177%
Exercise multiple	1.2
Expected dividend	–

The expected volatility is based on the historic volatility of share prices of the Company and the exercise multiple defines the early exercise strategy. Changes in the subjective input assumptions could materially affect the fair value of the share options granted.

30. RETIREMENT BENEFIT SCHEME

Prior to 1 December 2000, the Group operated a defined contribution retirement benefit scheme ("Defined Contribution Scheme") for its qualifying employees in Hong Kong. The assets of the scheme were held separately from those of the Group in funds under the control of an independent trustee. Where there are employees who leave the Defined Contribution Scheme prior to vesting fully in the contributions, the amount of the forfeited contributions would be used to reduce future contributions payable by the Group.

Effective from 1 December 2000, the Group has joined a Mandatory Provident Fund scheme ("MPF Scheme") for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to contribute 5% of the employees' monthly remunerations or HK$1,000 per month whichever is the smaller to the MPF Scheme. The only obligation of the Group with respect of MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The retirement benefit scheme contributions arising from the Defined Contribution Scheme and the MPF Scheme charged to the consolidated income statement represent contributions paid or payable to the funds by the Group at rates specified in the rules of the schemes.

Employees located in the PRC are covered by the retirement and pension schemes defined by local practice and regulations and which are essentially defined contributed schemes.

During the year, the Group made retirement benefits scheme contributions of HK$1,616,926 (2007: HK$657,957).

As at 31 March 2008 and 2007, there were no forfeited contributions, which arose upon employees leaving the scheme and which are available to reduce the contributions payable by the Group in the future years.

31. RELATED PARTY TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in these financial statements, during the year, the Group had the following transactions with related parties:

(i) Transactions with directors' related companies

Name of party	**Directors who have interest**	**Nature of transactions**	**2008**	**2007**
			HK$	*HK$*
Techford Development Ltd.	Ms. Chan Oi Ling, Maria Olimpia	Rental expense	156,000	156,000
Wing Nin Trading Co. Ltd.	Family member of Ms. Chan Oi Ling, Maria Olimpia	Rental expense	144,000	192,000
Mascotte Investments Limited	Ms. Chan Oi Ling, Maria Olimpia	Rental expense	742,816	–

(ii) Transactions with a minority shareholder

Name of party	**Nature of transactions**	**2008**	**2007**
		HK$	*HK$*
東莞市橋光實業集團公司 Dongguan City Qiao Guang Industrial Group Company	Rental expense	908,773	926,815

(iii) Compensation of key management personnel

The remuneration of directors and other members of key management during the year were as follows:

	2008 *HK$*	2007 *HK$*
Short-term benefits	10,519,669	9,012,319
Post-employment benefits	24,000	24,000
	10,543,669	9,036,319

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

32. SUBSIDIARIES

Particulars of the subsidiaries at 31 March 2008 are as follows:

Name	Place of incorporation or registration/ operation	Issued and fully paid ordinary share capital/ registered and contributed capital	Attributable equity interest held by the Group	Principal activities
Direct subsidiary				
Mascotte Group Limited	British Virgin Islands/ Hong Kong	US$100	100%	Investment holding
Indirect subsidiaries				
東莞德雅皮具製品廠有限公司 Dongguan Tak Ya Leather Goods Manufactory Limited *(note a)*	PRC	HK$8,000,000	70% *(note b)*	Manufacture of accessories for photographic, electrical and multimedia products
Mana Industrial Limited	Hong Kong	HK$10,000	100%	Inactive
March Professional Bags Company Limited	Hong Kong/PRC	HK$50,000	100%	Manufacturing and trading of accessories for photographic, electrical and multimedia products; inactive since January 2008
Mascotte Industrial Associates Group Limited	British Virgin Islands/ Hong Kong	US$4	100%	Investment holding
Mascotte Industrial Associates (Hong Kong) Limited	Hong Kong	HK$2	100%	Trading of accessories for photographic, electrical and multimedia products

Name	Place of incorporation or registration/ operation	Issued and fully paid ordinary share capital/ registered and contributed capital	Attributable equity interest held by the Group	Principal activities
馬斯葛志豪照相器材(惠州)有限公司 Mascotte Zhi Hao Photographic Equipment (Hui Zhou) Co. Ltd. *(note a)*	PRC	US$3,180,000	90%	Property holding and manufacture of accessories for photographic, electrical and multimedia products
Mascotte Hui Zhou Limited	British Virgin Islands/ PRC	US$1	100%	Investment holding
Mascotte Overseas Limited	British Virgin Islands	US$1,795,000	100%	Inactive
Mascotte Photographic Trading Limited	British Virgin Islands	US$1	100%	Inactive
Newland Kingdom Limited	Hong Kong	HK$9,998 HK$2*	100%	Inactive
Jet Star Industries Limited	Hong Kong/PRC	HK$9,998 HK$2*	100%	Property holding
Tak Ya Leather Goods Manufactory Limited	British Virgin Islands/PRC	US$1	100%	Investment holding
Union Glory Finance Inc.	British Virgin Islands/ Hong Kong	US$1	100%	Inactive

* *These represent non-voting deferred shares (note c).*

Notes:

(a) These companies are equity joint ventures.

(b) Dongguan Tak Ya Leather Goods Manufactory Limited was established by the Group with an independent party in the PRC. Under various agreements entered into with the PRC party, the Group is entitled to all of the profits derived from its operations up to 31 December 2011.

(c) These deferred shares, which are not held by the Group, practically carry no rights to dividends and no rights to receive notice of or to attend or vote at any general meeting of the respective companies. On winding up, the holders of the deferred shares are entitled to distribution out of the remaining assets of the respective companies only after the distribution of substantial amounts as specified in the Articles of Associations to holders of ordinary shares of the respective companies.

33. POST BALANCE SHEET EVENTS

In addition to the post balance sheet events disclosed elsewhere in these financial statements, subsequent to the balance sheet date, pursuant to the prospectus of the Company dated 10 July 2008, the Company proposed to issue 953,080,050 rights shares of HK$0.10 each at HK$0.15 per rights share on the basis of one rights share for every two existing shares held on record date (i.e. 9 July 2008) by qualifying shareholders (the "Rights Issue"). The Rights Issue is expected to be completed on 1 August 2008, raising net proceeds of approximately HK$138 million.

3. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

Since the second half of 2008, the global economy has been experiencing its worst crisis in recent decades. Securities markets throughout the world have all been severely affected. As a consequence, the Group's results, particularly its securities trading activities, have badly suffered. In recent months, concerted efforts by central banks and governments especially from G7 countries to stablise the financial markets and to stimulate the general economy appear to have curtailed the downward spiral that was experienced earlier in the year. Major stock markets around the world have registered certain degree of rebound as we entered the second quarter of 2009. However, it remains premature to conclude that the world economy and the securities market have reached the point where a recovery can be expected to be forthcoming, particularly with the added uncertainty associated with the recent outbreak of the H1N1 type A influenza. Against this background the Group will continue to exercise extreme caution and adopt a prudent approach in conducting its activities.

Regarding the Group's manufacturing activities, the management continues to focus on new revenue channels within the Group's core business of accessories for photographic, multimedia and electrical products. As predicted the photographic area business has picked up for the Group again and the Group has expanded the business with existing clients in this segment. This has helped us not only expand our overall business, but also make-up for shortfalls in the Electronic and Multimedia bag areas, where the business environment has taken a bit of a downturn – no new exciting products requiring bags – and the competition has been cut throat with less business for the industry overall. In late 2008, the Group attended Photokina in Cologne, Germany, and got positive feedback from the industry. However, this was also the time when the US recession started to pan out to other markets. Respectively, the Group has taken a very conservative approach and outlook with cost cutting measures and process improvements to ride through the financial tsunami.

The flexible solar panel bag project had some setbacks due to the delay in merchantable panels from G24 Innovations. Nevertheless sales of this innovative product have recently been launched. Despite initial response has fallen short of earlier expectation amid the current economic recession, the Group remains confident that these products will have a good and unique potential to bring an satisfactory return in the longer term.

Despite the challenging circumstances the Group's financial position remains solid with strong liquidity and no outstanding bank borrowings. Recognising the challenging economic environment surrounding us, the Group is adopting a cautious approach in conducting its business and is exercising strict control over operating costs. At the same time the Group remains committed to its diversification strategy aiming to invest in suitable projects, particularly natural resources investment opportunities in the PRC, to broaden the Group's long term sustainable income base, and the transaction contemplated under the Agreements fits well into this strategy.

4. INDEBTEDNESS

At the close of business on 30 April 2009, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had outstanding obligation under a hire purchase contract of approximately HK$0.1 million. A motor vehicle of the Enlarged Group with net book value of approximately HK$0.1 million as at 30 April 2009 has been pledged under the hire purchase contract.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Enlarged Group did not have outstanding at the close of business on 30 April 2009 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

The Directors confirm that, save as disclosed above, there has not been any material change in the indebtedness or contingent liabilities of the Enlarged Group since 30 April 2009.

5. WORKING CAPITAL

The Directors are of the opinion that, in the absence of unforeseen circumstances and after taking into account the financial resources available to the Enlarged Group including the internally generated funds and present available banking facilities, the Enlarged Group will have sufficient working capital for its present requirement that is for at least the next 12 months.

6. MATERIAL ADVERSE CHANGE

Save as disclosed in the announcement of the Company dated 28 April 2009, as at the Latest Practicable Date, the Company was not aware of any material adverse change in the financial or trading position of the Enlarged Group since 31 March 2008, being the date to which the latest published audited financial statements of the Company were made up.

MAZARS

MAZARS CPA LIMITED
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The Board of Directors
Mascotte Holdings Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of Richful Zone International Limited ("Richful Zone") and its wholly-owned subsidiary Allied Loyal International Investments Limited ("Allied Loyal") (hereinafter referred to as the "Richful Zone Group") for the period from 8 January 2007 (date of incorporation) to 31 December 2007 and year ended 31 December 2008 (the "Relevant Periods"), for inclusion in the circular of Mascotte Holdings Limited (the "Company") dated 15 June 2009 (the "Circular") in connection with the proposed acquisition of Richful Zone Group by Marvel Century Limited, a wholly-owned subsidiary of the Company. The Financial Information comprises the consolidated and Richful Zone's balance sheets as at 31 December 2007 and 2008, and the consolidated income statements, the consolidated statements of changes in equity and the consolidated cash flow statements of the Richful Zone Group for each of the Relevant Periods and a summary of significant accounting policies and other explanatory notes.

Richful Zone is a limited liability company incorporated in British Virgin Islands on 8 January 2007. Richful Zone and its subsidiary are engaged in investment holding during the Relevant Periods and the Richful Zone Group has adopted 31 December as its financial year end for statutory financial reporting purposes.

For the purpose of this report, the directors of Richful Zone have prepared financial information of the Richful Zone Group for the Relevant Periods based on the management accounts of Richful Zone and the financial statements of Allied Loyal which were audited by Mazars CPA Limited for the Relevant Periods. These financial information and financial statements were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), and accounting principles generally accepted in Hong Kong.

The directors of Richful Zone are responsible for preparing the Financial Information which gives a true and fair view in accordance with HKFRS. In preparing the Financial Information of Richful Zone Group which gives a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently, that judgements and estimates are made which are prudent and reasonable, and that the reasons for any significant departure/non-applicable accounting standards are stated. It is our responsibility to form an independent opinion, on such information in respect of the Relevant Periods, and to report our opinion to you.

PROCEDURES PERFORMED IN RESPECT OF THE RELEVANT PERIODS

For the purpose of this report, we have examined the management accounts of Richful Zone and the audited financial statements of Allied Loyal for the Relevant Periods and carried out such additional procedures as we considered necessary in accordance with Auditing Guideline No. 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION OF THE RELEVANT PERIODS

In our opinion, the Financial Information of the Richful Zone Group, for the purpose of this report, gives a true and fair view of the results and cash flows of the Richful Zone Group for each of the Relevant Periods and of the state of affairs of the Richful Zone Group and Richful Zone as at 31 December 2007 and 2008 in accordance with HKFRS.

Without qualifying our opinion we draw attention to note 2 to the Financial Information concerning the adoption of going concern basis on which the Financial Information has been prepared. At 31 December 2008, the Richful Zone Group had net current liabilities of HK$136,352,548 and net liabilities of HK$4,473,760. The validity of the going concern basis depends on the Richful Zone Group's future profitable operation and the continuing financial support from the ultimate holding company, Willie International Holdings Limited ("Willie International"). Willie International has confirmed in writing its intention to provide continuing financial support to the Richful Zone Group. The Company has also confirmed in writing its intention to provide continuing financial support to the Richful Zone Group on condition that the proposed major transaction as described in note 13 to the Financial Information is successful. The Financial Information does not include any adjustments that would result from a failure to obtain the necessary finance. We consider that appropriate disclosures have been made in this respect.

Mazars CPA Limited
Certified Public Accountants

Hong Kong, 15 June 2009

Fung Shiu Hang
Practising Certificate number: P04793

I. FINANCIAL INFORMATION

Consolidated Balance Sheets

The following is a summary of the consolidated balance sheets of the Richful Zone Group as at the end of each of the Relevant Periods which have been prepared on the basis set out in Section II.

		At 31 December	
		2007	**2008**
	Notes	*HK$*	*HK$*
Non-current asset			
Intangible assets	*6*	134,626,263	131,878,788
Current liabilities			
Accrued expenses		–	40,000
Due to an immediate holding company	*10*	9,992	19,430
Due to an intermediate holding company	*10*	136,293,118	136,293,118
Net current liabilities		(136,303,110)	(136,352,548)
NET LIABILITIES		(1,676,847)	(4,473,760)
Capital and reserve			
Share capital	*11*	8	8
Accumulated losses		(1,676,855)	(4,473,768)
TOTAL DEFICIT		(1,676,847)	(4,473,760)

Balance Sheets

The following is a summary of the balance sheets of Richful Zone as at the end of each of the Relevant Periods which have been prepared on the basis set out in Section II.

		At 31 December	
		2007	**2008**
	Notes	*HK$*	*HK$*
Non-current asset			
Investment in a subsidiary	*7*	102,469,110	102,469,110
Current asset			
Due from a subsidiary	*9*	33,540,890	33,545,570
Current liabilities			
Due to an immediate holding company	*10*	9,992	19,430
Due to an intermediate holding company	*10*	136,289,918	136,289,918
		136,299,910	136,309,348
Net current liabilities		(102,759,020)	(102,763,778)
NET LIABILITIES		(289,910)	(294,668)
Capital and reserve			
Share capital	*11*	8	8
Accumulated losses		(289,918)	(294,676)
TOTAL DEFICIT		(289,910)	(294,668)

Consolidated Income Statements

The following is a summary of the consolidated income statements of the Richful Zone Group for the Relevant Periods which have been prepared on the basis set out in Section II.

	Notes	Period from 8.1.2007 (date of incorporation) to 31.12.2007 HK$	Year ended 31.12.2008 HK$
Turnover	3	–	–
Amortisation expense		(1,373,737)	(2,747,475)
Other operating expenses		(303,118)	(49,438)
Loss before taxation	4	(1,676,855)	(2,796,913)
Taxation	5	–	–
Loss for the period/year		(1,676,855)	(2,796,913)

Consolidated Statements of Changes in Equity

The movements in the consolidated statements of changes in equity of the Richful Zone Group for the Relevant Periods which have been prepared on the basis set out in Section II, are as follows:

	Share capital	Accumulated losses	Total
	HK$	*HK$*	*HK$*
Share capital issued on 8 January 2007 (date of incorporation)	8	–	8
Loss for the period	–	(1,676,855)	(1,676,855)
At 31 December 2007	8	(1,676,855)	(1,676,847)
Loss for the year	–	(2,796,913)	(2,796,913)
At 31 December 2008	8	(4,473,768)	(4,473,760)

Consolidated Cash Flow Statements

The consolidated cash flow statements of the Richful Zone Group for the Relevant Periods which have been prepared on the basis set out in Section II are as follows:

	Note	Period from 8.1.2007 (date of incorporation) to 31.12.2007 HK$	Year ended 31.12.2008 HK$
OPERATING ACTIVITIES			
Loss before taxation		(1,676,855)	(2,796,913)
Adjustment for:			
Amortisation		1,373,737	2,747,475
Cash used in operations before changes in working capital		(303,118)	(49,438)
Changes in working capital:			
Due to an immediate holding company		9,992	9,438
Due to an intermediate holding company		293,118	–
Accrued expenses		–	40,000
Net cash used in operations		(8)	–
FINANCING ACTIVITY			
Issuance of share capital		8	–
Net cash generated from financing activity		8	–
Net cash increase in cash and cash equivalents		–	–
Cash and cash equivalents at beginning of period/year		–	–
Cash and cash equivalents at end of period/year		–	–
Major non-cash transaction:			
Consideration for the acquisition of assets and liabilities through acquisition of a subsidiary paid by intermediate holding company of Richful Zone	*8*	102,469,110	–

II. NOTES TO THE FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Richful Zone International Limited ("Richful Zone") is a limited liability company incorporated in British Virgin Islands on 8 January 2007. Richful Zone's principal place of business is located at 32/F, China United Centre, 28 Marble Road, North Point, Hong Kong. The immediate holding company of Richful Zone is Popovic Investments Limited ("Popovic Investments") and the ultimate holding company of Richful Zone is Willie International Holdings Limited ("Willie International"), which is incorporated in Hong Kong with its shares listed in The Stock Exchange of Hong Kong Limited. Richful Zone and its subsidiary ("Richful Zone Group") are engaged in investment holding.

2. PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which collective term includes all applicable individual HKFRS, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and accounting principles generally accepted in Hong Kong.

The financial statements have been prepared in conformity with the principles applicable to a going concern basis. The applicability of these principles is dependent upon continued availability of adequate finance or attaining profitable operations in the future in view of the excess of liabilities over assets. The ultimate holding company, Willie International, has confirmed its intention to make available adequate funds to Richful Zone Group as and when required to maintain Richful Zone Group as a going concern. The Company has also confirmed in writing its intention to provide continuing financial support to the Richful Zone Group on condition that the proposed major transaction as described in note 13 to the Financial Information is successful.

A summary of the principal accounting policies adopted by the Richful Zone Group is set out below.

Basis of consolidation

The consolidated financial information comprises the financial information of Richful Zone and its subsidiary as at 31 December each year. The financial information of the subsidiary are prepared for the same reporting year as that of Richful Zone using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The results of subsidiary are consolidated from the date on which Richful Zone obtains control and continue to be consolidated until the date that such control ceased.

Basis of measurement

The measurement basis used in the preparation of these financial statements is historical cost.

Subsidiaries

A subsidiary is an entity in which Richful Zone has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In Richful Zone's balance sheet, an investment in subsidiary is stated at cost less impairment loss. The carrying amount of the investment is reduced to its recoverable amount on an individual basis. The results of subsidiary are accounted for by Richful Zone on the basis of dividends received and receivable.

Intangible assets

Intangible assets that are acquired by the Richful Zone Group are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and accumulated impairment losses.

Amortisation of intangible assets with finite useful lives is charged to the income statement on a straight-line basis over the assets' estimated useful lives which are determined by the period over which it is expected to bring economic benefits to the Richful Zone Group. The intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives of 49.5 years.

The Richful Zone Group reviews the estimated useful lives and amortisation method for these intangible assets annually and makes adjustment when necessary.

Financial instruments

Financial assets and financial liabilities are recognised when the Richful Zone Group becomes a party to the contractual provisions of the instruments and on a trade date basis. A financial asset is derecognised when the Richful Zone Group's contractual rights to future cash flows from the financial asset expire or when the Richful Zone Group has transferred substantially all the risks and rewards of ownership of the financial asset. A financial liability is derecognised only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

Financial liabilities

Richful Zone Group's financial liabilities include payables to immediate holding company and intermediate holding company. All financial liabilities are recognised initially at their fair value and subsequently measured at amortised cost, using effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

Impairment of non-financial assets

At each balance sheet date, the Richful Zone Group reviews internal and external sources of information to determine whether its carrying amount of intangible assets with finite useful lives have suffered an impairment loss or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less cost to sell and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Richful Zone Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. a cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment loss is recognised as income immediately.

Taxation

The charge for current income tax is based on the results for the year as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liabilities or assets are measured at the tax rates that are expected to apply to the period when the asset is recovered or liability is settled, based on the tax rates and the tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

No deferred tax is provided for temporary differences arising from goodwill, the initial recognition of assets or liabilities in a transaction other than a business combination and that affecting neither accounting nor taxable profits, and investment in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

Related parties

A party is related to the Richful Zone Group if

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

(b) the party is an associate of the Richful Zone Group;

(c) the party is a joint venture in which the Richful Zone Group is a venturer;

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

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

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

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

Future change in HKFRS

At the date of authorisation of these Financial Information, the HKICPA has issued a number of new/revised HKFRS that are not yet effective for the Relevant Periods, which the Richful Zone Group has not early adopted. The directors anticipate that the adoption of these new/revised HKFRS in the future periods will have no material impact on the result of the Richful Zone Group.

3. TURNOVER AND REVENUE

Richful Zone Group did not generate any revenue during the Relevant Periods.

4. LOSS BEFORE TAXATION

	Period from 8.1.2007 (date of incorporation) to 31.12.2007	**Year ended 31.12.2008**
	HK$	*HK$*
This is stated after charging:		
Auditor's remuneration	10,000	12,000

5. TAXATION

Hong Kong Profits Tax has not been provided as the Richful Zone Group had no assessable profits for taxation purpose for the Relevant Periods.

	Period from 8.1.2007 (date of incorporation) to 31.12.2007	Year ended 31.12.2008
	HK$	*HK$*
Reconciliation of tax expense		
Loss before taxation	(1,676,855)	(2,796,913)
Income tax at applicable tax rate of 16.5% *(2007: 17.5%)*	(293,450)	(461,491)
Non-deductible expenses	287,484	461,491
Unrecognised tax losses	5,966	–
Tax expense for the period/year	–	–

6. INTANGIBLE ASSETS

	Total
	HK$
Reconciliation of carrying amount – period ended 31 December 2007	
At beginning of period	–
Acquisition of a subsidiary	136,000,000
Amortisation	(1,373,737)
At balance sheet date	134,626,263
Reconciliation of carrying amount – year ended 31 December 2008	
At beginning of year	134,626,263
Amortisation	(2,747,475)
At balance sheet date	131,878,788
At 1 January 2008	
Costs	136,000,000
Accumulated amortisation	(1,373,737)
	134,626,263
At 31 December 2008	
Costs	136,000,000
Accumulated amortisation	(4,121,212)
	131,878,788

The intangible assets represent the rights to (i) obtain the 50% of forestry land use rights and forestry trees entitlement of three forestry sites in Simao District, Puer City, Yunnan Province, the People's Republic of China (the "PRC") and (ii) 50% share of distributable profits of these forests.

The forestry land use rights and forestry trees entitlement of these three forestry trees sites are 50 years from 24 January 2007 to 23 January 2057.

7. INVESTMENT IN A SUBSIDIARY

	At 31 December 2007	2008
	HK$	*HK$*
Unlisted shares, at cost	102,469,110	102,469,110

Details of the subsidiary at the balance sheet date are as follows:

Name of subsidiary	Place of incorporation	Class of share held	Proportion of nominal values of issued capital directly held by Richful Zone	Principal activities
Allied Loyal International Investments Limited	British Virgin Islands	Ordinary share	100%	Investment holding

8. ACQUISITION OF A SUBSIDIARY

On 28 June 2007, Richful Zone entered into a sale and purchase agreement (the "Sale and Purchase Agreement") with Harvest Source Holdings Limited to purchase the entire issued share capital of and the shareholder loan to Allied Loyal. The considerations of the purchase of the entire capital of Allied Loyal and the shareholder loan was HK$102,469,110 and HK$33,530,890 respectively. The Sale and Purchase Agreement was completed in July 2007.

The fair value of the identifiable assets and liabilities of Allied Loyal at the date of acquisition and their carrying value determined in accordance with HKFRS immediately before the acquisition are as follows:

	Carrying value	Fair value
	HK$	*HK$*
Investment in Forestry rights	33,900,000	136,000,000
Due to immediate holding company	(33,530,890)	(33,530,890)
	369,110	102,469,110
Cash consideration paid by intermediate holding company of Richful Zone		102,469,110

There was no impact on revenue and loss of the Richful Zone Group if the acquisition of subsidiary effected during 2007 had been taken place at the beginning of 2007.

9. DUE FROM A SUBSIDIARY

The amount due is unsecured, interest-free and has no fixed repayment term. The carrying amount approximates its fair value.

10. DUE TO AN IMMEDIATE HOLDING COMPANY/INTERMEDIATE HOLDING COMPANY

The amounts due are unsecured, interest-free and have no fixed repayment term. The carrying amounts approximate their fair value.

11. SHARE CAPITAL

	2007		2008	
	Number of shares	*HK$*	*Number of shares*	*HK$*
Authorised:				
50,000 ordinary shares of US$1 each	50,000	400,000	50,000	400,000
Issued and fully paid:				
At beginning of the period/year	–	–	1	8
New shares issued	1	8	–	–
At balance sheet date	1	8	1	8

Note: The Company was incorporated in British Virgin Islands with limited liability on 8 January 2007 with US$50,000 authorised share capital of 50,000 ordinary shares of US$1 each. On incorporation, 1 ordinary share of US$1 each was issued at par for consideration of US$1.

12. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Richful Zone Group's principal financial instruments are accrued expenses and payables to related companies. The main purpose of these financial instruments is to raise and maintain finance for the Richful Zone Group's operations.

The main risks arising from the Richful Zone Group's financial instrument is liquidity risk. The Richful Zone Group does not have any written risk management policies and guidelines. However, the board of directors generally adopts conservative strategies on its risk management and limit the Richful Zone Group's exposure to these risks to a minimum. The board of directors reviews and agrees policies for managing the risk and it is summarised below.

Liquidity risk

The Richful Zone Group's objective is to maintain a balance between continuity of funding and flexibility through the use of fund advanced from an immediate holding company and an intermediate holding company. The Richful Zone Group relies on financial support from the ultimate holding company which has agreed to provide adequate funds to the Richful Zone Group as a significant source of liquidity. The maturity profile of the Richful Zone Group's financial liabilities at the balance sheet date based on contractual undiscounted payments is on demand *(2007: on demand)*.

Capital management

The objectives of the Richful Zone Group's capital management are to safeguard the entity's ability to continue as a going concern and to provide returns for shareholders. The Richful Zone Group manages its capital structure and makes adjustments, including payment of dividend to shareholders, return capital to shareholders or issue new shares or sell assets to reduce debts. No changes were made in the objectives, policies or processes during the year ended 31 December 2008 and period ended 31 December 2007.

The Richful Zone Group monitors its adjusted capital, which comprise all components of equity. The adjusted capital of the Richful Zone Group at 31 December 2008 was a deficiency of HK$4,473,760 *(2007: HK$1,676,847)* and the Richful Zone Group aims to improve it at a reasonable level.

13. POST BALANCE SHEET EVENTS

On 29 April 2009, Willie Resources Incorporated, the intermediate holding company of Richful Zone, assigned the debts receivable from Richful Zone amounted to HK$136,298,918 to Popovic Investments.

On 5 May 2009, an ordinary resolution was passed that Richful Zone issued 17,478,972 ordinary shares of US$1 each to Popovic Investments for loan capitalization of total amount due of HK$136,335,986. To facilitate the loan capitalization, Richful Zone had passed a special resolution on the same date of which the authorized share capital of Richful Zone was increased to US$20,000,000 by the creation of an additional 19,950,000 ordinary shares of US$1 each.

On 12 May 2009, Marvel Century Limited and Popovic Investments entered into a share purchase agreement (the "proposed major transaction"), pursuant to which Popovic Investments has conditionally agreed to sell and Marvel Century Limited has agreed to purchase the entire equity interest in Richful Zone at a consideration of HK$130,000,000 which will be satisfied in full by issuance of the Convertible Bond of Mascotte Holdings Limited, the ultimate holding company of Marvel Century Limited, at 100% of the face value of its principal amount.

14. AUDITED FINANCIAL STATEMENTS

No audited financial statements have been prepared by Richful Zone in respect of the Relevant Periods and any period subsequent to 31 December 2008. No audited financial statements have been prepared by Allied Loyal in respect of any period subsequent to 31 December 2008.

MAZARS

MAZARS CPA LIMITED
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34th Floor, The Lee Gardens,
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香港銅鑼灣希慎道33號利園廣場34樓

15 June 2009

The Directors
Mascotte Holdings Limited

Dear Sirs,

We report on the unaudited pro forma financial information of Mascotte Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") and Richful Zone International Limited ("Richful Zone") and its subsidiary (together with the Group collectively referred to as the "Enlarged Group") set out on pages 88 to 90 under the heading of statement of unaudited pro forma financial information of the Enlarged Group in Appendix III of the Company's circular dated 15 June 2009 (the "Circular") in connection with the proposed major transaction (the "Major Transaction") of the Company. The unaudited pro forma financial information has been prepared by the directors of the Company (the "Directors") for illustrative purposes only to provide information about how the Major Transaction might have affected the financial information of the Group as at 30 September 2008. The basis of preparation of the pro forma statement of assets and liabilities is set out on page 88 to the Circular.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND REPORTING ACCOUNTANTS

It is the responsibility solely of the Directors to prepare the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion solely to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the pro forma financial information with the Directors. This engagement did not involve independent examination of any of the underlying financial information.

Our work does not constitute an audit or review made in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by HKICPA and accordingly, we do not express any such assurance on the unaudited pro forma financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the pro forma financial information has been properly compiled by the Directors on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The unaudited pro forma financial information is for illustrative purposes only, based on the judgements and assumptions of the Directors, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 30 September 2008 or any future date.

OPINION

In our opinion:

a. the unaudited pro forma financial information has been properly compiled by the Directors on the basis stated;

b. such basis is consistent with the accounting policies of the Group; and

c. the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
Mazars CPA Limited
Certified Public Accountants
Hong Kong

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The accompanying unaudited pro forma statement of assets and liabilities of the Enlarged Group (the "Statement") has been prepared to illustrate the effect of the acquisition of Richful Zone (referred as the "Transaction") assuming the Transaction has been completed on 30 September 2008. The Statement has been prepared by the Directors in accordance with paragraph 29 of Chapter 4 of the Listing Rules. The Statement is for the purpose of illustration only and does not form part of the accountants' report prepared by the reporting accountants of the Company as set out in Appendix II to the Circular.

The Statement is prepared by the Directors based on a number of assumptions, estimates, uncertainties and currently available information for illustrative purposes only. Accordingly, the Statement does not purport to give a true picture of the actual financial position of the Enlarged Group had the Transaction occurred on 30 September 2008. Furthermore, the Statement does not purport to predict the Enlarged Group's future financial position.

The unaudited pro forma statement of assets and liabilities of the Enlarged Group is prepared based on the unaudited condensed consolidated balance sheet of the Group as at 30 September 2008 extracted from the interim report of the Company for the six months ended 30 September 2008, the consolidated financial information of Richful Zone as at 31 December 2008 extracted from the accountants' report on Richful Zone as set out in the Circular, and after taking into account of the unaudited pro forma adjustments as described in the notes thereto to demonstrate the effect of the Transaction and the financing arrangements for the Transaction might have affected the historical financial assets and liabilities in respect of the Group as if the Transaction had been completed on 30 September 2008.

	The Group as at 30 September 2008 (Unaudited) HK$'000	Richful Zone and its subsidiary as at 31 December 2008 (Audited) HK$'000	Total HK$'000	Proforma Adjustments HK$'000		Pro forma Enlarged Group (Unaudited) HK$'000
ASSETS AND LIABILITIES						
Non-current assets						
Intangible assets	–	131,879	131,879	(1,839)	*(iv)*	130,040
Property, plant and equipment	5,502	–	5,502	–		5,502
Prepaid lease payments	5,593	–	5,593	–		5,593
Investment properties	133,373	–	133,373	–		133,373
	144,468	131,879	276,347	(1,839)		274,508
Current assets						
Financial assets at fair value through profit or loss	158,665	–	158,665	–		158,665
Available-for sale financial assets	20,000	–	20,000	–		20,000
Inventories	8,459	–	8,459	–		8,459
Loan receivables	305,000	–	305,000	–		305,000
Trade and bills receivables	45,418	–	45,418	–		45,418
Prepaid lease payments	653	–	653	–		653
Income tax recoverable	22	–	22	–		22
Other receivables and prepayments	19,698	–	19,698	–		19,698
Bank balances and cash	26,804	–	26,804	–		26,804
	584,719	–	584,719	–		584,719
Current liabilities						
Trade payables	(19,783)	–	(19,783)	–		(19,783)
Due to holding companies	–	(136,313)	(136,313)	136,313	*(ii)*	–
Other payables and accrued charges	(19,398)	(40)	(19,438)	–		(19,438)
Income tax payable	(10,491)	–	(10,491)	–		(10,491)
	(49,672)	(136,353)	(186,025)	136,313		(49,712)
Net current assets/(liabilities)	535,047	(136,353)	398,694	136,313		535,007
Total assets less current liabilities	679,515	(4,474)	675,041	134,474		809,515
Non-Current liabilities						
Convertible bond	–	–	–	(77,797)	*(iii)*	(77,797)
NET ASSETS (LIABILITIES)	679,515	(4,474)	675,041	56,677		731,718

	The Group as at 30 September 2008 (Unaudited) HK$'000	Richful Zone and its subsidiary as at 31 December 2008 (Audited) HK$'000	Total HK$'000	Proforma Adjustments HK$'000		Pro forma Enlarged Group (Unaudited) HK$'000
Equity and reserves						
Share Capital	285,924	–	285,924	136,313	*(ii)*	285,924
Share Capital				(136,313)	*(v)*	
Share premium	560,236	–	560,236	–		560,236
Convertible bond	–	–	–	52,203	*(iii)*	52,203
Special reserve	47,231	–	47,231	–		47,231
Translation reserve	10,575	–	10,575	–		10,575
Reserve fund	1,083	–	1,083	–		1,083
Enterprise expansion reserve	1,083	–	1,083	–		1,083
Accumulated losses	(229,725)	(4,474)	(234,199)	4,474	*(v)*	(229,725)
Shareholder's equity	676,407	(4,474)	671,933	56,677		728,610
Minority interest	3,108	–	3,108	–		3,108
	679,515	(4,474)	675,041	56,677		731,718

Notes:

(i) The Transaction is assumed to have been completed on 30 September 2008.

(ii) Subsequent to 31 December 2008 and prior to the signing of the Agreement, in the books of Richful Zone, the amounts due to holding companies were capitalised by means of the issue of new shares by Richful Zone and such newly issued shares form part of the Sale Shares to be acquired by the Group pursuant to the Agreement. The Directors are of the view that the amounts due to holding companies were originally borrowed by Richful Zone to finance its acquisition of the intangible assets and the capitalisation is directly attributable to the acquisition. It was part of commercial terms agreed between Popovic Investments and Marvel Century that the relevant liabilities be extinguished by means of capitalisation with the resultant effect of restoring Richful Zone to a positive shareholders' equity position and with no material liabilities immediately prior to the entering into of the Agreement. Accordingly, the aforesaid capitalisation was deemed to have taken place on 30 September 2008 for the purpose of presenting the pro forma financial information of the Enlarged Group.

(iii) The consideration of HK$130,000,000 for the acquisition of Richful Zone will be settled by issuing convertible bond of the Company to the Vendor. The fair value of the convertible bond issued by the Company is determined with reference to a valuation report prepared by Asset Appraisal Limited, a firm of independent qualified valuers not connected to the Group. The fair value of the liability portion of the convertible bond was calculated based on the present value of the contractually determined stream of future cash flows discounted at the interest and providing substantially the same cash flows, on the same terms, but without the conversion option. The term structure of the interest rate is equal to benchmark interest rate plus spread rate. The Benchmark interest rate is the HKD Fund Note and the spread rate is determined with reference credit analysis of the Company and the market rate with similar credit ratio. The implied discount rate of the liability portion is 22.86%. The equity portion of the convertible bond represents the residual value of the principal after deduction of fair value of the liability portion.

(iv) This adjustment represents fair value adjustment to the carrying amount of the intangible assets. In determining the fair value, the management has taken into account of the valuation performed by independent professional valuers and also the purchase consideration of the acquisition (as described in note (iii) above). No goodwill would be recorded as the fair value of the net assets of Richful Zone attributable to the Company is equal to the consideration of HK$130,000,000.

(v) This adjustment represents the elimination of the share capital of Richful Zone (as adjusted in (ii) above) of HK$136,313,000 less the pre-acquisition losses of Richful Zone of HK$4,474,000.

The following is the text of a letter prepared for the purpose of incorporation in this circular received from BMI Appraisals Limited, an independent valuer, in connection with its valuation as at 30 April 2009 of the market value of the forest located in Yunnan Province, the People's Republic of China to be acquired by Mascotte Holdings Limited.

BMI APPRAISALS

BMI Appraisals Limited 中和邦盟評估有限公司

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15 June 2009

The Directors
Mascotte Holdings Limited
First Floor, Po Chai Industrial Building
No. 28 Wong Chuk Hang Road
Aberdeen
Hong Kong

Dear Sirs,

INSTRUCTIONS

We refer to the instructions from Mascotte Holdings Limited (referred to as the "Company") for us to provide our opinion on the market value of the forest located in Puer City, Yunnan Province, the People's Republic of China (the "Forest") as at 30 April 2009 (the "date of valuation").

This report includes the background of the Forest, a brief industry overview, the basis of valuation and assumptions. It also explains the valuation methodology applied and presents our conclusion of value.

BASIS OF VALUATION

Our valuation has been carried out on the basis of market value. Market value is defined as "*the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion*".

BACKGROUND OF THE FOREST

The Forest is located in Puer City, Yunnan Province, the People's Republic of China (the "PRC") with a total area of 36,735 Chinese Mu[1]. China Capital Strategy Limited (referred to as "CCSL") acquired the Forest on 24 January 2007 via three agreements signed with 普洱市思茅區人民政府[2] (the People's Government of Simao District, Puer City, Yunnan Province, the PRC[3], referred to as "Puer Government") with a term of 50 years from 24 January 2007 to 23 January 2057 at a total consideration of RMB32,600,000.

i. Forest No. 92 – 雲南省普洱市翠雲區，六順南線河營盤山，翠雲區92號國有林，林班號92, 93, 179, 182, 187 ("Forest I")

We noted that Forest I is a mixed forest of mostly Pinus kesiya var langbianensis (commonly called Simao Pine) with transitioning trees of mixed species. It is located at the southwestern part of Simao District of Puer City and is fragmented into tracts and sub-plantation tracts.

According to the first forest transfer agreement made between Puer Government and CCSL on 24 January 2007, portion of the land use rights and forestry trees entitlement of Forest I were transferred to CCSL for a term of 50 years from 24 January 2007 to 23 January 2057 at a consideration of RMB11,900,000.

Forest I covered an area of 10,182 Chinese Mu. The following table shows the tracts and sub-plantation tracts of Forest I.

Tract Nos.	Sub-plantation Tract Nos.	Total Sub-plantation Tracts
92	18	1
93	1,2	2
179	3 – 6	4
182	1 – 18	18
187	1 – 13	13
Total Sub-plantation Tracts:		**38**

1 Chinese Mu approximately equates 667 square meters.

2 普洱市 was named as 思茅市 before 8 April 2007. 普洱市思茅區 was named as 思茅市翠雲區 before 8 April 2007.

3 For identification purpose only.

ii. Forest No. 104 – 雲南省普洱市翠雲區，倚象趕牛寨大山，翠雲區104號國有林，林班號242, 243, 246, 247 ("Forest II") and 林班號250, 251 ("Forest III")

Forest II and Forest III are mainly oak and Simao Pine forest. They are located at the southeastern part of Simao District and fragmented into tracts and sub-plantation tracts.

According to the second and third forest transfer agreements made between Puer Government and CCSL on 24 January 2007, portion of the land use rights and forestry trees entitlement of Forest II and Forest III were transferred to CCSL for a term of 50 years from 24 January 2007 to 23 January 2057 at a total consideration of RMB20,700,000.

Forest II and Forest III covered a total area of 26,817 Chinese Mu. The following table shows tracts and sub-plantation tracts of Forest II and Forest III.

Tract Nos.	Sub-plantation Tract Nos.	Total Sub-plantation Tracts
242	10-25	16
243	9-23	15
246	1-15	15
247	1-13	13
250	4-23	20
251	1-17	17
Total Sub-plantation Tracts:		**96**

Some sub-plantation tracts of Forest II which are classified as fruit woods and bush areas totaling about 264 Chinese Mu have been excluded from the logging area and resulting in a net logging area of 26,553 Chinese Mu. The following table summarizes the details of the excluded areas.

Tract Nos.	Sub-plantation Tract Nos.	Classification	Area (Chinese Mu)
242	11	Fruit woods	55.5
242	20	Fruit woods	21
242	25	Fruit woods	58.5
243	14	Bush and economic forest	129
Total:	**4**		**264**

The area of the Forest at each of the above locations is presented in the following table:

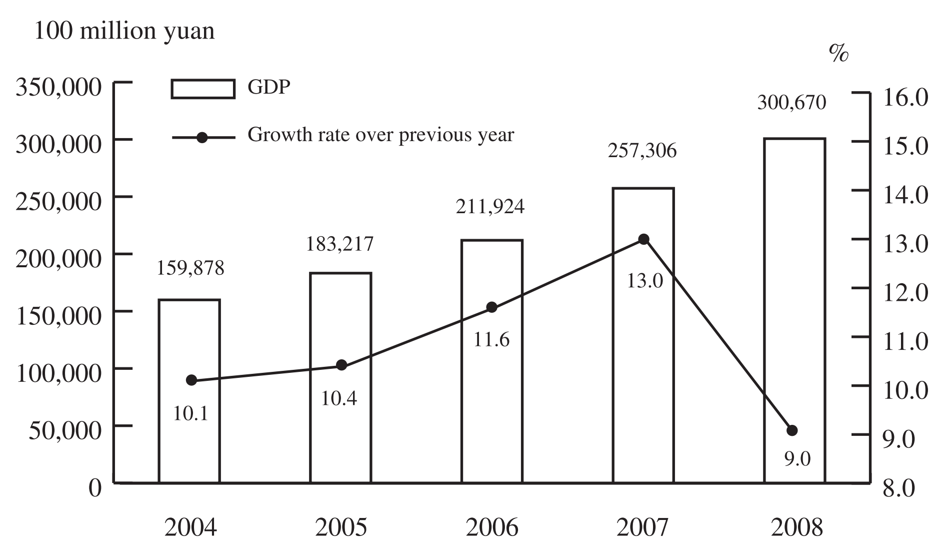
	Tract Nos.	Area (Chinese Mu)
Forest I	92,93,179,182,187	10,182
Forest II	242,243,246,247	16,344
Forest III	250,251	10,209
Total area:		**36,735**

BRIEF INDUSTRY OVERVIEW

The General Economy

The gross domestic product (GDP) of the PRC in 2008 was RMB30,067.0 billion, up by 9.0% over the previous year. Analyzed by different industries, the added value of the primary industry was RMB3,400.0 billion, up by 5.5%, that of the secondary industry was RMB14,618.3 billion, up by 9.3% and the tertiary industry was RMB12,048.7 billion, up by 9.5%. The added value of the primary industry accounted for 11.3% of the GDP, up by 0.2% over that in the previous year, that of the secondary industry accounted for 48.6%, up by 0.1%, and that of the tertiary industry accounted for 40.1%, down by 0.3%.

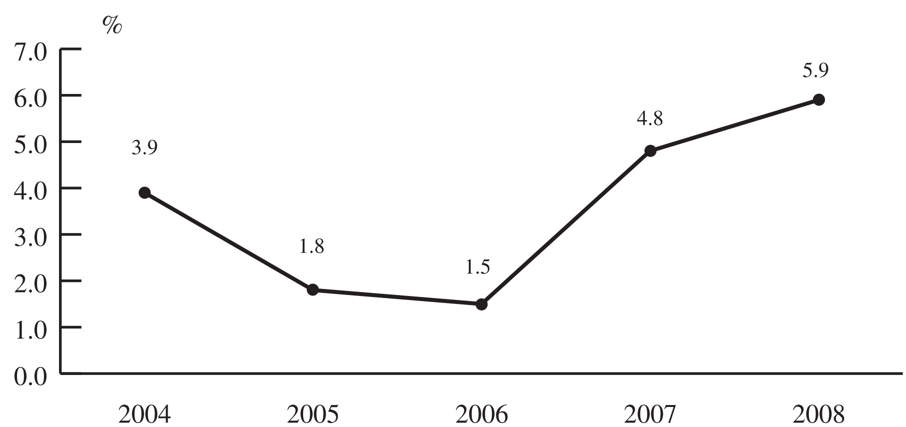
Gross Domestic Product of the PRC, 2004-2008



Source: National Bureau of Statistics of the PRC

The general level of consumer prices in the PRC in 2008 was up by 5.9% over the previous year. Of this total, the prices for food went up by 14.3%. The prices for investment in fixed assets were up by 8.9%. The producer prices for manufactured goods increased by 6.9%, of which, the prices for means of production increased by 7.7%, and for means of subsistence grew by 4.1%. The purchasing prices for raw materials, fuels and power went up by 10.5%. The producer prices for farm products were up by 14.1%. The prices for means of agricultural production were up by 20.3%. The prices for housing in 70 large and medium-sized cities were up by 6.5%, of which, that for new residential buildings went up by 7.1%, for second hand housing grew by 6.2%, and the prices for rental and leasing were up by 1.4%.

Changes in Consumer Prices in the PRC, 2004-2008



Source: National Bureau of Statistics of the PRC

The Forestry Industry

According to the Sixth National Forest Inventory (1999-2003), there are 174,909,200 hectares of forest all over the PRC and the total volume of forest is 1.2456 billion cubic meters. The forest coverage of the country is 18.21% and the area of plantation is 53,257,300 hectares, which occupies 31.51% of the total forest land.

According to the Sixth National Forest Inventory (1999-2003), in terms of the ownership of forest land, there are national forests and collective forests in the country. National forests consist of 73,343,300 hectares while collective forests consist of 99,443,700 hectares. In terms of the ownership of forest trees, 72,849,800 hectares are national forests, 64,835,800 hectares are collective forests and 35,101,400 hectares are individual private forests.

Oak, pine, fir, birch and larch are the first five dominant tree species in the PRC. They account for the total area of 71,307,800 hectares or 49.94% of all the forest land with a total volume of 4,494,149,800 cubic meters or 37.15% of all the forest volume.

In recent years, the area and volume, as well as the coverage of forest have been expanding continuously and the total output value of the forestry industry in the PRC increased drastically year by year. According to the China Forestry Year Book 2007, the total output value of the PRC's forestry industry increased RMB219 billion or 25.93% from 2005 to RMB1.065 trillion in 2006. In 2007, the total output value is RMB1.17 trillion with 69 million cubic meters of roundwood produced and the value for 2008 is estimated to be around RMB1.33 trillion.

Yunnan province is one of the main forest resource areas in the PRC. In recent years, after a decline in the production of roundwood due to the depletion of mature natural forests, the PRC Government has devoted more areas and effort to plantations through policies to encourage local residents to "return farmland to forestry" (退耕還林). Species growing in these plantations are mainly fast-growing types and can be used to produce timber for multi-purposes such as paper production and construction. Pines are one of the abovementioned species. It is a kind of fast-growing softwood that contains a large amount of fiber. Simao Pine is the main kind of trees in the Forest and it is also very popular in Yunnan Province. Besides producing roundwood and fiber, pollen and needles of Simao Pine can be used in medicine and other health care products. Oil of turpentine can also be produced from its resin.

In 2007, the total output value of the forestry industry of Yunnan Province amounts to RMB33 billion, up by a 13.4% from 2006, contributing 7.3% of the GDP of the province. For the first half of 2008, the total output value grows 13.3% to RMB16.2 billion and the target for the whole year is RMB38 billion.

SOURCE OF INFORMATION

For the purpose of our valuation, we have been furnished with the financial and operational data related to the Forest, which were provided by the PRC management of CCSL. We have also been provided with various copies of documents related to our valuation, which have been referenced without further verifying with the relevant bodies and/or authorities. We need to state that we are not attorney of laws by nature; therefore, no responsibility is assumed on the aspect of the legality and accuracy of the information provided by the PRC management of CCSL.

The valuation of the Forest required consideration of all pertinent factors affecting the economic benefits of the Forest and its abilities to generate future investment returns. The factors considered in the valuation included, but were not limited to, the following:

- The business nature and characteristics of the Forest including the historical background, the overall industry and the geographical location where the Forest is currently or will be exposed to;
- The financial and operational information of the Forest;
- The specific economic environment and competition for the market in which the Forest is currently or will be exposed to;
- Market-derived investment returns of entities engaged in similar lines of business; and

- The financial and business risks related to the Forest, including the continuity of revenues and incomes and the projected future results.

SCOPE OF WORKS

In the course of our valuation work, we have conducted the following steps to evaluate the reasonableness of the adopted bases and assumptions provided by the PRC management of CCSL:

- Interviewed with the PRC management of CCSL;
- Obtained all relevant financial and operational information in respect of the Forest from the PRC management of CCSL;
- Examined all relevant bases and assumptions of both the financial and operational information in respect of the Forest, which were provided by the PRC management of CCSL;
- Conducted appropriate research and consultation in order to obtain sufficient industrial information and statistical figures;
- Prepared a business financial model based on generally accepted valuation procedures and methodologies to derive our concluded value; and
- Presented all relevant information on the background of the Forest, an industry overview, the basis of valuation, the source of information, the scope of works, the valuation assumptions, the valuation methodology and our conclusion of value in this report.

VALUATION ASSUMPTIONS

Due to the changing environment in which the Forest is currently or will be exposed to, a number of assumptions had to be established in order to sufficiently support our concluded opinion of value of the Forest. The major assumptions adopted in our valuation were:

- There will be no major changes in the existing political, legal, and economic conditions in the jurisdiction where the Forest is currently or will be exposed to, which will materially affect the revenues generated;
- There will be no major changes in the current taxation law in the jurisdiction related to the Forest, that the rates of tax payable remain unchanged and that all applicable laws and regulations will be complied with;
- Exchange rates and interest rates will not differ materially from those presently prevailing;

- The financial projections in respect of the Forest have been prepared on a reasonable basis, reflecting estimates that have been arrived at after due and careful consideration by the PRC management of CCSL;

- Economic conditions will not deviate significantly from economic forecasts;

- The operation of the Forest will be carried out on a continuous basis during the 50-year period of the Forest granted by Puer Government and no major change in the business environment that the Forest is currently or will be exposed to;

- The Forest has adequate financial capital to accomplish the projected capital expenditure and working capital from time to time; and

- The Forest has adopted reasonable and appropriate contingency measures against any disaster or disruption, which may significantly affect the operation of the business.

VALUATION METHODOLOGY

Three generally accepted valuation methodologies have been considered in valuing the Forest. They are the cost approach, the market approach and the income approach.

The cost approach provides indication of value by studying the amounts required to recreate the asset for which a value conclusion is desired. This approach seeks to measure the economic benefits of ownership by quantifying the amount of fund that would be required to replace the future service capability of the asset.

Under the cost approach, the historic cost approach measures the costs incurred through the construction or development of the asset at the time it was constructed or developed; the replication cost approach measures the amount of investment needed to develop a similar asset at the present time; and the replacement cost approach measures the amount of money that would be needed to construct or develop the asset as it currently exists.

The market approach provides indication of value by comparing the assets subjected to valuation to similar businesses, business ownership interests and securities that have been sold in the market, with appropriate adjustments for the differences between the assets subjected to valuation and the comparable assets.

Under the market approach, the guideline company method computes a value multiple for each publicly listed comparable company and then applies the result to a base to arrive at an indication of value. The sales comparison method computes the value multiple using recent sales and purchase transactions of comparable assets to arrive at an indication of value.

The income approach is the conversion of expected periodic benefits of an ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the project than an amount equal to the present worth of anticipated future benefits from the same or a substantially similar asset with a similar risk profile.

The discounted cash flow (DCF) method is the most fundamental of the income approach. It derives the value of the asset by applying a discount rate, or the cost of capital, to determine the net present value of future expected cash flows. The expected cash flows were determined from the net profits after tax plus non-cash expenses such as depreciation and amortization expenses, and less non-cash incomes, capital expenditures and changes in working capital.

The income approach was considered to be the most appropriate valuation approach to determine the market value of the Forest; it takes the future growth potential and firm-specific issues of the Forest into consideration.

Under the income approach, the DCF method was adopted for the valuation of the Forest.

Weighted Average Cost of Capital (WACC) was adopted as the discount rate for the valuation. WACC comprises of two components: cost of equity and cost of debt.

Cost of equity takes into account two different types of risks – systematic risks and nonsystematic risks. Risks that are correlated with the return from the stock market are referred to as systematic risks. Other risks that are company-specific are referred to as nonsystematic risks. We determined the rate of return for systematic risks based on the Capital Asset Pricing Model ("CAPM"). The CAPM states that an investor requires excess returns to compensate systematic risks but provides no excess return for non-systematic risks. Under the CAPM, the appropriate rate of return is the sum of the risk-free rate and a related beta times the market risk premium.

In respect of nonsystematic risks, we have considered the size difference and the country difference (company-specific risks) between the Company and the selected comparable companies and determined the size premium (with reference to "Risk Premia over Time Report: 2008", published by Ibbotson Associates) and the country risk premium (with reference to "Country Default Spreads and Risk Premiums 2009", made by Aswath Damodaran). As a result, the cost of equity for the Company was calculated as 9.92%.

During the valuation of the Forest, 8 comparable companies were selected, which were the complete list of companies extracted from Bloomberg on the following criteria:

– The companies are listed in China and Hong Kong; and

– The companies are classified as forestry industry by Bloomberg.

The details of the selected comparable companies are listed in the following table:

Company (stock code)	Listing Market	Industry Sector
Jilin Forest Industry Company Limited (600189)	China	Forestry
Sichuan Shengda Forestry Industry Company Limited (002259)	China	Forestry
Fujian Yongan Forestry (Group) Joint-Stock Company Limited (000663)	China	Forestry
Yunnan Jinggu Forestry Company Limited (600265)	China	Forestry
Samling Global Limited (3938)	Hong Kong	Forestry
Superb Summit International Timber Company Limited (1228)	Hong Kong	Forestry
China Timber Resources Group Limited (269)	Hong Kong	Forestry
Omnicorp Limited (94)	Hong Kong	Forestry

Source: Bloomberg

Cost of debt was the expected after tax lending rate of the Forest.

The concept of marketability deals with the liquidity of an ownership interest, that is, how quickly and easily it can be converted into cash if the owner chooses to sell. The lack of marketability discount reflects the fact that there is no ready market for shares in a closely held company. Ownership interests in closely held companies are typically not readily marketable compared to similar interests in publicly listed companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly listed company.

The discount for lack of marketability is a downward adjustment to the value of an investment to reflect its reduced level of marketability. In the valuation, 20% has been adopted as the discount for the lack of marketability.

VALUATION COMMENTS

For the purpose of this valuation and in arriving at our opinion of value, we have referred to the information provided by the PRC management of CCSL to estimate the value of the Forest. We have also sought and received confirmation from CCSL that no material facts have been omitted from the information supplied.

To the best of our knowledge, all data set forth in this report are true and accurate. Although gathered from reliable sources, no guarantee is made nor liability assumed for the accuracy of any data, opinions, or estimates identified as being furnished by others, which have been used in formulating this analysis.

REMARKS

For the purpose of this valuation and in arriving at our opinion of value, we referred to the information provided by the senior management of the Company to estimate our concluded value. We have also sought and received confirmation from the Company that no material facts have been omitted from the information supplied.

To the best of our knowledge, all data set forth in this report are true and accurate. Although gathered from reliable sources, no guarantee is made nor liability assumed for the accuracy of any data, opinions, or estimates identified as being furnished by others, which have been used in formulating this analysis.

Unless otherwise stated, all money amounts stated herein are in Renminbi (RMB).

CONCLUSION OF VALUE

Our conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of a lot of uncertainties, not all of which can be easily ascertained or quantified.

Further, whilst the assumptions and consideration of such matters are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company, CCSL, Puer Government or us.

Based on our investigation and analysis outlined in this report, it is our opinion that the market value of the Forest as at 30 April 2009 was **RMB280,000,000 (RENMINBI TWO HUNDRED AND EIGHTY MILLION ONLY)**.

We hereby certify that we have neither present nor prospective interest in the Company, the Forest, CCSL or the value reported.

Yours faithfully,
For and on behalf of
BMI APPRAISALS LIMITED
Dr. Tony C. H. Cheng
BSc, MUD, MBA(Finance), MSc(Eng), PhD(Econ),
MHKIS, MCIArb, AFA, SIFM, FCIM,
MASCE, MIET, MIEEE, MASME, MIIE
Managing Director

Note:

Dr. Tony C. H. Cheng is a member of the Hong Kong Institute of Surveyors (General Practice), a member of the American Society of Civil Engineers, a member of the American Society of Mechanical Engineers and a member of Institute of Industrial Engineers (U.K.). He has about 4 years' experience in valuing similar assets or companies engaged in similar business activities as that of the Forest worldwide.

(I) LETTER FROM KL CPA LIMITED

The following is the text of a letter received from KL CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

KL CPA LIMITED
浩理會計師事務所有限公司

香港中環擺花街18至20號嘉寶商業大廈303室
Room 303, Carpo Commercial Building,
18-20 Lyndhurst Terrace, Central, Hong Kong
Tel: (852) 31847487/31847488
Fax: (852) 30054131
E-mail: info_ctl@klcpaltd.com

15 June 2009

The Directors
Mascotte Holdings Limited
1/F., Po Chai Industrial Building,
No.28 Wong Chuk Hang Road,
Aberdeen, Hong Kong

Dear Sirs,

REPORT FROM REPORTING ACCOUNTANT ON DISCOUNTED CASH FLOWS IN CONNECTION WITH THE VALUATION OF CERTAIN FOREST LOCATED IN PUER CITY, YUNNAN PROVINCE, THE PEOPLE'S REPUBLIC OF CHINA

We have been engaged to report on the calculations of the discounted cash flows on which the valuation (the "Valuation") as at 30 April 2009 prepared by BMI Appraisals Limited in respect of the appraisal of the market value of the forest located in Puer City, Yunnan Province, the People's Republic of China (the "Forest").

The Valuation, which is set out in appendix IV of the circular of the Company dated 15 June 2009, is based on the discounted cash flows and is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Reporting Accountant's Responsibility

It is our responsibility to report, as required by Rule 14.62(2) of the Listing Rules, on the calculations of the discounted cash flows on which the Valuation is based. We are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future estimated cash flows are based and our work does not constitute any valuation of Forest.

We conducted our work in accordance with the Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information". This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted cash flows, so far as the calculations are concerned, has been properly compiled in accordance with the bases and assumptions of the discounted cash flows on which the Valuation is based. We reviewed the accounting policies and examined the arithmetical calculations and the compilation of the discounted cash flows in accordance with its bases and assumptions.

The discounted cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

Opinion

Based on the foregoing, in our opinion, the discounted cash flows, so far as the accounting policies and calculations are concerned, has been properly compiled in all material respects in accordance with the bases and assumptions as set out in the Valuation as set out in Appendix IV of the Circular.

Yours faithfully,
KL CPA Limited

(II) LETTER FROM DONVEX CAPITAL LIMITED

Set out below is the text of the letter, prepared for inclusion in this circular, issued by Donvex Capital Limited, in connection with the valuation using a methodology which is deemed to be a profit forecast under Rule 14.62(1) of the Listing Rules.

15 June 2009

The Directors
Mascotte Holdings Limited
1/F., Po Chai Industrial Building,
No.28 Wong Chuk Hang Road,
Aberdeen, Hong Kong

Dear Sir,

We have been engaged to review on the calculations of the discounted cash flows from May 2009 to January 2057, on which the valuation (the "Valuation") as at 30 April 2009 prepared by BMI Appraisals Limited in respect of the appraisal of the market value of the forest located in Puer City, Yunan Province, The People's Republic of China.

The Valuation based on the discounted cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The discounted cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period.

The directors of Mascotte Holdings Limited (the "Company") are solely responsible for the preparation of the discounted cash flow under Rule 14.62(3) of the Listing Rules.

Pursuant to Rule 14.62(3) of the Listing Rules, we have reviewed the arithmetical calculations and the compilation of the discounted cash flows in accordance with the bases and assumptions. We have discussed with you the bases and assumptions upon which the discounted cash flows have been made. We are of the opinion that the discounted cash flow has been made after due and careful enquiry. However, in as much as the discounted cash flows and the assumptions on which they are based relate to the future, we express no opinion on how closely the actual cash flow and profit eventually will correspond with the discounted cash flow.

Our work has been undertaken for the purpose of reporting solely to you under Rule 14.62(3) of the Listing Rules and for no other purpose.

Based on the foregoing, in our opinion, the discounted cash flows, so far as the calculations are concerned, has been properly compiled in all material aspects in accordance with its bases and assumptions as set out in the Valuation. We are of the opinion that the discount cash flow, for which you are solely responsible, has been made after due and careful enquiry by the Director of the Company.

Yours faithfully
For and on behalf of
Donvex Capital Limited
Doris Sy
Director

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date was as follows:

Authorised:		*HK$*
10,000,000,000	Shares	1,000,000,000.00
Issued:		
285,924,015	Shares	28,592,401.50
Issued and fully paid:		
285,924,015	Shares	28,592,401.50
260,000,000	Conversion Shares which will fall to be issued upon the conversion in full of the Convertible Bond *(Note)*	26,000,000.00
545,924,015	Shares	54,592,401.50

Note:

Pursuant to the Agreement, the Company will issue to Popovic Investments (or its nominees) the Convertible Bond, with maximum principal amount of HK$130,000,000. The initial conversion price of the Convertible Bond is HK$0.50 per Share, subject to customary anti-dilutive adjustments in certain events such as share consolidation, share subdivision, capitalisation issue, capital distribution, rights issue and other issues of Shares and/or convertible securities.

All the Shares in issue and the Conversion Shares rank pari passu with each other in all respects, including dividends and voting rights.

3. DISCLOSURE OF INTERESTS

(a) Interests of Directors

As at the Latest Practicable Date, 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 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 and short positions which they are taken or deemed to have under such provisions of the SFO), the Model Code for Securities Transactions by Directors of Listed Companies and which were required to be **entered into the register required to be kept under section 352 of the SFO were as follows:**

Name of Director	Capacity	Number of Shares	Approximate percentage of shareholding
Mr. Lam Suk Ping	Beneficial owner	300,000	0.1%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interests and short positions in the Shares, underlying Shares and debentures of the Company or any 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 and short positions which they are taken or deemed to have under such provisions of the SFO), the Model Code for Securities Transactions by Directors of Listed Companies and which were required to be entered into the register required to be kept under section 352 of the SFO.

(b) Interests of Shareholders

(i) Interest in the Shares and underlying Shares:

As at the Latest Practicable Date, the Directors were not aware of any person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Enlarged Group.

(ii) Interest in members of Group:

Name of Shareholder	Name of group company	Percentage of registered capital
惠州市益發光學機電有限公司	馬斯葛志豪照相有限公司 Mascotte Zhi Hao Photographic Equipment (Hui Zhou) Co., Ltd	10%
東莞市橋光實業集團有限公司 (Dongguan City Qiao Guang Industrial Group Company)	東莞德雅皮具製品廠有限公司 Dongguan Tak Ya Leather Goods Manufactory Limited	30%

Save as disclosed above, the Directors and the chief executives of the Company are not aware that there is any person (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the Shares and 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 per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at a general meeting of any other member of the Enlarged Group.

3. MATERIAL CONTRACTS

The following contracts have been entered into by members of the Enlarged Group (not being contracts entered in the ordinary course of business carried on or intended to be carried on by the Enlarged Group) within the two years preceding the Latest Practicable Date and are or may be material:

(a) the provisional agreement dated 8 June 2007 and the formal agreement dated 15 June 2007 respectively entered into between Mascotte Investments Limited, a wholly owned subsidiary of the Company, and Century Hero Limited, an independent third party, in relation to the disposal by Mascotte Investments Limited of the property situated at Flat B, 15th Floor, Tower 5 and two car parking spaces, The Leighton Hill, No. 2B, Broadwood Road, Hong Kong for the consideration of HK$29,000,000;

(b) the placing agreement dated 8 June 2007 entered into between the Company and Chung Nam Securities Limited, as placing agent, pursuant to which the Company conditionally agreed to place, through the placing agent on an underwritten basis, 64,800,000 new Shares to independent investors at a price of HK$0.45 per share;

(c) the concession contract (特許協議轉讓合同) dated 18 June 2007 entered into among China Capital Strategy, Amerinvest International and Allied Loyal, pursuant to which Allied Loyal acquired 50% of the Concession Rights and Interests in respect of the Forest Land from Amerinvest International;

(d) the sale and purchase agreement dated 28 June 2007 entered into between Richful Zone and Harvest Source Holdings Limited in relation to the sale and purchase of the entire issued share capital of Allied Loyal and the shareholder's loan of Allied Loyal from Harvest Source Holdings Limited by Richful Zone;

(e) the placing agreement dated 17 July 2007 entered into between the Company and Chung Nam Securities Limited, as placing agent, pursuant to which the placing agent agreed to place on an underwritten basis 104,960,000 new Shares to independent investors at a price of HK$0.45 per share;

(f) the placing agreement dated 17 July 2007 entered into between the Company and Chung Nam Securities Limited, as placing agent, pursuant to which, the placing agent agreed, on a best effort basis, to place up to HK$500,000,000 principal amount of zero coupon convertible notes due on 15 December 2010, convertible into 1,250,000,000 Shares at the initial conversion price of HK$0.40 per Share to independent investors;

(g) the agreement dated 8 August 2007 entered into between Mascotte Group Limited, a wholly-owned subsidiary of the Company, and Kada International Investments Limited (a company wholly owned by Ms. Chan Oi Ling, Maria Olimpia, a former executive director and the former Chairperson of the Company ("**Ms. Chan**")) in relation to the disposal of 100% of the issued share capital of Mascotte Investments Limited and the shareholders' loan due from Mascotte Investments Limited for a total consideration of HK$29,000,000;

(h) the agreement dated 8 August 2007 entered into between Mascotte Hui Zhou Limited, a wholly-owned subsidiary of the Company, and Ms. Chan in relation to the disposal of the property at Shop Units Nos. 201,202 and 203 on Level 2, Glittery Plaza, No. 65 Qianjin Road, Haizhu District, Guangzhou, Guangdong Province, the PRC for a total consideration of HK$30,000,000;

(i) a facility letter dated 19 November 2007 and amended by two supplemental facility letters dated 20 November 2007 and 19 May 2008 and two letter agreements dated 30 May 2008 and 26 June 2008 entered into between the Company and Leadup Resources Investments Limited (the "**Borrower**"), an independent third party, in relation to, among others, the provision of a loan of a principal amount of HK$200,000,000 to the Borrower;

(j) the underwriting agreement dated 12 June 2008 (as amended by a supplemental agreement dated 30 June 2008) entered into between the Company and Chung Nam Securities Limited as underwriter pursuant to which the underwriter fully underwrites the rights issue of 953,080,050 shares of the Company at an issue price of HK$0.15 per share;

(k) the agreement dated 8 September 2008 entered into between Mascotte Group Limited, a wholly-owned subsidiary of the Company, Perfect Time Investments Limited, the Company and Willie International in relation to the disposal by Mascotte Group Limited of the entire issued share capital of Jet Star Industries Limited and the assignment of shareholder's loan due from Jet Star Industries Limited for a total consideration of HK$112,000,000 to be satisfied by the issue of 800,000,000 shares of the Company at HK$0.14 per share;

(l) the settlement deed dated 8 October 2008 entered into between Union Glory Finance Inc ("**Union Glory**"), a wholly owned subsidiary of the Company, and Unity Investment Holdings Limited ("**Unity**") pursuant to which Unity agreed to issue to Union Glory convertible notes in the principal amount of HK$18,000,000 in full and final settlement of the loan in the same amount due by Unity to Union Glory;

(m) the Deed of Novation dated 5 December 2008 entered into between the Company, Key Rise International Limited ("**Key Rise**"), Leadup Resources Investments Limited ("**Leadup**") and Zeng Jian, all being independent third parties, pursuant to which Key Rise is substituted for Leadup in respect of the obligations of Leadup under the loan facility granted by the Company to Leadup pursuant to the contracts set out in (g) above; and

(n) the Agreement.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into a service contract with the Company which does not expire or which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

5. COMPETING BUSINESS INTEREST OF DIRECTORS

As at the Latest Practicable Date, none of the Directors or their respective associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Enlarged Group as required to be disclosed pursuant to the Listing Rules.

6. MATERIAL ADVERSE CHANGE

Save as disclosed in the announcement of the Company dated 28 April 2009, as at the Latest Practicable Date, the Company was not aware of any material adverse change in the financial or trading position of the Enlarged Group since 31 March 2008, being the date to which the latest published audited financial statements of the Company were made up.

7. EXPERTS' QUALIFICATIONS AND CONSENT

Mazars CPA Limited, BMI Appraisals Limited, KL CPA Limited and Donvex Capital Limited have given and have not withdrawn their respective written consents to the issue of this circular with the inclusion of their respective letters and references to their respective names in the form and context in which they respectively appear.

The following are the qualifications of the experts who have given their opinion or advice which are contained in this circular:

Name	Qualifications
Mazars CPA Limited	Certified Public Accountants
BMI Appraisals Limited	An independent professional valuer to conduct valuations on the Forest Land
KL CPA Limited	Certified Public Accountants
Donvex Capital Limited	Licensed corporation for Type 6 (advising on corporate finance) activities under the SFO

As at the Latest Practicable Date, Mazars CPA Limited, BMI Appraisals Limited, KL CPA Limited and Donvex Capital Limited did not have any direct or indirect interest in any asset which had been acquired, disposed of by, or leased to any member of the Enlarged Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Enlarged Group, since 31 March 2008, the date to which the latest audited financial statements of the Company was made up; and was not beneficially interested in the share capital of any member of the Enlarged Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group.

8. LITIGATION

So far as the Company is aware, as at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation or arbitration of material importance and there is no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Enlarged Group.

9. GENERAL

(a) None of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Enlarged Group or proposed to be so acquired, disposed of by or leased to any member of the Enlarged Group since 31 March 2008, being the date to which the latest published audited accounts of the Company were made up, and up to the Latest Practicable Date.

(b) As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Enlarged Group, which was subsisting and was significant in relation to the business of the Enlarged Group.

(c) The company secretary of the Company is Mr. Lo Yuen Wa Peter, who is a member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales.

(d) The branch share registrar and transfer office of the Company is Tricor Secretaries Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(e) The head office and principal place of business of the Company in Hong Kong is at 1st Floor, Po Chai Industrial Building, 28 Wong Chuk Hang Road, Aberdeen, Hong Kong.

(d) The English text of this circular shall prevail over their respective Chinese text for the purpose of interpretation.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Company's principal place of business in Hong Kong at 1st Floor, Po Chai Industrial Building, 28 Wong Chuk Hang Road, Aberdeen, Hong Kong during normal business hours on any weekdays, except public holidays, from the date of this circular up to and including the date of the SGM:

(a) the memorandum and articles of association of the Company;

(b) the annual reports of the Company for each of the two years ended 31 March 2008;

(c) the interim report of the Company for the six months ended 30 September 2008;

(d) the accountants' report on the Target Group as set out in Appendix II to this circular;

(e) the report issued by Mazars CPA Limited in connection with the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular;

(f) the valuation report issued by BMI Appraisals Limited as set out in Appendix IV to this circular;

(g) the valuation report on the Convertible Bond prepared by Asset Appraisal Limited as referred to in Appendix III to this circular;

(h) the letter issued by KL CPA Limited in relation to the discounted cashflow forecast as set out in Appendix V to this circular;

(i) the letter issued by Donvex Capital Limited in relation to the discounted cash flow forecast as set out in Appendix V to this circular;

(j) the forest land use rights certificates and the forest tree ownership rights certificates in respect of Forest Land;

(k) the material contracts referred to in the paragraph headed "Material Contracts" in this Appendix;

(l) the written consents referred to in the paragraph headed "Experts' Qualifications and Consent" in this Appendix;

(m) the Agreement; and

(n) this circular.

MASCOTTE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 136)

NOTICE IS HEREBY GIVEN that the special general meeting (the "**SGM**") of Mascotte Holdings Limited (the "**Company**") will be held at 30/F., China United Centre, 28 Marble Road, North Point, Hong Kong on 30 June 2009 at 9:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT**

(a) a share purchase agreement dated 12 May 2009 (the "**Agreement**") entered into between Marvel Century Limited, a wholly-owned subsidiary of the Company, and Popovic Investments Limited ("**Popovic Investments**") in relation to sale of the 17,478,973 ordinary shares of US$1.00 each in the share capital of Richful Zone International Limited at a consideration of HK$130,000,000, which will be satisfied in full by the issue of convertible bond (the "**Convertible Bond**") by the Company to Popovic Investments (or its nominees), a copy of the Agreement is tabled at the meeting and marked "A" and initialled by the chairman of the meeting for identification purpose, be and is hereby confirmed, approved and ratified;

(b) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorised to execute the Agreement and all such other documents, instruments and agreements for and on behalf of the Company and to do all such acts or things and to sign and execute all such other or further documents (if any) and to take all such steps which in his/her opinion, may be necessary, appropriate, desirable or expedient to give effect to or in connection with the matters contemplated therein and to agree to any variation, amendment, supplement or waiver of matters relating thereto as are in his/her opinion, in the interest of the Company, to the extent that such variation, amendment, supplement or waiver do not constitute material changes to the material terms of the transactions contemplated under the Agreement;

(c) conditional upon the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Conversion Shares (as defined in the circular of the Company dated 15 June 2009), the issue of the Convertible Bond and the allotment and issue of the Conversion Shares which may fall to be issued by the

Company to Popovic Investments (or its nominees) upon the exercise of the conversion rights attaching to the Convertible Bond be and are hereby confirmed and approved; and

(d) the directors of the Company be and are hereby authorised to issue the Convertible Bond and the Conversion Shares pursuant to the terms of the Agreement and the directors of the Company be and are hereby also authorised to do all such acts and things they consider necessary or expedient in relation to the exercise of the conversion right attaching to the Convertible Bond."

By order of the Board
Mascotte Holdings Limited
Lo Yuen Wa Peter
Acting chief executive officer

Hong Kong, 15 June 2009

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and Principal place of business in Hong Kong:
1st Floor
Po Chai Industrial Building
28 Wong Chuk Hang Road
Aberdeen
Hong Kong

Notes:

1. A form of proxy to be used for the meeting is enclosed.

2. Any member entitled to attend and vote at the meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member who is holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member.

3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or under the hand of an officer, attorney or other person authorised to sign the same.

4. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to the Company's branch registrar in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote.

5. Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.

6. Where there are joint holders of any share any one of such joint holder may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the Register in respect of the joint holding.

7. As at the date of this notice, the Executive Directors of the Company are Mr. Peter Temple Whitelam (Chairman), Mr. Lo Yuen Wa Peter (Acting Chief Executive Officer), Mr. Au Yeung Kai Chor and Mr. Lam Suk Ping; and the Independent Non-executive Directors of the Company are Mr. Chan Sze Hung, Ms. Kristi L Swartz and Ms. Hui Wai Man, Shirley.