
THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your securities in Mascotte Holdings Limited, you should at once hand the Prospectus Documents to the purchaser(s) or to the transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale was effected for transmission to the purchaser or to the transferee.

Dealings in Shares of the Company may be settled through CCASS and you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser for details of those settlement arrangements and how such arrangements may affect your rights and interests.

A copy of each of the Prospectus Documents, having attached thereto the documents specified in the paragraph headed "Documents delivered to the Registrar of Companies" in Appendix III to this Prospectus, has been registered with the Registrar of Companies in Hong Kong pursuant to section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). A copy of each of the Prospectus Documents has been or will as soon as reasonably practicable be delivered to the Registrar of Companies in Bermuda for filing in accordance with the requirements of the Companies Act. The Registrar of Companies in Hong Kong, the Registrar of Companies in Bermuda and SFC take no responsibility as to the contents of any of these documents.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares (in both their nil-paid and fully-paid forms) on the Stock Exchange and subject to compliance with the stock admission requirements of HKSCC, the Rights Shares (in both their nil-paid and fully-paid forms) will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the relevant commencement dates of dealings in the Rights Shares (in both their nil-paid and fully-paid forms) on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants on the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

The Stock Exchange and HKSCC take no responsibility for the contents of each of the Prospectus Documents, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of each of the Prospectus Documents.

The Rights Issue described in this Prospectus is not offered to US Shareholders, and this Prospectus does not constitute an offer to sell any securities to US Shareholders, or the solicitation from US Shareholders of offers to buy any securities. This Prospectus, without an accompanying provisional allotment letter or form of application for excess Rights Shares, is being distributed to US shareholders for their information only. No subscriptions for Rights Shares will be accepted from US shareholders.



MASCOTTE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 136)

RIGHTS ISSUE OF 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 BY QUALIFYING SHAREHOLDERS

Underwriter



h e n n a b u n

CHUNG NAM SECURITIES LIMITED

The latest time for acceptance of, and payment for, the Rights Shares is 4:00 p.m. on 24 July 2008. The procedure for acceptance and payment and/or transfer of the Rights Shares is set out on pages 12 to 13 of this Prospectus.

It should be noted that the Underwriter may terminate the arrangements set out in the Underwriting Agreement by notice in writing issued to the Company at any time prior to 4:00 p.m. on the Settlement Date if there occurs:

- (i) an introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof); or
 - (ii) any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not such are of the same nature as any of the foregoing) or of the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities market; or
 - (iii) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out;
- and in the reasonable opinion of the Underwriter, such change would have a material and adverse effect on the business, financial or trading position or prospects of the Group as a whole or the success of the Rights Issue or make it inadvisable or inexpedient to proceed with the Rights Issue.

If, at or prior to 4:00 p.m. on the Settlement Date:

- (i) the Company commits any material breach of or omits to observe any of the obligations, undertakings, representations or warranties expressed to be assumed by it under the Underwriting Agreement which breach or omission will have a material and adverse effect on its business, financial or trading position; or
- (ii) the Underwriter shall receive notification pursuant to the relevant clauses of the Underwriting Agreement of, or shall otherwise become aware of, the fact that any of the representations or warranties contained in the Underwriting Agreement was, when given, untrue or inaccurate or would be untrue or inaccurate if repeated as provided in the relevant clauses of the Underwriting Agreement, and the Underwriter shall, in its reasonable opinion, determine that any such untrue representation or warranty represents or is likely to represent a material adverse change in the business, financial or trading position or prospects of the Group taken as a whole or is otherwise likely to have a materially prejudicial effect on the Rights Issue; or
- (iii) the Company shall, after any matter or event referred to in the relevant clauses of the Underwriting Agreement has occurred or come to the Underwriter's attention, fail promptly to send out any announcement or circular (after the despatch of the Prospectus Documents), in such manner (and as appropriate with such contents) as the Underwriter may reasonably request for the purpose of preventing the creation of a false market in the securities of the Company.

the Underwriter shall be entitled (but not bound) by notice in writing issued by the Underwriter to the Company to elect to treat such matter or event as releasing and discharging the Underwriter from its obligations under the Underwriting Agreement.

It should also be noted that the Shares have been traded on an ex-rights basis as from Monday, 30 June 2008 and that dealings in the Rights Shares in their nil-paid form will commence from Monday, 14 July 2008 to Monday, 21 July 2008 (both dates inclusive), when the conditions to which the Rights Issue subject to are yet to be fulfilled.

Any person dealing in the Rights Shares in their nil-paid form or until the date on which all conditions to which the Rights Issue is subject to are fulfilled shall accordingly bear the risk that the Rights Issue may not become unconditional. If the conditions of the Rights Issue are not fulfilled or the Underwriting Agreement is terminated by the Underwriter according to the terms thereof, the Rights Issue will not proceed. Investors may wish to obtain professional advice regarding dealings in Shares of the Company or nil-paid Rights Shares during these periods.

10 July 2008

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DEFINITIONS

In this Prospectus, the following expressions shall have the following meanings unless the context indicates otherwise:

“Acceptance Date”	latest day for acceptance of and payment of the Rights Shares which is expected to be at 4:00 p.m. on 24 July 2008
“Announcement”	an announcement of the Company dated 13 June 2008 regarding the Rights Issue
“Associates”	has the same meaning as ascribed to it in the Listing Rules
“Board”	the board of Directors
“Business Day”	a full day (other than a Saturday) on which banks are generally open for business in Hong Kong
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company”	Mascotte Holdings Limited, a company incorporated in the Bermuda with limited liability and the Shares of which are listed on the Stock Exchange
“Companies Act”	the Companies Act 1981 of Bermuda (as amended)
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Issue Mandate”	the general mandate granted to the Directors to allot, issue and deal with the Shares up to a maximum of 20% of the aggregate amount of the share capital of the Company in issue as at the date of the special general meeting of the Company held on 6 May 2008

DEFINITIONS

“Last Trading Day”	12 June 2008, being the last trading day before the suspension of the trading of the Shares, pending the release of the announcement dated 13 June 2008 in relation to the proposed Rights Issue
“Latest Practicable Date”	4 July 2008, being the latest practicable date and time prior to the printing of this Prospectus for the purpose of ascertaining certain information contained therein
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Non-Qualifying Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the Record Date and whose address(es) as shown on the register of members of the Company on the Record Date is (are) outside Hong Kong where the Directors, based on the advice provided by the relevant legal advisers, consider it is necessary or expedient to exclude any such Shareholder on account of either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“Option(s)”	the option(s) to subscribe for an aggregate of 190,616,010 Shares as at the Latest Practicable Date under the share option scheme of the Company adopted on 21 August 2003 available to be granted by the Company
“Overseas Shareholders”	Shareholder(s) whose name(s) appear on the register of members of the Company at the close of business on the Record Date and whose address(es) as shown on such register is/are in a place(s) outside Hong Kong
“Posting Date”	10 July 2008, the expected date for despatch of the Prospectus Documents to the Qualifying Shareholders or the Prospectus to the Non-Qualifying Shareholders (as the case may be)
“PRC”	The People’s Republic of China
“Prospectus”	the prospectus to be issued by the Company in relation to the Rights Issue
“Prospectus Documents”	the Prospectus, the provisional allotment letter and form of application for excess Rights Shares

DEFINITIONS

“Qualifying Shareholder(s)”	Shareholder(s), other than the Non-Qualifying Shareholder(s), whose name(s) appear(s) on the register of members of the Company on the Record Date
“Record Date”	9 July 2008 (or such other date as the Company and the Underwriter may agree), being the record date by which entitlements to the Rights Issue will be determined
“Registrar”	Tricor Secretaries Limited, 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong
“Rights Issue”	the issue of 953,080,050 Rights Shares at a price of HK\$0.15 per Rights Share
“Rights Shares”	953,080,050 new Shares to be issued under the Rights Issue
“Settlement Date”	the second Business Day after the Acceptance Date or such other date as the Underwriter may agree in writing with the Company
“Share(s)”	share(s) of HK\$0.1 each in the existing capital of the Company
“Share Option Scheme”	the share option scheme of the Company adopted on 21 August 2003
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Underwriter”	Chung Nam Securities Limited, a corporation deemed licensed under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) to carry out type 1 regulated activity (dealing in securities), which is not a connected person (as defined in the Listing Rules) of the Company
“Underwriting Agreement”	the underwriting agreement dated 12 June 2008 (as amended by a supplemental agreement dated 30 June 2008) entered into between the Company and the Underwriter in relation to the Rights Issue
“Underwritten Shares”	all the Rights Shares
“US”	United States of America
“%”	percentage

EXPECTED TIMETABLE OF THE RIGHTS ISSUE

The expected timetable for the Rights Issue is set out below:

Register of members closes (both dates inclusive)	3 July 2008 to 9 July 2008
Record Date	9 July 2008
Register of members reopens	10 July 2008
Prospectus Documents expected to be despatched on	10 July 2008
First day of dealings in nil-paid Rights Shares	14 July 2008
Latest time for splitting nil-paid Rights Shares	4:00 p.m. on 16 July 2008
Last day of dealings in nil-paid Rights Shares	21 July 2008
Latest time for acceptance of and payment of Rights Shares and application for excess Rights Shares	4:00 p.m. on 24 July 2008
Expected time for the Rights Issue to become unconditional	4:00 p.m. on 28 July 2008
Announcement of results of the Rights Issue	1 August 2008
Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares expected to be despatched on or before	1 August 2008
Certificates for fully-paid Rights Shares expected to be despatched on or before	1 August 2008
Dealings in fully-paid Rights Shares expected to commence on	5 August 2008

Notes:

1. Dates or deadlines specified in the Prospectus for events in the timetable for (or otherwise in relation to) the Rights Issue are indicative only and may be extended or varied by the Company. Any change to the anticipated timetable for the Rights Issue will be published as and when appropriate.
2. The latest time for acceptance of and payment for Rights Shares will not take place if there is:
 - a tropical cyclone warning signal number 8 or above; or
 - a “black” rainstorm warning
 - (a) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the last acceptance date as stated above. Instead the latest time of acceptance of and payment for the Rights Shares will be extended to 5:00 p.m. on the same Business Day;
 - (b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the last acceptance date as stated above. Instead, the latest time of acceptance of and payment for the Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day on which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

TERMINATION OF THE UNDERWRITING AGREEMENT

The Underwriter may terminate the arrangements set out in the Underwriting Agreement by notice in writing issued to the Company at any time prior to 4:00 p.m. on the Settlement Date if there occurs:

- (i) an introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof); or
- (ii) any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not such are of the same nature as any of the foregoing) or of the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities market; or
- (iii) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out;

and in the reasonable opinion of the Underwriter, such change would have a material and adverse effect on the business, financial or trading position or prospects of the Group as a whole or the success of the Rights Issue or make it inadvisable or inexpedient to proceed with the Rights Issue.

If, at or prior to 4:00 p.m. on the Settlement Date:

- (i) the Company commits any material breach of or omits to observe any of the obligations, undertakings, representations or warranties expressed to be assumed by it under the Underwriting Agreement which breach or omission will have a material and adverse effect on its business, financial or trading position; or
- (ii) the Underwriter shall receive notification pursuant to the relevant clauses of the Underwriting Agreement of, or shall otherwise become aware of, the fact that any of the representations or warranties contained in the Underwriting Agreement was, when given, untrue or inaccurate or would be untrue or inaccurate if repeated as provided in the relevant clauses of the Underwriting Agreement, and the Underwriter shall, in its reasonable opinion, determine that any such untrue representation or warranty represents or is likely to represent a material adverse change in the business, financial or trading position or prospects of the Group taken as a whole or is otherwise likely to have a materially prejudicial effect on the Rights Issue; or

TERMINATION OF THE UNDERWRITING AGREEMENT

- (iii) the Company shall, after any matter or event referred to in the relevant clauses of the Underwriting Agreement has occurred or come to the Underwriter's attention, fail promptly to send out any announcement or circular (after the despatch of the Prospectus Documents), in such manner (and as appropriate with such contents) as the Underwriter may reasonably request for the purpose of preventing the creation of a false market in the securities of the Company,

the Underwriter shall be entitled (but not bound) by notice in writing issued by the Underwriter to the Company to elect to treat such matter or event as releasing and discharging the Underwriter from its obligations under the Underwriting Agreement.

If the Underwriting Agreement is terminated by the Underwriter before 4:00 p.m. on the Settlement Date or does not become unconditional, the Underwriting Agreement will terminate forthwith (save in respect of any rights and obligations which may accrue under the Underwriting Agreement prior to such termination) and neither the Company nor the Underwriter shall have any claim against the other (save for certain fees and expenses referred to therein) and the Rights Issue will not proceed.

The Shares have been traded on an ex-rights basis from Monday, 30 June 2008 and dealing in the Rights Shares in nil-paid form is expected to take place from Monday, 14 July 2008 to Monday, 21 July 2008 (both days inclusive), when the conditions to which the Rights Issue subject to are yet to be fulfilled. Any person dealing in the Shares or the Rights Shares in their nil-paid form or until the date on which all conditions to which the Rights Issue subject to are fulfilled shall accordingly bear the risk that the Rights Issue may not become unconditional. If the conditions of the Rights Issue are not fulfilled or the Underwriting Agreement is terminated by the Underwriter according to the terms thereof, the Rights Issue will not proceed.

LETTER FROM THE BOARD



MASCOTTE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 136)

Executive Directors:

Mr. Peter Temple Whitelam (*Chairman*)

Mr. Chung, Wilson

(Deputy Chairman and Managing Director)

Mr. Au Yeung Kai Chor

Mr. Lam Suk Ping

Registered office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Independent non-executive Directors:

Mr. Chan Sze Hung

Ms. Kristi L Swartz

Ms. Hui Wai Man, Shirley

*Head office and principal place
of business in Hong Kong:*

1st Floor

Po Chai Industrial Building

28 Wong Chuk Hang Road

Aberdeen

Hong Kong

10 July 2008

To the Shareholders

Dear Sir or Madam,

**RIGHTS ISSUE OF 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
BY QUALIFYING SHAREHOLDERS**

I. INTRODUCTION

On 13 June 2008, the Board announced that it proposed to raise not less than approximately HK\$143 million before expenses (assuming no Option is granted and exercised and the Issue Mandate is not utilized on or before the Record Date) and not more than approximately HK\$186 million before expenses (assuming all the Options are granted and fully exercised and full utilization of the Issue Mandate on or before the Record Date) by way of the Rights Issue of not less than 953,080,050 Rights Shares and not more than 1,239,004,065 Rights Shares to the Qualifying Shareholders at a price of HK\$0.15 per Rights Share on the basis of one Rights Share for every two existing Shares held on the Record Date. The Rights Issue is only available to the Qualifying Shareholders and is fully underwritten by the Underwriter.

The purpose of this Prospectus is to provide you further information in relation to the Rights Issue, certain financial and other information in respect of the Group.

LETTER FROM THE BOARD

II. RIGHTS ISSUE

1. Issue statistics

Basis of Rights Issue:	one Rights Share for every two existing Shares held on the Record Date
Number of Shares in issue:	1,906,160,100 Shares as at the Latest Practicable Date (<i>Note</i>)
Number of Rights Shares :	953,080,050 Rights Shares, representing approximately 50% of the existing issued share capital of the Company and 33.3% of the enlarged issued share capital of the Company upon the completion of the Rights Issue
Subscription price per Rights Share:	HK\$0.15 per Rights Share with nominal value of HK\$0.1 each
Underwriter:	Chung Nam Securities Limited, which is an independent third party not connected with the Directors, chief executive or substantial shareholders of the Company or its subsidiaries or any of their respective associates

Note:

As at the Latest Practicable Date, (i) the Company is authorised to grant Options to subscribe up to an aggregate of 190,616,010 Shares under the scheme mandate limit available to the Company under the Share Option Scheme and (ii) the Issue Mandate, which authorizes the Directors to issue and allot up to 381,232,020 Shares, has not been utilized. Save as mentioned above, the Company has no other outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares as at the Latest Practicable Date.

2. Qualifying Shareholders

The Company will send the Prospectus, provisional allotment letters and forms of application for excess Rights Shares to Qualifying Shareholders only.

To qualify for the Rights Issue, a Shareholder must on the Record Date:

- (i) be registered as a member of the Company; and
- (ii) not be a Non-Qualifying Shareholder.

In order to be registered as a member of the Company on the Record Date, Shareholders must lodge any transfer of Shares (together with the relevant share certificate(s)) with the Registrar, on or before 4:00 p.m. (Hong Kong time) on 2 July 2008.

LETTER FROM THE BOARD

3. Terms of the Rights Issue

(1) Subscription price

The subscription price for the Right Shares is HK\$0.15 per Rights Share and is payable in full when a Qualifying Shareholder accepts the relevant provisional allotment of Rights Shares or applies for excess Rights Shares or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The subscription price of HK\$0.15 per Rights Share was arrived at after arm's length negotiations between the Company and the Underwriter with reference to recent closing prices of the Shares on the Stock Exchange and represents:

- (i) a discount of approximately 52.38% to the closing price of HK\$0.315 per Share as quoted on the Stock Exchange on 12 June 2008, being the Last Trading Day;
- (ii) a discount of approximately 42.31% to the theoretical ex-rights price of HK\$0.26 per Share based on the closing price of HK\$0.315 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 60% to the average closing price of HK\$0.375 per Share as quoted on the Stock Exchange for the last 5 trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 65.91% to the average closing price of HK\$0.44 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day; and
- (v) a discount of approximately 32.13% to the closing price of HK\$0.221 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Directors (including the independent non-executive Directors) consider that the discount of the subscription price of the Rights Share to closing price of the Share on the Last Trading Day is reasonable on the basis that the terms of the Rights Issue (including the price) are arrived at after arm's length negotiation with the Underwriter and it is a general market practice to issue rights shares at a discount to the market price of the Shares. The subscription price of HK\$0.15 is arrived after commercial negotiations between the Underwriter and the Company. The Company considers it is a general market practice to issue rights shares at a discount to the market price of the Share because (i) the number of issued Shares will be increased as a result of the Rights Issue; (ii) it is normal that the Rights Shares is issued at a discount in this volatile and unpredictable stock market; (iii) the Company can secure non-interest bearing funding for its development without diluting the shareholdings percentage of each Shareholder; (iv) the subscription

LETTER FROM THE BOARD

price of Rights Issue has to be attractive to Shareholders at the same time raising sufficient funds for the Company's intentions; and (v) the Underwriter is willing to underwrite all the Rights Shares which allows the Company to secure funding in this volatile stock market. Since all Shareholders can enjoy pro rata participation, a discount to the market price of the Shares is fair and reasonable. The Directors consider that the discount will encourage existing Shareholders to take up their entitlements, so as to share in the potential growth of the Company.

(2) Basis of provisional allotments

One Rights Share for every two existing Shares held by Qualifying Shareholders on the Record Date.

(3) Status of the Rights Shares

When fully paid, issued and allotted, the Rights Shares will rank *pari passu* in all respects with the then existing Shares. Holders of fully-paid Rights Shares will be entitled to receive all dividends and distributions which are declared, made or paid after the date of issue and allotment of the fully-paid Rights Shares.

Dealings in nil-paid and fully-paid Rights Shares will be subject to the payment of stamp duty in Hong Kong. The board lot of nil-paid Rights Shares is same as board lot of Rights Shares, i.e. 2,000.

(4) Rights of Non-Qualifying Shareholders

The Prospectus Documents have not been and will not be registered or filed under the applicable securities or equivalent legislation of any jurisdictions other than Hong Kong and Bermuda.

The Rights Issue is only available to the Qualifying Shareholders and the Company is sending the Prospectus Documents to the Qualifying Shareholders only. Based on the register of members as at the Record Date, there are 13 Shareholders holding a total of 824,000 Shares which have registered addresses located in Norway, the PRC, Germany, Macau, Canada and states of Illinois, New Jersey and California of the US. The Company has made enquiries with its legal advisers in the relevant jurisdictions regarding the feasibility of extending the Rights Issue to Overseas Shareholders.

The Company has been advised by its legal advisers on the laws of Canada and US that either (as the case maybe) (i) the Prospectus had to be registered or filed with the relevant authorities in the relevant jurisdictions; or (ii) the Company would need to take additional steps to comply with the regulatory requirements. Having considered the circumstances, the Directors are of the view that it is inexpedient for the Rights Issue to be offered to such Overseas Shareholders whose addresses are

LETTER FROM THE BOARD

located in Canada and the states of Illinois, New Jersey and California in the US taking into consideration that the time and costs involved in complying with the legal requirements will outweigh the possible benefits to the relevant Overseas Shareholders and the Company. The Directors have decided not to extend the Rights Issue to the Overseas Shareholders with registered addresses in Canada and the states of Illinois, New Jersey and California in the US, and such Overseas Shareholders are Non-Qualifying Shareholders. The Company will send the Prospectus (but not the provisional allotment letter and the form of application for excess Rights Shares), for information only, to such Non-Qualifying Shareholders.

The Company has also been advised by its legal advisers on the laws of Norway, Germany, Macau and the PRC that either (i) there is no legal restriction under the applicable legislation of the relevant jurisdictions or requirement of any relevant regulatory body or stock exchange with respect to the offer of the Rights Issue to the Overseas Shareholders in the relevant jurisdictions; or (ii) the Company would be exempt from obtaining approval from, and/or registration of the Prospectus Documents with, the relevant regulatory authorities under the applicable laws and regulations of the relevant jurisdictions since the Company would meet the relevant requirements for exemption under the relevant jurisdictions. Based on the advice of the Company's legal advisers on the laws of Norway, Germany, Macau and the PRC, the Directors believe that the Prospectus Documents would not be required to be registered under the relevant laws and regulations of these four jurisdictions and may be despatched to the Overseas Shareholders with registered addresses in these four jurisdictions without any restrictions. In view of this, the Directors have decided to extend the Rights Issue to the Overseas Shareholders with registered addresses in Norway, Germany, Macau and the PRC and such Overseas Shareholders, together with the Shareholders with registered addresses in Hong Kong, are Qualifying Shareholders. The Company will send the Prospectus Documents to such Qualifying Shareholders.

The Company will make arrangements for the Rights Shares, which would otherwise have been provisionally allotted to any Non-Qualifying Shareholders there may be, to be sold in the market in their nil-paid form as soon as practicable after dealing in the nil-paid Rights Shares commences, if a premium (net of expenses) can be obtained. The proceeds of each sale, less expenses, of more than HK\$100 will be paid to the Non-Qualifying Shareholders in Hong Kong dollars pro rata to their respective shareholding as soon as possible. The Company will retain individual amounts HK\$100 or less. Any unsold entitlement of Non-Qualifying Shareholders will be made available for excess application on form of application for excess Rights Shares by Qualifying Shareholders.

LETTER FROM THE BOARD

(5) Fractional entitlements to Rights Shares

Fractional entitlements to Rights Shares will not be provisionally allotted and will be rounded down to the nearest whole number. Rights Shares representing the aggregate of fractions of Rights Shares (rounded down to the nearest whole number) will be provisionally allotted to a person nominated by the Company and, if a premium of HK\$100, net of expense, can be obtained, will be sold by the Company or the person so nominated and the net proceeds of sale will be retained by the Company for its own benefit. Any unsold fractions of Rights Shares will be available for excess application.

(6) Procedure for acceptance or transfer

A provisional allotment letter is enclosed with this Prospectus for Qualifying Shareholders which entitles Qualifying Shareholders to subscribe for the number of Rights Shares shown therein. If Qualifying Shareholders wish to exercise their rights to subscribe for all the Rights Shares specified in the enclosed provisional allotment letter, Qualifying Shareholders must lodge the provisional allotment letter in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the Registrar, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by not later than 4:00 p.m. on Thursday, 24 July 2008. All remittances must be made by cheque or cashier's order in Hong Kong dollars. Cheques must be drawn on an account with, and cashier's orders must be issued by, a bank in Hong Kong and made payable to "Mascotte Holdings Limited – Provisional Allotment Account" and crossed "Account Payee Only".

It should be noted that unless the provisional allotment letter, together with the appropriate remittance, has been lodged with the Registrar by 4:00 p.m. on Thursday, 24 July 2008, whether by the original allottee or any person to whom the rights have been validly transferred, the relevant provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled.

The provisional allotment letter contains detailed information regarding the procedure to be followed if Qualifying Shareholders wish to accept only part of their provisional allotment or if they wish to renounce all or part of their provisional allotment.

If Qualifying Shareholders wish to accept only part of their provisional allotment or transfer a part of their rights to subscribe for the Rights Shares provisionally allotted, or to transfer their rights to more than one person, the entire provisional allotment letter must be surrendered and lodged for cancellation by not later than 4:00 p.m. on Wednesday, 16 July 2008 to the Registrar who will cancel the original provisional allotment letter and issue new provisional allotment letters in the denominations required.

LETTER FROM THE BOARD

All cheques and cashier's orders will be presented for payment immediately following receipt and all interest earned on such monies shall be retained for the benefit of the Company. Any provisional allotment letter in respect of which the accompanying cheque is dishonoured on first presentation is liable to be rejected, and in that event the provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled.

If the Underwriter exercises the right of termination to terminate its obligations under the Underwriting Agreement at any time before 4:00 p.m. on the Settlement Date, and/or if the conditions of the Rights Issue (summarized in the section headed "Conditions of the Rights Issue" below) are not fulfilled or waived by the respective dates set out in the Underwriting Agreement, the monies received in respect of acceptances of the Rights Shares will be returned to the Qualifying Shareholders or such other persons to whom the Rights Shares in their nil-paid form shall have been validly transferred or, in the case of joint acceptances, to the first-named person without interest, by means of cheques despatched in the ordinary post at the risk of such Qualifying Shareholders or such other persons on or before Friday, 1 August 2008.

(7) Application for excess Rights Shares

Qualifying Shareholders may apply for any unsold entitlements, and any Rights Shares provisionally allotted but not accepted.

Application may be made by completing the forms of application for excess Rights Shares and lodging the same with a separate remittance for the excess Rights Shares. Qualifying Shareholders should lodge the form of application for excess Rights Shares in accordance with the instructions printed thereon, together with a separate remittance for the full amount payable on application in respect of the excess Rights Shares applied for, with the Registrar, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by not later than 4:00 p.m. on Thursday, 24 July 2008. All remittances must be made in Hong Kong dollars. Cheques must be drawn on an account with, and cashier's orders must be issued by, a bank in Hong Kong and made payable to "Mascotte Holdings Limited – Excess Application Account" and crossed "Account Payee Only".

The Board will allocate the excess Rights Shares at its discretion with reference to the level of acceptance of the Rights Shares and the number of excess Rights Shares available on a fair and reasonable basis on the following principles:

- (1) preference will be given to applications for topping-up odd-lot holdings to whole-lot holdings which will not be made with intention to abuse such mechanism; and

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- (2) subject to availability of excess Rights Shares after allocation under principle (1) above, the excess Rights Shares will be allocated to Qualifying Shareholders who have applied for excess Rights Shares on a pro-rata basis to the excess Rights Shares applied by them, with allocations to be made to top up odd lots on best effort's basis.

Shareholders with their Shares held by a nominee company should note that the Board will regard the nominee as a single shareholder according to the register of members of the Company. Accordingly, Shareholders should note that the aforesaid arrangement in relation to the top-up of odd lots for allocation of excess Rights Shares will not be extended to beneficial owners individually. Shareholders with their Shares held by a nominee company are advised to consider whether they would like to arrange for the registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

For Shareholders whose Shares are held by their nominee(s) and would like to have their names registered on the register of members of the Company, they must lodge all necessary documents with the Registrar for registration by 4:00 p.m. on 2 July 2008.

(8) Share certificates and refund cheques

Subject to the fulfillment of the conditions of the Rights Issue, certificates for all fully-paid Rights Shares are expected to be posted to those entitled thereto by ordinary mail at their own risk on or before Friday, 1 August 2008. The Company will issue one share certificate for all the fully-paid Rights Shares allotted and issued to the entitled.

Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be posted by ordinary mail to the applicants at their own risk on or before Friday, 1 August 2008.

(9) Conditions of the Rights Issue

The Right Issue is conditional upon the following conditions being fulfilled:

- (i) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms, either unconditionally or subject to such conditions which the Company accepts and the satisfaction of such conditions (if any and where relevant) by no later than the Posting Date and not having withdrawn or revoked such listings and permission on or before 4:00 p.m. on the Settlement Date;

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- (ii) the delivery to the Stock Exchange and registration by Registrar of Companies in Hong Kong on or prior to the Posting Date and registration by the Registrar of Companies in Bermuda prior to or as soon as practicable after the Posting Date of the Prospectus Documents and all other documents required by law to be filed or delivered for registration;
- (iii) the posting on the Posting Date of copies of the Prospectus Documents to the Qualifying Shareholders;
- (iv) the Shares remaining listed on the Stock Exchange at all times prior to the Settlement Date and the current listing of the Shares not having been withdrawn or the trading of the Shares not having been suspended for a consecutive period of more than 5 trading days (other than any suspension pending clearance of the Announcement) and no indication being received before 4:00 p.m. on the Settlement Date from the Stock Exchange to the effect that such listing may be withdrawn or objected to (or conditions will or may be attached thereto) including but not limited to as a result of the Rights Issue or in connection with the terms of the Underwriting Agreement or for any other reason;
- (v) the compliance by the Company with its obligations under the Underwriting Agreement; and
- (vi) the obligations of the Underwriter under the Underwriting Agreement becoming unconditional and the Underwriting Agreement not being terminated in accordance with its terms.

In the event that the conditions of the Rights Issue are not fulfilled on or before the respective dates determined in the Underwriting Agreement (or such later date as the Company and the Underwriter may agree), none of the Underwriter or the Company shall have any claim against the other arising from the Underwriting Agreement (save for certain fees and expenses referred therein). In such circumstances, the Rights Issue will not proceed.

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4. Underwriting arrangement

The details of the Underwriting Agreement are set out below:

(1) Underwriting Agreement

Date:	12 June 2008 and 30 June 2008
Parties:	the Company and the Underwriter
Number of Rights Shares:	953,080,050 Rights Shares, being all the Rights Shares underwritten
Commission:	2.5% of the product of the subscription price and the number of Rights Shares, the Directors consider that such rate is fair and reasonable and was determined after arm's length negotiations between the Company and the Underwriter

(2) Termination of the Underwriting Agreement

The Underwriter may terminate the arrangements set out in the Underwriting Agreement by notice in writing issued to the Company at any time prior to 4:00 p.m. on the Settlement Date if there occurs:

- (i) an introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof); or
- (ii) any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not such are of the same nature as any of the foregoing) or of the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities market; or
- (iii) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out;

and in the reasonable opinion of the Underwriter, such change would have a material and adverse effect on the business, financial or trading position or prospects of the Group as a whole or the success of the Rights Issue or make it inadvisable or inexpedient to proceed with the Rights Issue.

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If, at or prior to 4:00 p.m. on the Settlement Date:

- (i) the Company commits any material breach of or omits to observe any of the obligations, undertakings, representations or warranties expressed to be assumed by it under the Underwriting Agreement which breach or omission will have a material and adverse effect on its business, financial or trading position; or
- (ii) the Underwriter shall receive notification pursuant to the relevant clauses of the Underwriting Agreement of, or shall otherwise become aware of, the fact that any of the representations or warranties contained in the Underwriting Agreement was, when given, untrue or inaccurate or would be untrue or inaccurate if repeated as provided in the relevant clauses of the Underwriting Agreement, and the Underwriter shall, in its reasonable opinion, determine that any such untrue representation or warranty represents or is likely to represent a material adverse change in the business, financial or trading position or prospects of the Group taken as a whole or is otherwise likely to have a materially prejudicial effect on the Rights Issue; or
- (iii) the Company shall, after any matter or event referred to in the relevant clauses of the Underwriting Agreement has occurred or come to the Underwriter's attention, fail promptly to send out any announcement or circular (after the despatch of the Prospectus Documents), in such manner (and as appropriate with such contents) as the Underwriter may reasonably request for the purpose of preventing the creation of a false market in the securities of the Company,

the Underwriter shall be entitled (but not bound) by notice in writing issued by the Underwriter to the Company to elect to treat such matter or event as releasing and discharging the Underwriter from its obligations under the Underwriting Agreement.

If the Underwriting Agreement is terminated by the Underwriter before 4:00 p.m. on the Settlement Date or does not become unconditional, the Underwriting Agreement will terminate forthwith (save in respect of any rights and obligations which may accrue under the Underwriting Agreement prior to such termination) and neither the Company nor the Underwriter shall have any claim against the other (save for certain fees and expenses referred to therein) and the Rights Issue will not proceed.

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(3) Effects on the shareholding structure

Assuming no Option is granted and the Issue Mandate is not utilized from the Latest Practicable Date to the completion of the Rights Issue, the shareholding structure of the Company immediately before and after the completion of the Rights Issue is as follows:

	Immediately before completion of the Rights Issue		Immediately after completion of the Rights Issue (assuming all Shareholders will take up the Rights Shares)		Immediately after completion of the Rights Issue (assuming none of the Shareholders will take up the Rights Shares)	
	Approximately		Approximately		Approximately	
	Shares	%	Shares	%	Shares	%
Hennabun Capital Group Limited (note 1)	112,224,000	5.89%	168,336,000	5.89%	112,224,000	3.92%
Unity Investments Holdings Limited (note 2)	106,126,000	5.57%	159,189,000	5.57%	106,126,000	3.71%
Willie International Holdings Limited (note 3)	97,000,000	5.09%	145,500,000	5.09%	97,000,000	3.39%
Freeman Corporation Limited (note 4)	95,384,000	5.00%	143,076,000	5.00%	95,384,000	3.34%
Mr. Lam Suk Ping (note 5)	2,000,000	0.10%	3,000,000	0.10%	2,000,000	0.07%
Underwriter/ sub- underwriters (note 6)	0	0%	0	0%	953,080,050	33.33%
Other public Shareholders	1,493,426,100	78.35%	2,240,139,150	78.35%	1,493,426,100	52.24%
Total	1,906,160,100	100.00%	2,859,240,150	100.00%	2,859,240,150	100.00%

Notes:

- Hennabun Capital Group Limited, a company incorporated in the British Virgin Islands whose controlling shareholder is Mr. Chuang Eugene Yue-Chien. Mr. Chuang Eugene Yue-Chien is not connected with any Directors of the Company.
- Unity Investments Holdings Limited (stock code: 913), a company listed on the Stock Exchange, is interested in the share capital of the Company indirectly through its wholly-owned subsidiary, Gufalore Investments Limited, and its indirect wholly-owned subsidiary, Great Panorama International Limited, a direct wholly-owned subsidiary of Gufalore Investments Limited.
- Willie International Holdings Limited (Stock code: 273), a company listed on the Stock Exchange, is interested in the share capital of the Company indirectly through its direct wholly-owned subsidiary, Pearl Decade Limited.
- Freeman Corporation Limited (stock code: 279), a company listed on the Stock Exchange, is interested in the share capital of the Company indirectly through its wholly-owned subsidiary, Asia Hunter Global Limited, and its indirect wholly-owned subsidiary, Smart Jump Corporation, a direct wholly-owned subsidiary of Asia Hunter Global Limited.
- Mr. Lam Suk Ping is the executive Director of the Company.

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6. The Underwriter shall use all reasonable endeavours to provide that each of the subscribers or purchasers of Underwritten Shares procured by it pursuant to the Underwriting Agreement (i) shall be third party independent of, not acting in concert with and shall not be connected with the Directors, chief executive or substantial shareholders of the Company or their respective Associates; (ii) shall not, together with party(ies) acting in concert with each of them, hold 30% or more of the voting rights of the Company upon completion of the Rights Issue.
7. In the event that the Underwriter is required to take up the Underwritten Shares pursuant to its obligations under the Underwriting Agreement, (a) the Underwriter will not and shall procure that the sub-underwriters will not own 10% or more of the issued share capital of the Company immediately after the Rights Issue and (b) the Underwriter shall and shall cause the sub-underwriters to procure independent placees to take up such number of Rights Shares as necessary to ensure that the public float requirements under Rule 8.08 of the Listing Rules are complied with.

5. Warning of the risks of dealing in Shares and Rights Shares

Existing Shares are expected to be dealt in on an ex-rights basis from 30 June 2008.

Dealings in the Rights Shares in nil-paid form are expected to take place from 14 July 2008 to 21 July 2008 (both days inclusive). If the Underwriting Agreement is terminated (see the section headed “Termination of the Underwriting Agreement” above), or if the conditions of the Rights Issue (see the section headed “Conditions of the Rights Issue” above) are not fulfilled or waived, the Rights Issue will not proceed.

Any buying or selling of the Shares from now up to the date on which all such conditions are fulfilled, and any buying or selling of nil-paid Rights Shares, are at investors’ own risk.

If in any doubt, investors should consider obtaining professional advice.

6. Listing and Dealings

The Company has applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms.

The Shares are listed on the Stock Exchange and none of the securities of the Company are listed or dealt in or on any other stock exchange and no such listing or permission to deal is being or proposed to be sought. The Company has no debt securities listed or dealt in or on any stock exchange and no such listing or permission to deal is being or proposed to be sought.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date

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of dealings in the Rights Shares in both their nil-paid and fully-paid forms respectively or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements will be made to enable the Rights Shares in both their nil-paid and fully-paid forms to be admitted to CCASS. You should seek the advice of your licensed securities dealer or other professional advisers for details of those settlement arrangements and how such arrangements will affect your rights and interests. The first day of dealings in the Rights Shares in their fully-paid form is expected to commence on Tuesday, 5 August 2008.

Dealing in the Rights Shares, in both their nil-paid and fully-paid forms, will be subject to the payment of stamp duty in Hong Kong.

7. Taxation

Qualifying Shareholders are recommended to consult their professional advisors if they are in any doubt as to the tax implications of the holding or disposal of, or dealing in the Rights Shares in both their nil-paid and fully-paid forms and, as regards the Non-Qualifying Shareholders, their receipt of the net proceeds of sale of the Rights Shares otherwise falling to be issued to them under the Rights Issue. It is emphasised that none of the Company, its Directors or any other parties involved in the Rights Issue accepts responsibility for any tax effects or liabilities of holders of the Rights Shares resulting from the purchase, holding or disposal of, or dealing in the Rights Shares in both their nil-paid and fully-paid forms.

8. Reasons for the Rights Issue and use of the proceeds

The Directors consider that it is prudent to finance the Group's long-term growth by long term funding, preferably in the form of equity which will not increase the Group's finance costs. Furthermore, the Directors consider that it is in the interest of the Company to enlarge its capital base by way of the Rights Issue which will allow all Shareholders the opportunity to participate in the growth of the Company.

Besides, the Board considers that in view of the volatile stock market conditions, the Company should seize this chance to secure equity funding for the Company because the Rights Issue is fully underwritten by the Underwriter. The Rights Issue allows the Company to broaden its Shareholders' base without diluting their corresponding shareholdings and allows the Shareholder to participate in the long term growth of the Company at a price lower than the current market level.

The net proceeds for the Rights Issue is expected to be approximately HK\$138 million. The net proceeds will be used by the Company mainly for the investment in potential natural resources projects and/or other any businesses. As at the Latest Practicable Date, the Company has not identified any specific investment opportunity.

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9. Capital-raising activities during past 12 months

Apart from the capital raising activities mentioned below, the Company has not carried out other capital raising activities during the 12 months immediately preceding the Latest Practicable Date. The net proceeds of approximately HK\$533.6 million raised by the Company from the capital raising activities during the 12 months immediately preceding the Latest Practicable Date are summarized below, which is in line with the intended use of proceeds as disclosed in the relevant announcements of the Company.

Date of announcement	Capital raising activity	Net proceeds raised (HK\$)	Intended use of proceeds	Actual use of proceeds
17 July 2007	Placing of 104,960,000 Shares	HK\$46.0 million	As the general working capital of the Company and/ or investments	All the proceeds were utilized to invest in securities.
17 July 2007	Placing of convertible notes	HK\$487.6 million	As the general working capital of the Company and/ or investments	Approximate HK\$231 million was utilized to invest in securities and the remaining proceeds were utilized as loan granted to third parties.
Total		<u>533.6 million</u>		

Note: The Company considers that funds used for the investment in securities is a type of treasury operation and should be treated as a general working capital of the Company.

10. Adjustment in relation to the Options

The Rights Issue may lead to adjustments to the number of Shares to be issued upon exercise of the Options. The Company will notify the holders of the Options regarding the adjustments to be made (if any) pursuant to the terms of the Share Option Scheme.

11. Business review and prospects

Financial review for the six months period ended 30 September 2007

For the six months period ended 30 September 2007, the Group achieved a turnover of approximately HK\$103.7 million, representing a decrease of 7.0% when compared with previous corresponding period. The gross profit ratio remained steady, as compared with previous corresponding period.

Loss attributable to equity holders of the Company for the six months period ended 30 September 2007 amounted to approximately HK\$32.4 million (2006: profits of HK\$9.9 million). The loss was the combined results of: (a) realized and unrealized loss on financial assets at fair value through profit and loss of HK\$47.0 million; (b) gain on disposal of property, plant and equipment of HK\$10.1 million; and (c) impairment loss of receivable of HK\$3.0 million.

As at 30 September 2007, the Group recorded a total bank balances and cash of HK\$46.5 million (as at 31 March 2007 of HK\$14.9 million). Moreover, the Group had current assets of HK\$321.3 million (as at 31 March 2007 of HK\$81.2 million). The equity attributable to equity holders of the Company was of HK\$414.2 million (as at 31 March 2007 of HK\$236.5 million) and the total borrowings from banks and a financial institution were of HK\$57.2 million (as at 31 March 2007 of HK\$69.0 million); and accordingly, the gearing ratio was 13.8% (as at 31 March 2007 of 29.2%).

The Group had fully repaid all outstanding borrowings from banks and a financial institution of approximately HK\$56 million in November 2007.

Operational review for the six months period ended 30 September 2007

Manufacture and Sale of Photographic, Electrical and Multimedia Accessories

During the period under review, the Group's segment turnover decreased from HK\$109.3 million to HK\$99.6 million, representing a decrease of 8.9% as compared with previous corresponding period. The drop in sales was mainly caused by one of the Group's electronics partners being put into receivership in October 2007, and which caused the revenues for electrical accessories to decrease by HK\$10.4 million as compared with previous corresponding period.

Europe continued to be the Group's largest market, accounting for approximately 53.4% of the total turnover of this period (2006: 60%). Total export sales to Europe decreased to HK\$55.4 million (2006: HK\$65.7 million), representing a decrease of 15.7% as compared to that of the last corresponding period. The management has good knowledge and confidence in this market and will adhere to its established strategy to further penetrate into this very huge market.

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In term of product category of photographic, electrical and multimedia accessories, the sale of photographic and multimedia accessories recorded encouraging growth this period. The demand of the Group's photographic and multimedia accessories remained strong and healthy and the Group's photographic and multimedia accessories turnover increased by HK\$16.7 million, representing an increase of 23.8% over the last corresponding period.

Property Portfolio Refinement

During the period under review, the Group's property letting income was approximately HK\$4.1 million (2006: HK\$2.2 million), an increase of 86% as compared with last corresponding period. The growth was mainly attributable to the inclusion of property letting income of a property located in Guangzhou, the PRC which was acquired at the end of July 2006.

Having regard to the recent property market in Hong Kong and the PRC, the Directors had reviewed the property portfolio and disposed of certain properties in order to realize the gain arising from property appreciation. In June 2007, the Group disposed of certain investments properties and leasehold building for a total of consideration of HK\$59 million. In October 2007, the Group further disposed of certain industrial properties in Hong Kong and commercial properties in Guangzhou, the PRC, for a total consideration of HK\$59 million.

Prospects

For the manufacture and sales of goods segment, the management continues to focus on new revenue channels within the Group's core business of accessories for photographic, multimedia and electrical products. The demand for digital SLR camera bags is still increasing steadily, reflected in the Group's increased turnover within its historical core customer base for photographic accessories. This is reflected in the turnover for photographic products for the six months period ended 30 September 2007, which increased by 13.8% as compared with previous corresponding period. New product launches by major hardware manufactures in Q3 of 2007 and anticipated launches at the PMA tradeshow in Las Vegas in January of 2008 should further fuel growth in this area. One of the Group's electronics partners was put into receivership in October 2007, which caused the revenues for electrical accessories for the six months period ended 30 September 2007 to plunge by 67.2% as compared with previous corresponding period. Nevertheless, with the expertise gained over the past six years in integrated products, the management believes it can leverage on its expertise to work with other technologies in the market to continue to make an impact in the manufacturing sector. A presence at the Hong Kong Electronic Shows in April and October has helped towards a continued growth in the manufacture and sale of multimedia accessories for the six months period ended 30 September 2007 up 35.5% as compared with previous corresponding period.

LETTER FROM THE BOARD

The Group continues to focus on the prospects of increasing its market share in the US as well as the Asian market in the second half of the year. Conservative investment in innovative R&D for integrated electronic products and developments in a company manufacturing a revolutionary pigment based solar technology for the use in bags, will allow the Group to further penetrate new market segments. Keeping costs tight and concentrating on its core competencies, the Group seeks to continue its expansion in both electronic and multimedia accessories over the coming year.

During the period and up to November 2007, the Company has strengthened its capital base through a series of share placements and issuance of convertible notes. Net proceeds raised from capital raising activities during the 12 months immediately preceding the Latest Practicable Date amounted to approximately HK\$533.6 million, further details of which are set out in section 9 headed “Capital-raising activities during past 12 months” on page 21 above.

The Company intends to apply the proceeds towards general working capital or other investments in future. As the Company does not have any identified investment plans at present, the Directors are constantly looking for investment opportunities.

III. GENERAL

The Group is principally engaged in the (i) manufacturing and sale of accessories for photographic, electrical and multimedia products; (ii) property investment and (iii) investment in securities. The Company currently intends to keep its existing business in the foreseeable future.

IV. ADDITIONAL INFORMATION

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

Yours faithfully,
By order of the Board of
Mascotte Holdings Limited
Chung, Wilson
Deputy Chairman and Managing Director

1. SUMMARY OF FINANCIAL STATEMENTS

1.1 Financial Summary

Summary of the consolidated results and the assets and liabilities of the Group for the period from 1 April 2007 to 30 September 2007 and the years ended 31 March 2007, 2006 and 2005 is set out below:

The annual reports of the Company for each of the three years ended 31 March 2007, 2006 and 2005 do not contain any qualified opinion issued by auditors.

RESULTS

	Unaudited Six months ended 30 September 2007 HK\$'000		Audited Years ended 31 March 2007 HK\$	2006 HK\$	2005 HK\$
Turnover	103,752	232,495,986	209,396,075	182,660,980	
Cost of sales	(69,623)	(162,376,080)	(151,247,840)	(130,554,844)	
Gross profit	34,129	70,119,906	58,148,235	52,106,136	
Other income	2,465	1,277,518	1,729,243	413,045	
Selling and distribution costs	(5,036)	(7,444,937)	(6,939,820)	(9,297,546)	
Administrative expenses	(22,853)	(43,790,021)	(32,219,270)	(31,214,045)	
Gain on disposal of property, plant and equipment	10,131	–	–	–	
Impairment loss on goodwill	–	(4,242,843)	(2,799,172)	–	
Gain (loss) on fair value changes on investment properties	–	1,872,833	(21,177)	1,431,257	
Realised loss on disposal of financial assets at fair value through profit or loss	(27,026)	–	–	–	
Unrealised loss of financial assets at fair value through profit or loss	(20,004)	–	–	–	
Finance costs	(2,292)	(2,941,632)	(1,703,769)	(1,160,302)	
(Loss)/profit before taxation	(30,486)	14,850,824	16,194,270	12,278,545	
Income tax expense	(1,649)	(4,545,643)	(3,452,580)	(5,518,798)	
(Loss)/profit for the period/year	<u>(32,135)</u>	<u>10,305,181</u>	<u>12,741,690</u>	<u>6,759,747</u>	
Attributable to:					
Equity holders of the Company	(32,422)	10,540,043	12,472,177	6,559,923	
Minority interests	287	(234,862)	269,513	199,824	
	<u>(32,135)</u>	<u>10,305,181</u>	<u>12,741,690</u>	<u>6,759,747</u>	
Dividend paid	<u>–</u>	<u>4,240,001</u>	<u>4,240,001</u>	<u>4,240,001</u>	
(Loss)/earnings per share					
Basic	<u>HK(5.5) cents</u>	<u>HK2.4 cents</u>	<u>HK2.9 cents</u>	<u>HK1.5 cents</u>	

APPENDIX I**FINANCIAL AND OTHER INFORMATION****ASSETS AND LIABILITIES**

	Unaudited		Audited	
	As at 30		As at 31 March	
	September	2007	2006	2005
	<i>HK\$'000</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Non-current assets				
Investment properties	185,628	210,575,000	34,650,000	29,880,000
Property, plant and equipment	22,704	47,479,261	47,438,399	48,394,573
Prepaid lease payments	7,055	5,927,024	4,694,326	4,985,224
Goodwill	–	–	4,242,843	7,042,015
Deposits paid	–	–	18,000,000	18,300,000
	<u>215,387</u>	<u>263,981,285</u>	<u>109,025,568</u>	<u>108,601,812</u>
Current assets				
Financial assets at fair value through profit or loss	212,693	–	–	–
Inventories	12,561	12,764,156	8,666,837	8,229,626
Prepaid lease payments	725	588,183	434,703	422,515
Trade and bills receivables	32,038	38,898,292	27,098,051	23,700,929
Loan receivables	7,423	6,884,950	46,710,000	46,710,000
Other receivables and prepayments	9,275	7,187,720	12,050,688	14,488,322
Income tax recoverable	22	21,819	–	149,048
Bank balances and cash	46,559	14,895,312	44,735,963	34,566,264
	<u>321,296</u>	<u>81,240,432</u>	<u>139,696,242</u>	<u>128,266,704</u>
Current liabilities				
Trade payables	15,770	13,535,064	13,677,218	9,125,652
Other payables and accrued charges	16,273	14,024,848	10,203,502	8,725,105
Deposits received	20,000	–	–	–
Income tax payable	9,834	8,915,190	6,538,779	4,562,477
Unsecured loan from a financial institution	20,000	–	–	–
Dividend payable	–	–	–	404,760
Bank borrowings	37,183	28,740,106	16,298,108	22,908,424
Bank overdrafts	–	223,035	116,565	–
	<u>119,060</u>	<u>65,438,243</u>	<u>46,834,172</u>	<u>45,726,418</u>
Net current assets	<u>202,236</u>	<u>15,802,189</u>	<u>92,862,070</u>	<u>82,540,286</u>
	<u>417,623</u>	<u>279,783,474</u>	<u>201,887,638</u>	<u>191,142,098</u>

APPENDIX I

FINANCIAL AND OTHER INFORMATION

	Unaudited As at 30 September 2007 HK\$'000		Audited As at 31 March 2006 HK\$	2005 HK\$
Capital and reserves				
Share capital	94,226	44,400,010	42,400,010	42,400,010
Reserves	319,957	192,115,081	148,173,719	138,845,843
Equity attributable to equity holders of the Company	414,183	236,515,091	190,573,729	181,245,853
Minority interests	3,440	3,037,543	3,204,909	2,853,245
Total equity	417,623	239,552,634	193,778,638	184,099,098
Non-current liability				
Bank borrowings	–	40,230,840	8,109,000	7,043,000
	417,623	279,783,474	201,887,638	191,142,098

1.2 Audited financial statements

Set out below are the audited financial statements of the Group for the year ended 31 March 2007 as extracted from the 2007 annual report of the Company. Notes to the financial statements of the Company set out on pages 34 to 62 of this Prospectus covered the audited financial data for the year ended 31 March 2007.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2007

	<i>Notes</i>	2007 <i>HK\$</i>	2006 <i>HK\$</i>
Turnover	6	232,495,986	209,396,075
Cost of sales		<u>(162,376,080)</u>	<u>(151,247,840)</u>
Gross profit		70,119,906	58,148,235
Other income	8	1,277,518	1,729,243
Selling and distribution costs		(7,444,937)	(6,939,820)
Administrative expenses		(43,790,021)	(32,219,270)
Impairment loss on goodwill		(4,242,843)	(2,799,172)
Gain (loss) on fair value changes on investment properties		1,872,833	(21,177)
Finance costs	9	<u>(2,941,632)</u>	<u>(1,703,769)</u>
Profit before taxation	10	14,850,824	16,194,270
Income tax expense	12	<u>(4,545,643)</u>	<u>(3,452,580)</u>
Profit for the year		<u>10,305,181</u>	<u>12,741,690</u>
Attributable to:			
Equity holders of the Company		10,540,043	12,472,177
Minority interests		<u>(234,862)</u>	<u>269,513</u>
		<u>10,305,181</u>	<u>12,741,690</u>
Dividend paid	13	<u>4,240,001</u>	<u>4,240,001</u>
Earnings per share	14		
Basic		<u>HK2.4 cents</u>	<u>HK2.9 cents</u>

CONSOLIDATED BALANCE SHEET

At 31 March 2007

	<i>Notes</i>	2007 <i>HK\$</i>	2006 <i>HK\$</i>
Non-current assets			
Investment properties	15	210,575,000	34,650,000
Property, plant and equipment	16	47,479,261	47,438,399
Prepaid lease payments	17	5,927,024	4,694,326
Goodwill	18	–	4,242,843
Deposits paid	19	–	18,000,000
		<u>263,981,285</u>	<u>109,025,568</u>
Current assets			
Inventories	20	12,764,156	8,666,837
Prepaid lease payments	17	588,183	434,703
Trade and bills receivables	21	38,898,292	27,098,051
Loan receivables	22	6,884,950	46,710,000
Other receivables and prepayments		7,187,720	12,050,688
Income tax recoverable		21,819	–
Bank balances and cash	23	14,895,312	44,735,963
		<u>81,240,432</u>	<u>139,696,242</u>
Current liabilities			
Trade payables	24	13,535,064	13,677,218
Other payables and accrued charges		14,024,848	10,203,502
Income tax payable		8,915,190	6,538,779
Bank borrowings	25	28,740,106	16,298,108
Bank overdrafts		223,035	116,565
		<u>65,438,243</u>	<u>46,834,172</u>
Net current assets		<u>15,802,189</u>	<u>92,862,070</u>
		<u><u>279,783,474</u></u>	<u><u>201,887,638</u></u>

APPENDIX I

FINANCIAL AND OTHER INFORMATION

	<i>Notes</i>	2007 <i>HK\$</i>	2006 <i>HK\$</i>
Capital and reserves			
Share capital	26	44,400,010	42,400,010
Reserves		<u>192,115,081</u>	<u>148,173,719</u>
Equity attributable to equity holders of the Company		236,515,091	190,573,729
Minority interests		<u>3,037,543</u>	<u>3,204,909</u>
Total equity		239,552,634	193,778,638
Non-current liability			
Bank borrowings	25	<u>40,230,840</u>	<u>8,109,000</u>
		<u><u>279,783,474</u></u>	<u><u>201,887,638</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2007

	Attributable to equity holders of the Company									
	Enterprise									Total
	Share capital	Share premium	Special reserve	Translation reserve	Reserve fund	expansion reserve	Retained profits	Total	Minority interests	
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
At 1 April 2005	42,400,010	66,672,487	14,900,773	(1,119,604)	1,083,258	1,083,258	56,225,671	181,245,853	2,853,245	184,099,098
Exchange movement during the year recognised directly in equity	-	-	-	1,095,700	-	-	-	1,095,700	82,151	1,177,851
Profit for the year	-	-	-	-	-	-	12,472,177	12,472,177	269,513	12,741,690
Total recognised income for the year	-	-	-	1,095,700	-	-	12,472,177	13,567,877	351,664	13,919,541
Dividend paid	-	-	-	-	-	-	(4,240,001)	(4,240,001)	-	(4,240,001)
At 31 March 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

The special reserve at 31 March 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 (note 27).

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 2007*

	<i>Note</i>	2007 <i>HK\$</i>	2006 <i>HK\$</i>
OPERATING ACTIVITIES			
Profit before taxation		14,850,824	16,194,270
Adjustments for:			
Interest expenses		2,941,632	1,703,769
Impairment loss on receivables		5,669,243	1,332,671
Allowance for inventories		1,017,365	3,915
Release of prepaid lease payments		452,091	434,703
Depreciation of property, plant and equipment		2,740,432	2,359,997
Loss on disposal of property, plant and equipment		58,674	29,732
Loss on disposal of investment property		–	47,758
Interest income		(879,942)	(1,075,957)
Impairment loss on goodwill		4,242,843	2,799,172
(Gain) loss on fair value changes on investment properties		<u>(1,872,833)</u>	<u>21,177</u>
Operating cash flows before movements in working capital		29,220,329	23,851,207
Increase in inventories		(4,818,551)	(239,981)
Increase in trade and bills receivables		(16,791,879)	(3,829,793)
Decrease in other receivables and prepayments		4,926,796	2,733,107
(Decrease) increase in trade payables		(1,090,305)	4,540,135
(Decrease) increase in other payables and accrued charges		<u>(5,734,160)</u>	<u>1,451,039</u>
Cash generated from operations		5,712,230	28,505,714
Hong Kong Profits Tax paid		(2,410,655)	(1,404,944)
Hong Kong Profits Tax refunded		–	144,268
Tax paid in other jurisdictions		<u>(134,300)</u>	<u>(80,118)</u>
NET CASH FROM OPERATING ACTIVITIES		<u>3,167,275</u>	<u>27,164,920</u>

APPENDIX I**FINANCIAL AND OTHER INFORMATION**

	<i>Note</i>	2007 <i>HK\$</i>	2006 <i>HK\$</i>
INVESTING ACTIVITIES			
Purchase of investment properties		(4,582,000)	(5,535,600)
Purchase of property, plant and equipment		(2,927,255)	(1,316,623)
Purchase of prepaid lease land		(1,633,108)	–
Proceeds from disposal of investment properties		–	1,432,242
Proceeds from disposal of property, plant and equipment		300,885	16,258
New loan receivables raised		(13,000,000)	–
Repayment of loan receivables		52,488,050	–
Interest received		879,942	175,957
Acquisition of assets and liabilities through acquisition of subsidiaries	27	(101,874,096)	–
NET CASH USED IN INVESTING ACTIVITIES		<u>(70,347,582)</u>	<u>(5,227,766)</u>
FINANCING ACTIVITIES			
New bank loans raised		67,487,085	12,505,999
Repayment of bank loans		(23,130,335)	(17,563,295)
Dividend paid		(4,240,001)	(4,236,841)
Interest paid		<u>(2,941,632)</u>	<u>(1,703,769)</u>
NET CASH FROM (USED IN) FINANCING ACTIVITIES		<u>37,175,117</u>	<u>(10,997,906)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(30,005,190)	10,939,248
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		44,619,398	33,605,484
Effect of foreign exchange rate changes		<u>58,069</u>	<u>74,666</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		<u><u>14,672,277</u></u>	<u><u>44,619,398</u></u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		14,895,312	44,735,963
Bank overdrafts		<u>(223,035)</u>	<u>(116,565)</u>
		<u><u>14,672,277</u></u>	<u><u>44,619,398</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS*For the year ended 31 March 2007***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. 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. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied, for the first time, a number of new standard, amendments and interpretations (“new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) that are effective for the Group’s financial year beginning 1 April 2006. The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new and revised standards, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendment or interpretations will have no material impact on the results and the financial position of the Group.

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

¹ Effective for annual periods beginning on or after 1 January 2007

² Effective for annual periods beginning on or after 1 January 2009

³ Effective for annual periods beginning on or after 1 May 2006

⁴ Effective for annual periods beginning on or after 1 June 2006

⁵ Effective for annual periods beginning on or after 1 November 2006

⁶ Effective for annual periods beginning on or after 1 March 2007

⁷ Effective for annual periods beginning on or after 1 January 2008

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost basis except for investment properties, which are measured at fair values, as explained in the accounting policies set out below. The principal accounting policies adopted are as follows:

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 interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. 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

Capitalised goodwill arising on acquisitions prior to 1 January 2005

Goodwill arising on acquisition of a subsidiary for which the agreement date is before 1 January 2005 represents the excess of the cost of the acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant subsidiary at the date of completion. For previously capitalised goodwill arising on acquisitions of subsidiaries after 1 January 2001, the Group has discontinued amortisation from 1 April 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash generating unit to which the goodwill relates may be impaired.

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.

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.

Impairment (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 borrowings cost 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 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***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.

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.

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 (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences 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 profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period 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.

Retirement benefit costs

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the entity's accounting policies, which are described in note 3, management has made the following estimation that has the most significant effect on the amounts recognised in the consolidated financial statements of the next year.

Fair value of investment properties

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

5. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group's major financial instruments include loans and receivables, bank borrowings and other financial liabilities. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial statements and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

Certain bank borrowings of the Group are denominated in foreign currencies (note 25). The Group currently does not have a foreign currency hedging policy in respect of foreign currency debt. However, management monitors the related foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Cash flow interest rate risk

The Group has exposures to interest rate risk as its bank borrowings are subject to floating interest rates. Currently, interest rate risk is not hedged. However, from time to time, if interest rate fluctuates significantly, interest rate swaps may be used to convert some of the floating interest rates borrowings to fixed rates to manage interest rate exposure.

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 2007, the top five customers of the Group accounted for about 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. 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

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group’s operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

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.

6. TURNOVER

	2007 HK\$	2006 HK\$
Gross rental income	5,454,328	3,098,642
Sales of goods	227,041,658	206,297,433
	<u>232,495,986</u>	<u>209,396,075</u>

7. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into two operating divisions – 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 2007

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

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			<u>50,337,310</u>
 Consolidated total assets			<u>345,221,717</u>
 LIABILITIES			
Segment liabilities	23,720,359	2,220,553	25,940,912
Unallocated corporate liabilities			<u>79,728,171</u>
 Consolidated total liabilities			<u>105,669,083</u>

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

Consolidated income statement for the year ended 31 March 2006

	Manufacture and sales of goods HK\$	Property investment HK\$	Consolidated HK\$
TURNOVER			
To external customers	206,297,433	3,098,642	209,396,075
Segment results	24,100,506	1,567,146	25,667,652
Unallocated other income			1,075,957
Unallocated corporate expenses			(8,845,570)
Finance costs			(1,703,769)
Profit before taxation			16,194,270
Income tax expense			(3,452,580)
Profit for the year			12,741,690

Consolidated balance sheet at 31 March 2006

	Manufacture and sales of goods <i>HK\$</i>	Property investment <i>HK\$</i>	Consolidated <i>HK\$</i>
ASSETS			
Segment assets	64,795,459	54,946,588	119,742,047
Unallocated corporate assets			128,979,763
			<u>248,721,810</u>
LIABILITIES			
Segment liabilities	22,922,852	300,428	23,223,280
Unallocated corporate liabilities			31,719,892
			<u>54,943,172</u>

Other information for the year ended 31 March 2006

	Manufacture and sales of goods <i>HK\$</i>	Property investment <i>HK\$</i>	Unallocated <i>HK\$</i>	Consolidated <i>HK\$</i>
Allowance for inventories	3,915	–	–	3,915
Capital additions	1,248,425	5,903,798	–	7,152,223
Depreciation of property, plant and equipment	1,565,394	53,078	741,525	2,359,997
Impairment loss on goodwill	2,799,712	–	–	2,799,712
Impairment loss on receivables	432,671	–	900,000	1,332,671
Loss on disposal of investment property	–	47,758	–	47,758
Loss on disposal of property, plant and equipment	29,732	–	–	29,732
Loss on fair value changes on investment properties	–	21,177	–	21,177
Release of prepaid lease payments	434,703	–	–	434,703
	<u>434,703</u>	<u>–</u>	<u>–</u>	<u>434,703</u>

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.

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

	2007 HK\$	2006 HK\$
Europe	144,230,581	131,600,913
United States of America	26,142,551	24,330,261
Hong Kong	12,150,703	18,518,005
Other regions in the PRC	17,051,948	8,114,328
Others	32,920,203	26,832,568
	<u>232,495,986</u>	<u>209,396,075</u>

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	
	2007 HK\$	2006 HK\$	2007 HK\$	2006 HK\$	2007 HK\$	2006 HK\$
Hong Kong	97,463,788	85,127,518	2,504,359	983,349	20,830,167	5,835,600
Other regions in the PRC	<u>197,420,619</u>	<u>34,614,529</u>	<u>458,260</u>	<u>333,274</u>	<u>138,105,000</u>	<u>–</u>
	<u>294,884,407</u>	<u>119,742,047</u>	<u>2,962,619</u>	<u>1,316,623</u>	<u>158,935,167</u>	<u>5,835,600</u>

8. OTHER INCOME

	2007 HK\$	2006 HK\$
Bank interest income	257,992	175,957
Other interest income	621,950	900,000
Exchange gain, net	–	164,172
Sundry income	<u>397,576</u>	<u>489,114</u>
	<u>1,277,518</u>	<u>1,729,243</u>

9. FINANCE COSTS

	2007 HK\$	2006 HK\$
Interest on:		
Bank borrowings wholly repayable within five years	2,440,319	1,142,036
Bank borrowings not wholly repayable within five years	501,313	561,733
	<u>2,941,632</u>	<u>1,703,769</u>

10. PROFIT BEFORE TAXATION

	2007 HK\$	2006 HK\$
Profit before taxation has been arrived at after charging:		
Allowance for inventories	1,017,365	3,915
Auditor's remuneration	930,000	950,000
Cost of inventories recognised as expenses	161,358,715	151,243,925
Depreciation of property, plant and equipment	2,740,432	2,359,997
Exchange loss, net	1,897,771	–
Impairment loss on receivables	5,669,243	1,332,671
Loss on disposal of investment property	–	47,758
Loss on disposal of property, plant and equipment	58,674	29,732
Minimum lease payments for operating leases in respect of rented premises	2,191,341	2,110,942
Release of prepaid lease payments	452,091	434,703
Staff costs including directors' emoluments and contributions to retirement benefits schemes	35,356,563	32,245,326
and after crediting:		
Gross rental income from investment properties	5,454,328	3,098,642
Less: direct operating expenses that generated rental income	<u>(1,391,681)</u>	<u>(637,311)</u>
	<u>4,062,647</u>	<u>2,461,331</u>

11. DIRECTORS’ EMOLUMENTS AND HIGHEST PAID EMPLOYEES

Directors’ emoluments

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

	Chan Oi Ling, Maria Olimpia HK\$	Lam Yu Ho, Daniel Daniel HK\$	Cheng Lok Hing HK\$	Cheng Chun Kit HK\$	Ji Hong HK\$	Wong Yui Leung, Larry HK\$	Lui Wai Shan, Wilson HK\$	Cheung Ngai Lam HK\$	Total HK\$
2007									
Fees	–	–	–	–	–	80,000	50,000	50,000	180,000
Other emoluments									
Salaries and other benefits	3,900,000	1,720,000	471,329	471,329	46,729	–	–	–	6,609,387
Retirement benefits scheme contribution	12,000	–	–	–	–	–	–	–	12,000
Rental paid/rateable value in respect of quarters provided	871,800	–	–	–	15,323	–	–	–	887,123
Total emoluments	4,783,800	1,720,000	471,329	471,329	62,052	80,000	50,000	50,000	7,688,510
2006									
Fees	–	–	–	–	–	80,000	50,000	50,000	180,000
Other emoluments									
Salaries and other benefits	3,600,000	1,700,000	390,000	390,000	56,075	–	–	–	6,136,075
Retirement benefits scheme contribution	12,000	–	–	–	–	–	–	–	12,000
Rental paid/rateable value in respect of quarters provided	769,200	–	–	–	47,020	–	–	–	816,220
Total emoluments	4,381,200	1,700,000	390,000	390,000	103,095	80,000	50,000	50,000	7,144,295

Highest paid employees

The five highest paid individuals of the Group included two (2006: two) executive directors, details of whose emoluments are set out above. The emoluments of the remaining three (2006: three) highest paid individuals are as follows:

	2007 HK\$	2006 HK\$
Salaries and other benefits	2,887,073	2,452,423
Retirement benefits scheme contributions	20,000	24,000
Rentals paid/rateable value in respect of quarters provided	252,600	316,200
	3,159,673	2,792,623

The emoluments were within the following bands:

	No. of employees 2007	2006
Nil to HK\$1,000,000	2	2
HK\$1,000,001 to HK\$1,500,000	1	1
	<u>3</u>	<u>3</u>

12. INCOME TAX EXPENSE

	2007 HK\$	2006 HK\$
The charge comprises:		
Current year		
Hong Kong	3,285,714	3,048,270
Other regions in the PRC	<u>1,201,879</u>	<u>353,190</u>
	<u>4,487,593</u>	<u>3,401,460</u>
(Over)underprovision in prior years		
Hong Kong	(1,062)	(808)
Other regions in the PRC	<u>59,112</u>	<u>51,928</u>
	<u>58,050</u>	<u>51,120</u>
	<u>4,545,643</u>	<u>3,452,580</u>

Hong Kong Profits Tax is calculated at 17.5% (2006: 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.

Pursuant to the relevant laws and regulations in the PRC, one of the Company’s PRC subsidiaries is exempted from PRC income tax for two years starting from their first profit-making year, 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:

	2007 <i>HK\$</i>	2006 <i>HK\$</i>
Profit before taxation	14,850,824	16,194,270
Tax at the domestic income tax rate of 17.5% (2006: 17.5%)	2,598,894	2,833,997
Tax effect of expenses not deductible for tax purpose	3,138,314	835,800
Tax effect of income not taxable for tax purpose	(1,618,829)	(25,822)
Tax effect of offshore manufacturing profits on 50/50 apportionment basis	(54,700)	(72,088)
Underprovision in prior years	58,050	51,120
Tax effect of tax losses not recognised	92,114	122,701
Tax effect of utilisation of deductible temporary differences previously not recognised	(53,301)	(217,954)
Effect of tax exemption granted to a PRC subsidiary	–	(241,582)
Effect of different tax rates of subsidiaries operating in other jurisdictions	430,912	142,542
Others	(45,811)	23,866
Income tax expense for the year	4,545,643	3,452,580

At 31 March 2007, the Group has unused tax losses of HK\$11,022,746 (2006: HK\$10,496,377) 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.

At 31 March 2007, the Group has deductible temporary differences of HK\$1,563,165 (2006: HK\$1,867,743) in respect of accelerated accounting depreciation. No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised. All deductible temporary difference may be carried forward indefinitely.

13. DIVIDEND

On 25 September 2006, a dividend of HK1 cent (2005: HK1 cent) per share amounting to HK\$4,240,001 (2005: HK\$4,240,001) was paid to shareholders as the final dividend in respect of 2006.

No dividend (2006: HK\$4,240,001) has been proposed by the directors.

14. EARNINGS PER SHARE – BASIC

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

	2007 <i>HK\$</i>	2006 <i>HK\$</i>
Earnings for the purpose of basic earnings per share	10,540,043	12,472,177
	Number of shares	
	2007	2006
Weighted average number of ordinary shares for the purpose of basic earnings per share	431,068,593	424,000,100

No diluted earnings per share has been presented as there were no dilutive ordinary shares in issue in both years.

15. INVESTMENT PROPERTIES

	2007 HK\$	2006 HK\$
AT FAIR VALUE		
At beginning of the year	34,650,000	29,880,000
Exchange adjustments	(2,883,000)	435,577
Acquisition of assets through acquisition of subsidiaries	154,353,167	–
Additions	4,582,000	5,835,600
Transferred from deposit paid (<i>note 19</i>)	18,000,000	–
Disposal	–	(1,480,000)
Gain (loss) on fair value changes	1,872,833	(21,177)
	<u>210,575,000</u>	<u>34,650,000</u>
At end of the year	<u>210,575,000</u>	<u>34,650,000</u>

The carrying values of the Group's investment properties at 31 March 2007 are analysed as follows:

	2007 HK\$	2006 HK\$
Situated in Hong Kong held under long leases	40,065,000	17,300,000
Situated in other regions in the PRC held under medium-term leases	170,510,000	17,350,000
	<u>210,575,000</u>	<u>34,650,000</u>

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.

All of the Group's investment properties have been fair valued as at 31 March 2007 on the basis carried out at that date by Chung, Chan & Associates, Chartered Surveyors, an independent qualified professional valuer not connected with the Group. Chung, Chan & Associates, Chartered Surveyors is a member of Hong Kong Institute of Surveyors and has 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.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings <i>HK\$</i>	Leasehold improvements <i>HK\$</i>	Furniture, fixtures and equipment <i>HK\$</i>	Plant and machinery <i>HK\$</i>	Motor vehicles <i>HK\$</i>	Total <i>HK\$</i>
COST						
At 1 April 2005	56,056,627	3,104,343	3,400,086	20,760,636	5,223,987	88,545,679
Exchange adjustments	167,760	8,496	2,525	432,605	35,404	646,790
Additions	–	–	274,759	356,739	685,125	1,316,623
Disposals	–	(23,559)	–	–	(93,214)	(116,773)
At 31 March 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 assets through acquisition of a subsidiary	–	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
DEPRECIATION						
At 1 April 2005	11,000,273	2,406,454	2,686,022	19,710,760	4,347,597	40,151,106
Exchange adjustments	60,864	7,768	2,485	415,518	26,965	513,600
Provided for the year	1,267,287	173,258	220,508	399,016	299,928	2,359,997
Eliminated on disposals	–	(13,301)	–	–	(57,482)	(70,783)
At 31 March 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
CARRYING VALUES						
At 31 March 2007	42,758,148	814,126	776,993	877,484	2,252,510	47,479,261
At 31 March 2006	43,895,963	515,101	768,355	1,024,686	1,234,294	47,438,399

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 2007 are analysed as follows:

	2007 HK\$	2006 HK\$
Situated in Hong Kong held under long leases	11,399,677	11,631,284
Situated in Hong Kong held under medium-term leases	26,519,235	27,234,986
Situated in other regions in the PRC held under medium-term leases	4,839,236	5,029,693
	<u>42,758,148</u>	<u>43,895,963</u>

17. PREPAID LEASE PAYMENTS

	2007 HK\$	2006 HK\$
Leasehold interests in land in other regions in the PRC under medium-term lease	<u>6,515,207</u>	<u>5,129,029</u>
Analysed for reporting purposes as:		
Current	588,183	434,703
Non-current	<u>5,927,024</u>	<u>4,694,326</u>
	<u>6,515,207</u>	<u>5,129,029</u>

18. GOODWILL

	<i>HK\$</i>
COST	
At 1 April 2005, 1 April 2006 and 31 March 2007	7,042,015
IMPAIRMENT	
At 1 April 2005	–
Impairment loss recognised	2,799,172
At 31 March 2006	2,799,172
Impairment loss recognised	4,242,843
At 31 March 2007	7,042,015
CARRYING AMOUNT	
At 31 March 2007	–
At 31 March 2006	4,242,843

For the purpose of impairment testing, goodwill is allocated to an individual cash generating unit (CGU) which is engaged in manufacture and sales of goods and is expected to benefit from that business combination.

The basis of the recoverable amounts of the CGU and its major underlying assumption is summarised below:

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses the estimation of the cash flow projections based on financial budgets approved by management covering a 5-year period, and discount rate of 10%. The discount rate represented the expected return of the CGU with reference to the market. Another key assumption for the value in use calculation is the budgeted gross margin, which is determined based on the unit's past performance and management's expectations for the market development.

Expected future cash flow dropped mainly due to reduction in budgeted future sales as the Group decided to focus its productions through its other production lines. Accordingly, during the year ended 31 March 2007, the Group recognised an impairment loss of HK\$4,242,843 (2006: HK\$2,799,172).

19. DEPOSITS PAID

	2007 <i>HK\$</i>	2006 <i>HK\$</i>
Deposit for acquisition of a property in the PRC (<i>Note a</i>)	–	18,000,000
Deposit for acquisition of an interest in a property development project (<i>Note b</i>)	–	6,000,000
	–	24,000,000
Less: amounts due within one year shown under other receivables and prepayments	–	(6,000,000)
	–	18,000,000

Notes:

- (a) The amount had been transferred to investment properties during the year per note 15 to the consolidated financial statements.
- (b) The amount was fully settled during the year pursuant to a settlement agreement signed between the Group and the vendor on 28 January 2005.

20. INVENTORIES

	2007 <i>HK\$</i>	2006 <i>HK\$</i>
Raw materials	6,310,889	5,667,890
Work in progress	1,014,571	748,715
Finished goods	5,438,696	2,250,232
	<u>12,764,156</u>	<u>8,666,837</u>

21. TRADE AND BILLS RECEIVABLES

	2007 <i>HK\$</i>	2006 <i>HK\$</i>
Aged analysis of trade receivables:		
Within 60 days	14,779,000	23,504,215
61 – 150 days	22,632,207	2,389,250
More than 150 days	–	44,190
	<u>37,411,207</u>	<u>25,937,655</u>
Discounted bills receivables aged within 60 days	1,487,085	1,160,396
	<u>38,898,292</u>	<u>27,098,051</u>

The Group allowed a credit period ranging from 30 days to 150 days to its trade customers.

22. LOAN RECEIVABLES

	2007 <i>HK\$</i>	2006 <i>HK\$</i>
Loans advanced for property development projects (<i>Note a</i>)	–	46,710,000
Loans advanced for management of investment properties (<i>Note b</i>)	6,884,950	–
	<u>6,884,950</u>	<u>46,710,000</u>

Notes:

- (a) The loans were unsecured, carried a total return of 10% over the loan period of four years and were fully settled during the year. The average effective interest rate was 2.34% per annum for both years.
- (b) 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. The loans were unsecured, bearing interest at The People's Bank of China lending rate per annum and repayable within one year. The average effective interest rate ranging from 6.12% to 6.39% per annum for the year.

23. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits which carry fixed interest rate ranging from 1.90% to 1.95% (2006: 0.25% to 2.50%) per annum with an original maturity of three months or less.

24. TRADE PAYABLES

	2007 <i>HK\$</i>	2006 <i>HK\$</i>
Aged analysis of trade payables:		
Within 60 days	13,535,064	13,645,033
61 – 150 days	–	31,685
More than 150 days	–	500
	<u>13,535,064</u>	<u>13,677,218</u>

25. BANK BORROWINGS

	2007 <i>HK\$</i>	2006 <i>HK\$</i>
Bank borrowings comprise the following:		
Bank loans – secured	57,483,861	17,437,000
– unsecured	11,487,085	6,970,108
	<u>68,970,946</u>	<u>24,407,108</u>

The bank borrowings are repayable as follows:

Within one year	28,740,106	16,298,108
More than one year and not more than two years	6,500,377	2,328,000
More than two years and not more than three years	6,768,752	2,328,000
More than three years and not more than four years	5,851,389	2,328,000
More than four years and not more than five years	5,030,399	1,125,000
More than five years	16,079,923	–
	<u>68,970,946</u>	<u>24,407,108</u>
Less: Amounts due within one year shown under current liabilities	<u>(28,740,106)</u>	<u>(16,298,108)</u>
Amounts due after one year	<u>40,230,840</u>	<u>8,109,000</u>

The directors believe that the fair values of the bank borrowings estimated by discounting their future cash flows at the prevailing market borrowing rates at 31 March 2007 approximate to the corresponding carrying amounts.

The average effective interest rates of the borrowings are ranging from 4.96% to 8.14% (2006: 3.56% to 6.47%) per annum.

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

Denominated in	2007 HK\$	2006 HK\$	Interest rate
Hong Kong dollars	19,113,800	18,437,000	Hong Kong Inter-bank Offered Rate plus 1.5% to 2.25%
Hong Kong dollars	39,857,146	1,160,396	Hong Kong Prime Rate or Hong Kong Prime Rate minus 1.5%
Renminbi	10,000,000	4,809,712	5% discount on The People's Bank of China lending rate
	<u>68,970,946</u>	<u>24,407,108</u>	

At 31 March 2007, there were bank borrowings amounting to approximately HK\$40,370,000 (2006: HK\$7,000,000) denominated in Hong Kong dollars which was not the functional currency of those subsidiaries.

26. SHARE CAPITAL

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

	Number of shares		Nominal value	
	2007	2006	2007 HK\$	2006 HK\$
Ordinary shares of HK\$0.10 each:				
Authorised:				
At beginning and end of the year	<u>1,000,000,000</u>	<u>1,000,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>
Issued and fully paid:				
At beginning of the year	424,000,100	424,000,100	42,400,010	42,400,010
Shares issued	<u>20,000,000</u>	<u>–</u>	<u>2,000,000</u>	<u>–</u>
At end of the year	<u>444,000,100</u>	<u>424,000,100</u>	<u>44,400,010</u>	<u>42,400,010</u>

On 23 November 2006, the Company issued 20,000,000 ordinary shares to a third party (the "Vendor") at HK\$0.43 per share, with a total amount of HK\$8,600,000 as part of the consideration for acquiring assets and liabilities through acquisition of a company from the Vendor. Details of such acquisition are disclosed in note 27(b) to the consolidated financial statements.

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

27. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES

- (a) On 24 July 2006, the Group acquired an investment property in the PRC and its related assets and liabilities, at a consideration of HK\$90,259,019 from the substantial shareholder of the Group. The purchase was by way of acquisition of the entire issued share capital of Jet Star Industries Limited. This transaction has been reflected as a purchase of assets and liabilities.

HK\$

Net assets acquired:

Investment property	133,523,000
Property, plant and equipment	35,364
Trade receivables	302,230
Other receivables, deposits and prepayments	47,302
Bank balances and cash	601,090
Trade payables	(929,926)
Payables, deposits received and accrued charges	(9,668,050)
Income tax payable	(321,554)

123,589,456

Contribution from the substantial shareholder credited to special reserve

(33,330,437)

90,259,019

Total consideration satisfied by cash

90,259,019

Net cash outflow arising on acquisition:

Bank balances and cash acquired	601,090
Cash consideration paid	(90,259,019)
	(89,657,929)

Note: The amount which represented the excess of fair value of assets and liabilities acquired through the acquisition of a subsidiary over the consideration paid or payable is deemed as capital contribution from the substantial shareholder and is credited to special reserve.

- (b) On 23 November 2006, the Group acquired an investment property in Hong Kong and its related assets and liabilities, at a consideration of HK\$20,819,802 from an independent third party. The purchase was by way of acquisition of the entire issued share capital of Hop Shing Trading Limited. This transaction has been reflected as a purchase of assets and liabilities.

HK\$

Net assets acquired:

Investment property	20,830,167
Bank balance	3,635
Accrued charges	(14,000)
	<u>20,819,802</u>

Total consideration satisfied by:

Cash consideration	12,219,802
Shares issued (<i>Note</i>)	8,600,000
	<u>20,819,802</u>

Net cash outflow arising on acquisition:

Bank balances	3,635
Cash consideration paid	(12,219,802)
	<u>(12,216,167)</u>

Note: As part of the consideration, 20,000,000 ordinary shares of the Company with par value of HK\$0.10 each were issued at market price HK\$0.43 per share at the date of the acquisition with a total amount of HK\$8,600,000.

28. MAJOR NON-CASH TRANSACTIONS

As disclosed in note 27(b), the Company issued 20,000,000 ordinary shares on 23 November 2006 with a total amount of HK\$8,600,000 as part of the consideration for acquiring an investment property in Hong Kong and its related asset and liabilities.

29. OPERATING LEASE ARRANGEMENTS

The Group as lessee:

At 31 March 2007, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2007 HK\$	2006 HK\$
Within one year	680,790	946,168
In the second to fifth year inclusive	<u>–</u>	<u>375,084</u>
	<u>680,790</u>	<u>1,321,252</u>

Leases are negotiated for terms of one year (2006: one to three years) with fixed monthly rentals over the lease terms.

The Group as lessor:

At 31 March 2007, the Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2007 <i>HK\$</i>	2006 <i>HK\$</i>
Within one year	4,729,936	2,663,300
In the second to fifth year inclusive	6,746,416	7,309,828
Over five years	400,960	1,360,000
	<u>11,877,312</u>	<u>11,333,128</u>

Leases are negotiated for terms ranging from one to seven years (2006: one to eight years) with fixed monthly rentals over the lease terms.

30. CAPITAL COMMITMENT

At 31 March 2007, the Group had the following capital commitment in respect of acquisition of investment properties and property, plant and equipment:

	2007 <i>HK\$</i>	2006 <i>HK\$</i>
Contracted but not provided for in the consolidated financial statements	–	4,043,000

31. PLEDGE OF ASSETS

At 31 March 2007, 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\$154,170,000 (2006: HK\$29,030,000).
- (b) Leasehold land and buildings with an aggregate carrying value of HK\$26,645,549 (2006: HK\$22,150,254).
- (c) Prepaid lease payments with an aggregate carrying value of HK\$6,515,207 (2006: HK\$5,129,029).

32. 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 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, 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.

No share option was granted or exercised during the two years ended 31 March 2007 and there are no share options outstanding as at 31 March 2007 and 2006.

33. 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 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\$657,957 (2006: HK\$698,216).

As at 31 March 2007 and 2006, 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.

34. POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date:

- (a) The Group disposed of investment properties and leasehold building with carrying value of approximately HK\$30,400,000 and HK\$18,708,000 to independent third parties at consideration of HK\$30,000,000 and HK\$29,000,000 respectively.
- (b) The Company placed 64,800,000 shares at a price of HK\$0.45 per share.
- (c) The authorised share capital of the Company is 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\$0.10 each.
- (d) On 17 July 2007, the Company entered into a placing agreement to place 104,960,000 shares at a price of HK\$0.45 per share.
- (e) On 17 July 2007, the Company entered into a convertible notes placing agreement to procure the placing for convertible notes with principal amount up to HK\$500,000,000. The notes are convertible into shares of the Company at HK\$0.40 per share. The agreement is subject to the approval of shareholders of the Company in a special general meeting.

35. RELATED PARTY TRANSACTIONS

Other than the acquisition of a subsidiary from the Chairman of the Group as disclosed in note 27(a), during the year, the following related party transactions took place:

(i) Transactions with directors’ related companies:

Name of party	Directors who have interest	Nature of transactions	2007 HK\$	2006 HK\$
Dawnvast Ltd.	Mr. Cheng Lok Hing Mr. Cheng Chun Kit	Rental expense	308,000	369,000
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	192,000	192,000

(ii) Transactions with a minority shareholder:

Name of party	Nature of transaction	2007 HK\$	2006 HK\$
東莞市橋光實業集團公司 Dongguan City Qiao Guang Industrial Group Company	Rental expenses	926,815	891,168

(iii) Compensation of key management personnel

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

	2007 HK\$	2006 HK\$
Short-term benefits	9,012,319	8,128,098
Post-employment benefits	24,000	24,000
	<u>9,036,319</u>	<u>8,152,098</u>

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

36. SUBSIDIARIES

Particulars of the subsidiaries at 31 March 2007 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
Hop Shing Trading Limited	British Virgin Islands/Hong Kong	HK\$8	100%	Property holding
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
Mascotte Industrial Associates (Hong Kong) Limited	Hong Kong	HK\$2	100%	Trading of accessories for photographic, electrical and multimedia products
Mascotte Investments Limited	Hong Kong	HK\$1,000 HK\$1,000,000*	100%	Property holding
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

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
Mascotte Hui Zhou Limited	British Virgin Islands/PRC	US\$1	100%	Investment holding
Mascotte Overseas Limited	British Virgin Islands/Macau	US\$1,795,000	100%	Inactive
Mascotte Photographic Trading Limited	British Virgin Islands/Macau	US\$1	100%	Inactive
Newland Kingdom Limited	Hong Kong	HK\$9,998 HK\$2*	100%	Inactive
Jet Star Industries Limited	Hong Kong/PRC	HK\$998 HK\$2*	100%	Property holding
Tak Ya Leather Goods Manufactory Limited	British Virgin Islands/PRC	US\$1	100%	Investment holding
Wave Mark Limited	Hong Kong	HK\$1	100%	Property holding

* 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.

2. INDEBTEDNESS

At the close of business on 31 May 2008, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Prospectus, the Group had outstanding obligation under a hire purchase contract of approximately HK\$0.2 million. A motor vehicle of the Group with net book value of approximately HK\$0.2 million as at 31 May 2008 has been pledged under the hire purchase contract.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have outstanding at the close of business on 31 May 2008 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 Group since 31 May 2008.

3. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the present financial resources, obligation under a hire purchase contract and the estimated net proceeds from the Rights Issue, in the absence of unforeseen circumstances, the Group has sufficient working capital for its present requirements in at least the next twelve months following the date of this Prospectus.

STATEMENT OF UNAUDITED PRO FORMA CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following is an unaudited pro forma statement of consolidated net tangible assets of the Group which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Rights Issue as if it had been undertaken and completed on 30 September 2007. This statement has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the financial position of the Group on the completion of the Rights Issue.

	Unaudited consolidated net tangible assets of the Group attributable to the Shareholders as at 30 September 2007 (Note ii) HK\$'000	Estimated net proceeds from the Rights Issue (Note iii) HK\$'000	Unaudited pro forma consolidated net tangible assets of the Group attributable to the Shareholders after the Rights Issue HK\$'000	Unaudited consolidated net tangible assets per Share as at 30 September 2007 (Note iv) HK\$	Unaudited pro forma consolidated net tangible assets per Share after the Rights Issue (Note v) HK\$
Rights Issue of 471,130,050 Shares (Note i)	414,183	67,703	481,886	0.44	0.34

Notes:

- (i) Assuming that the Rights Issue had been undertaken and completed on 30 September 2007, 471,130,050 Rights Shares would have been issued on the basis of one Rights Share for every two existing Shares as at 30 September 2007.
- (ii) The amount of the unaudited consolidated net tangible assets of the Group attributable to the Shareholders as at 30 September 2007 is derived from the Interim Report of the Company.
- (iii) The estimated net proceeds from the Rights Issue is based on 471,130,050 Rights Shares in note (i) above being issued at a price of HK\$0.15 per Rights Share, after deduction of estimated related expenses of approximately HK\$2,967,000.
- (iv) The calculation of the unaudited consolidated net tangible assets per share is based on 942,260,100 Shares in issue as at 30 September 2007.
- (v) The calculation of the unaudited pro forma consolidated net tangible assets per Share after the Rights Issue is based on 1,413,390,150 Shares being the total of 942,260,100 Shares in issue as at 30 September 2007 and 471,130,050 Rights Shares assumed to have been issued had the Rights Issue been undertaken and completed on 30 September 2007.



Mazars CPA Limited
34th Floor, The Lee Gardens,
33 Hysan Avenue,
Causeway Bay, Hong Kong

10 July 2008

The Directors
Mascotte Holdings Limited
1st Floor, Po Chai Industrial Building
28 Wong Chuk Hang Road
Aberdeen
Hong Kong

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”) set out on page 64 under the heading of Statement of Unaudited Pro Forma Consolidated Net Tangible Assets of the Group in Appendix II of the Company’s prospectus dated 10 July 2008 (the “Prospectus”) in connection with the proposed rights issue (the “Rights Issue”) of the Company on the Main Board of The Stock Exchange of Hong Kong Limited. 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 Rights Issue might have affected the financial information of the Group as at 30 September 2007. The basis of preparation of the pro forma financial information is set out on page 64 to the Prospectus.

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 2007 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

1. RESPONSIBILITY STATEMENT

This Prospectus includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus 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 authorized and issued share capital of the Company as at the Latest Practicable Date were as follows:

HK\$

Authorized:

<u>10,000,000,000</u>	Shares	<u>1,000,000,000</u>
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Issued and fully paid or credited as fully paid:

<u>1,906,160,100</u>	Shares as at the Latest Practicable Date	<u>190,616,010</u>
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Issued share capital upon completion of the Rights Issue:

1,906,160,100	Shares as at the Latest Practicable Date	190,616,010
953,080,050	Rights Shares to be allotted and issued under the Rights Issue	95,308,005
<u>2,859,240,150</u>		<u>285,924,015</u>

All of the Rights Shares to be issued will rank pari passu in all respects with each other, including, in particular, as to dividends, voting rights and capital, and with all Shares in issue as at the date of allotment and issue of the Rights Shares. The Rights Shares to be issued will be listed on the Stock Exchange.

No part of the share capital or any other securities of the Company is listed or dealt in or on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

Dealings in the Shares may be settled through CCASS and you should consult a licensed securities dealer, bank manager, solicitors, professional accountant or other professional adviser for details of these settlement arrangements and how such arrangements may affect your rights and interest.

As at the Latest Practicable Date, (i) the Company is authorised to grant Options to subscribe up to an aggregate of 190,616,010 Shares under the scheme mandate limit available to the Company under the Share Option Scheme and (ii) the Issue Mandate, which authorizes the Directors to issue and allot up to 381,232,020 Shares, has not been utilized.

3. DISCLOSURE OF INTERESTS

(a) Interest of Directors

As at the Latest Practicable Date, the interests or short position 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 (i) 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); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in Shares:

Name of Director	Capacity	Approximately	
		Number of Shares	% of shareholding
Mr. Lam Suk Ping (Note)	Beneficial owner	2,000,000	0.1%

Note: Mr. Lam Suk Ping is the executive Director of the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules to be notified to the Company and the Stock Exchange.

(b) Interests of substantial Shareholders

As at the Latest Practicable Date, so far as is known to the Directors and the chief executives of the Company, Shareholders (other than a Director or chief executive of the Company) who had an interest or short position in the Shares and underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, 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 member of the Group were as follows:

Name of Shareholder	Capacity	Number of Shares (Long position)	Approximate % of shareholding
Hennabun Capital Group Limited (note 1)	Interest of Controlled Corporation	112,224,000	5.89%
Unity Investments Holdings Limited (note 2)	Interest of Controlled Corporation	106,126,000	5.57%
Willie International Holdings Limited (note 3)	Interest of Controlled Corporation	97,000,000	5.09%
Freeman Corporation Limited (note 4)	Interest of Controlled Corporation	95,384,000	5.00%

Notes:

1. Hennabun Capital Group Limited, a company incorporated in the British Virgin Islands whose controlling shareholder is Mr. Chuang Eugene Yue-Chien. Mr. Chuang Eugene Yue-Chien is not connected with any Directors of the Company.
2. Unity Investments Holdings Limited (stock code: 913), a company listed on the Stock Exchange, is interested in the share capital of the Company indirectly through its wholly-owned subsidiary, Gufalore Investments Limited, and its indirect wholly-owned subsidiary, Great Panorama International Limited, a direct wholly-owned subsidiary of Gufalore Investments Limited.
3. Willie International Holdings Limited (stock code: 273), a company listed on the Stock Exchange, is interested in the share capital of the Company indirectly through its direct wholly-owned subsidiary, Pearl Decade Limited.
4. Freeman Corporation Limited (stock code: 279), a company listed on the Stock Exchange, is interested in the share capital of the Company indirectly through its wholly-owned subsidiary, Asia Hunter Global Limited, and its indirect wholly-owned subsidiary, Smart Jump Corporation, a direct wholly-owned subsidiary of Asia Hunter Global Limited.

Save as disclosed above, as at the Latest Practicable Date, 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 had any 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 are, 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 member of the Group.

4. LITIGATION

As at the Latest Practicable Date, neither the Company nor other members of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service contracts with the Company or any other member of the Group (excluding contracts expiring or determinable by the Company within one year without payment of compensation (other than statutory compensation)).

6. MATERIAL ADVERSE CHANGE

As disclosed in the announcement of the Company dated 19 June 2008, the Group's annual results for the year ended 31 March 2008 may have significantly declined from the previous financial year or may even be a loss. Such decline is primarily due to the realized and unrealized losses of financial assets at fair value through profit or loss (the "Losses of Financial Assets") arising from the Company's treasury activities and as a result of the adverse changes in the global financial and economic environment as well as the steep decline in the local equity market, particularly in the first quarter of 2008. Based on information currently available, the Losses of Financial Assets is estimated to be around HK\$221.0 million for the year ended 31 March 2008, comprising realized loss and unrealized loss of approximately HK\$59.7 million and HK\$161.3 million respectively. As at the Latest Practicable Date, the financial closing process and annual audit of the Group for the year ended 31 March 2008 are still in progress. Accordingly, the estimated losses mentioned herein may be subject to changes upon completion of the aforesaid financial closing process and annual audit.

Saved as aforesaid or otherwise disclosed in this Prospectus, as at the Latest Practicable Date the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2007, being the date to which the latest published audited accounts of the Group were made up.

7. EXPERT'S QUALIFICATION AND CONSENT

Mazars CPA Limited has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion of its letter and references to its name in the form and context in which it appears.

The following is the qualification of the expert who has given its opinion or advice which is contained in this Prospectus:

Name	Qualification
Mazars CPA Limited	Certified Public Accountants

As at the Latest Practicable Date, Mazars CPA Limited was not beneficially interested in the share capital of any member of the Group nor had any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for or to nominate persons to subscribe for securities in any member of the Group nor had any interest, either direct or indirect, in any assets which had been, since 31 March 2007, the date to which the latest published audited financial statements of the Company were made up, acquired by or disposed of or leased to or were proposed to be acquired by or disposed of or leased to any member of the Group.

8. EXPENSES

The expenses in connection with the Rights Issue, including underwriting commission, printing, registration, translation, legal and accountancy charges are estimated to amount to approximately HK\$5 million and are payable by the Company.

9. PARTICULARS OF DIRECTORS

Name	Address
Peter Temple Whitelam	2 Floor North (LIU), 8 Tung Shan Terrace, Stubbs Road, Wanchai, Hong Kong
Chung, Wilson	1st Floor, Po Chai Industrial Building, 28 Wong Chuk Hang Road, Aberdeen, Hong Kong
Au Yeung Kai Chor	Flat 8, 26/F., Tower C, Elizabeth House, 250-254 Gloucester Road, Wanchai, Hong Kong
Lam Suk Ping	Flat C, 18/F., Block 6, Highland Park, 11 Lai Kong Street, Kwai Chung, New Territories
Chan Sze Hung	Flat 1, Block C, 26/F., Beverly Hill Apartment, No.6 Broadwood Road, Happy Valley, Hong Kong
Kristi L Swartz	Flat A, 10/F., The Rednaxela, 1 Rednaxela Terrace, Mid-Levels, Hong Kong
Hui Wai Man, Shirley	1C, 2/F., Baker Street, Hunghom, Kowloon

Executive Directors

Mr. Peter Temple WHITELAM, aged 79, is a specialist consultant in global branding and international communications. After graduating from Pembroke College, Oxford University, he joined the BBC before winning a Fulbright Scholarship to study educational radio and television in the United States. Following four years at NBC-TV in New York, he began a long career in advertising, creating national and international campaigns for such clients as British Airways, Unilever, Nabisco, ESPN, Colgate, Cadbury, General Motors, American Express, Nomura Securities, and the Bank of Montreal. Mr. Whitelam has worked as a creative strategist in Boston, New York, London, Montreal, Toronto, Tokyo and Taiwan and received international awards for his ideas. Recently he has been developing brand strategies both for companies and government agencies. This is combined with his knowledge and interest in documentary film. Mr. Whitelam has a long time acquaintance with Asia, having visited and worked in eight different countries in the Asia Pacific region.

Mr. CHUNG, Wilson, aged 56, holds a master's degree in science and a master's degree in business administration (with Honors) from Cornell Graduate School of Business Administration, the United States of America. He has over 23 years' experience in corporate finance and banking.

Mr. AU YEUNG Kai Chor, aged 55, is responsible for the operation and administration in the PRC operation as well as investment and business development activities of the Company. He has over 20 years of experience in casino business and is a member of the senior management of a casino operator. He had engaged in the daily operations of VIP rooms within several casinos in Macau, namely, Neptune VIP Club (澳門葡京海王會貴賓廳), Sands Shing Dao VIP Club (澳門金沙成都會貴賓廳), Wynn Victory VIP Club (澳門永利勝利會貴賓廳) and Neptuno VIP Club (澳門星際海王星貴賓廳), and another casino on board a vessel, Neptune Cruises (澳門海王星郵輪), which operates in international waters.

Mr. LAM Suk Ping, aged 51, holds a Master degree in Business Administration from the University of Hull, the United Kingdom. He has over 25 years' experience in auditing, finance and accounting, investment and business management.

Independent non-executive Directors

Mr. CHAN Sze Hung, aged 55, has over 20 years of experience in the legal profession and is a consultant of Chan, Lau & Wai, a firm of solicitors in Hong Kong. Mr. Chan is currently a non-executive director of Asia Orients Holdings Limited and an independent non-executive directors of Heritage International Holdings Limited and Radford Capital Investment Limited, all of these companies listed on the Stock Exchange of Hong Kong Limited. Mr. Chan graduated from the University of Hong Kong with a degree in law.

Ms. Kristi L SWARTZ, aged 38, is head of Swartz Solicitors and is also the General Counsel for East Asia Tax Group. Ms. Swartz holds B.B.A., M.B.A. and LL.M. degrees, and is a member of the Law Societies of Hong Kong, England and Wales. Ms. Swartz is

also currently serving as a Legal Counsel to the Honorary Consulate of Lithuania. She was previously the legal adviser to the Consulate of Uruguay, a solicitor at Sinclair Roche & Temperley and Head Corporate Counsel at Henderson (China) Investment Co., Ltd. She has a wealth of knowledge on legal matters and corporate structuring, and is also well versed in PRC law, company formation and corporate litigation matters.

Ms. HUI Wai Man, Shirley, aged 41, is a practicing accountant in Hong Kong. She has over 20 years of professional experience in public accounting and corporate finance. She is a fellow of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries.

10. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE

Registered office of the Company	Clarendon House 2 Church Street Hamilton HM 11 Bermuda
Head office and principal place of business of the Company in Hong Kong	1st Floor, Po Chai Industrial Building 28 Wong Chuk Hang Road Aberdeen Hong Kong
The Hong Kong branch registrar and transfer office of the Company	Tricor Secretaries Limited 26th Floor, Tesbury Centre 28 Queen’s Road East Wanchai Hong Kong
Legal advisers to the Company	<i>As to Hong Kong law</i> Richards Butler in association with Reed Smith LLP 20th Floor, Alexandra House 16-20 Chater Road Central Hong Kong <i>As to Bermuda law</i> Conyers Dill & Pearman 2901, One Exchange Square 8 Connaught Place Central Hong Kong

Auditors	<p>Mazars CPA Limited Certified Public Accountants 34th Floor, The Lee Gardens 33 Hysan Avenue Causeway Bay Hong Kong</p>
Principal bankers	<p>The Hongkong and Shanghai Banking Corporation Limited Level 10, HSBC Main Building 1 Queens Road Central Hong Kong</p> <p>The Bank of East Asia Limited, Guang Zhou Branch G/F – 3/F Metro Plaza 183 Tian He Bei Road</p>
Authorized representatives	<p>Lam Suk Ping Flat C, 18/F., Block 6 Highland Park 11 Lai Kong Street Kwai Chung New Territories and Lo Yuen Wa Peter 1st Floor Po Chai Industrial Building 28 Wong Chuk Hang Road Aberdeen Hong Kong</p>

11. MATERIAL CONTRACTS

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

- (a) On 2 November 2006, Mascotte Group Limited (a wholly-owned subsidiary of the Company) entered into an agreement with Investlink Venture Limited, an independent third party, in relation to the acquisition of 100% of the issued capital of Hop Shing Trading Limited (“Hop Shing”), a company incorporated under the laws of the British Virgin Islands and a shareholder’s loan owing by Hop Shing, for a total consideration of HK\$20,000,000;

- (b) on 30 May 2007, Mascotte Group Limited (a wholly-owned subsidiary of the Company) entered into an agreement with Great Asia Properties Limited, an independent third party, in relation to the disposal of 100% of the issued capital of Hop Shing and a shareholder's loan owing by Hop Shing, for the consideration of HK\$30,000,000;
- (c) 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;
- (d) on 8 June 2007, the Company entered into a placing agreement with 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;
- (e) on 17 July 2007, the Company entered into a placing agreement with 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) on 17 July 2007, the Company entered into a placing agreement with 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) on 8 August 2007, Mascotte Group Limited (a wholly-owned subsidiary of the Company) entered into an agreement with 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) on 8 August 2007, Mascotte Hui Zhou Limited (a wholly-owned subsidiary of the Company) entered into an agreement with 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 Peoples' Republic of China 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; and
- (j) the Underwriting Agreement.

12. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

A copy of each of Prospectus Documents, having attached thereto the written consent referred to under the paragraph headed “Expert’s Qualification and Consent” in this appendix, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance. A copy of each of the Prospectus Documents will as soon as reasonably practicable be delivered to the Registrar of Companies in Bermuda for filing in accordance with the requirements of the Companies Act.

13. GENERAL

- (a) The company secretary and qualified accountant of the Company is 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.
- (b) The registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the principal place of business in Hong Kong is 1st Floor, Po Chai Industrial Building, 28 Wong Chuk Hang Road, Aberdeen, Hong Kong.
- (c) The branch share registrar of the Company is Tricor Secretaries Limited, 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong.
- (d) There is no contract or arrangement entered into by any member of the Group, subsisting as at the date of the Prospectus in which any of the Directors is materially interested and which is significant in relation to the business of the Group as a whole.
- (e) The English text of this circular will prevail over the Chinese text.

14. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the head office and principal place of business of the Company in Hong Kong at 1st Floor, Po Chai Industrial Building, 28 Wong Chuk Hang Road, Aberdeen, Hong Kong from the date of the Prospectus up to and including 24 July 2008:

- (a) the Memorandum of Association and the Bye-laws of the Company;
- (b) the annual reports of the Company for the three financial years ended 31 March 2005, 31 March 2006 and 31 March 2007;
- (c) the interim report of the Group for the six months ended 30 September 2007;
- (d) the letter from Mazars CPA Limited on statement of unaudited pro forma consolidated net tangible assets of the Group dated 10 July 2008, the text of which is set out on pages 65 to 66 to the Prospectus;
- (e) the Underwriting Agreement;
- (f) the written consent referred to in the paragraph headed “Expert’s Qualification and Consent” in this appendix; and
- (g) all material contracts referred to in the paragraph headed “Material contracts” in this appendix.