JETS TECHNICS
INTERNATIONAL HOLDINGS LIMITED
(a company incorporated in Bermuda with limited liability)

Recycling Industry Creates
Environmentally-friendly Environment And
Preserves Natural Resources

Annual Report 2008

Recycling Industry Creates Environmentally-friendly Environment And Preserves Natural Resources

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Corporate Information

BOARD OF DIRECTORS :	So Tat Wing (Chairman and Managing Director) So Tat Cho (Executive Director) Ong Chor Wei (Non-executive Director) Au Chun Kwok Augustus (Independent Non-executive Director) (resigned on 18 February 2008) Seah Hou Kee (Independent Non-executive Director) Cheung King Kwok (Independent Non-executive Director)
JOINT COMPANY SECRETARIES :	Chung Ka Kui, FCCA, CPA Tan Min-Li, LLB (Hons), LLM
ASSISTANT COMPANY SECRETARY :	Ira Stuart Outerbridge III, FCIS
AUDIT COMMITTEE :	Seah Hou Kee (Chairman) Cheung King Kwok Ong Chor Wei
NOMINATING COMMITTEE :	Cheung King Kwok (Chairman) (appointed on 18 February 2008) Au Chun Kwok Augustus (Chairman) (resigned on 18 February 2008) Seah Hou Kee So Tat Wing
REMUNERATION COMMITTEE :	Cheung King Kwok (Chairman) Ong Chor Wei Seah Hou Kee (appointed on 18 February 2008) Au Chun Kwok Augustus (resigned on 18 February 2008)
REGISTERED OFFICE :	Clarendon House 2 Church Street Hamilton HM 11 Bermuda
PRINCIPAL PLACE OF BUSINESS :	18th Floor, Saxon Tower 7 Cheung Shun Street Cheung Sha Wan Kowloon, Hong Kong Tel: (852) 2782 9088 Fax: (852) 2388 6627/2385 8433
SINGAPORE SHARE TRANSFER AGENT :	Boardroom Corporate & Advisory Services Pte. Ltd. 3 Church Street #08-01 Samsung Hub Singapore 049483

Corporate Information

BERMUDA SHARE REGISTRAR :	Codan Services Limited Clarendon House 2 Church Street Hamilton HM 11 Bermuda
AUDITORS :	Baker Tilly Hong Kong Limited Certified Public Accountants 12th Floor, China Merchants Tower Shun Tak Centre 168-200 Connaught Road Central Sheung Wan, Hong Kong Partner-in-charge: Mr. Andrew David Ross (Appointment since FY2006)
LEGAL ADVISOR TO THE COMPANY AS TO HONG KONG LAW :	Huen & Partners Units 3309-11, 33rd Floor, West Tower Shun Tak Centre 168-200 Connaught Road Central Sheung Wan, Hong Kong
LEGAL ADVISER TO THE COMPANY AS TO BERMUDA LAW :	Conyers Dill & Pearman 50 Raffles Place #18-04 Singapore Land Tower Singapore 048623
PRINCIPAL BANKERS :	Shanghai Commercial Bank Shop No. G502, Tai Yue Avenue Tai Koo Shing Quarry Bay Hong Kong Hang Seng Bank Limited 83 Des Voeux Road Central Hong Kong Industrial and Commercial Bank of China (Asia) Limited ICBC Tower 122-126 Queen's Road Central Hong Kong

The financial year ended 31 May 2008 ("FY2008") was another tough and challenging year for our Group. The US sub-prime mortgages issues which arose in 2007 weakened global economic growth in FY2008. Our Group was not spared from the conditions of slow growth, the appreciation of value of the Renminbi ("RMB") and the rising prices of energy and commodities in the past year. Besides, our Group's inability to develop the business of repossessing, recovering and recycling of waste tyres at the EcoPark according to plan due to infrastructure-related problems at the EcoPark had adversely affected our financial performance for FY2008.

Financial Review

During FY2008, our Group increased its marketing resources by expanding its sales team and by participating in various exhibitions. Our Group's revenue for FY2008 grew marginally by 1.78% to HK$69.19 million. Although such efforts did not yield significant contribution for the year, we believe that our Group has built its reputation and image for the future development of the market.

We also experienced drastic increase in material costs and rising operating costs in the People's Republic of China (the "PRC") due to appreciation of RMB, our gross profit dipped by 65.20% to HK$3.64 million in FY2008.

Toward the year end of FY2008, our Group outsourced the manufacturing operations of our subsidiary, Guangzhou Jets Recycled Products Co., Ltd. ("Guangzhou Jets") to independent suppliers in order to reduce costs and provisions of approximately HK$3.13 million was made for the dissolving cost of Guangzhou Jets at the financial year end of FY2008.

As a result of lower gross profit margin and higher operating costs, our Group incurred a loss before tax of HK$36.89 million in FY2008, higher than HK$24.82 million in FY2007.

Correspondingly, our Group recorded a loss per share of 14.99 HK cents in FY2008, compared to a loss per share of 10.08 HK cents in FY2007. The net asset value per share was 6.41 HK cents as at 31 May 2008, compared to 20.77 HK cents a year ago.

Event After Balance Sheet Date

Subsequent to the year under review, a fire broke out at the Tai Po Production Plant (the "Plant") of Jets Technics Limited, a subsidiary on the night of 18 August 2008 (the "Incident"). Some areas of the Plant for the storage of materials and goods and some areas for the preliminary breakdown processes of waste wood, waste plastic and old tyres were destroyed. From the preliminary assessment of the management, the Incident has resulted in damage to raw materials, semi-finished goods and some machinery with a net book value of around HK$4.5 million. The management does not expect this incident to have significant impact on the Group's operations as production in the unaffected areas has already been resumed. Since the financial impact is subject to the final agreement with the insurance company, the Company is unable, at this stage, to provide an accurate assessment of the financial impact of the Incident, which will be accounted for in FY2009. Nevertheless, Jets Technics Limited is insured for its inventories, machinery and equipment for a total amount of HK$6.2 million which is considered well above the value of the estimated loss of HK$4.5 million.

Prospects

Moving forward, 2009 would remain challenging due to current concerns arising from uncertainties in the US and its effects on global economy, inflationary pressures and arising energy cost.

However, the Government of Hong Kong SAR has recently passed the Product Eco-responsibility (PER) Ordinance which has provided a legal framework for the purposes of reducing the environment impact of various types of products such as plastic shopping bags, vehicle tyres, electrical and electronic equipment and to introduce producer responsibility schemes based on the "polluter pays" principle or other measures to share the responsibility for the reduction in the use, or the recovery, recycling or proper disposal of those products. As a company engaged in the recycling business for years in Hong Kong, we believe that it will help to provide the Company a better platform and vision for the development of our business in the long run.

To remain competitive, we will continue our initiatives to streamline and rationalize our operations to reduce cost. We also aim to implement cost savings measures, to strengthen our internal risk management controls, and to focus our sales efforts on selected Asian markets which are still expanding,

To address the low cash position of our Group, the Group has appointed a professional services firm, an affiliate of the external auditors of the Company, to carry out a specific review of its cash flow forecast for FY2009 and to come out with recommendations to improve its cash position. The Company will make an announcement on the results of the review and recommendations in due course.

Appreciation

Last but not least, I, on behalf of the board of directors, would like to extend my appreciation and gratitude to our management team and all staff for their great efforts and devotion to the Group and to the Company throughout the year. I also wish to express my thanks to our shareholders, customers, suppliers and business partners for their trust and continuing support.

Thank you.

So Tat Wing
Chairman and Managing Director
5 September 2008

Financial Highlights

	2008 HK$'000	2007 HK$'000
Operating Results		
Revenue	69,194	67,979
Gross profit	3,637	10,455
Loss before tax	(36,890)	(24,823)
Loss after tax	(36,935)	(24,823)
Net loss attributable to shareholders	(36,935)	(24,823)
Loss per share (HK cents)	(14.99)	(10.08)
Financial Position		
Total assets	70,836	82,375
Total debts	22,424	12,637
Shareholders' equity	15,799	51,178
Debt to equity ratio (times)	1.42	0.25
Cash Flows		
Net cash used in operating activities	(11,105)	(14,516)
Cash and cash equivalents		
– in the consolidated balance sheet	3,518	6,658
– in the consolidated cash flow statement	(1,371)	6,211

Financial And Operations Review

Overview

Jets Technics International Holdings Limited and its subsidiaries (together the "Group") are principally engaged in designing, producing and selling of environmentally-friendly recyclable products. The Group either sells its products directly to customers under its proprietary brands or manages entire construction projects from designing, producing, supplying to installation. Currently, the Group has a product development and design centre, which houses its team of in-house engineers and designers and production facilities in Hong Kong and the People's Republic of China (the "PRC").

The Group's product range may be categorised as follows:

Safety Surface:

These are safety surface mats used for lining the floors of playgrounds, indoor flooring and wall protection. These are made principally from recycled tires.

Sports Surface:

These are surfaces used for lining the floors of indoor and outdoor recreational facilities such as jogging tracks, gymnasiums, tennis courts, golf driving ranges, indoor games halls and changing rooms. These are made principally from recycled tires.

Garden Furniture:

These include benches, pergolas, covered walkways, shelters, fencing, bins and bicycle racks. These are made principally from recycled plastic wood.

Playground Equipment:

These include slides, multi-play systems, merry-go-rounds and swings used in both indoor and outdoor playgrounds.

Other Recyclable Products:

These include products made from recycled plastic wood such as foot massage tiles.

Income Statement

Revenue

Revenue increased by approximately HK$1.21 million or 1.78%, from HK$67.98 million in FY2007 to HK$69.19 million in FY2008.

Revenue	2008		2007		Year-on-year
	HK$'000	%	HK$'000	%	% change
Safety surface	11,795	17.04	12,934	19.03	(8.81)
Sports surface	10,682	15.44	13,394	19.70	(20.25)
Playground equipment	10,206	14.75	11,366	16.72	(10.21)
Garden furniture	25,629	37.04	20,527	30.20	24.86
Other products and services	10,882	15.73	9,758	14.35	11.52
Total	69,194	100.00	67,979	100.00	1.79

The increase in revenue was mainly attributed to the increase in sales to local market to HK$61.91 million in FY2008 from HK$58.38 million in FY2007. The increase was offset by decrease in sales to overseas markets.

Sales of garden furniture and other recyclable products increased by approximately HK$5.10 million or 24.86% and HK$1.12 million or 11.52% respectively compared to the corresponding previous year. However, sales of safety surface, sports surface and playground equipment decreased by approximately HK$1.14 million or 8.81%, HK$2.71 million or 20.25% and HK$1.16 million or 10.21% respectively from the previous year.

Cost of Sales

Cost of sales increased by approximately HK$8.04 million or 13.98% from HK$57.52 million in FY2007 to HK$65.56 million in FY2008. The increase was primarily due to higher material costs especially for metal components and petro-chemical-related raw materials. The Company also experienced higher production costs due to the appreciation of Renminbi.

Gross profit

As a result of a small increase in turnover and higher increase in cost of sales, gross profit decreased by approximately HK$6.82 million or 65.20%, from HK$10.46 million in FY2007 to HK$3.64 million in FY2008 and gross profit margin decreased from 15.38% in FY2007 to 5.26% in FY2008.

Selling and distribution costs

Selling and distribution costs decreased by approximately HK$0.69 million or 6.60%, from HK$10.46 million in FY2007 to HK$9.77 million in FY2008 owing to lower promotional expenses due to stricter costs control.

The promotional expenses include advertising, trade shows, overseas traveling, entertainment, and other incidental expenses relating to promotional activities in Hong Kong and overseas.

Administrative expenses

Administrative expenses increased by approximately HK$0.51 million or 2.64%, from HK$19.33 million in FY2007 to HK$19.84 million in FY2008. The increase was mainly attributed to legal expenses in respect of:

i) a lawsuit against a machinery supplier; and

ii) legal advice on the EcoPark issue, as mentioned in the Company's announcement on 4 March 2008 and in "Significant factors and trends that may affect the Group in the next 12 months" below.

Other operating expenses

Other operating expenses increased by approximately HK$4.70 million or 83.33%, from approximately HK$5.64 million in FY2007 to HK$10.34 million in FY2008. The increase was mainly attributable to:

i) rental payment for the EcoPark of HK$2.40 million; and

ii) costs relating to dissolving Guangzhou Jets of approximately HK$3.13 million.

The increase was partially offset by severance payments of HK$0.76 million incurred in FY2007 as part of the Group's reorganisation efforts, while only HK$13,000 incurred in FY2008 and the decrease in provision for doubtful debts.

Finance costs

Finance costs increased by approximately HK$0.48 million or 97.96%, from HK$0.49 million in FY2007 to HK$0.97 million in FY2008 due to increase in bank loans and borrowings.

Loss before tax

The Group recorded a loss before tax of HK$36.89 million in FY2008, higher than HK$24.82 million in FY2007, mainly attributed to the lower gross profit margin, legal costs and rentals in respect of the EcoPark and costs in relation to the dissolution of Guangzhou Jets.

Balance Sheet

Non-current assets

As at 31 May 2008, non-current assets amounted to approximately HK$26.34 million, a decrease of HK$5.27 million compared to the corresponding previous year. The decrease was primarily due to depreciation charges, disposal and write-off of property, plant and equipment.

Current assets

As at 31 May 2008, current assets amounted to approximately HK$44.50 million, a decrease of HK$6.27 million compared to the corresponding previous year. This was mainly due to a decline in cash and bank balances, a decrease in accounts receivable, and prepayments, deposits and other receivables. The decrease was partially offset by an increase in inventories of HK$2.20 million. Cash and cash equivalents in the consolidated balance sheet fell by HK$3.14 million due mainly to operating losses and purchasing of fixed assets. During the year, the Group purchased plant and machinery of approximately HK$2.08 million and furniture, equipments and leasehold improvements of approximately HK$0.31 million. Accounts receivable decreased by HK$3.14 million due to improvement in collection. Prepayments, deposits and other receivables decreased by HK$2.19 million due mainly to the prepayment of rental for the EcoPark in FY2007 being recognised in other operating expenses in current year.

Current liabilities

As at 31 May 2008, current liabilities amounted to approximately HK$40.79 million, an increase of HK$17.06 million compared to the corresponding previous year. This was due to the increases in trade and bills payables of approximately HK$4.17 million, accrued liabilities and other payables of approximately HK$4.80 million, deposits received from customers of approximately HK$5.08 million and the increase in current portion of interest-bearing loans and borrowings of approximately HK$3.00 million to finance the working capital.

Non-current liabilities

As at 31 May 2008, non-current liability amounted to approximately HK$14.25 million, an increase of HK$6.78 million compared to the corresponding previous year due to the increase in long-term secured bank loans and borrowings.

Liquidity and cash flow

The Group's cash and cash equivalents in the consolidated balance sheet declined by HK$3.14 million to approximately HK$3.52 million as at 31 May 2008 compared to HK$6.66 million as at 31 May 2007.

Total group borrowings increased to HK$22.42 million as at 31 May 2008 (representing 141.93% of shareholders' fund) from HK$12.64 million as at 31 May 2007 (representing 24.69% of shareholders' fund).

Significant factors and trends that may affect the Group in the next 12 months

As mentioned in previous announcement, towards the end of the financial year ended 31 May 2007, a piece of land at the EcoPark in Hong Kong has been leased by the Group, for the operations of repossessing, recovery and recycling waste tyres. However, during the year under review, the Group has yet to start any operations on the leased land due to infrastructure-related technical problems at the EcoPark. The Company has obtained legal advice and is in the process of resolving the matter.

In May 2008, the Group out-sourced the manufacturing operations of Guangzhou Jets to independent suppliers in order to reduce costs and allow more flexibility for the Company to tackle with the changing environment in the PRC. Provisions have been made in respect of the dissolution of Guangzhou Jets at the year end.

The current financial position of the Group may raise doubts as to whether the Group could be able to sustain operations without additional financial resources. In this regard, the Group has appointed a professional services firm, an affiliate of its external auditor, to carry out a special review of its cash flow forecast for the next twelve months and to recommend ways to improve its financial position. The Board will consider those recommendations and when necessary, the Group will engage a firm of financial advisers to evaluate any recommodations involving prospective corporate finance transactions.

Board Of Directors

EXECUTIVE DIRECTORS

So Tat Wing, Chairman and Managing Director, a co-founder of the Group, was appointed to the Board on 17 February 2004. Mr. So assumes the chief executive officer's role and is primarily responsible for steering strategic corporate directions, overall management and research and development activities of the Group. Mr. So has more than 40 years of engineering-related experience of which 23 years were in the recycling industry, and has been instrumental in our Group's growth and development. Prior to joining the Group in 1988, he started Jets Construction Engineering Company where he was one of the partners and was responsible for steering the corporate directions, planning the business strategies and the overall management of the business from 1983 to 1988. From 1974 to 1983, he was a Technician with the Electrical and Mechanical Department of the Hong Kong Government where he was responsible for machinery maintenance and repair.

So Tat Cho, Executive Director, was appointed to the Board on 17 February 2004. Mr. So is responsible for the production, engineering and installation functions of the Group. He has more than 20 years of experience in the industry and has been instrumental in the Group's growth and development. Prior to joining our Group in 1990, he was one of the partners and the Manager of Jets Construction Engineering Company where he was responsible for production, engineering and installation functions of the business from 1986 to 1990. From 1984 to 1986, he was a Supervisor with First Transport Limited where he was responsible for operating a fleet of vehicles.

NON-EXECUTIVE DIRECTOR

Ong Chor Wei, Non-executive Director, was appointed to the Board on 18 May 2004. He is presently a director of UPB International Capital Limited. He is also currently the non-executive director of Joyas International Holdings Limited, a company listed in Singapore. Mr. Ong is a director of various unlisted companies in Hong Kong and Singapore and was a director of various listed companies in Hong Kong. Mr. Ong has over 18 years of experience in finance and accounting. Mr. Ong graduated from The London School of Economics and Political Science, University of London with a Bachelor of Laws degree. He also holds a Master degree in Business Administration jointly awarded by the University of Wales and University of Manchester. Mr. Ong is an associate member of the Institute of Chartered Accountants in England and Wales and a member of the Hong Kong Institute of Certified Public Accountants.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Seah Hou Kee, Independent Non-executive Director, was appointed to the Board on 18 May 2004. Mr. Seah is currently the Managing Partner of H K Seah & Co, a public accounting firm. He was previously the Audit Director of The J.M. and Co. and the General Manager in charge of finance and administration in Sharp-Roxy Sales (Singapore) Pte Ltd ("Sharp-Roxy"), a member of Sharp Corporation, Japan. He was with Sharp-Roxy from 1986 to 2000. Prior to 1986, Mr. Seah held senior financial and accounting positions in Camco Asia Pte Ltd, Polariod Singapore Pte Ltd and an audit position with Arthur Andersen & Co. Mr. Seah has been a Director of Sincere Management Consultants Pte Ltd, a management consultancy company, since 1997, and Fulyan Pte Ltd, a property investment company, since 1994. He is a member of the Singapore Institute of Directors. Mr. Seah graduated with a Bachelor of Commerce in Accountancy (Honours) from Nanyang University and is a member of the Institute of Certified Public Accountants of Singapore and CPA Australia.

Cheung King Kwok, Independent Non-executive Director, was appointed to the Board on 18 May 2004. Mr. Cheung is presently the managing director of DJS Financial Management Pte Ltd where he provides corporate training and financial consultancy services. Mr. Cheung is currently also an independent non-executive director of Joyas International Holdings Limited, a company listed in Singapore. From 1991 to 2001, Mr. Cheung worked for The Grande Holdings Limited, a company listed in Hong Kong, starting out as a chief finance officer of a division where he was in charge of financial and treasury management, progressing to become its executive director in 1992 in charge of financial and treasury management, mergers, acquisitions, disposals, rehabilitation plans and rights issues from 1997 to 2000. He was appointed executive director of various listed subsidiaries in the group and was responsible for management, strategic planning and corporate restructuring. From 1984 to 1990, Mr. Cheung was an audit manager and senior audit manager of Coopers and Lybrand where he carried out audit, investigations and due diligence reviews. Mr. Cheung obtained a Bachelor of Commerce (Honours) from the University of Manitoba, Canada. He is a member of the Institute of Certified Public Accountants of Singapore and the Hong Kong Institute of Certified Public Accountants.

Au Chun Kwok Augustus, resigned as the independent non-executive director of the Company with effect from 18 February 2008.

Save that So Tat Wing and So Tat Cho are brothers and are deemed to have an interest in the shares held by Jets Technics International Limited, the substantial shareholder of the Company, none of the Directors are related to each other or the substantial shareholders of the Company.

Executive Officers and Senior Staff

Executive Officers

So Chi Chun, joined the Group in December 2006 as the Director Assistant of Jets Technics Limited, the Group's major subsidiary and report to the Board of Directors of Jets Technics Limited. Mr. So obtained a Bachelor of Science in Architecture degree from Barlett School of Architecture, University College London in 2004. Prior to joining the Group, he was a designer of Gravity Partnership Limited. Mr. So is the son of the Chairman and Managing Director, Mr. So Tat Wing.

Chung Ka Kui, Finance Manager, is responsible for the accounting and finance functions of the Group. Mr. Chung has more than 15 years of experience in auditing, accounting and finance. Prior to joining the Group in 2001, he was the Finance Manager of Worldwide Technology Development Ltd. where he was responsible for the accounting and finance functions of the company. From 1996 to 2001, he was the Finance Manager of Chen Hsong Holdings Limited where he was responsible for the finance and accounting functions of the group. From 1993 to 1996, he was the Senior Accountant II of Deloitte Touche Tohmatsu where he was responsible for auditing companies and flotation assignments. From 1991 to 1992, he was a Semi-Senior of Albert Chin, Chow Him & Co., CPA where he was responsible for auditing, taxation and due diligence assignments. From 1990 to 1991, he was a Junior Audit Clerk of K.H. Law Co., CPA where he was responsible for auditing, accounting and taxation. Mr. Chung has a Diploma in Business Administration from the Shue Yan College, Hong Kong and is a fellow member of the Association of Chartered Certified Accountants of the United Kingdom and a member of the Hong Kong Institute of Certified Public Accountants.

Yu Sui Fan, General Sales Manager, is responsible for overall public sector of sales functions of the Group's operations in Hong Kong. Prior to which, she was Marketing Manager of the Group. Prior to joining the Group in 2002, she was a Sales Executive of Wah Lam Building Material Ltd. from 2001 to 2002 and was responsible for the sales functions. From 1994 to 2001, she was a Customer Service Officer of Jets Technics Ltd. where she was responsible for customer service and co-ordination and operation of contracts. From 1989 to 1994, she was a Sales Administrative Officer of Shun Hing Electric Works and Engineering Co. Ltd. where she was involved in administrative works and shipping delivery. Ms. Yu holds a Diploma in Marketing from the Chartered Institute of Marketing.

Senior Staff

Ho Pui Yee, Joey, General Sales Manager, is responsible for the overall private sector and some government sectors of sales functions of the Group's operations in Hong Kong. She joined the Group in August 2001 as a Sales Executive and was promoted to Senior Account Manager on 1 September 2004 and then to the current position on 1 April 2008. She has more than 11 years of experience in sales and marketing. Ms. Ho holds a degree in Business Administration from the Royal Melbourne Institute of Technology.

Yau Wai Tung, Jacky, Marketing Manager, is responsible for the overall sales function of China and overseas makets. Mr. Yau joined the Group in June 2007. Prior to which, he was an Assistant Sales Manager of a well known chemical additive company in Hong Kong. Mr. Yau has more than 8 years of experience in sales and marketing. Mr. Yau attained a degree of Commerce in Management and Marketing from the Curtin University of Technology. After graduation, he accomplished a Postgraduate Diploma in Integrated Marketing Communications from HKU SPACE.

Save as disclosed above, none of the Executive Officers and Senior Staff are related to each other or the substantial shareholders of the Company.

Financial Contents

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DIRECTORS' REPORT

The directors present their report together with the audited financial statements of the Company and of the Group for the financial year ended 31 May 2008.

The Company

The Company was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda on 9 February 2004.

The shares of the Company were listed on the Singapore Exchange Securities Trading Limited (the "SGX-ST") on 30 June 2004.

Principal activities

The principal activity of the Company is investment holding. The principal activities and particulars of the subsidiaries are set out in note 13 to the financial statements.

Results and dividends

Details of the results of the Group for the year ended 31 May 2008 and the state of affairs of the Company and of the Group at 31 May 2008 are set out in the financial statements on pages 21 to 61.

During the year, no interim dividend was declared and paid, and the directors of the Company do not recommend any payment of final dividend this year.

Directors

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

Executive directors:

So Tat Wing	(Chairman and Managing Director)
So Tat Cho	

Non-executive director:

Ong Chor Wei

Independent non-executive directors:

Au Chun Kwok Augustus	(Resigned on 18 February 2008)
Cheung King Kwok	
Seah Hou Kee	

In accordance with Bye-law 86 of the Company, Mr. So Tat Wing and Mr. So Tat Cho will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Arrangements to enable directors to acquire benefits by means of the acquisition of shares and debentures

Neither at the end of the financial year, nor at any time during the financial year, was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Directors' interests in shares and debentures

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest, direct or deemed, in the share capital of the Company and related corporations, except as follows:

	Shares registered in the names of directors		Other shareholdings in which directors are deemed to have an interest	
	As at 1 June 2007	As at 31 May 2008	As at 1 June 2007	As at 31 May 2008
The Company				
So Tat Wing	–	–	171,408,612	171,408,612[1]
So Tat Cho	–	–	171,408,612	171,408,612[1]
Jets Technics International Limited (ordinary shares of US$1.00 each)				
So Tat Wing	15,000	15,000[1]	–	–
So Tat Cho	15,000	15,000[1]	–	–

1. As at the date of this report, Jets Technics International Limited holds 171,408,612 shares in the Company. The Company's directors, namely Mr. So Tat Wing and Mr. So Tat Cho and the Company's ex-director, namely Mr. So Tat Chiu, each holds 30% of the issued and paid-up share capital in Jets Technics International Limited. Accordingly, each of them is deemed to be interested in the 171,408,612 shares in the Company held by Jets Technics International Limited.

Save as disclosed above, there was no change in the above-mentioned interests between 31 May 2008 and 21 June 2008.

Except as disclosed in this report, no director who held office at the end of the financial year had interests, direct or deemed, in shares, convertible securities, share options, warrants or debentures of the Company, or of any related corporations, either at the beginning of the financial year (or date of appointment if later) or at the end of the financial year.

Directors' contractual benefits

Except as disclosed in the financial statements, no director has received or became entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

Share option scheme

(a) Options to take up unissued shares

The Company operates a share option scheme known as the Jets Technics Share Option Scheme (the "Scheme") which was approved by the shareholders of the Company pursuant to resolutions passed on 18 May 2004. The Scheme complies with the relevant rules as set out in Chapter 8 of the SGX-ST Listing Manual. The purpose of the Scheme is to provide employees of the Group and of associated companies with an opportunity to participate in the equity of the Company and to motivate them towards better performance through increased dedication and loyalty. Pursuant to the Scheme, the employees who are also the directors, the controlling shareholders or their associates of the Group and of the associated companies are not eligible to participate the Scheme.

The Scheme is administrated by the Remuneration Committee, which comprises the following three directors:

Cheung King Kwok *(Chairman)*
Ong Chor Wei
Seah Hou Kee

The number of options to be offered to an employee is determined at the discretion of the Remuneration Committee which took into account criteria such as rank, performance, years of service and potential for future development of employee.

The exercise price of the options shall be fixed at (a) a price (the "Market Price") equal to the average of the last dealt prices of the Company's shares on the SGX-ST for the five consecutive market days immediately prior to the relevant date of grant of the options; or (b) a price which is set at a discount to the Market Price provided that the maximum discount shall be 20% of the Market Price as at the date of the grant of the options. Under no circumstances shall the exercise price be less than the nominal value of a share.

Options granted with the exercise price set at the Market Price may be exercised in full or in part after the first anniversary of the date of grant. If the options are granted with an exercise price set at a discount to the Market Price, the options may be exercised in full or in part after the second anniversary of the date of grant. The life span of options granted is 10 years from the date of grant.

Options granted must be taken up within 15 days of the date of grant, upon payment of a nominal consideration of S$1 per grant.

The Scheme is to operate for a maximum of 10 years commencing on the date on which the Scheme was adopted and could be continued for any further period thereafter with the approval of the shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

(b) Unissued shares under option and options exercised

The number of shares available under the Scheme shall not exceed 15% of the issued share capital of the Company on the date preceding the date of relevant grant. The number of outstanding share options under the Scheme is as follows:

	Number of options to be subscribe for ordinary share of the Company						
Date of grant	Balance at 1.6.2007	Granted	Exercised	Cancelled/ Lapsed	Balance at 31.5.2008	Exercise price per share	Exercisable period
9.10.2006	1,620,000	–	–	(330,000)	1,290,000	S$0.04	9.10.2007 to 9.10.2016

Particulars of the options granted in 2006 under the Scheme were set out in the Report of the Directors for the financial year ended 31 May 2007.

No options were granted during the financial year.

No options have been granted at a discount.

Holders of the above share options have no right to participate in any share issue of any other company. No employee or employee of related corporations has received 5% or more of the total options available under the Scheme.

There are no options granted to any of the Company's directors, controlling shareholders or their associates (as defined in the SGX-ST Listing Manual).

Audit Committee

The nature and extent of the functions performed by the Audit Committee are described in the Annual Report under "Corporate Governance Report".

The Audit Committee has recommended to the Board the re-appointment of Baker Tilly Hong Kong Limited, Certified Public Accountants, Hong Kong, as the Company's external auditors at the forthcoming annual general meeting.

Auditors

Baker Tilly Hong Kong Limited will retire and a resolution for their re-appointment as auditors of the Company and its subsidiaries will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

So Tat Wing
Chairman and Managing Director

So Tat Cho
Executive Director

5 September 2008

STATEMENT BY THE DIRECTORS

We, So Tat Wing and So Tat Cho, being two of the directors of Jets Technics International Holdings Limited, do hereby state that, in the opinion of the directors,

(i) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company together with the notes thereto, as set out on pages 21 to 61, are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 May 2008, and of the results, changes in equity and cash flows of the Group, and changes in equity of the Company for the financial year then ended; and

(ii) at the date of this statement, subject to the implementation of the measures referred to in note 2(b) to the financial statements, there are reasonable grounds to believe that the Company will be able to pay off its debts as and when they fall due.

The board of directors approved and authorised these financial statements for issue on 5 September 2008.

ON BEHALF OF THE BOARD

So Tat Wing
Chairman and Managing Director

So Tat Cho
Executive Director

5 September 2008

INDEPENDENT AUDITOR'S REPORT

BAKER TILLY
HONG KONG LIMITED
CERTIFIED PUBLIC ACCOUNTANTS

12/F., China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong

To the shareholders of
Jets Technics International Holdings Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Jets Technics International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 21 to 61, which comprise the consolidated and company balance sheets as at 31 May 2008, the consolidated income statement, the consolidated and company statements of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of the affairs of the Company and of the Group as at 31 May 2008 and of the Group's loss and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Without qualifying our opinion, we draw attention to note 2(b) to the financial statements concerning the adoption of the going concern basis on which the financial statements have been prepared. The Group incurred consolidated net loss of HK$36,935,000 for the year ended 31 May 2008 and had consolidated net current assets of HK$3,711,000 as at 31 May 2008. This condition indicates the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

BAKER TILLY HONG KONG LIMITED
Certified Public Accountants

Hong Kong, 5 September 2008

Andrew David Ross
Practising Certificate number P01183

Consolidated Income Statement

Year ended 31 May 2008

	Note	2008 HK$'000	2007 HK$'000
Turnover	4	69,194	67,979
Cost of sales		(65,557)	(57,524)
Gross profit		3,637	10,455
Other income	5	393	638
Selling and distribution costs		(9,767)	(10,459)
Administrative expenses		(19,840)	(19,327)
Other operating expenses		(10,344)	(5,640)
Loss from operations		(35,921)	(24,333)
Finance costs	6(a)	(969)	(490)
Loss before taxation	6	(36,890)	(24,823)
Income tax	7	(45)	–
Loss for the year attributable to equity shareholders of the Company		(36,935)	(24,823)
Dividends	8	–	–
Loss per share, HK cents	9	(14.99)	(10.08)

The notes on pages 27 to 61 form part of these financial statements.

Consolidated Balance Sheet

At 31 May 2008

	Note	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment	11	12,399	17,267
Prepaid land lease payments	12	13,939	14,295
Deferred tax assets	14	–	45
		26,338	31,607
Current assets			
Inventories	15	19,257	17,059
Prepaid land lease payments	12	355	355
Trade and other receivables	16	21,368	26,696
Cash and cash equivalents	17	3,518	6,658
		44,498	50,768
Current liabilities			
Trade and other payables	18	32,603	18,550
Bank loans and overdrafts, secured	19	8,174	5,168
Current taxation	14	10	10
		40,787	23,728
Net current assets		3,711	27,040
Total assets less current liabilities		30,049	58,647
Non-current liabilities			
Bank loans, secured	19	14,250	7,469
NET ASSETS		**15,799**	**51,178**
CAPITAL AND RESERVES	20		
Share capital		54,200	54,200
Reserves		(38,401)	(3,022)
TOTAL EQUITY		**15,799**	**51,178**

The notes on pages 27 to 61 form part of these financial statements.

Balance Sheet

At 31 May 2008

	Note	2008 HK$'000	2007 HK$'000
Non-current assets			
Investments in subsidiaries	13	72	48,072
Current assets			
Prepayment and deposits		141	136
Amounts due from subsidiaries	13	16,131	47,896
Cash and cash equivalents	17	13	5
		16,285	48,037
Current liabilities			
Trade and other payables	18	231	71
Net current assets		16,054	47,966
NET ASSETS		**16,126**	**96,038**
CAPITAL AND RESERVES	20		
Share capital		54,200	54,200
Reserves		(38,074)	41,838
TOTAL EQUITY		**16,126**	**96,038**

The notes on pages 27 to 61 form part of these financial statements.

Consolidated Statement Of Changes In Equity

Year ended 31 May 2008

	Note	2008 HK$'000	2007 HK$'000
Total equity at 1 June	20	51,178	75,748
Net income recognised directly in equity:			
Exchange differences on translation of the financial statements of subsidiaries outside Hong Kong	20	1,472	209
Net loss for the year	20	(36,935)	(24,823)
Total recognised income and expense for the year and attributable to equity shareholders of the Company		(35,463)	(24,614)
Movements in equity arising from capital transactions:			
Equity-settled share-based transactions	20	84	44
Total equity at 31 May	20	15,799	51,178

The notes on pages 27 to 61 form part of these financial statements.

Statement Of Changes In Equity

Year ended 31 May 2008

	Note	2008 HK$'000	2007 HK$'000
Total equity at 1 June	20	96,038	96,175
Net loss for the year	20	(79,996)	(181)
Equity-settled share-based transactions	20	84	44
Total equity at 31 May	20	16,126	96,038

The notes on pages 27 to 61 form part of these financial statements.

Consolidated Cash Flow Statement

Year ended 31 May 2008

	Note	2008 HK$'000	2007 HK$'000
Operating activities			
Loss before taxation		(36,890)	(24,823)
Adjustments for:			
– Interest income	5	(66)	(433)
– Depreciation	6(d)	5,697	4,682
– Amortisation of prepaid land lease payments	6(d)	356	355
– Impairment loss on trade receivables	6(d)	574	1,113
– Write-back of impairment loss on trade receivables	6(d)	(482)	(879)
– Loss/(gain) on disposal/write-off of property, plant and equipment	6(d)	1,363	(52)
– Equity-settled share-based payment expenses	6(b)	84	44
– Interest expenses	6(a)	969	490
– Effect of foreign exchange rate changes		1,168	16
Operating loss before changes in working capital		(27,227)	(19,487)
Increase in inventories		(2,198)	(3,297)
Decrease/(increase) in trade and other receivables		5,236	(1,129)
Increase in trade and other payables		14,053	7,081
Cash used in operations		(10,136)	(16,832)
Interest paid		(969)	(490)
Tax refunded		–	2,806
Net cash used in operating activities		(11,105)	(14,516)
Investing activities			
Payment for the purchase of property, plant and equipment		(2,397)	(8,193)
Proceeds from disposal/write-off of property, plant and equipment		471	65
Interest received		66	433
Effect of foreign exchange rate changes		–	(161)
Net cash used in investing activities		(1,860)	(7,856)
Financing activities			
Proceeds from new bank loans		17,000	4,000
Repayments of bank loans		(10,655)	(681)
Increase in pledged deposit		(1,000)	–
Net cash generated from financing activities		5,345	3,319
Net decrease in cash and cash equivalents		(7,620)	(19,053)
Cash and cash equivalents at 1 June		6,211	25,055
Effect of foreign exchange rate changes		38	209
Cash and cash equivalents at 31 May	17	(1,371)	6,211

The notes on pages 27 to 61 form part of these financial statements.

1. CORPORATE INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda on 9 February 2004. The Company's shares were listed on the SGX-ST on 30 June 2004. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda. The principal place of business of the Company is located at 18th Floor, Saxon Tower, 7 Cheung Shun Street, Cheung Sha Wan, Kowloon, Hong Kong.

The Company is a subsidiary of Jets Technics International Limited ("Jets International"), a company incorporated in the British Virgin Islands ("BVI"), which is considered by the directors to be the Company's immediate and ultimate holding company at the balance sheet date.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in note 13 to the financial statements.

The Group mainly operates in Hong Kong and employed 190 (2007: 314) employees as at 31 May 2008.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board ("IASB"). A summary of the significant accounting policies adopted by the Group is set out below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and Note 3 provides information on the changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 May 2008 comprise the Company and its subsidiaries (together referred to as the "Group").

The financial statements are presented in Hong Kong dollars ("HK$"), rounded to the nearest thousand. The measurement basis used in the preparation of the financial statements is the historical cost basis.

The Group incurred consolidated net loss of HK$36,935,000 for the year ended 31 May 2008 and had consolidated net current assets of HK$3,711,000 as at 31 May 2008. This condition indicates the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

Nevertheless, the directors had adopted the going concern basis in the preparation of the financial statements of the Company and the Group because the Group is expected to derive sufficient operating cash flow in the next twelve months from the balance sheet date from its operations. In addition, the Group would take relevant measures in the year ending 31 May 2009 to control cash flow of the Group, such as closely monitoring the collection from the debtors as well as actively collecting outstanding trade receivables, implementing vigorous cost-cutting measures immediately, inter alia, disposal of non-productive assets such as motor vehicles and as well reducing the motor car related expenses, managing production costs of the Group, extending and/or maintaining the existing short-term bank loans with various financial institutions, negotiation with banks for higher level of banking facilities, and if necessary, engagement of a firm of financial advisors to arrange equity financing.

In light of the measures as mentioned in the preceding paragraph and the assumptions and conditions adopted in the preparation of the cash flow projection of the Group for the year ending 31 May 2009, there is a basis for the directors to believe that the Group will have sufficient working capital to finance its operations in the next twelve months from the balance sheet date. Accordingly, the directors are satisfied that it is appropriate to prepare the financial statements of the Company and the Group on a going concern basis. The financial statements do not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation of the financial statements (continued)

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

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

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 29.

(c) Subsidiaries

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

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

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 2(f)(ii)).

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses (see note 2(f)(ii)).

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

Buildings	50 years or over the lease terms, whichever is shorter
Leasehold improvements	5 years or over the lease terms, whichever is shorter
Plant and machinery	4 years
Furniture, fixtures and equipment	4 years
Motor vehicles	4 years

Both the useful life of an asset and its residual value, if any, are reviewed annually.

Gains or losses arising from the retirement or disposal of an item or property, plant and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Assets held under operating leases

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term of 50 years. Impairment losses are recognised in accordance with accounting policy set out in note 2(f)(ii).

(f) Impairment of assets

(i) Impairment of receivables

Receivables that are stated at cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, any impairment loss is determined and recognised.

For trade and other receivables, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade and other receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Impairment of assets (continued)

(ii) Impairment of other assets

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

– property, plant and equipment;
– prepaid land lease payments; and
– investments in subsidiaries.

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

– Calculation of recoverable amount

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

– Recognition of impairment losses

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

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(g) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the first-in, first-out method and comprises all cost of purchases, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 2(f)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(i) Interest-bearing borrowings

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

(j) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2(n)(i), are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(k) Cash and cash equivalents

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

(l) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

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

The Group operates a mandatory provident fund scheme in Hong Kong and defined contribution government pension schemes in the People's Republic of China (the "PRC").

Contributions to mandatory provident fund as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance, are recognised as an expense in profit or loss as incurred.

The employees in the PRC are members of the retirement benefit scheme organised by the government in the PRC. The Group is required to contribute, based on a certain percentage of payrolls, to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme. Contributions to this retirement benefit scheme are recognised as an expense in profit or loss as incurred except to the extent that they are included in the cost of inventories at the balance sheet date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Employee benefits (continued)

(ii) Share-based payments

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

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

(iii) Termination benefits

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

(m) Income tax

(i) Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case it is recognised in equity.

(ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

(iii) Deferred tax assets and liabilities arise from deductible and taxable temporary difference respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Income tax (continued)

(iii) (continued)

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

(iv) Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(n) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Financial guarantees issued, provisions and contingent liabilities (continued)

(i) Financial guarantees issued (continued)

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(n)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Company under the guarantee, and (ii) the amount of that claim on the Company is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Other provisions and contingent liabilities

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

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

(o) Revenue recognition

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

(i) Sale of goods

Revenue from the sale of playground equipment, safety surface, sports surface, garden furniture and other recyclable products is recognised when the installation work is completed and the customer has accepted the goods, together with the risks and rewards of ownership of such goods, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iii) Interest income

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

(p) Product development costs

Product development costs comprise all costs that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities. Because of the nature of the Group's research and development activities, the criteria for the recognition of such costs as an asset are generally not met until late in the development stage of the project when the remaining development costs are immaterial. Hence both research costs and development costs are generally recognised as expenses in the period in which they are incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Translation of foreign currencies

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

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transactions dates.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximately the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity.

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

(r) Borrowing costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred.

(s) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control or significant influence of such individuals; or

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

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

(t) Segment reporting

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Segment reporting (continued)

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

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

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

3. CHANGES IN ACCOUNTING POLICIES

The IASB has issued a number of new and revised IFRSs and Interpretations that are first effective or available for early adoption for the current accounting period of the Group and the Company.

There have been no significant changes to the accounting policies applied in these financial statements for the years presented as a result of these developments. However, as a result of the adoption of IFRS 7 "Financial instruments: Disclosures" and the amendment to IAS 1 "Presentation of financial statements: Capital disclosures", there have been certain additional disclosures provided.

As a result of the adoption of IFRS 7, the financial statements include expanded disclosures about the significance of the Group's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by IAS 32 "Financial instruments: Disclosure and presentation". These disclosures are provided throughout these financial statements, in particular in note 23.

The amendment to IAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Group's and the Company's objectives, policies and processes for managing capital. These new disclosures are set out in note 20(g).

Both IFRS 7 and the amendment to IAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial instruments.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 30).

4. TURNOVER

The principal activities of the Group are designing, producing and selling of environmentally-friendly recyclable products.

Turnover represents the invoiced value of goods sold, net of discounts, returns, value-added tax and sales tax. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2008 HK$'000	2007 HK$'000
Sale of safety surface	11,795	12,934
Sale of sports surface	10,682	13,394
Sale of playground equipment	10,206	11,366
Sale of garden furniture	25,629	20,527
Sale of other recyclable products	10,882	9,758
	69,194	67,979

5. OTHER INCOME

	2008 HK$'000	2007 HK$'000
Interest income	66	433
Rental income	101	105
Sundry income	226	100
	393	638

6. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting):

	2008 HK$'000	2007 HK$'000
(a) Finance costs		
Interest on bank loans and overdrafts	969	490
(b) Staff costs (including directors' remuneration)		
Salaries, wages and other benefits	37,877	38,778
Contributions to defined contribution retirement plans	2,016	1,676
Equity-settled share-based payment expenses (note 21)	84	44
	39,977	40,498
(c) Directors' remuneration		
Fees	518	614
Other emoluments	1,589	2,646
	2,017	3,260
(d) Other items		
Amortisation of prepaid land lease payments	356	355
Auditors' remuneration	502	445
Cost of inventories # (note 15(b))	66,506	57,524
Costs incurred in relation to cessation of operations of a subsidiary @	3,126	–
Depreciation	5,697	4,682
Impairment loss on trade receivables	574	1,113
Loss/(gain) on disposal/write-off of property, plant and equipment	1,363	(52)
Minimum lease payments under operating leases in respect of land and buildings	6,389	4,184
Net foreign exchange loss	117	33
Product development costs	3,756	4,195
Sundry receivables written off	234	–
Write-back of impairment loss on trade receivables	(482)	(879)

\# Cost of inventories includes HK$23,688,000 (2007: HK$21,323,000) relating to staff costs, depreciation expense and operating lease charges, which amount is also included in the respective total amounts disclosed separately above or in note 6(b) for each of these types of expenses.

@ Costs incurred in relation to cessation of operations of a subsidiary include HK$1,133,000 and HK$949,000 relating to loss on disposal/write-off of property, plant and equipment and write-off of inventories, respectively, which amounts are also included in the respective total amounts disclosed separately above for these types of expenses.

7. INCOME TAX

(a) Taxation in the income statement represents:

	2008 HK$'000	2007 HK$'000
Deferred tax		
Reversal of temporary differences	45	–

(i) Pursuant to the rules and regulations of Bermuda and the BVI, the Group is not subject to any income tax in Bermuda and the BVI.

(ii) No provision for Hong Kong Profits Tax has been made as the Group sustained tax losses or did not have assessable profits subject to Hong Kong Profits Tax during the years ended 31 May 2008 and 2007.

(iii) No provision for PRC Enterprise Income Tax has been made as the Company's subsidiary established in the PRC, namely Guangzhou Jets Recycled Products Co., Ltd. did not have any assessable profits during the years ended 31 May 2008 and 2007.

(iv) No provision for Macau Complementary Tax has been made as the Company's subsidiary established in Macau Special Administrative Region ("Macau") of the PRC, namely CML Engineering and Management Services (Macau) Limited, has agreed tax losses brought forward in excess of the estimated assessable profit for tax purposes in the year. No provision for taxation has been made for last year as the subsidiary had an estimated loss for tax purposes.

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

	2008 HK$'000	2007 HK$'000
Loss before taxation	(36,890)	(24,823)
Notional tax credit on loss before taxation, calculated at the rates applicable to profits in the countries concerned	(4,957)	(4,370)
Effect of decrease in Hong Kong Profits Tax rate	3	–
Tax effect of non-deductible expenses	413	391
Tax effect of non-taxable income	(243)	(356)
Tax effect of temporary differences not recognised	(507)	(657)
Tax effect of unused tax losses not recognised	5,366	4,992
Tax effect of previous years' tax losses utilised in current year	(30)	–
Actual tax expense	45	–

8. DIVIDEND

The directors of the Company do not recommend the payment of a dividend for the year ended 31 May 2008 (2007: HK$Nil).

9. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of HK$36,935,000 (2007: HK$24,823,000) and the weighted average of 246,364,000 ordinary shares (2007: 246,364,000) in issue during the year.

9. LOSS PER SHARE (CONTINUED)

(b) Diluted loss per share

The calculation of diluted loss per share is based on the loss attributable to ordinary equity shareholders of the Company of HK$36,935,000 (2007: HK$24,823,000) and the weighted average number of ordinary shares of 246,364,000 shares (2007: 246,364,000 shares).

No diluted loss per share has been presented because the exercise of the Company's outstanding share options would have an anti-dilutive effect on loss per share for the year ended 31 May 2008. There were no potential dilutive ordinary shares in existence for the year ended 31 May 2007.

10. SEGMENT REPORTING

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

(a) Business segments

The Group's principal activities comprise the following main business segments:

(i) the safety surface segment engages in the manufacturing and trading of safety surfaces;

(ii) the sports surface segment engages in the manufacturing and trading of sports surfaces;

(iii) the playground equipment segment engages in the manufacturing and trading of playground equipment;

(iv) the garden furniture segment engages in the manufacturing and trading of garden furniture; and

(v) the others segment comprises the Group's manufacturing and trading of other recyclable products and the provision of related services.

Year ended 31 May 2008	Safety surface HK$'000	Sports surface HK$'000	Playground equipment HK$'000	Garden furniture HK$'000	Others HK$'000	Consolidated HK$'000
Revenue from external customers	11,795	10,682	10,206	25,629	10,882	69,194
Segment result	(2,191)	(2,077)	(2,015)	(1,387)	1,449	(6,221)
Interest and other unallocated operating income						393
Unallocated operating expenses						(30,093)
Loss from operations						(35,921)
Finance costs						(969)
Loss before taxation						(36,890)
Income tax						(45)
Loss for the year						(36,935)
Depreciation and amortisation						
– Segment depreciation and amortisation	913	908	907	1,833	40	4,601
– Unallocated depreciation						1,452
						6,053
Impairment of trade receivables	98	88	85	213	90	574
Write-back of impairment of trade receivables	(82)	(74)	(71)	(179)	(76)	(482)
Segment assets	7,353	7,355	8,155	16,367	4,762	43,992
Unallocated assets						26,844
Total assets						70,836
Segment liabilities	4,029	4,140	3,203	8,068	2,146	21,586
Unallocated liabilities						33,451
Total liabilities						55,037
Capital expenditure						
– Segment capital expenditure	473	473	188	1,088	81	2,303
– Unallocated capital expenditure						94
						2,397

10. SEGMENT REPORTING (CONTINUED)

(a) Business segments (continued)

Year ended 31 May 2007	Safety surface HK$'000	Sports surface HK$'000	Playground equipment HK$'000	Garden furniture HK$'000	Others HK$'000	Consolidated HK$'000
Revenue from external customers	12,934	13,394	11,366	20,527	9,758	67,979
Segment result	(1,915)	985	(649)	(3,631)	4,972	(238)
Interest and other unallocated operating income						638
Unallocated operating expenses						(24,733)
Loss from operations						(24,333)
Finance costs						(490)
Loss before taxation						(24,823)
Income tax						–
Loss for the year						(24,823)
Depreciation and amortisation						
– Segment depreciation and amortisation	777	777	726	951	137	3,368
– Unallocated depreciation						1,669
						5,037
Segment assets	9,161	8,272	9,396	12,774	4,530	44,133
Unallocated assets						38,242
Total assets						82,375
Impairment of trade receivables	167	181	210	532	23	1,113
Write-back of impairment of trade receivables	(167)	(173)	(147)	(266)	(126)	(879)
Segment liabilities	2,369	2,748	2,308	3,873	1,037	12,335
Unallocated liabilities						18,862
Total liabilities						31,197
Capital expenditure						
– Segment capital expenditure	2,771	1,491	1,470	1,633	100	7,465
– Unallocated capital expenditure						728
						8,193

10. SEGMENT REPORTING (CONTINUED)

(b) Geographical segments

The Group's business is managed on a worldwide basis, but participates in five principal economic environments. Hong Kong, Macau, the PRC, Spain and Japan are the major markets for the Group's business.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

Year ended 31 May 2008

	Hong Kong HK$'000	Macau HK$'000	The PRC HK$'000	Spain HK$'000	Japan HK$'000	Others HK$'000	Total HK$'000
Revenue from external customers	61,908	4,182	1,475	658	202	769	69,194
Segment assets	67,225	1,051	2,560	–	–	–	70,836
Capital expenditure incurred during the year	2,300	–	97	–	–	–	2,397

Year ended 31 May 2007

	Hong Kong HK$'000	Macau HK$'000	The PRC HK$'000	Spain HK$'000	Japan HK$'000	Others HK$'000	Total HK$'000
Revenue from external customers	58,381	4,600	1,583	1,230	983	1,202	67,979
Segment assets	74,042	392	7,941	–	–	–	82,375
Capital expenditure incurred during the year	461	113	7,619	–	–	–	8,193

11. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor Vehicles HK$'000	Total HK$'000
Cost:						
At 1 June 2006	4,249	8,313	12,993	8,198	3,739	37,492
Exchange adjustments	–	88	65	8	–	161
Additions	–	342	6,425	729	697	8,193
Disposals	–	–	(58)	–	(193)	(251)
At 31 May 2007	4,249	8,743	19,425	8,935	4,243	45,595
At 1 June 2007	4,249	8,743	19,425	8,935	4,243	45,595
Exchange adjustments	–	176	156	24	22	378
Additions	–	219	2,084	94	–	2,397
Disposals/write-offs	–	(2,331)	(348)	(307)	(650)	(3,636)
At 31 May 2008	4,249	6,807	21,317	8,746	3,615	44,734
Accumulated depreciation:						
At 1 June 2006	661	6,003	8,005	6,721	2,478	23,868
Exchange adjustments	–	10	6	–	–	16
Charge for the year	85	767	2,329	825	676	4,682
Written back on disposals	–	–	(45)	–	(193)	(238)
At 31 May 2007	746	6,780	10,295	7,546	2,961	28,328
At 1 June 2007	746	6,780	10,295	7,546	2,961	28,328
Exchange adjustments	–	54	48	7	3	112
Charge for the year	85	845	3,595	642	530	5,697
Written back on disposals/write-offs	–	(1,154)	(181)	(171)	(296)	(1,802)
At 31 May 2008	831	6,525	13,757	8,024	3,198	32,335
Net book value:						
At 31 May 2008	3,418	282	7,560	722	417	12,399
At 31 May 2007	3,503	1,963	9,130	1,389	1,282	17,267

Buildings, situated in Hong Kong and held under medium term leases, have been provided as rent-free accommodation to an executive director and an ex-director of the Company (see notes 26(a) and 26(b)) and are pledged to secure general banking facilities granted to the Group (see note 22).

The aggregate market value of the Group's interests in the buildings and the prepaid land lease payments (note 12) as at 31 May 2008 is HK$41,400,000 (2007: HK$35,400,000) which was assessed by reference to sales evidence of similar properties in the vicinity as available on the market. The valuations were carried out by an independent firm of surveyors, A A Property Services Ltd who have among their staff members of the Hong Kong Institute of Surveyors with recent experience in the location and category of properties being valued.

12. PREPAID LAND LEASE PAYMENTS

	The Group 2008 HK$'000	2007 HK$'000
Carrying amount at 1 June	14,650	15,005
Amortisation recognised during the year	(356)	(355)
Carrying amount at 31 May	14,294	14,650
Current portion	(355)	(355)
Non-current portion	13,939	14,295

The leasehold land, situated in Hong Kong and held under medium term leases, is pledged to secure general banking facilities granted to the Group (see note 22).

13. INVESTMENTS IN SUBSIDIARIES

	The Company 2008 HK$'000	2007 HK$'000
Unlisted shares, at cost	48,072	48,072
Less: Impairment loss	(48,000)	–
	72	48,072
Amounts due from subsidiaries	48,131	47,896
Less: Impairment loss	(32,000)	–
	16,131	47,896

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

The following list contains the particulars of all the subsidiaries. The class of shares held is ordinary.

Name of company	Place of incorporation and operation	Particulars of issued and paid up capital	Proportion of ownership interest Held by the Company	Held by a subsidiary	Principal activities
Classic Master Limited	BVI	2,000 shares of US$1 each	100%	–	Investment holding
Jets Technics Limited	Hong Kong	300,000 shares of HK$1 each	–	100%	Manufacture and trading of playground equipment, safety surface, sports surface, garden furniture and other recyclable products
Jets Consultants Limited	Hong Kong	2 shares of HK$1 each	–	100%	Installation of playground equipment, safety surface, sports surface and garden furniture

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For the year ended 31 May 2008

13. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Place of incorporation and operation	Particulars of issued and paid up capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by a subsidiary	Principal activities
Jets Technology & Laboratory Limited	Hong Kong	2 shares of HK$1 each	–	100%	Selling of semi-finished components for playground equipment
Asia Legend International Limited	BVI	1 share of US$1 each	–	100%	Dormant
Guangzhou Jets Recycled Products Co., Ltd. (note (i))	The PRC	Registered and paid-up capital of HK$8,000,000	–	100%	Manufacture and trading of playground equipment, safety surface, sports surface, garden furniture and other recyclable products
CML Engineering and Management Services (Macau) Limited	Macau	Authorised and paid-up capital of Macau Patacus ("MOP")300,000	–	100%	Construction projects and provision of engineering and management consultancy services

Notes:

(i) Guangzhou Jets Recycled Products Co., Ltd. has ceased business operations in May 2008. As at the date of approval of these financial statements, this subsidiary is still in the process of dissolution.

(ii) All subsidiaries were audited by Baker Tilly Hong Kong Limited, Certified Public Accountants, Hong Kong, for statutory or consolidation purposes.

14. INCOME TAX IN THE BALANCE SHEET

(a) Current taxation in the balance sheet represents:

	The Group 2008 HK$'000	The Group 2007 HK$'000
Balance of Profits Tax provision relating to prior years	10	10

14. INCOME TAX IN THE BALANCE SHEET (CONTINUED)

(b) **Deferred tax assets and liabilities recognised:**

(i) The Group

The components of deferred tax (assets)/liabilities recognised in the balance sheet and the movements during the year are as follows:

	Depreciation allowances in excess of the related depreciation HK$'000	Tax loss HK$'000	Total HK$'000
Deferred tax arising from:			
At 1 June 2006	(45)	–	(45)
Charged/(credited) to profit or loss	967	(967)	–
At 31 May 2007	922	(967)	(45)
At 1 June 2007	922	(967)	(45)
(Credited)/charged to profit or loss	(922)	967	45
At 31 May 2008	–	–	–

(ii) The Company

No deferred tax assets or liabilities have been made in the financial statements as the Company does not have any temporary differences.

(c) **Deferred tax assets/(liabilities) have not been recognised in respect of the following items:**

	The Group 2008 HK$'000	2007 HK$'000
Depreciation allowance in excess of the related depreciation	(2,897)	177
Tax losses	73,069	40,790
	70,172	40,967

The Group has tax losses arising in Hong Kong and Macau of HK$72,996,000 (2007: HK$40,513,000) and HK$73,000 (2007: HK$277,000), respectively. The tax losses arising in Hong Kong are available indefinitely for offsetting against future taxable profits of the companies in which the tax losses arisen, while those arising in Macau were available for a maximum period of three years from the year in which the loss originated. No deferred tax assets/(liabilities) have been recognised for the Group in respect of the temporary differences and the tax losses because of uncertainty over availability of future taxable profits against which the Group can utilise the benefits in the relevant tax jurisdiction and entity.

15. INVENTORIES

(a) Inventories in the balance sheet comprise:

	The Group 2008 HK$'000	2007 HK$'000
Raw materials	5,748	6,693
Work in progress	13,509	10,366
	19,257	17,059

(b) The analysis of the amount of inventories recognised as an expense is as follows:

	The Group 2008 HK$'000	2007 HK$'000
Carrying amount of inventories sold	65,187	57,782
Write down of inventories	370	–
Write off of inventories	949	–
Reversal of write-down of inventories	–	(258)
	66,506	57,524

16. TRADE AND OTHER RECEIVABLES

	The Group 2008 HK$'000	2007 HK$'000
Trade receivables	19,638	23,639
Less: Allowance for doubtful debts (note 16(a))	(3,163)	(4,028)
	16,475	19,611
Other receivables	1,068	1,372
Prepayments and deposits	3,825	5,713
	21,368	26,696

All trade and other receivables, apart from certain deposits totalling HK$2,323,000 (2007: HK$2,831,000), are expected to be recovered or recognised as expense within one year.

16. TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly (see note 2(f)(i)).

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	The Group	
	2008 HK$'000	2007 HK$'000
At 1 June	4,028	5,571
Impairment loss recognised	574	1,113
Write-back of impairment loss	(482)	(879)
Uncollectible amounts written off	(957)	(1,777)
At 31 May	3,163	4,028

At 31 May 2008, the Group's trade receivables of HK$3,848,000 (2007: HK$5,741,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and/or have defaulted on payments; and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of HK$3,163,000 (2007: HK$4,028,000) were recognised. The Group does not hold any collateral over these balances.

(b) Trade receivables that are not impaired

Trade receivables are due within 30 days from the date of billing. Further details on the Group's credit policy are set out in note 23(a).

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

	The Group	
	2008 HK$'000	2007 HK$'000
Neither past due nor impaired	6,730	7,880
Less than 1 month past due	2,157	2,898
1 to 3 months past due	1,868	2,608
More than 3 months but less than 12 months past due	3,814	1,489
Over 12 months past due	1,221	3,023
	9,060	10,018
	15,790	17,898

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

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

17. CASH AND CASH EQUIVALENTS

	The Group 2008 HK$'000	The Group 2007 HK$'000	The Company 2008 HK$'000	The Company 2007 HK$'000
Deposits with banks	1,000	1,000	–	–
Cash at bank and in hand	2,518	5,658	13	5
Cash and cash equivalents in the balance sheet	3,518	6,658	13	5
Fixed deposits held as security for general banking facilities (note 22)	(1,000)	–		
Bank overdrafts (notes 19 and 22)	(3,889)	(447)		
Cash and cash equivalents in the cash flow statement	(1,371)	6,211		

18. TRADE AND OTHER PAYABLES

	The Group 2008 HK$'000	The Group 2007 HK$'000	The Company 2008 HK$'000	The Company 2007 HK$'000
Trade payables	6,681	3,582	85	16
Bills payable, secured	4,824	3,753	–	–
Other payables and accrued charges	11,016	6,215	146	55
Deposits received from customers	10,082	5,000	–	
	32,603	18,550	231	71

All trade and other payables are expected to be settled or recognised as income within one year.

19. BANK LOANS AND OVERDRAFTS

	The Group 2008 HK$'000	The Group 2007 HK$'000
Bank overdrafts, secured (note 17)	3,889	447
Bank loans, secured	18,535	12,190
	22,424	12,637

At 31 May 2008, bank loans and overdrafts were repayable as follows:

	The Group 2008 HK$'000	The Group 2007 HK$'000
Within 1 year or on demand	8,174	5,168
After 1 year but within 2 years	1,319	795
After 2 years but within 5 years	4,174	2,509
After 5 years	8,757	4,165
	14,250	7,469
	22,424	12,637

20. CAPITAL AND RESERVES

(a) The Group

	Note	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 June 2006		54,200	24,611	–	33	(3,096)	75,748
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong		–	–	–	209	–	209
Equity-settled share-based transactions	21	–	–	44	–	–	44
Loss for the year		–	–	–	–	(24,823)	(24,823)
At 31 May 2007		54,200	24,611#	44#	242#	(27,919)#	51,178
At 1 June 2007		54,200	24,611	44	242	(27,919)	51,178
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong		–	–	–	1,472	–	1,472
Equity-settled share-based transactions	21	–	–	84	–	–	84
Loss for the year		–	–	–	–	(36,935)	(36,935)
At 31 May 2008		54,200	24,611#	128#	1,714#	(64,854)#	15,799

These reserve accounts comprise the consolidated reserves in debit balance of HK$38,401,000 (2007: debit balance of HK$3,022,000) in the consolidated balance sheet.

(b) The Company

	Note	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Contributed surplus HK$'000	Accumulated profits/ (losses) HK$'000	Total HK$'000
At 1 June 2006		54,200	24,611	–	15,282	2,082	96,175
Equity-settled share-based transactions	21	–	–	44	–	–	44
Loss for the year		–	–	–	–	(181)	(181)
At 31 May 2007		54,200	24,611#	44#	15,282#	1,901#	96,038
At 1 June 2007		54,200	24,611	44	15,282	1,901	96,038
Equity-settled share-based transactions	21	–	–	84	–	–	84
Loss for the year		–	–	–	–	(79,996)	(79,996)
At 31 May 2008		54,200	24,611#	128#	15,282#	(78,095)#	16,126

These reserve accounts comprise the reserves in debit balance of HK$38,074,000 (2007: credit balance of HK$41,838,000) in the balance sheet of the Company.

20. CAPITAL AND RESERVES (CONTINUED)

(c) Authorised and issued share capital

	2008 Number of shares	2008 HK$'000	2007 Number of shares	2007 HK$'000
Authorised:				
Ordinary shares of HK$0.22 each	3,636,363,636	800,000	3,636,363,636	800,000
Ordinary shares, issued and fully paid:				
At 1 June and 31 May	246,364,000	54,200	246,364,000	54,200

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(d) Terms and numbers of unexpired and unexercised share options at balance sheet date

Details of the unexpired and unexercised shares options at balance sheet date are set out in note 21(a) to the financial statements.

(e) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by the Companies Act 1981 of Bermuda and the Bye-laws of the Company.

(ii) Capital reserve

The capital reserve comprises the fair value of the actual or estimated number of unexercised share options granted to employees of the Company recognised is accordance with the accounting policy adopted for share-based payments in note 2(l)(ii).

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 2(q).

(iv) Contributed surplus

The contributed surplus of the Company represents the difference between the aggregate shareholders' funds of the subsidiaries at the date on which the Company became the holding company of the Group and the nominal amount of the share capital of the Company issued under a group reorganisation.

Under the Companies Act 1981 of Bermuda, the contributed surplus account of the Company is available for distribution. However, a company declares or pays a dividend or makes a distribution out of contributed surplus if:

(i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

20. CAPITAL AND RESERVES (CONTINUED)

(f) Distributability of reserves

At 31 May 2008, no reserves are available for distribution to equity shareholders of the Company (2007: HK$17,183,000).

(g) Capital management

The Group's primarily objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Neither the Company nor any of its subsidiaries are subject to externally or externally imposed capital requirements.

21. EQUITY-SETTLED SHARE-BASED TRANSACTIONS

The Company operates a share option scheme known as the Jets Technics Share Option Scheme (the "Scheme") which was approved by the shareholders of the Company pursuant to resolutions passed on 18 May 2004. The Scheme complies with the relevant rules as set out in Chapter 8 of the SGX-ST Listing Manual. The purpose of the Scheme is to provide employees of the Group and of associated companies with an opportunity to participate in the equity of the Company and to motivate them towards better performance through increased dedication and loyalty. Pursuant to the Scheme, the employees who are also the directors, controlling shareholders or their associates of the Group and of associated companies are not eligible to participate in the Scheme.

The Scheme is administrated by the Remuneration Committee. The number of options to be offered to an employee is determined at the discretion of the Remuneration Committee which took into account criteria such as rank, performance, years of service and potential for future development of the employee. The total number of shares over which options may be granted may not exceed 15% of the issued share capital of the Company on the date preceding the date of the relevant grant.

The exercise price of the options shall be fixed at (a) a price (the "Market Price") equal to the average of last dealt prices of the Company's shares on the SGX-ST for the five consecutive market days immediately prior to the relevant date of grant of the options; or (b) a price which is set at a discount to the Market Price provided that the maximum discount shall be 20% on the Market Price as at the date of grant of the options. Under no circumstances shall the exercise price be less than the nominal value of a share.

Options granted with the exercise price set at the Marker Price may be exercised in full or in part after the first anniversary of the date of grant. If the options are granted with an exercise price set at a discount to the Market Price, the options may be exercised in full or in part after the second anniversary of the date of grant. The life span of options granted is 10 years from the date of grant. Each option gives the holder the right to subscribe for one ordinary share in the Company.

The Scheme is to operate for a maximum of 10 years commencing on the date on which the Scheme was adopted and could be continued for any further period thereafter with the approval of shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

21. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(a) The terms and conditions of the grant that existed during the years are as follows, whereby all options are settled by physical delivery of shares:

	Number of instruments	Vesting conditions	Contractual life of options
Options granted to employees:			
– on 9 October 2006	1,290,000	– Up to 33.33% on or after the first anniversary of the date of grant – Up to 66.67% on or after the second anniversary of the date of grant – 100% on or after the third anniversary of the date of grant	10 years
Total share options	1,290,000		

(b) The number and exercise price of share options are as follows:

	2008		2007	
	Exercise price S$	Number of options '000	Exercise price S$	Number of options '000
Outstanding at the beginning of the year	0.04	1,620	–	–
Granted during the year	–	–	0.04	2,040
Forfeited during the year	0.04	(330)	0.04	(420)
Outstanding at the end of the year	0.04	1,290	0.04	1,620
Exercisable at the end of the year	0.04	430	–	–

No options were exercised during the year ended 31 May 2008.

The options outstanding at 31 May 2008 had an exercise price of S$0.04 and a remaining contractual life of 8.4 years (2007: 9.4 years).

(c) Fair value of share options and assumptions

The fair value of services in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a Binomial option pricing model. The inputs into the model were as follows:

Fair value of share options and assumptions	2008	2007
Fair value at measurement date	S$0.025	S$0.025
Share price	S$0.045	S$0.045
Exercise price	S$0.040	S$0.040
Expected volatility (expressed as weighted average volatility used in the modelling under Binomial option pricing model)	92%	92%
Option life (expressed as weighted average life used in the modelling under Binomial option pricing model)	4.9 years	4.9 years
Expected dividends	4%	4%
Risk-fee interest rate (based on Singapore Treasury Bond)	3.12%	3.12%

21. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(c) Fair value of share options and assumptions (continued)

The expected volatility was determined by using the annualised historical volatility of the Company's share price over the previous two years. The expected option life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations. Expected dividends are based on management's best estimate. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

22. BANKING FACILITIES

As at 31 May 2008, the Group had general banking facilities of HK$32 million (2007: HK$32 million) as secured by a pledged bank deposit of HK$1,000,000 (note 17), legal charges over all of the Group's land and buildings (notes 11 and 12) and corporate guarantees of the Company. The banking facilities include letters of credit, trust receipt, bills payable, trade loans, trade guarantee, revolving letters of guarantee, and overdrafts. The amount utilised by the Group as at 31 May 2008 under the above facilities was HK$32.1 million (2007: HK$20.8 million).

23. FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. These risk are limited by the Group's financial management policies and practices described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables, and cash and cash equivalents. Management has a credit policy in place and the exposure to these credit risks are monitored on an ongoing basis.

The credit risk on cash and cash equivalents is limited because the counterparties are financial institutions with sound credit ratings.

In respect of trade receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At the balance sheet date, the Group had a certain concentration of credit risk as 12% (2007: 16%) and 32% (2007: 34%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance.

Further quantitative disclosure in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 16.

23. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the balance sheet date of the Group's and the Company's non-derivative financial liabilities which are based on the contractual undiscounted cash flows (including interest payments, computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group and the Company can be required to pay:

(i) The Group

	2008					
	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000
Trade and other payables	32,603	(32,603)	(32,603)	–	–	–
Bank overdrafts	3,889	(3,889)	(3,889)	–	–	–
Bank loans	18,535	(18,535)	(4,285)	(1,319)	(4,174)	(8,757)
	55,027	(55,027)	(40,777)	(1,319)	(4,174)	(8,757)

	2007					
	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000
Trade and other payables	18,550	(18,550)	(18,550)	–	–	–
Bank overdrafts	447	(447)	(447)	–	–	–
Bank loans	12,190	(12,190)	(4,721)	(795)	(2,509)	(4,165)
	31,187	(31,187)	(23,718)	(795)	(2,509)	(4,165)

(ii) The Company

	2008			2007		
	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	Carrying amount HK$'000	Total contractual as undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000
Trade and other payables	231	(231)	(231)	(71)	(71)	(71)

23. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest rate risk

The Group's interest rate risk arises primarily from bank deposits, bank loans and overdrafts. Instruments bearing interest at variable rates expose the Group to cash flow interest rate risk. The Group does not use financial derivatives to hedge against the interest rate risk. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's net borrowings (being interest-bearing financial liabilities less bank deposits) at the balance sheet date.

	2008		2007	
	Effective interest rate	HK$'000	Effective interest rate	HK$'000
Variable rate bank deposits	1.48%	3,391	2.95%	5,165
Variable rate borrowings:				
Bank overdrafts	7.77%	(3,889)	2.88%	(447)
Bank loans	3.88%	(18,535)	5.29%	(12,190)
		(22,424)		(12,637)
Total net borrowings		(19,033)		(7,472)

The Company has no material exposure to interest rate risk as it has no significant interest-bearing financial instruments.

(ii) Sensitivity analysis

At 31 May 2008, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's loss after tax and accumulated losses by approximately HK$153,000 (2007: HK$53,000). Other components of equity would not be affected (2007: HK$Nil) by the changes in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2007.

(d) Currency risk

(i) Forecast transactions

There is currently no hedging policy adopted by the Group with respect to its foreign exchange exposure. The Group is exposed to currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily Renminbi and United States dollars.

With the natural hedging of the revenue and costs denominated in Renminbi, the Group's foreign exchange exposure is considered to be insignificant.

For United States dollar, since Hong Kong dollar is pegged to United States dollar, the Group considers the risk of movements in exchange rates between the Hong Kong dollar and the United States dollar to be insignificant for transactions denominated is United States dollar which are entered into by entities with a functional currency of Hong Kong dollar.

23. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Currency risk (continued)

(ii) Recognised assets and liabilities

In respect of trade and other receivables and payables held in currencies other than the functional currency of the operations to which they relate, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

All the Group's borrowings are denominated in Hong Kong dollars. Given this, management does not expect that there will be any significant currency risk associated with the Group's borrowings.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.

(iii) Exposure to currency risk

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

	2008 United States dollars '000	2007 United States dollars '000
Cash and cash equivalents	4	5
Trade and other payables	(447)	(352)
Overall net exposure	(443)	(347)

The Company has no material exposure to currency risk as most income and expenses are denominated in Hong Kong dollars.

(iv) Sensitivity analysis

The following table indicates the approximate change in the Group's loss after tax and accumulated losses in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the balance sheet date.

	2008		2007	
	Increase/ (decrease) in foreign exchange rate	Effect on loss after tax and accumulated losses HK$'000	Increase/ (decrease) in foreign exchange rate	Effect on loss after tax and accumulated losses HK$'000
United States dollars	5%	(144)	5%	(111)
	(5)%	144	(5)%	111

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to each of the Group entities' exposure to currency risk for non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

23. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Currency risk (continued)

(iv) Sensitivity analysis (continued)

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the group entities' loss after tax and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the balance sheet date for presentation purposes. The analysis is performed on the same basis for 2007.

(e) Fair values

The amounts due from subsidiaries are unsecured, interest-free and have no fixed repayment terms. Given these terms it is not meaningful to disclose fair values.

All other financial instruments are carried at amounts not materially different from their fair value as at 31 May 2008 and 2007.

24. OPERATING LEASE COMMITMENTS

At 31 May 2008, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group	
	2008	2007
	HK$'000	HK$'000
Within 1 year	2,995	5,169
After 1 year but within 5 years	5,715	11,323
After 5 years	2,356	11,800
	11,066	28,292

The Group is the lessee in respect of certain properties held under operating leases. The leases typically run for an initial period of one to three years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

25. CONTINGENT LIABILITIES

(a) Short term tenancy in respect of certain non-core manufacturing facilities

The Group's certain non-core manufacturing facilities are erected on two adjacent pieces of land located at Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong ("Tai Po Plant") and are used for the collection and sorting of materials and finished products and storage. Under both tenancy agreements for the two pieces of land, the landlord may terminate the Group's tenancy at any time in accordance with the terms of the respective tenancy agreements. In addition, under both tenancy agreements, the Group has to comply with various obligations set out therein.

The Group has not obtained the required building approval and there is no assurance that the Group has fully complied with all the obligations and conditions under the two tenancy agreements, although the Group has not received any notice from the landlord of its intention to terminate the tenancy agreements. If either tenancy is terminated as a result of a breach by the Group of any condition under the tenancy agreements, the landlord may require the Group at its own expense to remove and demolish any building, structure or surface on the manufacturing sites. As the building structures currently erected on the manufacturing sites are not complex, the directors believe the costs of demolishing such structures would be minimal.

25. CONTINGENT LIABILITIES (CONTINUED)

(a) Short term tenancy in respect of certain non-core manufacturing facilities (continued)

In the event that the tenancy agreements are terminated by the landlord, the Group would have to relocate its non-core manufacturing facilities and write off all the immovable assets located thereon which are, however, of immaterial carrying value.

(b) Disputes with the landlord of EcoPark

The Group entered into a tenancy agreement to lease a piece of land at the EcoPark in Tuen Mun Area 38, New Territories, Hong Kong on 7 May 2007 for the operations of repossessing, recovery and recycling waste tyres. However, the Group has yet to start any operations on the leased land due to infrastructure-related technical problems. The landlord purported to terminate the tenancy agreement on 5 March 2008 on the grounds that the Group has breached the tenancy agreement. On 2 July 2008, the landlord submitted a claim against the Group for the rental loss and expenses arising from the alleged breach of tenancy agreement by the Group up to 30 June 2008.

The directors, based on the advice of the Group's legal adviser, consider that the landlord has no right to terminate the tenancy agreement and has a reasonable case of a counterclaim against the landlord. The Group is in the process of obtaining further legal advice on resolving these disputes with the landlord and may bring legal proceedings against the landlord.

As the eventual income of the disputes with the landlord cannot be determined with certainty, the rental for the leased land in respect of the year ended 31 May 2008 amounting to HK$2,400,000 has been recognised in the financial statements for the year ended 31 May 2008. Future rental in respect of the period from 1 June 2008 to expiry of the tenancy agreement amounting to HK$21,600,000 has not been provided for in the financial statements for year ended 31 May 2008, pending for resolution of the disputes with the landlord.

(c) Financial guarantees issued

At 31 May 2008, the Company has issued corporate guarantees approximately amounting to HK$32 million (2007: HK$32 million) to banks in respect of banking facilities granted to a subsidiary (see note 22).

The guarantees were issued by the Company at nil consideration. The transactions were not at arm's length, and it is not possible to measure reliably the fair value of these transactions in accordance with IAS 39 "Financial Instruments: Recognition and Measurement" had they been at arm's length. Accordingly, the guarantees have not been accounted for as financial liabilities and measured at fair value.

As at the balance sheet date, the directors do not consider it is probable that a claim will be made against the Company under any of the guarantees. The maximum liability of the Company at the balance sheet date under the guarantees issued is the facilities drawn down by the subsidiary of HK$32.1 million (2007: HK$20.8 million), including a letter of guarantee in favour of the Government of the Hong Kong Special Administrative Region to the extent of HK$5 million (2007: HK$5 million) in respect of the tenancy agreement as mentioned in note 25(b).

26. MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 6(c) and the senior management, is as follows:

	2008 HK$'000	2007 HK$'000
Short-term employee benefits	7,101	7,940
Contributions to defined contribution retirement plans	154	177
	7,255	8,117

Total remuneration is included in "Staff Costs" (see note 6(b)).

The remuneration shown above does not include the estimated monetary value of the Group's owned premises provided rent-free to an executive director (2007: two executive directors) of the Company. The estimated rental value of such accommodation was approximately HK$1,092,000 (2007: HK$1,020,000) for the year.

(b) Other related party transactions

During the year ended 31 May 2008, the Group entered into the following material related party transactions:

	Note	2008 HK$'000	2007 HK$'000
Consultancy fee paid to a shareholder of ultimate holding company	(i)	385	–

Notes:

(i) Consultancy fee is charged for the provision of professional advices on construction projects and is based on a fixed fee charged on a monthly basis.

(ii) One of the Group's leasehold properties is provided as a rent-free accommodation to a shareholder of ultimate holding company, who is also an ex-director of the Company. The estimate rental value of such accommodation was approximately HK$420,000 for the year.

Balances with related parties are disclosed in the balance sheet date in note 13.

27. NON-ADJUSTING POST BALANCE SHEET EVENT

On 18 August 2008, a fire broke out at the Tai Po Plant (the "Incident") and certain property, plant and equipment, and inventories on the site were damaged. From the preliminary assessment of the management, the Incident has resulted in damage to raw materials, semi-finished goods and some machinery with a net book value of around HK$4.5 million. In the opinion of the management, the Incident does not have significant impact on the Group's operations as production in the unaffected areas has already been resumed. Since the financial impact is subject to the final agreement with the insurance company, the Company is unable to provide an accurate assessment of the financial impact of the Incident for the year ended 31 May 2009. However, Jets Technics Limited, the Group's subsidiary is insured for its inventories, machinery and equipment for a total amount of HK$6.2 million which is considered well above the value of the estimated loss of HK$4.5 million.

28. COMPARATIVE FIGURES

As a result of adoption IFRS 7 "Financial instruments: Disclosures" and the amendment to IAS 1 "Presentation of financial statements: Capital disclosures", certain comparative figures have been adjusted to conform with changes in disclosures in the current year and to show separately comparative amounts in respect of items disclosed for the first time in 2008. Further details are disclosed in note 3.

29. ACCOUNTING ESTIMATES AND JUDGEMENTS

The methods, estimates and judgements the directors used in applying the Group's accounting policies have a significant impact on the Group's financial position and operating results. Some of the accounting policies require the Group to apply estimates and judgements, on matters that are inherently uncertain. The critical accounting judgements in applying the Group's accounting policies are described below.

(a) Going concern assumption in the preparation of the financial statements

Details of assumptions adopted by the directors of the Company for adopting the going concern basis in preparing the financial statements for the year ended 31 May 2008 are set out in note 2(b).

(b) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(c) Impairments

In considering the impairment loss that may be required for certain property, plant and equipment and investments in subsidiaries, recoverable amount of the asset needs to be determined. The recoverable amount is the greater of the net selling price and the value in use. It is difficult to precisely estimate selling price because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to items such as level of turnover and amount of operating costs. The Group uses all readily available information in determining an amount that is reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as turnover and operating costs.

Impairment losses for bad and doubtful debts are assessed and provided based on the directors' regular review of ageing analysis and evaluation of collectability. A considerable level of judgement is exercised by the directors when assessing the credit worthiness and past collection history of each individual customer.

An increase or decrease in the above impairment loss would affect the operating results in the year and in future years.

(d) Inventory provision

The Group performs regular reviews of the carrying amounts of inventories with reference to aged inventories analyses, projections of expected future saleability of goods and management experience and judgement. Based on this review, write-down of inventories will be made when the carrying amounts of inventories decline below their estimated net realisable value. Due to changes in customers' performance, actual saleability of goods may be different from estimation and profit or loss could be affected by differences in this estimation.

30. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MAY 2008

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 May 2008 and which have not been adopted in these financial statements.

Of these developments, the following relate to matters that may be relevant to the Group's operations and financial statements:

		Effective for accounting periods beginning on or after
IAS 1 (Revised)	Presentation of financial statements: Comprehensive revision including requiring a statement of comprehensive income	1 January 2009
IAS 23 (Revised)	Borrowing costs	1 January 2009
Amendment to IAS 27	Consolidated and separate financial statements: Consequential amendments arising from amendments to IFRS 3	1 July 2009
Amendment to IAS 32	Financial instruments: Presentation	1 January 2009
Amendment to IFRS 2	Share-based payment: Vesting conditions and cancellations	1 January 2009
IFRS 3 (Revised)	Business combinations: Comprehensive revision on applying the acquisition method	1 July 2009
IFRS 8	Operating segments	1 January 2009

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

31. APPROVAL OF THE FINANCIAL STATMENTS

The financial statements for the year ended 31 May 2008 were approved and authorised for issue in accordance with a resolution of the directors on 5 September 2008.

Corporate Governance Report

The Board of Directors (the "**Board**") of Jets Technics International Holdings Limited recognizes the importance of good corporate governance in ensuring greater transparency, protecting the interests of the shareholders of the Company (the "**Shareholders**") as well as strengthening investors' confidence in its management and financial reporting. The Board is committed to maintaining a high standard of corporate governance within the Company and its subsidiaries (together the "**Group**") based on which its operations, businesses and strategies are directed and controlled.

This Report describes the Company's corporate governance processes and activities with specific reference to the Singapore Code of Corporate Governance 2005 (the "**Code**").

1. Board of Directors

1.1 The Board's conduct of its affairs

The primary role of the Board is to protect and enhance Shareholders value. Whereas the Board is collectively responsible for the success of the Company, it works with the management of the Company (the "**Management**") towards achieving this end. Matters which are specifically reserved for the Board's decision are those involving interested person transactions, material acquisitions and disposal of assets, corporate and financial restructuring, share issuances, dividends and other returns to Shareholders.

The Board conducts regular scheduled meetings. Additional meetings may be convened when circumstances require. The Company's Bye-Laws provide for meetings to be held via telephone and video conferencing. The Board is supported by the Audit Committee (the "**AC**"), the Nominating Committee (the "**NC**") and the Remuneration Committee (the "**RC**").

Newly appointed Directors are issued with a formal letter by the Company Secretary setting out the director's duties and advising them of their disclosure obligations under the SGX-ST Listing Manual ("Listing Manual") and the Companies Act 1981 of Bermuda. Management also conducts orientation programs for new Directors to familiarize them with the business activities of the Group, its strategic direction and corporate governance practices.

During the financial year in review, the attendance of the Directors at Board meetings and committee meetings, as well as the frequency of such meetings, is as follows:

	Board		Nominating Committee		Remuneration Committee		Audit Committee	
Name of Director	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Executive Directors								
So Tat Wing[1]	6	6	2	2	2	1	2	2
So Tat Cho	6	6	2	1	2	1	2	1
Non-executive Directors								
Ong Chor Wei[2 3]	6	6	2	1	2	2	2	2
Independent Non-executive Directors								
Au Chun Kwok Augustus[1 2]	6	3	2	1	2	2	2	1
Seah Hou Kee[1 2 3]	6	6	2	2	2	1	2	2
Cheung King Kwok[1 2 3]	6	6	2	1	2	2	2	2

Notes:

I. Members of Nominating committee, Mr. Cheung King Kowk was appointed as Chairman of Nominating Committee in place of Mr. Au Chun Kwok, Augustus on 18 February 2008.

2. Members of Remuneration Committee, Mr. Seah Hou Kee was appointed as member of Remuneration Committee in place of Mr. Au Chun Kwok, Augustus on 18 February 2008.

3. Members of Audit Committee.

All the Directors are updated regularly on changes in Company policies, Board processes, corporate governance and best practices.

1.2 Board Composition and Balance

The NC reviews the size and composition of the Board and ensures, among other things, that the Board has an appropriate balance of independent Directors and that the size of the Board is conducive to effective discussions and decision-making. As at the date of this report, the Board comprises five Directors, two of whom are Executive Directors, one of whom is Non-executive Director and the remaining two are Independent Non-executive Directors. The NC reviews the independence of each Director on an annual basis and adopts the Code's definition of what constitutes an independent non-executive director in its review, In particular, it considers a Director as independent if he has no relationship with the Group or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment with a view to the best interest of the Company.

As a Group, the Directors bring with them a broad range of industry knowledge, expertise and experience in areas such as accounting, finance, law, business and management strategic planning and customer service.

The Non-executive Director helps to develop proposals on strategy, reviews the performance of the Management in meeting agreed goals and objectives and monitors the reporting of performance.

1.3 Role of Chairman and Chief Executive Officer

Our Group's Chairman, Mr. So Tat Wing is also our Managing Director. Mr. So, as a co-founder, has played an instrumental role in developing the business of our Group. He has considerable industry experience and has also provided our Group with strong leadership and vision. Notwithstanding the dual role of Mr. So Tat Wing as Chairman and Chief Executive Officer, the strong element of independence of the Board and that all the Directors including Independent and Non-executive Directors have demonstrated high commitment in their roles as directors, ensure a good balance of power and authority.

1.4 Board Membership

The NC reviews and assesses candidates for directorships before making recommendations to the Board. As at the date of this report, the NC comprises one Executive Director, namely Mr. So Tat Wing and two Independent Non-executive Directors, namely Mr. Cheung King Kwok and Mr. Seah Hou Kee. Our NC will be responsible for (a) the selection and appointment of new Directors and re-nomination of our Directors having regard to the Director's contribution and performance, (b) determining annually whether or not a Director is independent and (c) deciding whether or not a Director is able to and has been adequately carrying out his duties as a director.

In recommending new directors to the Board, the NC takes into consideration the skills and experience required and the current composition of the Board, and strives to ensure that the Board has an appropriate balance of independent Directors as well as Directors with the right profile of expertise, skills, attributes and ability. Further, the NC takes into consideration a variety of factors such as attendance, preparedness, participation and candor in evaluating a Director's contribution and performance for the purpose of re-nomination.

The NC determines annually if a Director is independent. The NC has the discretion to determine that a Director is non-independent even if he does not fall under the circumstances set forth in paragraph 1.2 above and the Code. The NC is also charged with the responsibility of deciding whether a Director, particularly when he/she has multiple board representations, is able to carry out his/her duties as a director of the Company.

1.5 Board Performance

The Board will on an annual basis implement a process to be carried out by the NC for assessing the effectiveness of the Board as a whole and for assessing the contribution by each individual Director to the effectiveness of the Board.

The performance criteria for the Board evaluation are based on financial and non-financial indicators such as an evaluation of size and composition of the Board, the Board's access to information, Board processes, strategy and planning, risk management, accountability, Board performance in relation to discharging its principal functions, communication with senior management, standards of conduct of the Directors and the Company's share performance over a five-year period.

In terms of evaluation of individual Directors, they are assessed on their ability to contribute effectively as well as the level of their commitment to the role (including commitment of time for Board and committee meetings, and any other duties).

The Chairman acts on the results of the performance evaluation, and where appropriate, proposes new members be appointed to the Board or seeks the resignation of Directors, in consultation with the NC. Each member of the NC shall abstain from voting on any resolutions and making any recommendations and/or participating in any distributions of the NC in respect of the assessment of his performance or re-nomination as Director.

1.6 Access to Information

The Board is supplied with relevant information and comprehensive analysis by Management pertaining to matters to be brought before the Board for discussion and decision. Management also ensures that the Board receive regular reports on the Group's financial performance and operations. The Board has separate and independent access to senior management and the Company Secretary at all times. The Company Secretary attends to all corporate secretarial and compliance matters and also attends all Board meetings. To assist Board members in fulfilling their responsibilities, procedures have been put in place for Directors to seek independent professional advice, where appropriate, at the expense of the Company.

2. Remuneration Matters

2.1 Procedures for Developing Remuneration Policies

As at the date of this report, the RC comprises two Independent Non-executive Directors, namely Mr. Cheung King Kwok and Mr. Seah Hou Kee and one Non-executive Director, namely Mr. Ong Chor Wei. The Chairman of the RC is Mr. Cheung King Kwok. Our RC will be responsible for recommending to our Board a framework of remuneration far the Directors and key executives, setting up remuneration policies and determining specific remuneration packages for each Director and key executive based on their performance and also reviewing the remuneration thereof. RC has access to expert professional advice on human resource matters whenever there is a need to consult externally. In its deliberations, the RC takes into consideration industry practices and norms in compensation, in addition to the Company's relative performance to the industry and the performance of the individual Directors. The recommendations of the RC will be submitted for endorsement by the entire Board. All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options, long-term incentive schemes and benefits in kind shall be covered by our RC.

The RC meets at least once every financial year. Each member of the RC will abstain from voting on any resolutions and making recommendations and/or participating in any deliberations of the RC in respect of his remuneration package.

2.2 Level and Mix of Remuneration

The level of remuneration is structured such that it links rewards to corporate and individual performance. The RC ensures the level of remuneration is appropriate to attract, retain and motivate the Directors to run the Company successfully. The performance related elements of remuneration are designed so as to align the interests of Executive Directors with those of Shareholders. These elements include (1) fixed component (i.e. basic salary); (2) variable component (i.e. performance bonus); (3) benefits provided consistent with market practices including medical benefits, car allowance, club benefits and housing subsidy. In setting remuneration packages, the RC takes into consideration the pay and employment conditions within the industry and in comparable companies.

The remuneration of Non-executive Directors is linked to their level of contribution, taking into account factors such as effort and time spent, and responsibilities of the Directors.

The Company has entered into separate service contracts with our Executive Directors for an initial period of 3 years. The RC reviews the compensation commitments for early termination under the service contracts.

Details of the Company's Employee Share Option Scheme is provided in the Directors' Report.

2.3 Disclosure on Remuneration

Directors' Remuneration

Remuneration paid to our Directors for the financial year ended 31 May 2008 is as follows:

Remuneration band and Name of Director	Base/fixed salary	Variable or performance related income/bonus	Director's fee	Other benefits
Below S$250,000				
Executive Directors				
So Tat Wing[1]	100%	–	–	–[3]
So Tat Cho[1]	63%	–	–	37%
Non-executive Director				
Ong Chor Wei	–	–	100%	–
Independent Non-executive Directors				
Au Chun Kwok Augustus[2]	–	–	100%	–
Seah Hou Kee	–	–	100%	–
Cheung King Kwok	–	–	100%	–

Notes:

1. Mr. So Tat Cho is the brother of Mr. So Tat Wing.

2. Mr. Au Chun Kwok Augustus had resigned as Independent Non-executive Director on 18 February 2008.

3. Mr. So Tat Wing is provided with free accommodation on properties held by the Group.

Remuneration of Key Employees

Remuneration paid to our key employees (who are not Directors of the Company) for the financial ended year 31 May 2008 is as follows:

Remuneration band and Name of the Key Employee	Base/fixed salary	Variable or performance related income/ bonus	Other benefits
Below S$250,000			
Executive officer			
So Chi Chun	100%	–	–
Chung Ka Kui	100%	–	–
Yu Sui Fan	42%	58%	–
Other Key Employee			
Ho Pui Yee	51%	49%	–
Yau Wai Tung	100%	–	–

Save for Mr. So Tat Wing and Mr. So Tat Cho who are brothers and Mr. So Chi Chun is the son of the Chairman and Managing Director, Mr. So Tat Wing, there are no employees in the Group who are immediate family members of our Directors.

3. Accountability and Audit

3.1 Accountability

The Board has overall responsibility to provide a balance and understandable assessment of the company's performance, position and prospects in respect of the Company's reports and financial statements and other price sensitive information to regulators and shareholders.

3.2 Audit Committee

Our Executive Directors will continue to manage the operations of our Company and its subsidiaries, and our AC will provide the necessary checks and balances as set out below. Our AC comprises two Independent Non-executive Directors, namely Mr. Seah Hou Kee and Mr. Cheung King Kwok and the Non-executive Director, namely Mr. Ong Chor Wei. The Chairman of the AC is Mr. Seah Hou Kee.

Our AC will provide a channel of communication between our Board, our Management and our external auditors on matters relating to audit. The responsibilities of our AC include:

(a) review with the external auditors and where applicable, our internal auditors, their audit plans, their evaluation of the system of internal accounting controls, their letter to Management and the Management's response;

(b) review the interim and annual financial statements and balance sheet and profit and loss accounts before submission to our Board for approval, focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit compliance with accounting standards and compliance with the Listing Manual and any other relevant statutory or regulatory requirements;

(c) ensure co-ordination between the external auditors and our Management and review the assistance given by our Management to the auditors, and discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of our Management, where necessary);

(d) review and discuss with the external auditors any suspected fraud or irregularity, or suspected infringement at any relevant laws, rules or regulations, which has or is likely to have a material impact on our Group's operating results or financial position, and our Management's response;

(e) make recommendations to our Board on the appointment, re-appointment and removal of the external auditor(s) and approving the remuneration and terms of engagement of the external auditor;

(f) review the scope and results of the audit and its cost effectiveness, and the independence and objectivity of the external auditors, review the nature and extent of non-audit services, where applicable;

(g) review the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements and any formal announcements relating to our financial performance;

(h) review arrangements by which our staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters; and

(i) review the adequacy of our internal financial controls, operational and compliance controls, and risk management policies and systems established by our Management.

Apart from the responsibilities listed above, the AC has explicit authority to investigate any matters within its terms of reference and has full access to and cooperation from Management, in addition to its direct access to the external auditors. If required, the AC has authority to seek external resources to enable it to discharge its functions properly, including obtaining legal or other professional advice and services.

The AC has reviewed the annual financial statements of the Company and the Group for the financial year ended 31 May 2008 as well as the auditor's report thereon and interested person transactions of the Group in the said financial year.

An affiliate of the external auditor of the Company, Baker Tilly Hong Kong Business Services Limited, has been appointed at the year end of the financial year ended 31 May 2008 to carry out a special review of the cash flow forecast of the Group for the next twelve months and to recommend ways to improve the Group's financial position at a fee agreed between the Company and the affiliate of the external auditor and to be paid after completion of the special review.

Each member of our AC shall abstain from voting on any resolutions in respect of matters in which he is or may be interested.

3.3 Internal Controls

The AC reviews the adequacy of the Company's internal financial controls, operational and compliance controls, and risk management policies and systems established by the Management (collectively "internal controls").

The Board is responsible for the overall internal control framework and is fully aware of the need to put in piece a system of internal controls within the Group to safeguard Shareholders' interests and the Group's assets, and to manage risks. The Board also acknowledges that no cost effective internal control system will preclude all errors and irregularities. A system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

3.4 Internal Audit

The Company does not have in place an independent internal audit function as the Board is of the view that the appointment is not imminent under current circumstances, taking into account the current corporate structure and scope of the Group's operations.

The Group's external auditor, Baker Tilly Hong Kong Limited, Certified Public Accountants, Hong Kong, contributes an independent perspective on relevant internal controls arising from its audit and report findings to the AC.

4. Communication with Shareholders

4.1 Communication with Shareholders

The Company believes in engaging in regular, effective and fair communication with Shareholders and is committed to conveying pertinent information to Shareholders on a timely basis. The Company takes care to ensure that information that is made publicly available on a timely basis. Disclosure of information is made through announcements to the SGX-ST, the Company's annual reports, circulars for Special General Meetings and press releases.

4.2 Greater Shareholder Participation

The Company believes in encouraging Shareholder participation at general meetings. The Company's Bye-Laws allow a Shareholder entitled to attend and vote to appoint a proxy who need not be a shareholder of the Company to attend and vote at the meetings. Separate resolutions are proposed on each substantially separate issue at general meetings.

The chairpersons of the Board and committees are present and available to address questions at general meetings.

5. Dealings in Securities

The Group is in the midst of devising and adapting its own internal compliance code to provide guidance to the Company and its officers (including Directors, employees, consultants and staff of the Company) ("**Jets Officers**") with regard to dealing in the Company's securities. In general, if any of the Jets Officers possesses inside information that is not generally available, such Jets Officer is prohibited from dealing or procuring any other person to deal in those securities and from directly or indirectly communicating the information to another person who the Jets Officer believes is likely to deal in, or procure another person to deal in those securities. A Jets Officer should also not deal in the Company's securities on short-term considerations.

Pursuant to the Listing Manual, the Company and any Jets Officers shall not deal in the Company's securities during the period commencing one month before the date of announcement of the Company's half year or full year financial results.

6. Risk Management

The Company does not have a Risk Management Committee. However, the Management regularly reviews the Company's business and operational activities to identify areas of significant business risks as well as appropriate measure to control and mitigate these risks. The Management reviews all significant control policies and procedures and highlights all significant matters to the Directors and the AC.

7. Material Contracts

There were no material contracts of the Company or its subsidiaries involving the interests, direct or deemed, of the Managing Director or any Director or controlling Shareholders (as defined in the SGX-ST Listing Manual), either still subsisting at the end of the financial year ended 31 May 2008.

8. Interested Person Transactions

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and that such transactions are carried out at arm's length and on normal commercial terms and will not be prejudicial to the interests of the company, its subsidiaries and its minority Shareholders. Our AC will review and approve all interested person transactions as defined by the SGX-ST Listing Manual.

Name of interested person and description of transaction		Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)		Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)	
Interested Person	Description	FY2008 HK$'000	FY2007 HK$'000	FY2008 HK$'000	FY2007 HK$'000
So Tat Chiu	Consultancy fee	385	–	–	–
(note)	Rent-free accommodation	420	–	–	–

Note:

Mr. So Tat Chiu is a brother of Mr. So Tat Wing, the Chairman and Managing Director of the Company and Mr. So Tat Cho, the Executive Director of the Company. Mr. So holds 30% of the issued and paid-up share capital in Jets Technics International Limited, the substantial shareholder of the Company and he is also an ex-director of the Company.

In FY2008 and FY2007, the Group's banking facilities are secured by corporate guarantees executed by the Company as detailed in note 22 to the Financial Statements of this Annual Report.

SHAREHOLDING STATISTICS

As at 27 August 2008

Authorised share capital	–	HK$800,000,000
Issued and fully paid-up	–	HK$54,200,080
Class of shares	–	Ordinary shares of HK$0.22 each
Voting rights	–	1 vote per ordinary share

Shareholdings Held in Hands of Public

Based on information available to the Company as at 27 August 2008, 30.42% of the issued ordinary shares of the Company is held by the public and therefore Rule 723 of the Listing Manual is complied with.

ANALYSIS OF SHAREHOLDERS

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 999	6	0.49	1,310	0.00
1,000 – 10,000	713	58.54	2,589,000	1.05
10,001 – 1,000,000	487	39.98	46,574,078	18.91
1,000,001 and above	12	0.99	197,199,612	80.04
Total	**1,218**	**100.00**	**246,364,000**	**100.00**

TOP 20 SHAREHOLDERS

No.	Name	No. of Shares	%
1	Jets Technics International Limited	171,408,612	69.58
2	UOB Kay Hian Pte Ltd	6,008,000	2.44
3	Tan Mun Hoe or Tan Tiong Hoe	4,410,000	1.79
4	Nomura Singapore Limited	3,083,000	1.25
5	Palani A/L Mutusami	2,964,000	1.20
6	Phillip Securities Pte Ltd	2,278,000	0.92
7	Wong Fook Shyang	1,497,000	0.61
8	Lim Beak Leang	1,276,000	0.52
9	Choy Seng Fatt (Cai Chengfa)	1,091,000	0.44
10	Lim & Tan Securities Pte Ltd	1,082,000	0.44
11	OCBC Securities Private Ltd	1,078,000	0.44
12	Song Shiuh Ming	1,024,000	0.42
13	Low Koon Seah	720,000	0.29
14	Kho Chin Soon	700,000	0.28
15	Tan Keng Soon	679,000	0.28
16	Citibank Nominees Singapore Pte Ltd	642,000	0.26
17	Tay Hwa Lang	600,000	0.24
18	Ong Chong Hock Joseph	586,000	0.24
19	Chin Hin Investments Pte Ltd	500,000	0.20
20	Leong Poh Yin	480,000	0.19
	Total	**202,106,612**	**82.03**

SUBSTANTIAL SHAREHOLDERS

	No. of Shares			
	Direct Interests	%	Deemed Interests	%
Jets Technics International Limited[1]	171,408,612	69.58	–	–
So Tat Wing	–	–	171,408,612	69.58
So Tat Chiu	–	–	171,408,612	69.58
So Tat Cho	–	–	171,408,612	69.58

Note:–

1. Jets Technics International Limited is a corporation incorporated in the British Virgin Islands, whose shares are held by our Directors Mr. So Tat Wing (30%) and Mr. So Tat Cho (30%) and our ex-Directors Mr. So Tat Chiu (30%) and Ms. Wong Ying Lee (10%). As such, Mr. So Tat Wing, Mr. So Tat Cho and Mr. So Tat Chiu are deemed to have an interest in the shares held by Jets Technics International Limited.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of JETS TECHNICS INTERNATIONAL HOLDINGS LIMITED (the "Company") will be held at Connaught Room, Level 2, Grand Plaza Park Hotel City Hall, 10 Coleman Street, Singapore 179809 on Tuesday, 30 September 2008 at 10.00 a.m. for the following purposes:–

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Accounts of the Company for the financial year ended 31 May 2008 together with the Directors' Report and Auditor's Report thereon. **Resolution 1**

2. To re-elect the following Directors who are retiring pursuant to Bye-Law 86 of the Bye-laws of the Company:

   Mr. So Tat Wing **Resolution 2**
   Mr. So Tat Cho **Resolution 3**

3. To approve the payment of Directors' fees of HK$518,000 for the financial year ended 31 May 2008. **Resolution 4**

4. To re-appoint Baker Tilly Hong Kong Limited as the Company's Auditors and to authorise the Directors to fix their remuneration. **Resolution 5**

5. To transact any other ordinary business which may be properly transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions (with or without amendments) as Ordinary Resolutions:–

6. **Authority to allot and issue shares up to fifty per cent. (50%) of the total number of issued shares in the capital of the Company**

   "THAT, pursuant to Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "Listing Manual"), authority be and is hereby given to the Directors to:–

   (a) allot and issue shares in the Company; and

   (b) issue convertible securities and any new shares in the Company arising from the conversion or exercise of convertible securities

   (whether by way of rights, bonus or otherwise) at any time and upon such terms and conditions and for such purposes and to such persons as the Directors shall in their absolute discretion deem fit, provided that the aggregate number of shares (including any shares to be issued pursuant to the convertible securities) in the Company to be issued pursuant to such authority shall not exceed fifty per cent. (50%) of the total number of issued shares (excluding treasury shares) of the Company and that the aggregate number of shares in the Company to be issued other than on a pro-rata basis to the then existing shareholders of the Company shall not exceed twenty per cent. (20%) of the total number of issued shares (excluding treasury shares) of the Company. Unless revoked or varied by the Company in general meeting, such authority shall continue in full force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting is required by law or by the Company's Bye-laws to be held, whichever is earlier, except that the Directors shall be authorised to allot and issue new shares pursuant to the convertible securities notwithstanding that such authority has ceased.

For the purposes of this resolution, the percentage of total number of issued shares shall be based on the Company's issued share capital at the time of the passing of this resolution after adjusting for:–

(a) new shares arising from the conversion or exercise of convertible securities or from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this resolution provided the options or awards were granted in compliance with the rules of the Listing Manual; and

(b) any subsequent consolidation or subdivision of shares." **Resolution 6**

7. **Authority to grant options and issue shares under the Jets Technics Share Option Scheme**

"IT WAS RESOLVED THAT approval be and is hereby given to the Directors to offer and grant options under the Jets Technics Share Option Scheme (the "Scheme") and to allot and issue from time to time such number of shares in the Company as may be required to be issued pursuant to the exercise of options under the Scheme, provided always that the aggregate number of shares to be issued pursuant to the Scheme shall not exceed fifteen per cent. (15%) of the total issued share capital of the Company from time to time." **Resolution 7**

By Order of the Board

Chung Ka Kui
Tan Min-Li
Joint Company Secretaries

Singapore, 15 September 2008

NOTICE OF ANNUAL GENERAL MEETING

Notes:–

(i) If a Depositor whose name appears in the Depository Register holdings Shares through the CDP wishes: (a) to attend and vote at the Annual General Meeting, he/it should complete the Proxy Form accompanying the annual report appointing himself/itself as proxy; or (b) to appoint a proxy/proxies who shall be natural persons to attend and vote in his or its place as proxy/proxies for CDP, he/it should complete the Proxy Form to appoint such proxy/proxies, in accordance with the instructions printed thereon and deposit the duly completed Proxy Form at the office of the Singapore Shares Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 3 Church Street, #08-01 Samsung Hub, Singapore 049483, at least 48 hours before the time of the Annual General Meeting.

If a Shareholder wishes to appoint a proxy/proxies, then the Proxy Form accompanying this annual report must be completed in accordance with the instructions printed thereon and deposited at the office of the Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 3 Church Street #08-01, Samsung Hub, Singapore 049483, at least 48 hours before the time of the Annual General Meeting.

(ii) If re-elected under Resolution 2, Mr. So Tat Wing will remain the Chairman and Managing Director of the Company.

(iii) If re-elected under Resolution 3, Mr. So Tat Cho will remain an Executive Director of the Company.

(iv) The Ordinary Resolution 6 proposed in item 6 above, if passed, will empower the Directors from the date of the above Meeting until the date of the next Annual General Meeting, to allot and issue shares and convertible securities in the Company. The aggregate number of shares (including any shares issued pursuant to the convertible securities) which the Directors may allot and issue under this Resolution will not exceed fifty per cent. (50%) of the issued share capital (as defined in Resolution 6) of the Company. For issue of shares and convertible securities other than on a pro rata basis to all shareholders, the aggregate number of shares to be issued shall not exceed twenty per cent. (20%) of the issued share capital (as defined in Resolution 6) of the Company. This authority will, unless previously revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law or by the Company's Bye-laws to be held, whichever is the earlier. However, notwithstanding the cessation of this authority, the Directors are empowered to issue shares pursuant to any convertible securities issued under this authority.

(v) The Ordinary Resolution 7 proposed in item 7 above, if passed, will empower the Directors of the Company, to grant options and to allot and issue shares upon the exercise of such options in accordance with the Scheme.

Recycling Industry Creates
Environmentally-friendly Environment And
Preserves Natural Resources

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