1. CORPORATE INFORMATION

139 Holdings Limited (the "Company") is a limited liability company incorporated in Bermuda. The principal place of 139 Holdings Limited is located at Rooms 1603-5, 16/F., Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries consisted of the trading and distribution of electronic products and other merchandise and securities investment and trading. There were no significant changes in the nature of the Group's principal activities during the year.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for equity investments and conversion option derivative, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2006. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The following new and revised HKFRSs affect the Group and are adopted for the first time for the current year's financial statements:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 Amendment	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations

The adoption of HKASs 1, 2, 7, 8, 10, 12, 14, 16, 17, 18, 19, 21, 23, 24, 27, 33, 36, 37, 39 Amendment, HKFRSs 2 and 3 has had no material impact on the accounting policies of the Group and the Company and the methods of computation in the Group's and the Company's financial statements.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

The impact of adopting the other HKFRSs is summarised as follows:

HKAS 32 and HKAS 39 – Financial Instruments

(i) Equity securities

At 31 March 2005, the Group classified its investments in securities into investment securities and other securities, which were stated in the balance sheet at cost less any impairment losses and at fair value, respectively. Any impairment losses on investment securities and changes in fair value on other securities were recognised in the income statement for the period in which they arise.

From 1 April 2005 onwards, the Group classified its investments in securities into the following categories, taking into account the purpose for which the investments are acquired:

Equity investments at fair value through profit or loss

Equity investments at fair value through profit or loss are financial assets held for trading and those designated at fair value through profit or loss at inception. They are carried at fair value in the balance sheet. Any change in fair value is recognised in the income statement.

Available-for-sale equity investments

Available-for-sale equity investments are non-derivative financial assets that are either designated in this category or not classified in any other categories. They are carried at fair value except for certain available-for-sale equity investments that do not have a published quoted price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any accumulated impairment losses. The impairment loss is charged to the income statement for the period in which they arise.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

HKAS 32 and HKAS 39 – Financial Instruments (continued)

(i) Equity securities (continued)

Available-for-sale equity investments (continued)

For available-for-sale equity investments carried at fair value, any gain or loss arising from the change in fair value is recognised directly in equity except for impairment losses, until the financial asset is derecognised at which time the cumulative gain or loss previously recognised in equity is recognised in the income statement.

When a decline in the fair value of an available-for-sale equity investment has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments shall not be reversed through profit or loss.

In accordance with the transitional provisions of HKAS 39, the Group re-designated equity securities as follows:

(1) other securities with total carrying amounts of HK$43,646,000 and HK$171,471,000 were re-designated into available-for-sale equity investments and equity investments at fair value through profit or loss on 1 April 2005, respectively.

In prior years, in accordance with paragraph 41 of Statement of Standard Accounting Practice ("SSAP") 24 "Accounting for Investments in Securities", a discount was applied in determining the fair values of other securities with large size in holding to reflect the reduction in price likely to be incurred in disposing of the securities with such a large-sized holding.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

HKAS 32 and HKAS 39 – Financial Instruments (continued)

(i) Equity securities (continued)

Available-for-sale equity investments (continued)

Upon the adoption of HKAS 39, the application of discount on the determination of the fair value of the large-sized holding securities is not permitted. In accordance with the transitional provisions of HKAS 39, comparative amounts have not been restated and an adjustment of HK$20,374,000 was credited to the opening balance of accumulated losses to reflect the write-back of the discount made in previous years.

(2) Investment securities which carried at cost of HK$90,000,000 less an accumulated impairment loss of HK$90,000,000 were re-designated into available-for-sale equity investments at cost less any accumulated impairment losses on 1 April 2005. There is no effect on re-measurement as the accounting policy on measurement of the Group's investment securities as at 31 March 2005 is the same as that for available-for-sale equity investments which are carried at cost.

(ii) Convertible notes

In prior years, convertible notes which were held for long term purposes were stated at cost less any impairment losses. Upon the adoption of HKAS 39, convertible notes are separated into two components: (1) loan portion and (2) conversion option derivative.

Loan portion is carried at amortised cost using the effective interest method at subsequent balance sheet date. Conversion option derivative is carried at fair value at each balance sheet date, with changes in fair value recognised in the income statement.

The effects of the above changes are summarised in note 2.4 to the financial statements. In accordance with the transitional provisions of HKAS 39, comparative amounts have not been restated.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs applicable to the Group's financial statements, that have been issued but are not yet effective, in these financial statements. Unless otherwise stated, these HKFRSs are effective for annual periods beginning on or after 1 January 2006:

HKAS 1 Amendment	Capital Disclosures
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

The HKAS 1 Amendment shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosures about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 requires disclosures relating to financial instruments and incorporates many of the disclosure requirements of HKAS 32. This HKFRS shall be applied for annual periods beginning on or after 1 January 2007.

In accordance with the amendments to HKAS 39 regarding financial guarantee contracts, financial guarantee contracts are initially recognised at fair value and are subsequently measured at the higher of (i) the amount determined in accordance with HKAS 37 and (ii) the amount initially recognised, less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18.

Except as stated above, the Group expects that the adoption of the pronouncements listed above will not have any significant impact on the Group's financial statements in the period of initial application.

2.4 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES

(a) Effect on the consolidated balance sheet

At 1 April 2005 Effect of new policies (Increase/(decrease))	Effect of adopting HKASs 32 and 39* Re-designation of equity securities *HK$'000*	HKAS 39* Convertible notes *HK$'000*	HKAS 39* Fair value measurement on financial instruments *HK$'000*	Total *HK$'000*
Assets				
Available-for-sale equity investments	43,646	–	–	43,646
Convertible notes	–	(13,500)	–	(13,500)
Convertible notes-loan portion	–	12,021	–	12,021
Conversion option derivative	–	1,479	–	1,479
Equity investments at fair value through profit or loss	171,471	–	–	171,471
Other securities	(215,117)	–	20,374	(194,743)
				20,374
Equity				
Accumulated losses	–	–	20,374	20,374

* Adjustments taken effect prospectively from 1 April 2005

2.4 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES (continued)

(a) Effect on the consolidated balance sheet (continued)

At 31 March 2006	Effect of adopting			
	HKASs 32 and 39	HKAS 39	HKAS 39	
Effect of new policies (Increase/(decrease))	Re-designation of equity securities	Convertible notes	Fair value measurement on financial instruments	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets				
Available-for-sale equity investments	122,743	–	–	122,743
Convertible notes	–	(13,500)	–	(13,500)
Convertible notes-loan portion	–	12,480	–	12,480
Equity investments at fair value through profit or loss	192,558	–	–	192,558
Other securities	(315,301)	–	37,928	(277,373)
				36,908
Liabilities/Equity				
Tax payable	(6,471)	–	–	(6,471)
Deferred tax liabilities	6,471	–	–	6,471
Available-for-sale equity investment revaluation reserve	67,832	–	–	67,832
Accumulated losses	(67,832)	(1,020)	37,928	(30,924)
				36,908

2.4 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES (continued)

(b) Effect on the consolidated income statement for the year ended 31 March 2006

At 31 March 2006	Effect of adopting			
	HKASs 32 and 39	HKAS 39	HKAS 39	
Effect of new policies	Re-designation of equity securities	Convertible notes	Fair value measurement on financial instruments	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 March 2006				
Increase in revenue from treasury investment	–	459	–	459
Increase/(decrease) in fair value gains on equity investments at fair value through profit or loss	(74,303)	–	17,554	(56,749)
Increase in fair value losses on a conversion option derivative	–	(1,479)	–	(1,479)
Decrease in tax	6,471	–	–	6,471
Total increase/(decrease) in profit	(67,832)	(1,020)	17,554	(51,298)
Increase/(decrease) in basic earnings/(loss) per share	(5.9 cents)	(0.1 cents)	1.5 cents	(4.5 cents)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill previously eliminated against the consolidated reserves

Prior to the adoption of SSAP 30 "Business Combinations" on 1 April 2002, goodwill arising on acquisition was eliminated against the consolidated reserves in the year of acquisition. On the adoption of HKFRS 3, such goodwill remains eliminated against the consolidated reserves and is not recognised in profit or loss when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

Impairment of assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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 the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of assets (continued)

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises.

Related parties

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

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

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Land and buildings	50 years or over the lease terms, whichever is shorter
Leasehold improvements	Over the remaining lease terms or 3 years, whichever is shorter
Plant and machinery	7 to 10 years
Motor vehicles, furniture, fixtures and equipment	3 to 5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Applicable to the year ended 31 March 2005:

The Group classified its equity investments, other than subsidiaries, as investment securities and other securities.

Investment securities

Investment securities are investments in listed and unlisted securities, intended to be held for long term purposes, and are stated at cost less any provisions for impairment in value on an individual basis.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Applicable to the year ended 31 March 2005: (continued)

Investment securities (continued)

When a decline in the fair value of a security below its carrying amount has occurred, unless there is evidence that the decline is temporary, the carrying amount of the security is reduced to its fair value, as estimated by the directors. The amount of the impairment is charged to the income statement for the period in which it arises. When the circumstances and events which led to the impairment in value cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amount of the impairment previously charged is credited to the income statement to the extent of the amount previously charged.

Other securities

Investments other than investment securities are classified as other securities. Other securities are held for trading purposes and are stated at their fair values on the basis of their quoted market prices at the balance sheet date, on an individual investment basis. The gains or losses arising from changes in the fair values of securities are credited or charged to the income statement in the period in which they arise.

Applicable to the year ended 31 March 2006:

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, i.e., the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Applicable to the year ended 31 March 2006: (continued)

Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category "financial assets at fair value through profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity securities that are designated as available for sale or are not classified in any of the other two categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Applicable to the year ended 31 March 2006: (continued)

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

Impairment of financial assets (applicable to the year ended 31 March 2006)

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

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

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (applicable to the year ended 31 March 2006) (continued)

Assets carried at amortised cost (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss.

Derecognition of financial assets (applicable to the year ended 31 March 2006)

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay in full without material delay to a third party under a "pass-through" arrangement; or

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets (applicable to the year ended 31 March 2006) (continued)

- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in net profit or loss when the liabilities are derecognised as well as through the amortisation process.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial liabilities (applicable to the year ended 31 March 2006)

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group’s cash management.

For the purpose of the balance sheets, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions (continued)

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditure expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) the profit or loss on the trading of equity investments at fair value through profit or loss on the transaction dates when the relevant contract notes are executed;

(c) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and

(d) dividend income, when the shareholders' right to receive payment has been established.

Employee benefits

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Share-based payment transactions (continued)

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

A provision is recognised in respect of the probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group to the balance sheet date.

Retirement benefits schemes

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

Pursuant to the relevant regulations of Mainland China, subsidiaries of the Company operating in Mainland China participate in a local municipal government retirement benefits scheme (the "Mainland Scheme") whereby the subsidiaries are required to contribute a percentage of the basic salaries of their employees to the Mainland Scheme to fund their retirement benefits obligations of all existing and future retired employees of the subsidiaries. The only obligation of the Group with respect to the Mainland Scheme is to pay the ongoing required contributions under the Mainland Scheme mentioned above. Contributions under the Mainland Scheme are changed to the income statement as incurred. There are no provisions under the Mainland Scheme whereby forfeited contributions may be used to reduce future contributions.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date and, their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Impairment of assets

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the Group has to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rate or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

Income tax

Deferred tax is provided using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Income tax (continued)

Deferred tax assets are recognised for unused tax losses carried forward to the extent that it is probable (i.e., more likely than not) that future taxable profits will be available against which the unused tax losses can be utilised, based on all available evidence. Recognition primarily involves judgement regarding the future performance of the particular legal entity or tax group in which the deferred tax asset has been recognised. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all of the deferred tax assets will ultimately be realised, such as the existence of taxable temporary differences, tax planning strategies and the periods in which estimated tax losses can be utilised. The carrying amount of deferred tax assets and related financial models and budgets are reviewed at each balance sheet date and to the extent that there is insufficient convincing evidence that sufficient taxable profits will be available within the utilisation periods to allow utilisation of the carried forward tax losses, the asset balance will be reduced and charged to the income statement.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment test of assets

The Group determines whether an asset is impaired at least on an annual basis. This requires an estimation of the value in use of the asset. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the assets and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

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

(a) the electronic products segment trades electronic products;

(b) the treasury investment segment comprises securities investment and trading; and

(c) the corporate and others segment comprises corporate income and expenses items.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

There are no intersegment sales and transfers between the business segments.

4. SEGMENT INFORMATION (continued)

(a) Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 March 2006 and 2005.

Group

	Electronic products		Treasury investment		Corporate and others		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:								
Sales to external customers	**29,216**	7,794	**-**	–	**-**	–	**29,216**	7,794
Gains/(losses) from treasury investment	**-**	–	**(18,893)**	32,064	**-**	–	**(18,893)**	32,064
Total	**29,216**	7,794	**(18,893)**	32,064	**-**	–	**10,323**	39,858
Segment results	**(2,916)**	(15,721)	**(35,687)**	50,581	**(9,035)**	(9,392)	**(47,638)**	25,468
Interest income, gains and unallocated gains							**3,109**	696
Unallocated expenses							**(992)**	(889)
Finance costs							**(961)**	(150)
Profit/(loss) before tax							**(46,482)**	25,125
Tax							**-**	–
Profit/(loss) for the year							**(46,482)**	25,125
Assets and liabilities								
Segment assets	**12,835**	648	**338,687**	204,465	**1,224**	65,294	**352,746**	270,407
Unallocated assets							**19,175**	54,596
Total assets							**371,921**	325,003
Segment liabilities	**5,447**	4,975	**120**	–	**2,301**	3,210	**7,868**	8,185
Unallocated liabilities							**6,533**	908
Total liabilities							**14,401**	9,093
Other segment information:								
Depreciation	**20**	4,378	**-**	–	**120**	132	**140**	4,510
Unallocated depreciation							**3**	3
							143	4,513
Impairment losses recognised in the income statement	**-**	3,777	**-**	–	**-**	–	**-**	3,777
Other non-cash expenses	**-**	2,821	**-**	–	**-**	–	**-**	2,821
Capital expenditure	**-**	160	**-**	–	**375**	39	**375**	199

4. SEGMENT INFORMATION (continued)

(b) Geographical segments

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments for the years ended 31 March 2006 and 2005.

	People's Republic of China (including Hong Kong)		United States of America and Europe		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:						
Electronic products	**27,315**	–	**1,901**	7,794	**29,216**	7,794
Treasury investment	**(18,893)**	32,064	**–**	–	**(18,893)**	32,064
	8,422	32,064	**1,901**	7,794	**10,323**	39,858
Other segment information:						
Segment assets	**371,921**	325,003	**–**	–	**371,921**	325,003
Capital expenditure	**375**	199	**–**	–	**375**	199

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the aggregate of the net invoiced value of goods sold, after allowances for returns and trade discounts, and gains/(losses) on disposal of trading securities, dividend income arising from listed investments and interest income from convertible notes during the year.

An analysis of revenue, other income and gains is as follows:

	2006	2005
	HK$'000	*HK$'000*
Revenue		
Sale of goods	**29,216**	7,794
Gains/(losses) on disposal of equity investments at fair value through profit or loss/other securities	**(24,066)**	28,220
Dividend income from listed securities	**4,289**	3,655
Interest income from convertible notes	**884**	189
	10,323	39,858
Other income and gains		
Bank interest income	**1,931**	167
Gain on disposal of subsidiaries *(note 29)*	**1,173**	–
Gain on disposal of items of property, plant and equipment	**109**	–
Others	**33**	531
	3,246	698

6. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	Notes	**2006** **HK$'000**	2005 HK$'000
Cost of inventories sold		**29,945**	9,361
Depreciation	13	**143**	4,513
Provision for impairment of items of property, plant and equipment**	13	**–**	3,777
Provision/(write-back of provision) for inventories*		**(1,232)**	2,707
Employee benefit expenses (including directors' remuneration (note 8):*			
Wages and salaries		**7,190**	10,245
Retirement benefits scheme contributions***		**343**	375
		7,533	10,620
Minimum lease payments under operating leases in respect of buildings		**1,566**	1,461
Auditors' remuneration		**790**	690
Foreign exchange differences, net		**4**	114

* The employee benefit expenses of HK$87,000 (2005: HK$128,000) and the write-back of provision for inventories of HK$1,232,000 (2005: provision for inventories of HK$2,707,000) are included in "Cost of electronic products sold" on the face of the income statement.

** The provision for impairment of items of property, plant and equipment is included in "Other operating expenses" on the face of the income statement.

*** At 31 March 2006, the Group had no forfeited contributions available to reduce its contributions to the retirement benefits scheme in future years (2005: Nil).

7. FINANCE COSTS

	Group	
	2006	2005
	HK$'000	*HK$'000*
Interest on bank overdrafts wholly repayable within five years	**1**	150
Interest on other loans	**949**	–
Interest on finance lease	**11**	–
	961	150

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance, is as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Fees	**400**	400
Other emoluments of executive directors:		
Salaries, allowances and benefits in kind	**2,665**	4,031
Pension scheme contributions	**133**	160
	2,798	4,191
	3,198	4,591

8. DIRECTORS' REMUNERATION (continued)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2006	2005
	HK$'000	*HK$'000*
Mr. Li Chi Ming	**150**	150
Mr. Tung Tat Chiu, Michael	**150**	150
Mr. Wan Ngar Yin, David	**100**	100
	400	400

There were no other emoluments payable to the independent non-executive directors during the year (2005: Nil).

(b) Executive directors

	Fees	**Salaries, allowances and benefits in kind**	**Pension scheme contributions**	**Total remuneration**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
2006				
Executive directors:				
Mr. Wong Howard	**–**	**1,040**	**52**	**1,092**
Mr. Wong Yat Fai	**–**	**975**	**49**	**1,024**
Mr. Wu Qing	**–**	**650**	**32**	**682**
	–	**2,665**	**133**	**2,798**

8. DIRECTORS' REMUNERATION (continued)

(b) Executive directors (continued)

	Fees *HK$'000*	Salaries, allowances and benefits in kind *HK$'000*	Pension scheme contributions *HK$'000*	Total remuneration *HK$'000*
2005				
Executive directors:				
Mr. Wong Howard	–	1,866	52	1,918
Mr. Wong Yat Fai	–	975	49	1,024
Mr. Wu Qing	–	650	33	683
Ms. Lo Ki Yan, Karen	–	540	26	566
Mr. Chan Chun Tung, John	–	–	–	–
	–	4,031	160	4,191

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2005: four) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2005: one) non-director, highest paid employees for the year are as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**1,021**	650
Performance related bonuses	**25**	–
Pension scheme contributions	**53**	33
	1,099	683

The number of non-director, highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2006	2005
Nil to HK$1,000,000	**2**	1

10. TAX

No provision for Hong Kong profits tax has been made as the Group had no assessable profits during the year (2005: Nil). No provision for Mainland China corporate income tax has been made as the Group did not generate any assessable profits in Mainland China during the year (2005: Nil).

A reconciliation of the tax applicable to profit/(loss) before tax using the statutory rates in Hong Kong of 17.5% (2005: 17.5%) and Mainland China of 33% (2005: 33%) in which the Company and the majority of its subsidiaries are domiciled to the effective tax rates is as follows:

10. TAX (continued)

Group – 2006

	Hong Kong HK$'000	Mainland China HK$'000	Total HK$'000
Profit/(loss) before tax	(46,212)	(270)	(46,482)
Tax at the applicable tax rates	8,087	89	8,176
Lower tax rate for specific provinces or local authority	–	(4)	(4)
Income not subject to tax	1,092	–	1,092
Expenses not deductible for tax	(1,113)	–	(1,113)
Tax losses for the year not recognised	(8,066)	(85)	(8,151)
Tax credit/(charge)	–	–	–

Group – 2005

	Hong Kong HK$'000	Mainland China HK$'000	Total HK$'000
Profit/(loss) before tax	37,350	(12,225)	25,125
Tax at the applicable tax rates	(6,536)	4,034	(2,502)
Lower tax rate for specific provinces or local authority	–	(716)	(716)
Income not subject to tax	660	–	660
Expenses not deductible for tax	(176)	–	(176)
Tax losses utilised	8,850	–	8,850
Tax losses for the year not recognised	(2,798)	(3,318)	(6,116)
Tax credit/(charge)	–	–	–

11. NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The net loss from ordinary activities attributable to the equity holders of the parent for the year ended 31 March 2006 dealt with in the financial statements of the Company, was HK$4,186,000 (2005: HK$4,994,000) (note 27(b)).

12. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings/(loss) per share is based on the net loss for the year attributable to ordinary equity holders of the parent for the year of HK$46,482,000 (2005: net profit for the year attributable to equity holders of the parent of HK$25,125,000), and the weighted average number of 1,133,243,047 (2005: 942,558,116) ordinary shares in issue during the year. The weighted average number of shares in 2005 is adjusted to reflect the changes in the number of ordinary shares as a result of the capital reorganisation (note 26) of the Company during the year.

Diluted earnings/(loss) per share amounts for the years ended 31 March 2006 and 2005 have not been disclosed as no diluting events existed during these years.

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Land and buildings *HK$'000*	**Leasehold improve-ments** *HK$'000*	**Plant and machinery** *HK$'000*	**Motor vehicles, furniture, fixtures and equipment** *HK$'000*	**Total** *HK$'000*
Cost:					
At 1 April 2004	13,238	427	13,691	5,049	32,405
Additions	–	–	135	64	199
At 31 March 2005 and 1 April 2005	13,238	427	13,826	5,113	32,604
Additions	–	–	–	375	375
Disposals	–	–	–	(238)	(238)
At 31 March 2006	13,238	427	13,826	5,250	32,741
Accumulated depreciation:					
At 1 April 2004	9,249	427	10,608	3,858	24,142
Provided during the year	1,891	–	1,863	759	4,513
Impairment	2,098	–	1,355	324	3,777
At 31 March 2005 and 1 April 2005	13,238	427	13,826	4,941	32,432
Provided during the year	–	–	–	143	143
Disposals	–	–	–	(237)	(237)
At 31 March 2006	13,238	427	13,826	4,847	32,338
Net carrying amount:					
At 31 March 2006	–	–	–	403	403
At 31 March 2005	–	–	–	172	172

13. PROPERTY, PLANT AND EQUIPMENT (continued)

All the Group's buildings included above are stated at cost and are held under medium term leases outside Hong Kong.

The net book value of the Group's property, plant and equipment held under finance leases included in the total amount of motor vehicles, furniture, fixtures and equipment at 31 March 2006 amounted to HK$265,000 (2005: Nil).

The provision for impairment of HK$3,777,000 charged to the income statement for the year ended 31 March 2005 mainly represented the write-down of certain items of property, plant and equipment in Mainland China in the "Electronic products" segment to their recoverable amounts. The recoverable amount estimation was based on fair value less costs to sell.

Company

	Leasehold improvements *HK$'000*	**Furniture, fixtures and equipment** *HK$'000*	**Total** *HK$'000*
Cost:			
At 1 April 2004, 31 March 2005, 1 April 2005 and 31 March 2006	299	415	714
Accumulated depreciation:			
At 1 April 2004	299	387	686
Provided during the year	–	28	28
At 31 March 2005, 1 April 2005 and 31 March 2006	299	415	714
Net carrying amount:			
At 31 March 2006	–	–	–
At 31 March 2005	–	–	–

14. PREPAID LAND LEASE PAYMENT

	Group HK$'000
Cost:	
At 1 April 2004, 31 March 2005, 1 April 2005 and 31 March 2006	821
Accumulated amortisation:	
At 1 April 2004, 31 March 2005, 1 April 2005 and 31 March 2006	821
Net carrying amount:	
At 31 March 2006	–
At 31 March 2005	–

The Group is required to pay an annual fee of HK$57,000 with an annual increment of 5% in respect of certain land in Mainland China used by the Group for its electronic products business up to 2006 commencing from 1993. The annual fee paid by the Group during the year which had been charged to the income statement for the year, was HK$110,000 (2005: HK$101,000). The Group's legal counsel confirmed that the Group properly owns the legal right to use the land for the period granted.

15. INTERESTS IN SUBSIDIARIES

	Company	
	2006	2005
	HK$'000	*HK$'000*
Unlisted shares, at cost	**–**	–
Due from subsidiaries	**577,710**	513,577
Less: Provision for impairment	**(300,037)**	(300,075)
	277,673	213,502

15. INTERESTS IN SUBSIDIARIES (continued)

The amounts due from and to subsidiaries are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of the amounts due from/to subsidiaries approximate to their fair values.

Particulars of the principal subsidiaries during the year are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Hoshing Limited	British Virgin Islands	Ordinary US$1	100	–	Investment holding
Sino Electronics Limited	British Virgin Islands/ Hong Kong	Ordinary US$2	–	100	Investment holding
Chongqing Electronics Limited	Hong Kong	Ordinary HK$2	–	100	Trading of electronic products
139 Enterprises Limited	Hong Kong	Ordinary US$2	–	100	Provision of administrative services
Chaifa Finance Limited	Hong Kong	Ordinary HK$2	–	100	Provision of finance services
Main Purpose Investments Limited	British Virgin Islands/ Hong Kong	Ordinary US$1	–	100	Investment in and trading of securities

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

16. CONVERTIBLE NOTES

	Group	
	2006	2005
	HK$'000	*HK$'000*
Unlisted convertible notes, at cost	**–**	13,500
Unlisted convertible notes		
– Loan portion	**12,480**	–

On 31 March 2005, the Group subscribed for convertible notes issued by China Sci-Tech Holdings Limited (the "CST Convertible Notes"), a company listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") and independent of the Group. The CST Convertible Notes bear interest at the rate of 3% per annum, are unsecured and mature on 30 March 2008. The CST Convertible Notes are convertible into approximately 45,000,000 ordinary shares of China Sci-Tech Holdings Limited at an initial conversion price of HK$0.3 per share. The conversion price will be HK$0.35 and HK$0.40 per share for the period from the date immediately following the first anniversary from the date of issue of the convertible notes (the "Issue Date") to the second anniversary from the Issue Date and for the period from the date immediately following the second anniversary from the Issue Date to the third anniversary of the Issue Date, respectively. These conversion prices are subject to adjustment. Upon maturity, China Sci-Tech Holdings Limited will repay the outstanding principal amount of the convertible notes, together with the interest accrued, in cash to the Group.

From 1 April 2005 onwards, the Group has classified and measured convertible notes in accordance with the requirements of HKAS 39. In accordance with HKAS 39, the CST Convertible Notes of HK$13,500,000 at 31 March 2005 has been separated into two components at 1 April 2005, with the loan portion of the CST Convertible Notes valued at HK$12,021,000 and the conversion option derivative of the CST Convertible Notes valued at HK$1,479,000.

The fair value of the conversion option derivative is determined by using the binomial model.

The fair value of the loan portion of the CST Convertible Notes at 31 March 2006 approximated to the corresponding carrying amount, and its effective interest rate was 7.1%.

17. AVAILABLE-FOR-SALE EQUITY INVESTMENTS/INVESTMENT SECURITIES

	Group	
	2006	2005
	HK$'000	*HK$'000*
Listed equity investments in Hong Kong, at fair value	**122,743**	–
Unlisted equity investments outside Hong Kong, at cost	**–**	90,000
Provision for impairment in values	**–**	(90,000)
	122,743	–

The market value of the Group's listed equity investments at the date of approval of these financial statements was approximately HK$105,296,000.

At 31 March 2006, the carrying amount of the Group's shareholding in the following companies exceeded 10% of the total assets of the Group.

Name	**Place of incorporation**	**Particulars of issued share capital**	**Percentage of capital held**	**Principal activities**
Qualipak International Holdings Limited	Bermuda	Ordinary shares of HK$0.01 each	4.8%	Manufacturing and sales of watch boxes, gift boxes and brief cases
Y.T. Realty Group Limited	Bermuda	Ordinary shares of HK$0.1 each	4.0%	Property trading, investment and management service

18. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS/OTHER SECURITIES

	Group	
	2006	2005
	HK$'000	*HK$'000*
Listed equity investments in Hong Kong, at fair value	**192,558**	190,676
Unlisted investment fund, at fair value	**–**	4,067
	192,558	194,743

At 31 March 2005, the unlisted investment fund of HK$4,067,000 was pledged to secure banking facilities granted to the Group (note 31).

The above equity investments at 31 March 2006 were classified as held for trading.

The market value of the Group's equity investments at fair value through profit or loss at the date of approval of these financial statements was approximately HK$139,219,000.

At 31 March 2006, the carrying amount of the Group's shareholding in the following companies exceeded 10% of the total assets of the Group.

Name	Place of incorporation	Particulars of issued share capital	Percentage of capital held	Principal activities
The Cross-Habour (Holdings) Limited	Hong Kong	Ordinary share of HK$1 each	2.6%	Operation of motoring school, tunnels and an electronic toll collection system
China Strategic Holdings Limited	Hong Kong	Ordinary share of HK$0.1 each	4.7%	Manufacturing and sales of battery products, sand mining and trading of land
Willie International Holdings Limited	Hong Kong	Ordinary share of HK$0.1 each	4.8%	Money lending and property investment

19. INVENTORIES

	Group	
	2006	2005
	HK$'000	*HK$'000*
Raw materials	**–**	168
Finished goods	**6**	211
	6	379

20. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally for a period of one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are regularly reviewed by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the balance sheet date, based on the invoice date, is as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Within 1 month	**8,709**	–
1 to 2 months	**736**	–
2 to 3 months	**790**	–
	10,235	–

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Included in the balance at 31 March 2005 was an amount of HK$25 million which represented a deposit paid for the proposed acquisition of the entire interest in Sociedade De Fomento Predial Fu Wa (Macau) Limitada (the "Acquisition"), a company incorporated under the laws of Macau with limited liability. The Acquisition was cancelled and the deposit was refunded during the year.

22. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**7,643**	2,583	**320**	1,461
Time deposits	**17,868**	87,494	**–**	62,400
	25,511	90,077	**320**	63,861
Less: Pledged time deposits for bank overdraft facilities *(note 31)*	**(6,731)**	(6,572)	**–**	–
Cash and cash equivalents	**18,780**	83,505	**320**	63,861

At the balance sheet date, cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$211,000 (2005: HK$138,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods from one day to one month depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The carrying amounts of the cash and cash equivalents and the pledged deposits approximate to their fair values.

23. TRADE PAYABLES/OTHER PAYABLES AND ACCRUALS

An aged analysis of the trade payables as at the balance sheet date, based on the invoice date, is as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Within 1 month	**210**	14
1 to 2 months	**–**	68
2 to 3 months	**–**	68
Over 3 months	**40**	46
	250	196
Other payables and accruals	**7,170**	8,533
	7,420	8,729

Trade payables are non-interest-bearing and are normally settled on 60-day terms. Other payables and accruals are non-interest bearing and have an average term of three months.

24. FINANCE LEASE PAYABLES

The lease is classified as a finance lease and has a remaining lease term of two years.

At 31 March 2006, the total future minimum lease payments under a finance lease and their present values were as follows:

Group	**Minimum lease payments 2006 *HK$'000***	Minimum lease payments 2005 *HK$'000*	**Present value of minimum lease payments 2006 *HK$'000***	Present value of minimum lease payments 2005 *HK$'000*
Amounts payable:				
Within one year	**86**	–	**78**	–
In the second year	**71**	–	**69**	–
Total minimum finance lease payments	**157**	–	**147**	–
Future finance charges	**(10)**	–		
Total net finance lease payables	**147**	–		
Portion classified as current liabilities	**(78)**	–		
Non-current portion	**69**	–		

At 31 March 2006, the effective interest rate of the finance lease payables was 7.1% per annum.

25. DEFERRED TAX LIABILITIES

The movements in deferred tax liabilities during the year are as follows:

Deferred tax liabilities

Group

	Fair value gains on available-for-sale equity investments *HK$'000*	Tax losses *HK$'000*	Total *HK$'000*
At 1 April 2005	–	–	–
Deferred tax debited to equity during the year	13,003	(6,532)	6,471
At 31 March 2006	13,003	(6,532)	6,471

At 31 March 2006, there was no significant unrecognised deferred tax liability (2005: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries as the Group has no liability to additional tax should such amounts be remitted.

The Group has tax losses arising in Hong Kong of HK$104,128,000 (2005: HK$95,364,000) and in Mainland China of HK$4,594,000 (2005: HK$4,337,000) that are available for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time.

26. SHARE CAPITAL

Shares

	2006 HK$'000	2005 HK$'000
Authorised:		
60,000,000,000 ordinary shares of HK$0.01 each	**600,000**	600,000
Issued and fully paid:		
1,133,243,047 (2005: 11,332,430,478) ordinary shares of HK$0.01 each	**11,332**	113,324

A summary of the transactions during the year, with reference to the above movements in the Company's issued share capital is as follows:

	Notes	Number of shares in issue	Issued share capital *HK$'000*	Share premium account *HK$'000*	Total *HK$'000*
At 1 April 2004		9,332,430,478	93,324	267,600	360,924
Issue of shares	*(i)*	2,000,000,000	20,000	44,000	64,000
Share issue expenses	*(i)*	–	–	(1,600)	(1,600)
At 31 March 2005 and 1 April 2005		11,332,430,478	113,324	310,000	423,324
Capital reorganisation	*(ii)*	(10,199,187,431)	(101,992)	–	(101,992)
At 31 March 2006		1,133,243,047	11,332	310,000	321,332

26. SHARE CAPITAL (continued)

Shares (continued)

Notes:

(i) The Company entered into a placing agreement with Tai Fook Securities Company Limited, the placing agent, on 27 January 2005, for the subscription of 2,000,000,000 new shares of the Company of HK$0.01 each at a price of HK$0.032 per share. 2,000,000,000 shares of HK$0.01 each of the Company were issued and cash proceeds of HK$64,000,000, net of share issue expenses of HK$1,600,000, were received by the Company. The proceeds were applied as the general working capital of the Group.

(ii) A capital reorganisation scheme was approved by the shareholders under a special resolution on 28 July 2005, details of the which are as follows:

(a) Every ten shares of HK$0.01 each in the issued share capital of the Company were consolidated into one consolidated share of HK$0.10;

(b) Every issued consolidated share was reduced in nominal amount by cancelling HK$0.09 of the capital paid up for each issued consolidated share so as to form (after the share consolidation) one reorganised share of HK$0.01; and

(c) The credit arising from the capital reorganisation was transferred to the contributed surplus of the Company.

The value of the authorised share capital of the Company before and after the capital reorganisation remains unchanged and is HK$600,000,000.

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 28 to the financial statements.

27. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 37 of the annual report.

The contributed surplus of the Group arose as a result of the Group reorganisation upon listing of the Company's shares in 1994, and represented the difference between the nominal value of the shares of the former holding company of the Group prior to the Group reorganisation, over the nominal value of the Company's shares issued in exchange therefor.

In addition, pursuant to special and ordinary resolutions passed at the special general meeting held on 22 September 2000, the issued and fully paid share capital of the Company was reduced by HK$448,992,000 through a reduction in the nominal value of the share capital of the Company. The credit arising as a result of the reduction of the share capital of approximately HK$448,992,000 was transferred to the contributed surplus.

During the year, a credit of HK$101,992,000 arising from the capital reorganisation was transferred to the contributed surplus as explained in note 26 to the financial statements.

27. RESERVES (continued)

(b) Company

	Share premium account HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2004	267,600	556	492,681	(667,275)	93,562
Premium upon issue of shares *(note 26)*	44,000	–	–	–	44,000
Share issue expenses *(note 26)*	(1,600)	–	–	–	(1,600)
Net loss for the year	–	–	–	(4,994)	(4,994)
At 31 March 2005 and 1 April 2005	310,000	556	492,681	(672,269)	130,968
Capital reorganisation *(note 26)*	–	–	101,992	–	101,992
Net loss for the year	–	–	–	(4,186)	(4,186)
At 31 March 2006	310,000	556	594,673	(676,455)	228,774

Note:

The contributed surplus of the Company arose as a result of the Group reorganisation referred to in (a) above and represents the excess of the then combined net assets of the subsidiaries acquired, over the nominal value of the Company's shares issued in exchange therefor.

In addition, the capital reorganisation described in (a) above also resulted in an aggregate credit balance of approximately HK$550,984,000 being transferred to the Company's contributed surplus.

28. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants include the Company's directors, including independent non-executive directors, other employees of the Group or any invested entity, suppliers of goods or services to the Group or any invested entity, customers of the Group or any invested entity, shareholders of the Group or any invested entity, holders of securities of the Group or any invested entity and persons or entities that provide research, development or other technological support to the Group or any invested entity. The Scheme became effective on 27 August 2003 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of shares which may be issued upon exercise of all options granted and to be granted under the Scheme is an amount equivalent to 10% of the shares of the Company in issue as at the date of approval of the Scheme, unless approval for refreshing the 10% limit from the Company's shareholders has been obtained. The total number of shares of the Company available for issue under the Scheme is 86,193,604 shares, representing approximately 7.6% of the issued share capital of the Company as at the date of this annual report. The maximum number of share issued and to be issued upon exercise of the share options granted to each eligible participant in the Scheme (including exercised, cancelled and outstanding options) within any 12-month period, is limited to 1% of the shares of the Company in issue. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Under the Scheme, share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates are subject to approval in advance by the independent non-executive directors. In addition, any grant of share options to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, which would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant in excess of 0.1% of the shares of the Company in issue and with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5,000,000 is subject to shareholders' approval in advance in a general meeting.

28. SHARE OPTION SCHEME (continued)

The offer of a grant of share options under the Scheme may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determined by the directors, save that such period shall not be more than 10 years from the date of adoption of the Scheme subject to the provisions for early termination set out in the Scheme. Unless otherwise determined by the directors at their sole discretion, there is no requirement of a minimum period for which an option must be held before it can be exercised.

The exercise price of share options granted under the Scheme is determined by the directors, but shall not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of a share of the Company on the date of offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

Since the date of adoption of the Scheme, no options have been granted under the Scheme.

There were no share options granted, lapsed, exercised or cancelled during the year ended 31 March 2006 (2005: Nil).

29. DISPOSAL OF SUBSIDIARIES

	2006 HK$'000	2005 HK$'000
Net assets disposed of:		
Prepayments and other receivables	**12**	–
Other payables and accruals	**(1,185)**	–
	(1,173)	–
Gain on disposal of subsidiaries	**1,173**	–
	–	–
Satisfied by:		
Cash	**–**	–

The results of subsidiaries disposed of in the year ended 31 March 2006 had no significant impact on the Group's consolidated turnover or loss after tax for the year.

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Major non-cash transactions

(i) During the year, the Group acquired certain convertible notes that amounted to HK$27,000,000. These convertible notes were converted into 39,705,882 shares of a company listed on the Stock Exchange at a conversion price of HK$0.68 per share which were subsequently disposed of during the year.

(ii) During the year, the Group entered into a finance lease arrangement in respect of the property, plant and equipment with a total capital value at the inception of the leases of HK$208,000 (2005: Nil). Pursuant to the finance lease agreement, the Group disposed of a motor vehicle with a carrying value of HK$1,000 in exchange for a reduction of HK$110,000 in the price of the property, plant and equipment acquired.

31. PLEDGE OF ASSETS

At 31 March 2006, the Group's banking facilities were secured by the Group's fixed deposits of HK$6,731,000 (note 22).

At 31 March 2005, the Group's banking facilities were secured by the Group's fixed deposits of HK$6,572,000 (note 22) and an unlisted investment fund of HK$4,067,000 (note 18).

32. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to two years.

At 31 March 2006, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Within one year	**952**	873
In the second to fifth years, inclusive	**15**	689
	967	1,562

In addition, the Group is required to pay an annual fee of HK$57,000 in respect of the use of certain land in Mainland China for its electronic products business up to 2006 with an annual increment of 5% commencing from 1993. The total future annual fee payable within one year from the balance sheet date amounted to HK$67,000.

33. RELATED PARTY TRANSACTIONS

The Group considers the directors of the Company to be the key management personnel, whose compensation has been disclosed in note 8 to the financial statements.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments include equity investments, convertible notes, cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables. Details of the major financial instruments and the Group's accounting policies in relation to them are disclosed in note 2.5 to the financial statements.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, foreign currency risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Cash flow interest rate risk

The Group does not have any significant exposure to the risk of changes in market interest rates, and therefore it does not use derivative financial instruments to hedge its debt obligations.

Foreign currency risk

The Group has currency exposures as its sales were denominated in United States dollars. As United States dollars and Hong Kong dollars are pegged, the Group does not expect any significant movements in exchange rates in the foreseeable future.

The Group currently does not have a foreign currency hedging policy. However, management monitors the foreign exchange exposure and will consider hedging significant foreign currency exposures should the need arise.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. The Group reviews the recoverable amount of each individual trade debtor at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, available-for-sale equity investments and equity investments, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of the Group's available cash and its available banking facilities.

35. COMPARATIVE AMOUNTS

As further explained in notes 2.2 and 2.4 to the financial statements, due to the adoption of new and revised HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain opening balance adjustments have been made and certain comparative amounts have been reclassified to conform with the current year's presentation and accounting treatment.

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 20 July 2006.