

Note	Period from 1/4/2005 to 31/12/2005 HK\$'000	Year ended 31/3/2005 HK\$'000
Cash flows from operating activities		
Loss from operations	(19,560)	(14,971)
Adjustments for:		
Depreciation	2,073	3,151
Impairment charge on property, plant and equipment	27	7,300
Gain on disposal of investment property	–	(1,650)
Gain on disposal of financial assets at fair value through profit or loss	(1)	–
Loss/(Gain) on disposal on property, plant and equipment	1	(5,605)
Net unrealized holding (gain)/loss on short-term investments	(24)	96
Net realized loss on short-term investment	–	1,271
Interest income	(144)	(15)
Reversal of provision for long service payments	(47)	–
Operating loss before working capital changes	(17,675)	(10,423)
Decrease/(Increase) in inventories	6,517	(13,176)
Decrease/(Increase) in trade and other receivables	3,762	(13,645)
(Increase)/Decrease in merchant bank account	(71)	–
(Increase)/Decrease in margin deposit	(764)	–
Decrease in short-term investment	–	2,301
Increase/(Decrease) in trade and other payables	714	20,615
Increase in bills payable	60	–
Increase in due to minority shareholders	19,438	33,560
Increase in due to related companies	913	–
Decrease in due to director	(888)	(133)
Decrease in provision for long service payments	(947)	(306)
Cash generated from operations	11,059	18,793
Taxation paid	(346)	–
Interest paid	(14)	(943)
Interest received	144	15
Net cash from operating activities	10,843	17,865

Consolidated Cash Flow Statement

Honesty Treasure
International
Holdings Limited

For the period from 1 April 2005 to 31 December 2005

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	Note	Period from 1/4/2005 to 31/12/2005 HK\$'000	Year ended 31/3/2005 HK\$'000
Cash flow from investing activities			
Acquisition of subsidiary net of cash acquired	A	–	(16,960)
Net cash outflow upon disposal of interests subsidiaries	B	–	(6,856)
Purchase of property, plant and equipment		(3,448)	(3,522)
Purchase of property under development		(72,197)	–
Proceeds from disposal of property, plant and equipment		–	12,454
Proceeds from disposal of financial assets at fair value through profit or loss		11	5,350
Purchase of an associate		–	(238,000)
Net cash used in investing activities		(75,634)	(247,534)
Cash flow from financing activities			
Loan payable		52,200	–
Issue of new shares with premium		20,090	257,419
Acquisition of interests in subsidiaries from minority shareholders		–	(275)
Repayment of loan notes		(5,156)	(16,840)
Repayment of obligation under finance lease		(250)	(335)
Issue of warrants		4,950	–
Net cash from financing activities		71,834	239,969
Net increase in cash and cash equivalents		7,043	10,300
Cash and cash equivalents at beginning of period/year		12,818	2,832
Effect of foreign rate changes		(344)	(314)
Cash and cash equivalents at end of period/year		19,517	12,818
Analysis on cash and cash equivalents			
Bank balances and cash		19,517	12,818

The notes on pages 33 to 81 form an integral part of these financial statements.

A. ACQUISITION OF SUBSIDIARIES

	Period from 1/4/2005 to 31/12/2005 HK\$'000	Year ended 31/3/2005 HK\$'000
<i>Net assets acquired of:</i>		
Property, plant and machinery	-	762
Inventories	-	84
Trade and other receivables	-	2,034
Bank balances and bank overdraft	-	3,040
Trade and other payables	-	(374)
Taxation	-	(302)
Deferred taxation	-	(91)
Due to directors	-	(1,833)
	-	3,320
Less: Minority interests	-	(1,627)
	-	1,693
Add: Goodwill arising on acquisition	-	47,307
	-	49,000
Purchase consideration:		
• Cash	-	20,000
• Issue of shares	-	22,000
• Other investments	-	7,000
	-	49,000
Acquisition of subsidiary net of cash acquired:		
Cash consideration	-	(20,000)
Less: Bank balances acquired	-	3,040
	-	(16,960)

Consolidated Cash Flow Statement

Honesty Treasure
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B. DISPOSAL OF SUBSIDIARIES

	Period from 1/4/2005 to 31/12/2005 HK\$'000	Year ended 31/3/2005 HK\$'000
<i>Net assets disposed of:</i>		
Property, plant and machinery	–	19,964
Inventories	–	16,821
Trade and other receivables	–	25,780
Bank balances and cash	–	10,956
Interest-bearing borrowings	–	(22,828)
Trade and other payables	–	(19,288)
Minority interests	–	(349)
	–	31,056
Loss on disposal of interests in subsidiaries	–	(26,956)
	–	4,100
<i>Satisfied by:</i>		
Cash	–	4,100
Net cash outflow upon disposal of subsidiaries:		
Cash consideration	–	4,100
Less: Bank balances and cash disposed of	–	(10,956)
• Bank balances and cash	–	(10,956)
	–	(6,856)