1. BASIS OF PREPARATION

(a) PRINCIPAL ACTIVITIES

The Company is an exempted company incorporated in the Cayman Islands with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. Its subsidiaries and associates are principally engaged in property development; trading, distribution and retailing of leatherware products; healthcare and medical-related business; and hotel and real estate investment.

(b) BASIS OF PREPARATION OF FINANCIAL STATEMENTS

During the period, the Company changed its year end date from 31 March to 31 December so as to have the year end date to be co-terminous among the group companies.

The financial statements for the current period cover the nine months period ended 31 December 2005. The corresponding amounts shown for the consolidated income statement, consolidated statement of charges in equity, consolidated cash flow statement and related notes covered a twelve months period from 1 April 2004 to 31 March 2005 and therefore may not be comparable with amounts shown for the current period.

(c) CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements include the accounts of the company and its subsidiaries made up to 31 December. The results of subsidiaries acquired or disposed of during the period/year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the group's share of its net assets together with any goodwill or capital reserve which was not previously charged or recognised in the consolidated income statement.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

2.1 IMPACT OF RECENTLY ISSUED FINANCIAL REPORTING STANDARDS

The Hong Kong Institute of Certified Public Accountants has issued a number of new or revised Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations, herein collectively referred to as the new HKFRSs, which are generally effective for accounting periods commencing on or after 1 January 2005.

2.1 IMPACT OF RECENTLY ISSUED FINANCIAL REPORTING STANDARDS *(Continued)*

Adoption of NEW HKFRSs AND HKASs

The Group has adopted the following HKASs and HKFRSs issued in the financial statements for the period from 1 April 2005 to 31 December 2005:

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	Incomes 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 28	Investments in associates
HKAS 32	Financial instruments: Disclosure and presentation
HKAS 33	Earnings per share
HKAS 34	Interim financing reporting
HKAS 36	Impairment of assets
HKAS 37	Provision, contingent liabilities and contingent assets
HKAS 38	Intangible assets
HKAS 39	Financial instruments: Recognition and measurement
HKAS 40	Investment property
HKFRS 2	Share base payment
HKFRS 3	Business combinations

The adoption of these new/revised HKASs 1, 2, 7, 8, 10, 12, 14, 16, 17, 18, 19, 21, 23, 24, 27, 28, 32, 33, 34, 36, 37, 38, 39, 40, HKFRS 2 and 3 did not result in substantial changes to the accounting policies of the Group and the methods of computation in the Group's consolidated financial statements. In summary:

– HKAS 1 affects certain presentation in the consolidated balance sheet, the consolidated income statement and consolidated statement of changes in equity.

– HKASs 14, 16, 17, 23, 24, 28, 32 and 39 affect certain presentations and disclosures of the consolidated financial statements.

– HKASs 2, 7, 8, 10, 12, 18, 19, 21, 27, 33, 34, 36, 37, 38, 40, HKFRS 2 and 3 do not have any significant impact as the Group's accounting policies have already complied with these standards.

2.1 IMPACT OF RECENTLY ISSUED FINANCIAL REPORTING STANDARDS *(Continued)*

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the short-term investments which is classified as the financial assets at fair value through profit or loss.

HKAS 39 does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied the previous Hong Kong Statement of Standard Accounting Practice ("SSAP") 24 "Accounting for investments in securities" to short-term investments for the comparative information. The adjustments required for the accounting differences between SSAP 24 and HKAS 39, if any, are determined and recognised at 1 April 2005.

2.2 IMPACT OF ISSUED BUT NOT YET EFFECTIVE FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, to 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 19 Amendment	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HKAS 39 and HKFRS 4 Amendments	Financial Instruments: Recognition and Measurement and Insurance Contracts – Financial Guarantee Contracts
HKFRS 1 & 6 Amendments	First-time Adoption of Hong Kong Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) - Int 4	Determining whether an Arrangement contains a Lease
HK(IFRIC) - Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC) - Int 6	Liabilities Arising from Participating in a Specific Market – Waste electrical and Electronic Equipment
HK(IFRIC) - Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economics

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 incorporates the disclosure requirements of HKAS 32 relating to financial instruments. This HKFRS shall be applied for annual period beginning on or after 1 January 2007.

2.2 IMPACT OF ISSUED BUT NOT YET EFFECTIVE FINANCIAL REPORTING STANDARDS *(Continued)*

The HKAS 39 Amendment regarding the fair value option restricts the designation of any financial asset or financial liability as measured at fair value through profit and loss, unless certain conditions can be met.

The HKAS 19 Amendment, HKAS 39 Amendments regarding cash flow hedge accounting of forecast intragroup transactions, HKFRSs 1, 4 and 6 Amendments, HKFRS 6, HK(IFRIC)-INT 4, 5, 6 and 7 do not apply to the activities of the Group. HK(IFRIC)- Int 7 is effective for annual periods beginning on or after 1 January 2006.

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

3. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with generally accepted accounting principles in Hong Kong and comply with Hong Kong Accounting Standards and Financial Reporting Standards ("HKAS" or "HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance.

The financial statements are prepared under the historical cost convention as modified by the revaluation of certain properties, plant and equipment and investment properties. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

A summary of the significant accounting policies adopted by the Group is set out below:

(a) REVENUE RECOGNITION

i) Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

ii) Rental income is recognised on an accrual basis.

iii) Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

iv) Dividend income is recognized when the right to receive payment is established.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) INVESTMENT PROPERTIES

Investment properties are properties which are held by the owner or lessee, either to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use. Investment properties are stated at fair value at balance sheet date. Any gain or loss arising from a change in fair value of the investment properties is recognised in the income statement. Gain or loss on disposal of investment properties is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement upon disposal.

The fair value of investment property is based on a valuation by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the property being valued. The fair value is based on open market values.

(c) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation (see note 3(f)) and impairment losses (see note 3(g)).

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 normal working condition and location for its intended use. Major costs incurred in restoring property, plant and equipment to their normal working condition are charged to the income statement. In situation 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 in property, plant and equipment, and where the cost can be reliably measured, the expenditure is capitalized and depreciated over their expected useful live.

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.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

(d) PROPERTIES UNDER DEVELOPMENT

Properties under development represented assets under construction for future sale purpose. The properties under development are stated at lower of cost or net realizable value. Cost comprises land cost, direct cost of construction, borrowing costs and other direct cost attributable to the development.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(e) ASSETS UNDER LEASES

i) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals receivables/payables under such operating leases are accounted for in the income statement on a straight-line basis over the periods of the respective lease.

ii) Assets held for use in operating leases

Where the group leases out assets under operating leases, the assets are included in the balance sheet according to their nature and, where applicable, are depreciated in accordance with the group's depreciation policies, as set out in note 3(f). Impairment losses are accounted for in accordance with the accounting policy as set out in note 3(g). Revenue arising from operating leases is recognised in accordance with the group's revenue recognition policies, as set out in note 3(a)(ii).

iii) Operating leases charges

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

(f) AMORTISATION AND DEPRECIATION

Depreciation is not provided for freehold land. Property, plant and equipment are depreciated at rates sufficient to write off their cost/valuation less accumulated impairment loss over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Buildings	2-5% or over the lease term, if shorter
Furniture and fixtures	10-20%
Office equipment	10-20%
Plant and machinery	5-20%
Motor vehicles	10-20%
Leasehold improvements	Over the lease term

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(g) IMPAIRMENT OF ASSETS

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

– property, plant and equipment;
– interests in subsidiaries and associates (except for those accounted for at fair value);
– goodwill (whether taken initially to reserves or recognised as an asset); and
– financial assets.

Assets that have an indefinite useful life are not subject to amortization, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped of the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(h) INTANGIBLE ASSETS

GOODWILL

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

(i) SUBSIDIARIES

A subsidiary is a company in which the group or company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors. Subsidiaries are considered to be controlled if the company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

Interests in subsidiaries in the balance sheet are stated at cost less identified impairment loss. The results of subsidiaries are accounted to the extent of dividends received and receivable.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(j) ASSOCIATES

An associate is a company, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. Goodwill arising from the acquisition of associates, which was not previously eliminated or recognised in the consolidated reserves, is included as part of the Group's interests in associates.

The results of associates are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in associates are treated as long term assets and are stated at cost less any impairment losses.

(k) FINANCIAL ASSETS/INVESTMENTS

(i) Investments

Applicable to the year ended 31 December 2004:

Investments in debt and equity securities held for an identified long-term or strategic purpose are stated at cost less provision for impairment in value. Results of investments are accounted for to the extent of dividend and interest income.

Investments in debt securities which are intended to be held to maturity are measured at amortized cost, less any impairment losses recognised, if necessary, in the balance sheet. The amortisation of any discount or premium arising on acquisition is aggregated with other investment income receivable over the period from the date of acquisition to the date of maturity so as to give a constant yield on the investment.

Investments in debts and equity securities held not on a continuing basis identified long-term purpose are classified as short-term investment, which are stated at fair values with unrealized gains or losses included in the income statement using the benchmark treatment.

Gain or loss on disposal of investments in securities, representing the difference between the net sale proceeds and the carrying amount of the securities, is recognised in the income statement in the period in which the disposal occurs.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(k) FINANCIAL ASSETS/INVESTMENTS *(Continued)*

(ii) Financial Assets

Applicable to the period from 1 April 2005 to 31 December 2005:

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held to maturity or available-for-sale financial assets. The Group determines the classification of its financial assets after initial recognition and , where allowed and appropriate, re-evaluates the classification at the balance sheet date. All financial assets are recognised initially at fair value. Except for financial assets carried at fair value through profit or loss, all transaction costs of financial assets are included in their amortised costs.

i) Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near future. Changes in fair value of financial assets in this category are recognised in the income.

ii) 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 effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognized or impaired, as well as through the amortization process.

iii) Held-to-maturity financial assets

Financial assets classified as held-to-maturity are those traded in active markets, with fixed or determinable payments and fixed maturities that the Group's management has both the positive intention and the ability to hold to maturity. Held-to-maturity financial assets are carried at amortised cost using the effective interest method. If a significant portion of held-to-maturity assets are sold, the entire category would be tainted and reclassified as available-for-sale financial assets.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(k) FINANCIAL ASSETS/INVESTMENTS *(Continued)*

(ii) Financial Assets (Continued)

iv) Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets in 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 derecognized or impaired at which time the cumulative gain or loss previously recognised in equity is then transferred to the income statement.

When the fair value of 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.

(l) INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost, calculated on a first-in, first-out basis, comprises all costs of purchases, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

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

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(m) PROVISIONS AND CONTINGENT LIABILITIES

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

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

(n) INCOME TAX

(i) Income tax for the period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised directly in reserves, in which case they are recognised in reserves.

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

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

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax assets and liabilities are not discounted. The carrying amount of deferred tax assets/liabilities is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised.

(iv) Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if, the group and the company has the legally enforceable right to set off current tax assets against current tax liabilities. The principle of offsetting usually applies to income tax levied by the same tax authority on same taxable entity.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(o) CASH EQUIVALENTS

For the purpose of the cash flow statement, cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in values, and have a short maturity of generally within three months when acquired. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are also included as a component of cash and cash equivalent.

(p) TRANSLATION OF FOREIGN CURRENCIES

Items included in the accounts of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated accounts are presented in Hong Kong dollars which is the Company's functional and presentation currency.

Transactions in foreign currencies during the year are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange gains and losses are recognised in the income statement, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised directly in equity.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign enterprises are translated into Hong Kong dollars at the average exchange rates approximately the foreign exchange rates ruling at the dates of the transactions; for the period/year; balance sheet items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. The resulting exchange differences are dealt with as a movement in reserves. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(q) BORROWING COSTS

Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds.

Borrowing costs are expensed as incurred, except when they are directly attributable to the acquisition, construction or production of assets that necessarily takes a substantial period of time to get ready for their intended use in which case they are capitalised as part of the cost of that asset. Capitalisation of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and the activities to prepare the asset for its intended use are in progress. Borrowing costs are capitalised at the weighted average cost of the related borrowings until the asset is ready for its intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. All other borrowing cost are charged to the income statement in the year in which they are incurred.

(r) EMPLOYEE BENEFITS

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

Salaries, annual bonuses, paid annual leave, leave passage and the cost to the company of non-monetary benefits are accrued in the period/year in which the associated services are rendered by employees. Provision is made in respect of paid leave entitlement accumulated during the period/year, which can be carried forward into future periods for compensated absence or payment in lieu if the employee leaves employment.

The group operates a defined contribution retirement schemes and the regular cost of providing retirement benefits is charged to the income statement over the expected service lives of the members of the scheme on the basis of level percentages of pensionable pay. Variations from regular cost arising from triennial actuarial valuations are allocated to the income statement over the expected remaining service lives of the members.

Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Scheme Ordinance are charged to the income statement when incurred.

(ii) Share based payments

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(r) EMPLOYEE BENEFITS *(Continued)*

(ii) Share based payments *(Continued)*

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

(s) RELATED PARTIES

For the purpose of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family member) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

(t) SEGMENT REPORTING

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

In accordance with the group's internal financial reporting, the group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format.

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(t) SEGMENT REPORTING *(Continued)*

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

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

(a) Judgments

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

Classification of financial assets

The Group determines the classification of certain of assets as financial assets by judging whether they meet the definition of financial assets and financial liabilities set out in HKAS 39. Accordingly, the financial assets are accounted for in accordance with the Group's accounting policies set out in note 3(k) to the financial statements.

(b) 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.

(i) Estimating useful lives and residual values of property, plant and equipment

The Group estimates the useful lives and residual values of its property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives and residual values of the property, plant and equipment are reviewed annually and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, the Group's estimation of the useful lives and residual values of its property, plant and equipment is based on its collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in those estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives and residual values of the Group's property, plant and equipment would increase its recorded depreciation expenses and decreases its non-current assets.

(ii) Assets impairment

HKASs and HKFRSs require that an impairment review be performed when certain impairment indication is present. In case of goodwill, such assets are subject to yearly impairment test and whenever there is an indication that such asset may be impaired.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

(b) Estimation Uncertainty *(Continued)*

(ii) Assets impairment *(Continued)*

Purchase accounting requires extensive use of accounting estimates to allocate the purchase price to the fair market values of the assets and liabilities purchased, including intangible assets and contingent liabilities. The Group's business acquisitions have resulted in goodwill, which in the past affected its results of operations for the amount of periodic amortization expense. However, the Group no longer amortize goodwill under HKASs and HKFRSs effective from 1 January 2004. Instead, goodwill is subject to a periodic impairment test.

Determining the fair value of property, plant and equipment at the date of acquisition, which requires the determination of future cash flows expected to be generated from the continued use (i.e., value in use) and ultimate disposition of such assets, requires the Group to make estimates and assumptions that can materially affect its consolidated financial statements. Future events could cause the Group to conclude that property, plant and equipment associated with an acquired business is impaired. Any resulting impairment loss could have a material adverse impact on its financial condition and results of operations.

The preparation of estimation future cash flows involves significant estimations. While the Group believes that its assumptions are appropriate and reasonable, significant changes in its assumptions may materially affect its assessment of recoverable values and may lead to future additional impairment changes under HKASs and HKFRSs.

(iii) Deferred tax assets

The Group reviews the carrying amounts at each balance sheet date and estimate whether the Group will generate sufficient taxable profit to allow all or part of the deferred assets to be utilised.

(iv) Financial assets

In the absence of the market price in respect of the HKASs and HKFRSs require that the Group carries certain of its financial assets and liabilities at fair value, which requires extensive use of accounting estimates. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates and interest rates), the amount of changes in fair value would differ if the Group utilized different valuation methodology. Any changes in fair value of these financial assets and liabilities would affect directly the Group's consolidated profit and loss and equity.

(v) Allowances for doubtful accounts

The policy for allowance of bad and doubtful debts of the Group is based on the evaluation of collectibility and aging analysis of accounts and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realization of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

(b) Estimation Uncertainty (Continued)

(vi) Allowances for inventories

The Group estimates the allowance for inventories based on the best available facts and circumstances, including but not limited to, the inventories' own conditions (i.e. whether they are damaged or become wholly or partially obsolete), their market selling prices , estimated costs of completion and estimated costs to be incurred for their sale. The provisions are re-evaluated and adjusted as additional information received affects the amount estimated.

5. TURNOVER AND REVENUE

Turnover represented sale value of goods supplied to customers (after deduction of any goods returns and trade discounts), retailing business, provision for healthcare and medical-related services, interest income, gross rental income from investment properties and dividend income for the period. The amount of each significant category of revenue recognised in turnover during the period is analysed as follows:

	Period from 1/4/2005 to 31/12/2005 HK$'000	Year ended 31/3/2005 HK$'000
Turnover		
Continuing operations		
Trading and retailing	**72,024**	199,018
Healthcare and medical-related services	**1,565**	8,089
	73,589	207,107
Other revenue		
Bad debts recovered	**14**	7
Interest income	**144**	15
Gross rental income from:		
– Investment property	**–**	733
– Property, plant and equipment	**534**	41
Dividend income	**–**	96
Gain on disposal of:		
– Property, plant and equipment	**–**	5,605
– Investment property	**–**	1,650
Realized gain on financial assets at fair value through profit or loss or short-term investments	**2**	–
Unrealized gain on financial assets at fair value through profit or loss or short-term investments	**24**	–
Office and management fee income	**311**	–
Sundry income	**677**	–
Written back of provision for doubtful debts	**60**	–
Gain on exchange difference	**28**	–
Reversal of provision for long service payments	**47**	–
	1,841	8,147
Total revenue	**75,430**	215,254

5. TURNOVER AND REVENUE *(Continued)*

Note:

Kenitic Innovation Limited

The Company holds 51% in Kenitic Innovation Limited ("Kenitic") and the remaining 49% is held by General Lions Group Inc., a company wholly owned by Mr. Tang Yuk Hing ("Mr. Tang") and his wife. Mr. Tang is the founder of Kenitic.

Pursuant to the Company's circular of 17 May 2004, the Company's announcement of 7 March 2006 and a Deed of Guarantee dated 23 April 2004 entered into between Mr. Tang, General Lions Group Inc. (collectively the "Guarantors") and the Company, the Guarantors jointly and severally, irrevocably and unconditionally guaranteed and warranted to the Company that:

(a) the total after-tax profit of Kenitic in the first two years after completion of the acquisition of Kenitic (the "First Profit Guarantee Period") shall be no less than HK$10,000,000 (the "Guaranteed Amount"); and

(b) the after-tax profit of Kenitic in the third year after completion of the acquisition of Kenitic shall be no less than HK$5,000,000.

The Deed of Guarantee further provides that the after-tax profit shall be based on the annual audit report to be issued within 60 days of the end of the respective guarantee period. In the event that the after-tax profit falls below the guaranteed amount in the respective period referred to the above, the Guarantors shall pay the Company the shortfall in cash within 30 days of the issuance of the annual audit report.

On 27 February 2006, the Guarantors requested the Company to extend the First Profit Guarantee Period to 31 March 2007. According to the audited financial statements of Kenitic for the year ended 31 March 2005 and the 9-month period ended 31 December 2005, Kenitic incurred losses during the said 21-month period. Although the audited financial statements for Kenitic for the year ended 31 March 2006 was not available up to the date of the issuance of the audited financial statements for the 9-month period ended 31 December 2005 of the Group, the directors are of the view that it is possible that the results for the First Profit Guarantee Period may not be able to satisfy the Guaranteed Amount. Accordingly, the Board of Directors will monitor the situation closely and (if it is concluded that there is any shortfall) will enter into negotiation with the Guarantors on how the Guarantors would perform their obligations. As Mr. Tang is a substantial shareholder of Kenitic and is deemed to be a connected person under the Listing Rules, an appropriate announcement will be made at due course if there are further development in this issue.

6. SEGMENT INFORMATION

Business segments

In accordance with the Group's internal financial reporting and management purposes, the Group has determined that business segments are its primary reporting format and geographical segments are its secondary reporting format, with each segment organised and managed separately.

Principal activities are as follows:

Property development	:	Development of residential property
Trading and retailing	:	Trading, distribution and retailing of leather products
Healthcare and medical-related services	:	Provision for healthcare and medical-related services

The Group's inter-segment transactions were mainly related to sales of leather handbags and finished leather. Terms of sales were similar to those contracted with third parties. Activities included in Corporate have been re-defined in this period for the purpose of better evaluating the performance of segment results.

Segment information about these business is presented below.

Period from 1 April 2005 to 31 December 2005

	Property development HK$'000	Trading and retailing HK$'000	Healthcare and medical-related services HK$'000	Corporate HK$'000	Elimination HK$'000	Total HK$'000
Segment revenue						
External customers	–	72,024	1,565	–	–	73,589
Inter-segments	–	–	–	180	(180)	–
	–	72,024	1,565	180	(180)	73,589
Segment results	(23)	(8,603)	(4,968)	(5,586)	(276)	(19,456)
Finance costs						(295)
Impairment loss on intangible assets						(30,160)
Share of results of associates						86,140
Profit before taxation						36,229
Taxation						(44)
Profit for the period						36,185
Segment assets	73,923	49,322	57,311	684,447	(118,584)	746,419
Segment liabilities	(73,946)	(102,501)	(59,706)	(596,833)	694,371	(138,615)
Other segment information						
Capital expenditure	–	2,133	226	1,253	–	3,612
Depreciation and amortisation	–	1,361	607	105	–	2,073
Loss on disposal of property, plant and equipment	–	28	–	–	–	28

6. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

Year ended 31 March 2005:

	Trading and retailing HK$'000	Healthcare and medical-related services HK$'000	Corporate HK$'000	Elimination HK$'000	Total HK$'000
Segment revenue					
External customers	199,018	8,089	–	–	207,107
Inter-segments	–	–	–	–	–
	199,018	8,089	–	–	207,107
Segment results	(320)	(4,928)	(9,723)	–	(14,971)
Finance costs					(943)
Loss on disposal of interests in subsidiaries					(26,956)
Impairment loss on intangible assets					(71,141)
Share of results of associates					5,299
Loss before taxation					(108,712)
Taxation					91
Loss for the year					(108,621)
Segment assets	46,627	12,920	1,259,922	(700,524)	618,945
Segment liabilities	(92,763)	(8,164)	(590,731)	619,489	(72,169)
Other segment information					
Capital expenditure	694	–	556,000	–	556,694
Depreciation and amortisation	2,418	728	5	–	3,151
Impairment loss on property, plant and equipment	7,300	–	–	–	7,300
Gain on disposal of					
– Property, plant and equipment	(5,605)	–	–	–	(5,605)
– Investment property	(1,650)	–	–	–	(1,650)

6. SEGMENT INFORMATION *(Continued)*

Geographical segments

The Group's operations are located in Hong Kong, the People's Republic of China and Australia.

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

	Hong Kong		Macau		Other regions in the People's Republic of China		Australia		Others	
	Period from 1/4/2005 to 31/12/2005 HK$'000	Year ended 31/3/2005 HK$'000	Period from 1/4/2005 to 31/12/2005 HK$'000	Year ended 31/3/2005 HK$'000	Period from 1/4/2005 to 31/12/2005 HK$'000	Year ended 31/3/2005 HK$'000	Period from 1/4/2005 to 31/12/2005 HK$'000	Year ended 31/3/2005 HK$'000	Period from 1/4/2005 to 31/12/2005 HK$'000	Year ended 31/3/2005 K$'000
Revenue from external customers	47,804	103,977	475	–	24,279	95,490	9	177	1,022	7,463
Segment assets	81,495	80,116	73,923	–	591,001	538,213	–	–	–	616
Capital expenditure	3,210	42,694	–	–	402	514,000	–	–	–	–

	Total	
	Period from 1/4/2005 to 31/12/2005 HK$'000	Year ended 31/3/2005 HK$'000
Revenue from external customers	**73,589**	207,107
Segment assets	**746,419**	618,945
Capital expenditure	**3,612**	556,694

7. FINANCE COSTS

	The Group	
	Period from 1/4/2005 to 31/12/2005	Year ended 31/3/2005
	HK$'000	HK$'000
Interest on bank loans, overdrafts and other borrowings wholly repayable within five years	**63**	873
Interest on other loans	**114**	45
Finance charges on obligations under finance leases	**14**	25
	191	943
Loan interest capitalized	**534**	–

8. SHARE OF RESULTS OF ASSOCIATES

Hotel Golden Dragon (Macao) Company Limited

Pursuant to the Provisional Sale and Purchase Agreement dated 3 January 2005 entered into between the vendors and Pearl Oriental Macau Limited (the "Purchaser", a wholly owned subsidiary of the Company), upon the acquisition of a 40% interest in Hotel Golden Dragon (Macao) Company Limited ("Hotel Golden Dragon"), the vendors have guaranteed and warranted to the Purchaser that the audited consolidated net profit after taxation of Hotel Golden Dragon for each of the three years for the period from 5 January 2005 to 4 January 2008, before the payment of bank loan interest, shall not be less than HK$200 million (the "Guaranteed Profit"). With reference to the results of the special audit report dated 24 April 2006 for the Hotel Golden Dragon for the period from 5 January 2005 to 4 January 2006, the directors are satisfied that the Guaranteed Profit for the said period has been achieved. Details of the agreement and the acquisition were stated in the Company's circular of 14 March 2005.

9. PROFIT/(LOSS) BEFORE TAXATION

Profit/(Loss) before taxation has been arrived at after (charging)/crediting:

	The Group	
	Period from 1/4/2005 to 31/12/2005 HK$'000	Year ended 31/3/2005 HK$'000
(Charging):		
Staff costs		
Directors' remunerations (note 10)	**(4,135)**	(4,349)
Staff salaries and allowances	**(10,681)**	(11,560)
Reversal of provision for long service payments	**–**	148
Retirement benefits scheme contributions *(note 10)* (including directors of HK$54,000; Year ended 31/3/2005: HK$37,000)	**(269)**	(331)
Auditors' remuneration:		
Current period/year	**(1,589)**	(1,385)
(Under)/over-provision in previous year	**(260)**	81
	(1,849)	(1,304)
Cost of inventories	**(53,296)**	(176,724)
Depreciation of property, plant and equipment:		
Assets held for use under finance lease	**(94)**	(126)
Assets held for use under operating leases	**–**	(94)
Owned assets	**(1,979)**	(2,931)
Impairment loss recognised on property, plant and equipment	**–**	(7,300)
Loss on disposal of property, plant and equipment	**(1)**	–
Net foreign exchange losses	**(22)**	(352)
Decrease in fair value of financial assets at fair value through profit or loss	**–**	(96)
Loss on disposal of financial assets at fair value through profit or loss	**–**	(1,271)
Operating lease charges:		
Premises	**(6,421)**	(2,865)
Property, plant and equipment	**(29)**	(59)
Provision for slow-moving inventories	**(2,155)**	–
Written off of property, plant and equipment	**(27)**	–
Impairment loss on intangible assets	**(30,160)**	(71,141)
Provision for bad and doubtful debts	**(505)**	–
Crediting:		
Bad debts recovered	**14**	7
Dividend income	**–**	96
Gain on disposal of:		
Property, plant and equipment	**–**	5,605
Investment property	**–**	1,650
Rental income under operating leases net of outgoings	**534**	41
Rental income from other properties under operating leases net of outgoings	**–**	684
Net realized gain on financial assets at fair value through profit or loss	**2**	–
Unrealized gain on financial assets at fair value through profit or loss	**24**	–
Written back of provision for doubtful debts	**60**	–
Gain on exchange difference	**28**	–
Reversal of provision for long service payments	**47**	–

10. DIRECTORS' REMUNERATIONS

	Period from 1/4/2005 to 31/12/2005 HK$'000	Year ended 31/3/2005 HK$'000
Other emoluments (executive directors):		
Salaries and other benefits (Note 9)	**4,081**	4,312
Contributions to retirement benefits scheme (Note 9)	**54**	37
	4,135	4,349

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	Directors' fees HK$'000	**Salaries, allowances and benefits in kind** HK$'000	**Share-based payments** HK$'000	**Retirement scheme contributions** HK$'000	**Period from 1/4/2005 to 31/12/2005 Total** HK$'000
Executive directors					
Law Kar Po	–	–	–	–	–
Lee Sam Yuen, John	2,231	–	–	37	2,268
Law Wing Yee, Wendy	–	405	–	9	414
Lee Siu Yuk, Eliza	–	530	–	8	538
Chiang Pedro	–	–	–	–	–
Hoi Man Pak	–	–	–	–	–
Ung Choi Kun	–	–	–	–	–
Wu Ka I, Miguel	500	–	–	–	500
Wong Yuk Kwan	–	–	–	–	–
Non-executive directors					
Chui Sai Cheong	83	–	–	–	83
Wong Wing Hon, Aflonso	–	–	–	–	–
Leonel Alberto Alves	83	–	–	–	83
Independent non-executive directors					
Kwok Hong Yee, Jesse	83	–	–	–	83
Lau Wai Ming	83	–	–	–	83
Wong King Lam, Joseph	83	–	–	–	83
Ha Kee Choy, Eugene	–	–	–	–	–
Ng Kai Man, Luke	–	–	–	–	–
Chan Nim Leung, Leon	–	–	–	–	–
	3,146	935	–	54	4,135

10. DIRECTORS' REMUNERATIONS *(Continued)*

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Share-based payments HK$'000	Retirement scheme contributions HK$'000	Year ended 31/3/2005 Total HK$'000
Executive directors					
Wong Yuk Kwan	–	–	–	–	–
Law Kar Po	–	–	–	–	–
Lee Sam Yuen, John	–	3,000	27	24	3,051
Law Wing Yee, Wendy	–	245	–	7	252
Lee Siu Yuk, Eliza	–	240	–	6	246
Stephen William Callister	–	–	–	–	–
Ng Fung Ying	–	–	–	–	–
Ng Hoi Chun	–	–	–	–	–
Non-executive directors					
Sun Ping Hsu, Samson	–	–	–	–	–
Wong Wing Hon, Alfonso	200	–	–	–	200
Independent non-executive directors					
Lo Ming Chi, Charles	–	–	–	–	–
Wong Kwok Tai	–	–	–	–	–
Chan Nim Leung, Leon	200	–	–	–	200
Ng Kai Man, Luke	200	–	–	–	200
Ha Kee Choy, Eugene	200	–	–	–	200
	800	3,485	27	37	4,349

During the period from 1 April 2005 to 31 December 2005, no emoluments were paid by the Group to the directors as a discretionary bonus or any inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived or agreed to waive any remuneration for the current or prior years.

Included in the directors' remuneration were fees of HK$250,000 (Year ended 31 March 2005: HK$600,000) and HK$166,000 (Year ended 31 March 2005: HK$200,000) paid to the independent non-executive directors and the non-executive directors respectively during the period/year.

11. INDIVIDUALS WITH HIGHEST EMOLUMENTS

During the period from 1 April 2005 to 31 December 2005, the five highest paid individuals included three (Year ended 31 March 2005: one) directors of the Company, details of whose emoluments are set out above. The emoluments of the remaining two (Year ended 31 March 2005: four) highest paid individuals were as follows:

	Period from 1/4/2005 to 31/12/2005 HK$'000	Year ended 31/3/2005 HK$'000
Salaries and other benefits	**2,250**	4,713
Contributions to retirement benefits scheme	**–**	44
	2,250	4,757

The emoluments of the two (Year ended 31 March 2005: four) individuals with the highest emoluments are within the following bands:

	Period from 1/4/2005 to 31/12/2005 Number of individuals	Year ended 31/3/2005 Number of individuals
HK$Nil to HK$1,000,000	**–**	3
HK$1,000,001 to HK$1,500,000	**2**	–
HK$2,000,001 to HK$2,500,000	**–**	1
	2	4

During the period, no emoluments were paid by the Group to the individual as a discretionary bonus or an inducement to join or upon joining the Group or as compensation for loss of office.

12. RETIREMENT BENEFITS SCHEME CONTRIBUTIONS

	The Group	
	Period from 1/4/2005 to 31/12/2005 HK$'000	Year ended 31/3/2005 HK$'000
Contributions:		
Hong Kong subsidiaries *(Note a)*	**165**	316
Overseas subsidiaries (*Note b)*	**104**	15
	269	331

Note:

(a) The Group operates a pension scheme under the rules and regulations of Mandatory Provident Fund Schemes Ordinance ("MPF Scheme"). The assets of the MPF Scheme are held separately in an independently managed fund. The Group has followed the minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income or HK$12,000 per annum, whichever is lower. The contributions are charged to the income statement as incurred.

(b) The employees of overseas subsidiaries are members of the central pension schemes operated by the governments of the countries in which they operate. These subsidiaries are required to contribute a certain percentage of their payroll to the central pension schemes to fund the benefits. The only obligation of the Group with respect to the central pension schemes is the payment of the required contributions under the central pension schemes.

13. TAXATION

	Period from 1/4/2005 to 31/12/2005 HK$'000	Year ended 31/3/2005 HK$'000
Hong Kong profits tax Current period/year	**44**	–
Deferred tax *(Note 32)*		
Credit for the period/year	**–**	(91)
	44	(91)

Hong Kong profits tax has been provided at the rate of 17.5% (Year ended 31 March 2005: 17.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the relevant jurisdictions.

Reconciliation of the taxation charge/(credit) and accounting profit/(loss) at applicable tax rate:

	Period from 1/4/2005 to 31/12/2005 HK$'000	Year ended 31/3/2005 HK$'000
Profit/(Loss) before taxation	**36,229**	(108,712)
Notional tax on profit/(loss) before tax of 17.5%	**6,340**	(19,025)
Tax effect of:		
– non-deductible expenses	**5,549**	21,331
– non-taxable income	**(15,154)**	(4,642)
– previous tax utilized in current period/year	**47**	–
– unused tax losses arise in current period/year	**1,735**	1,986
– unrecognised tax loss	**1,380**	1,673
– difference in tax rates in other countries	**60**	(146)
– temporary differences recognized	**44**	–
– unrecognised temporary differences	**43**	(1,268)
Total tax charge/(credit) for the period/year	**44**	(91)

There was no material unprovided deferred tax for the period (year ended 31 March 2005: Nil).

14. NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS

The consolidated profit/(loss) attributable to equity holders of the parent includes a loss of HK$3,674,000 (Year ended 31 March 2005: loss of HK$68,380,000) which has been dealt with in the financial statements of the Company.

15. EARNINGS/(LOSS) PER SHARE

The calculations of basic and diluted earnings per share based on the share capital of the Company are as follows:

	Period from 1/4/2005 to 31/12/2005 HK$'000	Year ended 31/3/2005 HK$'000
Earnings/(Loss) (HK$'000)	**38,399**	(108,308)
Number of shares in calculating basic earnings/(loss) per share	**2,159,147,974**	1,224,296,914

	Period from 1/4/2005 to 31/12/2005 HK$'000
Number of shares in calculating diluted earnings per share	
Weighted average number of ordinary shares for the purpose of calculating the basic earnings per share	**2,159,147,974**
Effect of dilutive potential ordinary shares on conversion of warrants	**140,775,401**
Weighted average number of ordinary shares for the purpose of calculating the dilutive earnings per share	**2,299,923,375**

Diluted loss per share is not presented as the Company has no dilutive potential shares as at 31 March 2005.

16. INVESTMENT PROPERTY

	The Group	
	31/12/2005 HK$'000	31/3/2005 HK$'000
Valuation		
At 1 April	**–**	3,700
Disposal during the year ended 31 March 2005	**–**	(3,700)
At 31 December/March	**–**	–

17. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Leasehold improvement HK$'000	Total HK$'000
At Cost							
At 1 April 2005	12,597	994	4,109	13,337	3,201	5,458	39,696
Addition	144	588	1,131	–	408	1,177	3,448
Disposal	–	–	(137)	–	(270)	–	(407)
At 31 December 2005	12,741	1,582	5,103	13,337	3,339	6,635	42,737
Accumulated depreciation and impairment charge							
At 1 April 2005	1,783	915	2,464	8,549	1,428	3,028	18,167
Charge for the period	270	71	502	172	401	657	2,073
Eliminated on disposal	–	–	(136)	–	(243)	–	(379)
Exchange alignment	(105)	(1)	–	(41)	–	–	(147)
At 31 December 2005	1,948	985	2,830	8,680	1,586	3,685	19,714
Impairment							
At 1 April 2005 and 31 December 2005	7,300	–	–	–	–	–	7,300
Net book value							
At 31 December 2005	3,493	597	2,273	4,657	1,753	2,950	15,723
At 31 March 2005	3,514	79	1,645	4,788	1,773	2,430	14,229

17. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The Group *(Continued)*

	Buildings HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Leasehold improvement HK$'000	Total HK$'000
At Cost							
At 1 April 2004	66,656	994	2,623	14,302	2,496	8,266	95,337
Addition	–	–	1,032	–	873	2,518	4,423
Disposal	(54,059)	–	(145)	(965)	(168)	(5,489)	(60,826)
Acquisition of subsidiaries	–	–	599	–	–	163	762
At 31 March 2005	12,597	994	4,109	13,337	3,201	5,458	39,696
Accumulated depreciation and impairment charge							
At 1 April 2004	28,497	881	2,209	8,985	1,121	7,336	49,029
Charge for the period	1,110	34	383	511	475	638	3,151
Eliminated on disposal	(27,824)	–	(128)	(947)	(168)	(4,946)	(34,013)
At 31 March 2005	1,783	915	2,464	8,549	1,428	3,028	18,167
Impairment							
At 1 April 2004	–	–	–	–	–	–	–
Addition	7,300	–	–	–	–	–	7,300
At 31 March 2005	7,300	–	–	–	–	–	7,300
Net book value							
At 31 March 2005	3,514	79	1,645	4,788	1,773	2,430	14,229
At 31 March 2004	38,159	113	414	5,317	1,375	930	46,308

The net book value of buildings held by the Group at the balance sheet date shown above comprised of:

	The Group	
	31/12/2005 HK$'000	31/3/2005 HK$'000
Outside Hong Kong:		
Medium-term leases	**3,493**	3,514

17. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Property, plant and equipment include gross amount of HK$20,374,000 (31 March 2005: HK$17,432,702), accumulated depreciation of HK$6,121,000 (31 March 2005: HK$6,625,305) and accumulated impairment losses of HK$7,300,000 (31 March 2005: HK$7,300,000) in respect of assets held for use under operating leases.

The net book value of the Group's property, plant and equipment includes an amount of HK$610,000 (31 March 2005: HK$696,000) in respect of assets held under finance leases.

The Company

	Period from 1/4/2005 to 31/12/2005 Office equipment HK$'000	Year ended 31/3/2005 Office equipment HK$'000
Cost		
At 1 April 2005	**65,500**	65,500
Disposal	**(65,500)**	–
At 31 December 2005	**–**	65,500
Accumulated depreciation		
At 1 April 2005	**65,500**	65,500
Eliminated on disposal	**(65,500)**	–
At 31 December 2005	**–**	65,500
Net book value		
At 31 December 2005 and 31 March 2005	**–**	–

18. PROPERTY UNDER DEVELOPMENT

	The Group HK$'000
Balance at 1 April 2005	–
Cost of acquisition of land during the period	69,400
Other incidental expenses capitalized during the period	3,331
Balance for the period ended	72,731

The land is held in Macau with freehold feature and it is pledged as a security for bank loans as detailed in note 26(a).

19. INTERESTS IN SUBSIDIARIES

	The Company	
	31/12/2005	31/3/2005
	HK$'000	HK$'000
Unlisted shares, at cost	**2,100**	44,100
Due from subsidiaries	**685,242**	619,139
Provision for bad and doubtful debts	**(117,728)**	(117,728)
	567,514	501,411
	569,614	545,511
Loan to a subsidiary	**8,400**	–

The amounts due from subsidiaries and loan to a subsidiary are unsecured, interest-free and have no fixed repayment term.

Details of the principal subsidiaries at the balance sheet date are as follows:

Name	Country of incorporation/ registration and operation	Class of share held	Percentage of equity interest held in issued capital/ registered capital Directly	Indirectly	Principal activities
China HealthCare Limited	Hong Kong	6,600,000 ordinary shares of HK$1 each	–	100%	Investment holding
China Hifu Tumor Treatment and Medical Co., Limited	Hong Kong	6,000,000 ordinary shares of HK$1 each	–	100%	Leasing of Tumor cure systems
Healthforce Inc.	The British Virgin Island ("BVI")	1 ordinary share of US$1 each	–	100%	Investment holding
Chongqing Hai Jian Medical Technology Co., Limited	The People's Republic of China	RMB1,000,000	–	100%@	Rendering services on medical-related and healthcare facilities
Kenitic Innovation Limited #	Hong Kong	3,100,000 ordinary shares of HK$1 each	–	51%	Trading of medical health equipments and health products
Star Palace Enterprises Limited	Hong Kong	3,000,000 ordinary shares of HK$1 each	70%	–	Retailing business and commenced its business on 6 April 2005

19. INTERESTS IN SUBSIDIARIES *(Continued)*

Name	Country of incorporation/ registration and operation	Class of share held	Percentage of equity interest held in issued capital/ registered capital Directly	Indirectly	Principal activities
Star Palace Macao Limited	Macau	Registered capital MOP 25,000	–	100%	Retailing business and commenced its business on 14 October 2005
MOCCA Group Limited	Hong Kong	1 ordinary share of HK$1 each	–	100%	Investment holding
Pearl Oriental Macau Limited	Hong Kong	1 ordinary share of HK$1 each	100%	–	Investment holding
Canasta Overseas Group Limited	BVI	1 ordinary share of US$1 each	100%	–	Investment holding
Prospect Sync Holdings Limited	BVI	1 ordinary share of US$1 each	100%	–	Investment holding
Dah Hwa Leather & Trading Co., Limited #	Hong Kong	5,000 ordinary shares of HK$100 each	–	50%	Investment holding and trading of finished leather
Guangdong Faith Investment Limited #	Hong Kong	2,280,000 ordinary shares of HK$1 each	–	50%	Investment holding
Inter Leather Limited #	Hong Kong	100,000 ordinary shares of HK$1 each	–	50%	Inactive (formerly trading of leather bags)
Pathway International Limited #	BVI	1 ordinary share of US$1 each	50%	–	Investment holding
Da Ya Leather Company Limited #	PRC	US$700,000	–	80%	Processing of finished leather
Zhong Da Handbag Company Limited #	PRC	HK$8,260,000	–	60%	Manufacture of leatherware accessories

19. INTERESTS IN SUBSIDIARIES *(Continued)*

Name	Country of incorporation/ registration and operation	Class of share held	Percentage of equity interest held in issued capital/ registered capital Directly	Indirectly	Principal activities
Honesty Services Limited	Hong Kong	1 ordinary share of HK$1 each	100%	–	Holding of motor vehicle
Honesty Treasure Limited	Hong Kong	1 ordinary share of HK$1 each	100%	–	Provision of management service
Parsinno International Limited	Hong Kong	1 ordinary share of HK$1 each	100%	–	Investment holding
Son Pou Real Estate Company Limited	Macau	Registered capital MOP 100,000	–	51%	Property under development

@ wholly foreign-owned enterprise established in the PRC to be operated for 20 years up to 10 December 2022.

Companies not audited by CCIF CPA Limited.

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

20. INTERESTS IN ASSOCIATES

	The Group	
	31/12/2005	31/3/2005
		(Re-stated)
	HK$'000	HK$'000
		(Note)
Unlisted shares, at cost	**–**	–
Share of net assets	**606,349**	520,209
	606,349	520,209

Note:

The fair value of Hotel Golden Dragon as at 31 March 2005 was re-assessed, it was approximately the same as the consideration paid for the acquisition by the Group. Hence, there was no goodwill recognised for the acquisition of the Hotel Golden Dragon.

Details of the principal associates at the balance sheet date are as follows:

Name	Country of incorporation/ registration and operation	Class of share held	Percentage of equity interest held in registered capital indirectly	Principal activities
Hotel Golden Dragon (Macao) Company Limited #	Macau	Registered capital MOP1,000,000	40%	Operation of hotel
Sunny Tourist & Entertainment Company Limited #	Macau	Registered capital MOP100,000	24%	Provision for tourism and related service

Companies not audited by CCIF CPA Limited

The key consolidated financial information of the associates is as follows:

	31/12/2005	31/3/2005
	HK$'000	HK$'000
Non-current assets	**589,036**	556,640
Current assets	**195,520**	80,473
Non-current liabilities	**(397,978)**	(217,093)
Current liabilities	**(149,292)**	(409,222)

20. INTERESTS IN ASSOCIATES *(Continued)*

	Period from 1/4/2005 to 31/12/2005 HK$'000	Year ended 31/3/2005 HK$'000
Turnover	**329,150**	67,257
Net profit after taxation	**185,587**	13,470

Note:

During the period, the increase in interests in associates during the period included the share of increase in fair value of hotel properties of Hotel Golden Dragon by approximately HK$19 million.

21. INTANGIBLE ASSETS

The amounts of the goodwill capitalised as assets in the consolidated balance sheet, arising from the acquisition of subsidiaries are as follows:

	Goodwill arising on acquisition of the subsidiaries	
	31/12/2005 HK$'000	31/3/2005 HK$'000
At 1 April 2005/2004	**30,160**	53,994
Acquisition during the year	**–**	47,307
Impairment loss for the period/year	**(30,160)**	(71,141)
At 31 December 2005/31 March 2005	**–**	30,160

22. INVENTORIES

	The Group	
	31/12/2005 HK$'000	31/3/2005 HK$'000
Raw materials	**528**	732
Work in progress	**226**	742
Finished goods and merchandise	**11,581**	17,378
	12,335	18,852

The amount of inventories, included in above, carried at net realisable value is HK$8,329,000 (31 March 2005: HK$16,468,000).

23. TRADE AND OTHER RECEIVABLES

All trade receivables are expected to be recovered within 30 to 60 days with credit term under the Group's policy. Included in trade receivables are trade debtors (net of specific allowances for bad and doubtful debts) with the following ageing analysis:

	The Group	
	31/12/2005	31/3/2005
	HK$'000	HK$'000
Trade receivables		
Due		
Within 30 days	**3,209**	5,795
31 – 60 days	**2,481**	5,159
61 – 90 days	**864**	1,284
Over 90 days	**1,274**	656
	7,828	12,894
Other receivables	**11,035**	9,731
	18,863	22,625

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/ SHORT-TERM INVESTMENTS

	The Group	
	Financial assets at fair value through profit or loss	Short-term investments
	31/12/2005	31/3/2005
	HK$'000	HK$'000
Listed shares in Hong Kong, at fair value	66	52

25. TRADE AND OTHER PAYABLES

Included in trade payable are trade creditors with the following ageing:

	The Group	
	31/12/2005	31/3/2005
	HK$'000	HK$'000
Trade payables		
Due		
Within 30 days	**1,164**	1,100
31 – 60 days	**638**	1,049
61 – 90 days	**200**	2,546
Over 90 days	**285**	242
	2,287	4,937
Other payables	**23,753**	19,739
	26,040	24,676

26. INTEREST-BEARING BORROWINGS

		The Group	
		31/12/2005	31/3/2005
		HK$'000	HK$'000
Bank loans, secured	(a)	**37,200**	–
Trust receipt loans, secured		**2,588**	7,744
Loan notes	(b)	**1,461**	1,400
Other loans		**15,000**	–
		56,249	9,144
Current portion		**56,249**	9,144
Non-current portion		**–**	–
		56,249	9,144

(a) The interest rate on secured bank loans is charged on the outstanding balance at prime rate less 1% per annum.

(b) The outstanding balance of HK$1,461,000 is mature during the period and interest is charged at 2.5% per annum.

26. INTEREST-BEARING BORROWINGS *(Continued)*

(c) The maturity of the above interest-bearing borrowings are as follows:

Interest-bearing borrowings:

	Loan notes and other loans		Trust receipt loans and bank loans, secured	
	31/12/2005	31/3/2005	**31/12/2005**	31/3/2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**16,461**	1,400	**39,788**	7,744
In the second to fifth years	**–**	–	**–**	–
	16,461	1,400	**39,788**	7,744

27. DUE TO RELATED COMPANIES, DIRECTORS AND MINORITY SHAREHOLDERS

The amounts due to related companies, directors and minority shareholders were unsecured, interest-free and repayable on demand.

28. PROVISION FOR LONG SERVICE PAYMENTS

	The Group	
	31/12/2005	31/3/2005
	HK$'000	HK$'000
At 1 April	**1,928**	2,234
Utilized for the period/year	**(947)**	(158)
Reversal of overprovision for the period/year	**(47)**	(148)
At 31 December 2005/31 March 2005	**934**	1,928

29. OBLIGATIONS UNDER FINANCE LEASE

	Minimum lease payments		Present value of minimum lease payments	
	31/12/2005	31/3/2005	**31/12/2005**	31/3/2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amount payable:				
Within one year	**272**	349	**253**	325
In the second to fifth years	**69**	260	**64**	242
	341	609	**317**	567
Future finance charges	**(24)**	(42)	**–**	–
Present value of lease obligations	**317**	567	**317**	567
Current portion			**253**	325
Non-current portion			**64**	242
			317	567

30. ISSUED CAPITAL

	31/12/2005		31/3/2005	
	Number of shares	**HK$'000**	Number of shares	HK$'000
Authorised:				
Ordinary shares of HK$0.05 each	**5,000,000,000**	**250,000**	5,000,000,000	250,000

	Note	Number of ordinary shares of HK$0.05 each	Nominal value HK$'000
Issued and fully paid:			
At 31 March 2004		1,078,022,840	53,901
Issue of shares	(a)	455,000,000	22,750
Placing	(b)	437,600,000	21,880
At 31 March 2005		1,970,622,840	98,531
Placing	(c)	60,000,000	3,000
Issued of new shares at premium	(d)	400,200,000	20,010
At 31 December 2005		2,430,822,840	121,541

30. ISSUED CAPITAL *(Continued)*

Note:

(a) (1) Pursuant to the Circular dated 17 May 2004, the Company had entered into the sale and purchase agreement in relating to the acquisition of 44% equity interest in Kenitic Innovation Limited, a subsidiary, for a consideration of HK$42 million, which will be satisfied as to (a) HK$20 million in cash and (b) HK$22 million by an issue and allotment of 110,000,000 new Shares by the Company.

(2) Pursuant to the announcement dated 14 March 2005, the Company acquired the 40% equity shareholdings of Hotel Golden Dragon (Macao) Limited, an associate, at a consideration of: (a) HK$238 million in cash; and (b) HK$276 million in allotment and issue of the Company's shares, in totalling of HK$514 million. Then, it issued 345 million new ordinary shares at issue price of HK$0.80 each.

(b) (1) On 21 December 2004, the Company and the placing agent entered into the placing agreement pursuant to which the placing agent agreed to place 237,600,000 placing shares on a fully written basis to not less than six independent professional, institutional and/or individual investors at a price of HK$0.27 per placing share.

(2) Pursuant to the subscription agreement dated 7 January 2005, Mr. Law Kar Po, the executive director of the Company, had conditionally agreed to subscribe for 200,000,000 new shares at the subscription price of HK$1.00 per share. At the Extraordinary General Meeting held on 24 March 2005, it passed the ordinary resolutions approving the connected transaction in relation to the proposed subscription of 200,000,000 new shares following the placing HK$200,000,000 existing shares.

(c) Pursuant to the written resolution dated 4 July 2005, the company entered into a placing agreement to issue of 60,000,000 new shares (the "placing shares") of HK$0.05 each in the capital of the company at the price of HK$0.35 per placing share and 225,000,000 warrants, carrying the rights to subscribe for new Shares at a subscription price of HK$0.35 per Share (subject to adjustment) until 20 July 2007, at the price of HK$0.022 per warrant to the placing agent.

There is no exercise of warrants since their issue.

(d) Reference was made to the circular of the company dated 25 August 2005. It was noted that the company had entered into the supplemental agreement dated 14 July 2005 made between the company, the purchaser, a wholly-owned subsidiary of the company, and the vendors with regards to the settlement of the shortfall of HK$140,070,000 by the issue of 400,200,000 shares at an agreed price of HK$0.35 per share.

Pursuant to the ordinary resolution of the extraordinary general meeting dated 12 September 2005, the company issued of 400,200,000 new shares according to the supplemental agreement. The new shares were issued to rank pari passu in all respects with the then existing shares.

31. RESERVES

The Company

	Share premium HK$'000	Capital redemption reserve HK$'000	Warrant reserve HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Consolidated total HK$'000
At 1 April 2004	150,196	69	–	–	(146,802)	3,463
Issue of shares at premium (Note 30(a) & (b))	510,599	–	–	–	–	510,599
Net loss for the year	–	–	–	–	(68,380)	(68,380)
At 31 March 2005	660,795	69	–	–	(215,182)	445,682
Issue of shares at premium (Note 30(c))	17,410	–	–	–	–	17,410
Capitalization of share premium (Note 30(d))	(20,010)	–	–	–	–	(20,010)
Expenses on capitalization of premium	(320)	–	–	–	–	(320)
Issue of warrants (Note 30(c))	–	–	4,950	–	–	4,950
Net loss for the period	–	–	–	–	(3,674)	(3,674)
Reduction of share premium transferred to accumulated losses	(218,856)	–	–	–	218,856	–
At 31 December 2005	439,019	69	4,950	–	–	444,038

Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum or Articles of Association and provided that immediately following the distribution or dividend the Company is able to pay its debts as they fall due in the ordinary course of business.

Pursuant to the minutes of a directors' meeting held on 31 December 2005, an amount of approximately HK$218,856,000 was transferred from share premium account to offset the accumulated losses of the Company at 31 December 2005.

The Company's reserves available for distribution represent the share premium and retained profits. Under the Companies Law of the Cayman Islands, share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum or Articles of Associations and provided that immediately following the distribution or dividend the Company is able to pay its debts as they fall due in the ordinary course of business. As at 31 December 2005, the aggregate value of the share premium and retained profits of the Company available for distribution is HK$439,019,000 (31 March 2005: HK$445,613,000).

Reserves:

(a) Share premium represents the excess of consideration over par value of shares issued.

(b) Capital redemption reserve represents nominal value of shares repurchased out of distributable profits.

32. DEFERRED TAX ASSETS NOT RECOGNISED

At the balance sheet date, the major components of the unprovided deferred tax assets are as follows:

	The Group	
	31/12/2005	31/3/2005
	HK$'000	HK$'000
Excess of tax allowances over depreciation	**(93)**	(474)
Other temporary differences:		
– provision for bad and doubtful debts	**–**	1,203
Tax losses carried forward	**131,750**	128,778
	131,657	129,507

	The Company	
	31/12/2005	31/3/2005
	HK$'000	HK$'000
Tax losses carried forward	**4,405**	4,405

At the balance sheet date and for the period, no deferred tax assets has been recognised in relation to the deductible temporary differences and tax losses as it is not probable that taxable profit will be available against which the deductible temporary differences and tax losses can be utilized. The Group's tax losses of approximately HK$7,389,000 (31 March 2005: HK$7,129,000) and HK$124,362,000 (31 March 2005: HK$121,649,000) will expire within one to four years and do not expire respectively. The tax losses of the Company do not expire under current tax legislation.

33. CONTINGENT LIABILITIES

At the balance sheet date, the Group had no significant contingent liabilities (31 March 2005: Nil).

34. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these financial statements, the Group had the following transactions with related parties during the period:

(a) Mr. Lee Sam Yuen, John, a director and Mrs. Lee Shiao Yu Cho, a close family member of Mr. Lee Sam Yuen John, provided a personal guarantee of HK$100 million (31 March 2005: HK$100 million) to a bank to secure general banking facilities granted to a subsidiary, for which no charge is made;

34. RELATED PARTY TRANSACTIONS *(Continued)*

(b) The Group has leased certain properties from D.H. International Limited ("D.H. International"), a related company owned by a foundation of which Mrs. Lee Shiao Yu Cho and Mr. Lee Sam Yuen, John are beneficiaries, at an aggregate monthly rental of HK$107,000. Total rental paid during the period and deposit paid were amounting to HK$963,000 (31 March 2005: HK$872,000) and HK$218,000 (31 March 2005: HK$218,000) respectively.

In addition to the above, D.H. International has provided all monies mortgage over six properties held and an assignment of the insurance policy over those properties to a bank to secure general banking facilities granted to a subsidiary of the Company.

(c) On 30 May, 2005, a subsidiary of the Company as a tenant, entered into a tenancy agreement with Precision Advance Limited which is owned as to approximately 33.3% by Mr. Law Kar Po, a director and substantial shareholder of the Company, and as to approximately 66.7% by Mr. Law's relatives. The monthly rental and other related expenses is about HK$180,000 and HK$7,187 respectively. The total rental expenses and related expenses paid for the period from 1 April 2005 to 31 December 2005 amounting to HK$1,075,962.

(d) On 1 October 2004, Well Team Development Limited, which is wholly owned by Mr. Wong Yuk Kwan, an ex-director of the Company, and has common directors of Mr. Wong Yuk Kwan and Ms. Lee Siu Yuk, Eliza, the executive director, had entered into a tenancy agreement with a subsidiary. The total rental expenses paid for the period from 1 April 2005 to 31 December 2005 amounting to HK$442,667.

35. OPERATING LEASE COMMITMENT

(a) The Group leased out certain buildings and part of office under operating lease with average lease terms of 2 to 4 years. At 31 December 2005, the Group had total future minimum lease receivable under non-cancellable operating leases falling due as follows:

	31/12/2005	31/3/2005
	HK$'000	HK$'000
Within one year	**781**	879
In the second to fifth years	**434**	1,020
	1,215	1,899

35. OPERATING LEASE COMMITMENT *(Continued)*

(b) At 31 December 2005, the Group had total outstanding commitments for future minimum lease payable under non-cancellable operating lease in respect of properties, plant and equipment which fall due as follows:

	31/12/2005 HK$'000	31/3/2005 HK$'000
Within one year	**14,736**	5,468
In the second to fifth years	**12,731**	5,344
	27,467	10,812

36. CAPITAL COMMITMENTS

	31/12/2005 HK$'000	31/3/2005 HK$'000
Commitments for the acquisition of property, plant and equipment		
– contracted but not provided for	**2,603**	2,603
– authorised but not contracted for	**49,070**	49,070
	51,673	51,673

37. PLEDGE OF ASSETS

At the balance sheet date, property under development of the Group amounting to HK$72,731,000 (31 March 2005: Nil) was pledged to secure general bank facilities.

38. POST BALANCE SHEET EVENTS

(a) On 22 February 2006, the Company entered into a placing agreement with a placing agent for a placing of not more than 400 million new shares of the Company at a price of HK$0.148 per share. The placing was completed on 31 March 2006 and 400 million new shares were issued to independent third parties not connected with the Company or its connected persons.

(b) On 28 February 2006, the Company announced that a wholly owned subsidiary of the Company entered into a binding letter of intent dated 20 February 2006 with vendors who were Mr. Pedro Chiang, Mr. Law Kar Po, Mr. Wu Ka I, Miguel, Ms. Leong Lai Heng, Mr. Hoi Man Pak and Mr. Choy Wang Kong in respect of the acquisition of 55% of the issued quota and shareholders' loans of Companhia De Investimento E Desenvolvimento Continental Ocean Limitada (in English "Continental Ocean Investment and Development Company Limited") ("CIDCOL"). CIDCOL is a company incorporated in Macau on 7 October 2005 and its only material asset is a development site located in Lote TN6, Taipa, Macau. The consideration of the acquisition was approximately HK$91.1 million and was satisfied by the issue of convertible notes by the Company at a conversion price of HK$0.148 per share. The vendors, other than Mr. Choy Wang Kong, are directors or their associates of the Company. The acquisition constituted a major and connected transaction of the Company and the independent shareholders of the Company approved the acquisition in an extraordinary general meeting of the Company held on 7 April 2006.

(c) Subsequent to the balance sheet date, on 24 April 2006, the Board proposed a conditional bonus warrant issue to the shareholders on the basis of one warrant for every ten shares of the Company. The initial subscription price was determined at HK$0.26 per share, subject to adjustment, and the bonus warrants are exercisable at any time during the period which is expected to commence on 7 June 2006 and end on 6 June 2009 (if that day is not a business day, the business day immediately preceding that day) (both days inclusive).

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest bearing borrowings and cash and bank 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 account receivable and accounts payable, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risks, foreign exchange risk, credit risk and liquidity risk. The board reviews and agrees policies for managing each of there risks and they are summarized below.

Interest rate risks

The Group is exposed to interest rate risks due to changes in interest rates of interest-bearing financial assets and liabilities. Interest-bearing financial assets are mainly deposits with banks which are mostly short term in nature whereas interest-bearing financial liabilities are primarily short term bank borrowings with primarily floating interest rates. The Group is therefore exposed to both fair value and cash flow interest rate risks. The Group's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure.

Foreign exchange risk

The Group operates mainly in mainland China and Hong Kong and is exposed to foreign exchange risk arising from Renminbi currency exposures, primarily with respect to the Hong Kong dollars. Foreign exchange risks arises from future commercial transactions, recoginsed assets and liabilities and net investments in foreign operations. The risk management policy is to have the liquid assets mainly denominated in Hong Kong dollars and Renminbi.

The Group has operations in mainland China where the net assets are exposed to foreign currency translation risk. The Group's currency exposure with respect to these operations is mainly fro Renminbi and Hong Kong dollars.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk

The accounts and other receivables represent the Group's major exposure to the credit risk arising from the default of the counterparties, with a maximum exposure equal to the carrying amount of these financial assets in the consolidated balance sheet. The Group has no significant concentration of credit risk with respect to retail as it has a large number of diversified customers. With respect to the trading business and medical-related business, the Group trades only with recognised and creditworthy third parties. The Groups seeks to maintain strict control over its outstanding receivables and has a credit control development to minimize credit risk. In addition, all receivable balances are monitored on an ongoing basis and overdue balances are followed up by senior management. Accordingly, the Group's exposure to bad debts is not significant.

Liquidity risk

In the management of liquidity risk, the Group monitors and maintains level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuation in cash flows. The Group's treasury department's responsibility is maintaining a balance between continuity of funding and flexibility through the use of bank facilities in order to meet its liquidity requirements both in the short and long terms. All debts of the Group would mature in less than one year as at 31 December 2005.

40. COMPARATIVE FIGURES

With a review of financial statements presentation, certain items in the financial statements were reclassified which would result in a more appropriate presentation of events or transactions. Accordingly, comparative figures have been reclassified to conform to the current period's presentation.