NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2006

1. GENERAL

The Company is a company incorporated in the Cayman Islands as an exempted company with limited liability on 26 April 2002. The Company's shares have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 19 September 2002.

The Group is principally engaged in investing in listed and unlisted companies in the PRC, Hong Kong and Taiwan.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards (HKFRSs), Hong Kong Accounting Standards (HKASs) and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are effective for accounting periods beginning on or after 1 January 2005 and adopted by the Group with effect from 1 April 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current and/or prior accounting years are prepared and presented as follows:

Financial Instruments

In the current year, the Group has applied HKAS 32 Financial Instruments: Disclosure and Presentation and HKAS 39 Financial Instruments: Recognition and Measurement. HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The application of HKAS 32 has had no material impact on how financial instruments of the Group are presented for current and prior accounting periods. The principal effects resulting from the implementation of HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to the classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

Classification and measurement of financial assets and financial liabilities (Continued)

By 31 March 2005, the Group classified and measured its debt and equity securities in accordance with the alternative treatment of Statement of Standard Accounting Practice 24 (SSAP 24). Under SSAP 24, investments in debt or equity securities are classified as "trading securities", "non-trading securities" or "held-to-maturity investments" as appropriate. Both "trading securities" and "non-trading securities" are measured at fair value. Unrealised gains or losses of "trading securities" are reported in profit or loss for the period in which gains or losses arise. Unrealised gains or losses of "non-trading securities" are reported in equity until the securities are sold or determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for that period. From 1 April 2005 onwards, the Group has classified and measured its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. Available-for-sale equity investments that do not have quoted market prices in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost less impairment after initial recognition. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method after initial recognition.

Effect of changes in the accounting policies on consolidated balance sheet:

	31 March 2006	31 March 2005
	HKAS 32 & 39	HKAS 32 & 39
	HK$	*HK$*
Increase/(decrease) in assets		
Financial assets at fair value through profit or loss	**14,416,720**	–
Trading securities	**(14,416,720)**	–

3. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of investments in securities. The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are set out below:

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March. A subsidiary is an entity in which the Company, directly or indirectly, has control.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(a) Consolidation *(Continued)*

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

In the Company's balance sheet, the investment in a subsidiary is stated at cost less provision for impairment losses.

(b) Revenue recognition

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

(i) Proceeds from the disposal of financial assets at fair value through profit or loss are recognized on the trade date when a sale and purchase contract is entered into;

(ii) Interest income is recognized on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable; and

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

(c) Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognized as an expense immediately, unless the relevant asset is carried at a revalued amount under another accounting standard, in which case the impairment loss is treated as revaluation decrease under that accounting standard.

Where an impairment loss subsequently reserves, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately, unless the relevant asset is carried at a revalued amount under another accounting standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that accounting standard.

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognized impairment losses.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(d) Property, plant and equipment *(Continued)*

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual values, using the straight line method, at the following rates:

Motor vehicle	30%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

(e) Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a Group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

(i) Financial assets

The Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

(ii) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated at fair value through profit or loss on initial recognition. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. Unrealised gains and losses arising from changes in the fair value are included in the profit and loss account in the period in which they arise. Upon disposal, the difference between the net sale proceeds and the carrying value is included in the profit and loss account.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(f) Cash and cash equivalents

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

(g) Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(h) Employee benefits

(i) Employment leaves entitlements

Employment entitlements to annual leave and long service leave are recognized when they are accrued to employees. A provision is made for estimated liability for annual leave and long service leave as a result rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

(ii) Pension obligations

The Group contributes to a defined contribution retirement scheme which is available to all employees. Contributions to the scheme by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefits scheme contributions charged to the income statement represent contribution payable by the Group to the fund.

(i) Foreign currency translation

Transactions in foreign currencies are translated into Hong Kong dollars at the approximate rates of exchange ruling on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the rates ruling on the balance sheet date. Gains and losses resulting from this translation policy are dealt with in income statement.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(j) Share option schemes

The company operates share option schemes for the purpose of providing incentives and rewards to eligible participants for their contribution and support to the Group. The financial impact of share options granted under the share option scheme is not recorded in the Company's and the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the income statement or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which have lapsed, are deleted from the register of outstanding options and have no impact on the income statement or balance sheet.

(k) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

(l) Taxation

Taxation represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from net profit as reports in the income statement because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable and deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in financial statements and the corresponding tax bases use in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or negative goodwill or from the initial recognition other than in a business combination of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for the taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(l) Taxation *(Continued)*

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with equity.

(m) Operating lease

Leases where substantially all the risks and rewards of ownership of assets remain with the lessors accounted for as operating leases.

Payments made under operating leases are recognized on straight-line basis over the relevant lease term.

(n) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognized but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognized as a provision.

A contingent asset is a possible asset that arises from past event and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

A contingent asset is not recognized but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognized.

4. TURNOVER AND OTHER REVENUE

An analysis of turnover and other revenue is as follow:

	2006	2005
	HK$	*HK$*
Turnover		
Proceeds from sale of financial assets at fair value through profit or loss	**15,648,977**	–
Proceeds from sale of trading securities	**–**	2,490,391
	15,648,977	2,490,391
Other revenue		
Interest income	**45,008**	1,175
Other income	**2,170**	–
Dividend income from financial assets at fair value through profit or loss	**7,935**	–
Dividend income from trading securities	**–**	3,875
	55,113	5,050

5. SEGMENT INFORMATION

No segment information is presented as all of the revenue, results, assets and liabilities of the Group are attributable to investment activities which are carried out or originated principally in Hong Kong.

6. PROFIT/(LOSS) FROM OPERATIONS

Profit/(loss) from operations for the year is stated after charging the following:

	2006	2005
	HK$	*HK$*
Directors' remuneration		
Fees	**–**	–
Other remunerations	**900,000**	417,733
Provident fund contributions	**12,000**	32,823
Total directors' remuneration	**912,000**	450,556
Staff costs		
Salaries	**1,354,683**	914,991
Provident fund contributions	**44,823**	23,333
Other benefits	**160,537**	6,780
Total staff cost (excluding directors' remuneration)	**1,560,043**	945,104
Auditors' remuneration	**111,550**	78,000
Operating lease rental of land and buildings	**144,000**	117,600

7. TAXATION

No provision for Hong Kong profits tax is required since the Group has no assessable profit for the year (2005: Nil). The credit balance for the year represents written back of deferred tax provided in previous years.

The charge for the year can be reconciled to the profit per income statement as follows:

	2006	2005
	HK$	*HK$*
Profit/(loss) before taxation	**3,962,066**	(21,126,160)
Tax at the domestic income tax rate of 17.5%	**693,362**	(3,697,078)
Tax effect of (income)/expenses that are not (taxable)/deductible in determining taxable profit, net	**(1,420,660)**	55,593
Tax effect of tax losses not recognized	**727,298**	3,641,485
Taxation charge	**–**	–

7. TAXATION *(Continued)*

Deferred taxation

The major deferred tax liabilities/(assets) recognized by the Group and the Company are as follows:

	2006	2005
	HK$	*HK$*
Brought forward from previous year –		
Unrealised gain on trading securities	**200,000**	200,000
Charge to income statement for the year	**(200,000)**	–
	–	200,000

At the balance sheet date the Group and the Company has unused tax losses of approximately HK$21,644,304 (2005: HK$17,488,312) available for offset against future profits. Tax losses, which are subject to agreement with the Hong Kong Inland Revenue Department, will be carried forward indefinitely.

A deferred tax asset of approximately HK$2,356,142 (2005: HK$3,641,314) comprising unrealized gain/(loss) on financial assets at fair value through profit or loss/trading securities of HK$1,431,611 (2005: HK$580,860) and tax losses of HK$3,787,753 (2005: HK$3,060,454) has not been recognized in the financial statements of the Group and the Company in respect of tax losses available to offset future profits as it is not certain whether the tax losses will be utilized in the foreseeable future.

8. PROFIT/(LOSS) PER SHARE

The calculation of basic profit/(loss) per share on the Group's profit/(loss) attributable to shareholders is based on profit for the year of HK$4,162,066 (2005: loss of HK$21,126,160) and the weighted average of 97,953,863 (2005 (restated): 8,020,000 being adjusted to reflect the effect of share consolidation in September 2005, and rights issue in October 2005) ordinary shares in issue during the year.

Diluted profit/(loss) per share for the year ended 31 March 2006 and 2005 were not disclosed as there were no dilutive potential ordinary shares.

9. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

(a) Directors

The aggregate amounts of emoluments payable of the Company during the years are as follows:

	2006 HK$	2005 HK$
Fees		
Executive directors	–	–
Non-executive directors	–	–
Independent non-executive directors	60,000	–
	60,000	–
Other emoluments		
Basic salaries and other benefits	852,000	450,556
	912,000	450,556

The emoluments of each of the directors fell within the remuneration band of HK$Nil to HK$1,000,000.

No directors waived any emoluments and no emoluments were paid to the directors as inducement to join or upon joining the Group or as compensation for loss of office during the year (2005: Nil).

The emoluments paid or payable to each of the four (2005: 4) directors were as follows:

The Group	Fees		Salaries		2006	2005
	Executive directors HK$	Independent non-executive directors HK$	Management remuneration HK$	Employer's contributions to pension schemes HK$	Total emoluments HK$	Total emoluments HK$
POON Ho-man	–	–	600,000	12,000	612,000	50,000
CHIOU Jerry	–	–	240,000	–	240,000	240,000
LIU Yong	–	–	–	–	–	56,846
LIU Chen-chun	–	–	–	–	–	103,710
HSIEH Chin-chen *(note 1)*	–	–	–	–	–	–
FU Heng-yang *(note 2)*	–	–	–	–	–	–
HA Tak-kong	–	30,000	–	–	30,000	–
HUANG Ching-chung	–	30,000	–	–	30,000	–
PENG Feng *(note 3)*	–	–	–	–	–	–
Total	–	60,000	840,000	12,000	912,000	450,556

Notes:

1. Resigned on 11 May 2006.

2. Resigned on 22 November 2005.

3. Appointed on 22 November 2005.

9. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS *(Continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2005: two) directors whose emoluments are reflected in the analysis presented above.

The aggregate amounts of emoluments payable to the five highest paid individuals of the Group during the year are as follows:

	2006	2005
	HK$	*HK$*
Basic salaries and other benefits	**1,937,155**	1,266,367
Contributions to retirement benefits scheme	**44,823**	23,333
	1,981,978	1,289,700

The emoluments of each of the individuals fell within the remuneration band of HK$Nil to HK$1,000,000.

No emoluments were paid to these individuals as inducement to join or upon joining the Group as compensation for loss of office during the year (2005: Nil).

10. PROPERTY, PLANT AND EQUIPMENT

THE GROUP

	Motor vehicle
	HK$
COST	
At 1 April 2005	–
Additions	384,864
At 31 March 2006	384,864
DEPRECIATION AND IMPAIRMENT	
At 1 April 2005	–
Charge for the year	9,622
At 31 March 2006	9,622
NET BOOK VALUE	
At 31 March 2006	375,242
At 31 March 2005	–

11. INVESTMENT IN SUBSIDIARIES

	Company	
	2006	2005
	HK$	*HK$*
Unlisted shares, at cost	**880**	780

Details of the subsidiaries at 31 March 2006 are as follows:

Name of subsidiary	**Place of incorporation**	**Particulars of issued share capital**	**Direct interest held**		**Principal activities**
			2006	2005	
			HK$	*HK$*	
Garron International (HK) Limited	Hong Kong	HK$100	**100%**	–	Investment holding
Novel Epoch Investments Limited	The British Virgin Islands	US$100	**100%**	100%	Investment holding

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	2006	2005	**2006**	2005
	HK$	*HK$*	***HK$***	*HK$*
Financial assets at fair value through profit or loss:				
Listed in Hong Kong	**14,416,720**	–	**11,342,240**	–
Market value of listed financial assets at fair value through profit or loss as at 31 March	**14,416,720**	–	**11,342,240**	–

Following the adoption of HKAS 39 for the year ended 31 March 2006, certain financial assets were designated as financial assets at fair value through profit or loss. There was no such designation in 2005 as retrospective application of HKAS 39 is not permitted.

Particulars of the 5 largest investments as at 31 March 2006 are as follows:

Name of Invested company	Place of incorporation	Number of shares held	Percentage of interest held	Cost *HK$*	Accumulated unrealized gain/(loss) *HK$*	Market value *HK$*
Value Convergence Holding Limited ("Value Convergence") *(note a)*	Hong Kong	4,718,400 ordinary shares of HK$0.10 each	1.89%	2,442,504	8,645,736	11,088,240
China Construction Bank Corporation ("CCB") *(note b)*	The People's Republic of China	200,000 ordinary shares of RMB1 each	Less than 0.01%	501,000	224,000	725,000
Denway Motors Limited ("Denway Motors") *(note c)*	Hong Kong	200,000 ordinary shares of HK$0.10 each	Less than 0.01%	630,000	(25,000)	605,000
China Telecom Corporation Limited ("China Telecom") *(note d)*	The People's Republic of China	200,000 ordinary shares of RMB1 each	Less than 0.01%	545,000	5,000	550,000
Sandmartin International Holdings Limited ("Sandmartin") *(note e)*	Bermuda	454,000 ordinary shares of HK$0.10 each	0.09%	565,340	(56,860)	508,480

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

Notes:

A brief description of the business and financial information of the listed invested companies, based on their latest published annual report are as follows:

(a) Value Convergence is principally engaged in sale of technology solution systems and related services and provision of investment banking and financial services in Asia. The audited consolidated profit attributable to shareholders of Value Convergence for the year ended 31 December 2005 was approximately HK$10,243,000 (2004: HK$34,255,000). At 31 December 2005 the audited consolidated net asset value of the Value Convergence was approximately HK$165,058,000 (2004: HK$156,249,000). No dividend was received during the year (2004: Nil).

(b) China Construction Bank Corporation is principally engaged in the provision of corporate and personal banking services, conducting treasury business and corresponding banking business, and the provision of asset management and trustee services. The audited consolidated profit attributable to shareholders of CCB for the year ended 31 December 2005 was approximately RMB47,096,000,000 (2004: RMB49,040,000,000). At 31 December 2005 the audited consolidated net asset value of the CCB was approximately RMB287,677,000,000 (2004: RMB195,551,000,000). No dividend was received during the year (2004: Nil).

(c) Denway Motors is principally engaged in the manufacturing, assembly and trading of motor vehicles, the manufacturing and trading of automotive equipment and parts and audio equipment. The audited consolidated profit attributable to shareholders of Denway Motors for the year ended 31 December 2005 was approximately HK$1,860,248,000 (2004: HK$2,059,410,000). At 31 December 2005 the audited consolidated net asset value of Denway Motors was approximately HK$8,754,658,000 (2004: HK$7,127,931,000). Dividend of HK$4,000 was received during the year (2004: HK$3,875).

(d) China Telecom is principally engaged in wireline telecommunications services to residential and business customers, including local, domestic long distance and international long distance telephone services, internet and managed data, leased line, and other related services. The audited consolidated profit attributable to shareholders for the six months end 31 December 2005 was approximately RMB$27,954,000,000 (2004: RMB28,076,000,000) and the audited consolidated net asset value as at 31 December 2005 was approximately RMB182,961,000,000 (2004: RMB160,619,000,000). No dividend was received during the year (2004: Nil).

(e) Sandmartin is principally engaged in the manufacturing and trading of audio-visual, cable and satellite television, and telecommunications accessories. The audited consolidated profit attributable to shareholders of Sandmartin for the year ended 30 June 2005 was approximately HK$99,765,000 (2004: HK$96,466,000). The audited consolidated net asset value of Sandmartin was approximately HK$403,330,000 (2004: HK$147,500,000). No dividend was received during the year (2004: Nil).

13. TRADING SECURITIES

	Group and Company	
	2006	2005
	HK$	*HK$*
Equity securities, at market value		
Listed in Hong Kong	–	9,457,524

In accordance with HKAS 39, all trading securities were redesignated as financial assets at fair value through profit or loss for the year ended 31 March 2006.

14. AMOUNT DUE FROM SUBSIDIARIES

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

15. SHARE CAPITAL

	Note	**Number of ordinary shares of HK$0.20 each**	**Number of ordinary shares of HK$0.01 each**	**HK$**
Authorised:				
At 31 March 2005 and 2004		–	2,000,000,000	20,000,000
Share consolidation	*a*	100,000,000	(2,000,000,000)	–
At 31 March 2006		100,000,000	–	20,000,000
Issued and fully paid:				
At 31 March 2005 and 2004		–	80,200,000	802,000
Share consolidation	*a*	4,010,000	(80,200,000)	–
Rights issue	*b*	20,050,000	–	4,010,000
At 31 March 2006		24,060,000	–	4,812,000

During the year, the movements in the Company's share capital are as follows:

(a) By an ordinary resolution passed on 20 September 2005 at the extraordinary general meeting, every 20 shares in the issued and unissued share capital of the Company of HK$0.01 each be consolidated into 1 consolidated share of HK$0.20 each.

(b) By an ordinary resolution passed on 20 September 2005 at the extraordinary general meeting, the Company allotted 5 rights shares for every consolidated share held by way of a rights issue. As a result, 20,050,000 rights shares of HK$0.20 each at a price of HK$0.20 per rights share were issued and payable in full on acceptance.

16. SHARE OPTIONS

(a) Share Option Scheme

The Share Option Scheme was adopted by an ordinary resolution of the then sole shareholder of the Company on 31 August 2002. The major terms of Share Option Scheme are summarized as follows:

(i) The Share Option Scheme enables the Company to grant options to selected participants as incentives and/or rewards for their contribution and support to the Group.

(ii) The participants of the Share Option Scheme include any employees, directors, advisers, consultants, agents or business affiliates who, at the sole determination of the Board if Directors, as incentives or their contribution to the Group.

(iii) HK$1 is payable by the grantee to the Company on acceptance of the option offer. The option offer will be offered for acceptance for a period of 28 days from the date on which the offer is granted.

(iv) The subscription price for shares under the Share Option Scheme shall be a price notified by the Directors to a participant and shall be at least the highest of (i) the closing price of the shares as stated in Stock Exchange's daily quotations sheet on the offer date which must be a business day; and (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 trading days immediately preceding the offer date provided that the subscription price shall not be lower than the nominal value of the shares.

(v) The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 30% of the relevant class of securities of the Company in issue from time to time.

(vi) The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Company for the time being must not, in aggregate, exceed 10% of the shares in issue unless an approval by the shareholders at general meeting has been obtained.

(vii) An option maybe exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the tenth anniversary of the Share Option Scheme.

(viii) The Share Option Scheme will remain valid for a period of 10 years commencing from 31 August 2002 saved as early terminated in accordance with the Share Option Scheme.

No option has been granted under the Share Option Scheme since its adoption on 31 August 2002.

16. SHARE OPTIONS *(Continued)*

(b) Pre-initial Public Offering Share Option Scheme ("Pre-IPO Share Option Scheme")

The Pre-IPO Share Option Scheme was adopted by a written resolution of the then sole shareholder of the Company on 31 August 2002, and options granted thereunder were subject to substantially the same terms and conditions as those of the Share Options Scheme, except that the subscription price for the shares a grantee was entitled to subscribe under the Pre-IPO Share Option Scheme is different. The subscription price for the share under the Pre-IPO Share Option Scheme was HK$0.60 per share. The grantees were permitted to exercise options granted under the Pre-IPO Share Option Scheme during the period commencing from the expiry of six months from the date of listing of the shares of Company on Stock Exchange and up to 19 September 2004. A nominal consideration at HK$1 was paid by the grantees for each lot of share options granted. No further options could be granted under the Pre-IPO Share Option Scheme after 19 September 2002.

Movements in the number of share options under the Pre-ISO Share Option Scheme outstanding during the year are as follows:

	2006	2005
	HK$	*HK$*
At the beginning of the year	**–**	1,200,000
Lapsed upon termination of services of the grantees	**–**	–
Lapsed upon expiry	**–**	(1,200,000)
At the end of the year	**–**	–

No share option were granted nor exercised during the year ended 31 March 2006 (2005: Nil).

17. RESERVES

GROUP

	Share premium	Investment revaluation reserve	Accumulated losses	Total
	HK$	*HK$*	*HK$*	*HK$*
At 1 April 2004	33,413,149	381,188	(695,553)	33,098,784
Transfer to income statement upon sale of non-trading securities	–	(381,188)	–	(381,188)
Loss for the year	–	–	(21,126,160)	(21,126,160)
At 31 March 2005	33,413,149	–	(21,821,713)	11,591,436
Profit for the year	–	–	4,162,066	4,162,066
At 31 March 2006	33,413,149	–	(17,659,647)	15,753,502

COMPANY

	Share premium	Investment revaluation reserve	Accumulated losses	Total
	HK$	*HK$*	*HK$*	*HK$*
At 1 April 2004	33,413,149	381,188	(695,553)	33,098,784
Transfer to income statement upon sale of non-trading securities	–	(381,188)	–	(381,188)
Loss for the year	–	–	(21,121,480)	(21,121,480)
At 31 March 2005	33,413,149	–	(21,817,033)	11,596,116
Profit for the year	–	–	3,698,574	3,698,574
At 31 March 2006	33,413,149	–	(18,118,459)	15,294,690

At the balance sheet date, the surplus in the investment revaluation reserve represents the net unrealized gain arising from the changes in fair value of non-trading securities.

Under the Companies Law of the Cayman Islands, share premium of the Company is distributable to the shareholders of the Company subject to the provisions of the Memorandum and Articles of Association and a statutory solvency test. The Articles of Association provide that an ordinary resolution passed by the shareholders of the Company is required for any distribution out of the share premium account.

18. NET ASSET VALUE PER SHARE

The calculation of the net asset value per share is based on the net asset value of the Group as at 31 March 2006 of HK$20,565,502 (2005: HK$12,393,436) and 24,060,000 (2005: 80,200,000) ordinary shares in issue at that date.

19. RELATED PARTY TRANSACTIONS

During the year ended 31 March 2006, the group had entered into the following significant related party transactions which, in the opinion of the directors, were carried out on normal commercial terms and in the ordinary course of the Group's business:

	2006	2005
	HK$	*HK$*
Friedmann Pacific Asset Management Limited *(note a)* to which the following expenses were paid:		
Investment management fee *(note b)*	**440,000**	–
Friedmann Pacific Securities Limited *(note c)* to which the following expenses were paid:		
Financial adviser fee *(note d)*	**20,000**	–
Friedmann Pacific Financial Services Limited *(note e)* to which the following expenses were paid:		
Rental and building management fee *(note f)*	**144,000**	144,000

Notes:

(a) During the year ended 31 March 2006, Mr. CHIOU Jerry and Mr. POON Ho-man are common directors of Friedmann Pacific Asset Management Limited ("FPAML") and the Company.

An executive director of the Company, Mr. POON Ho-man, has beneficial interests in FPAML at the balance sheet date.

(b) The Company entered into an investment management agreement with FPAML on 14 June 2005 for a period of one year with effect from 16 June 2005 and shall continue for successive periods of one year each unless terminated at any time by serving on the other party not less than three months prior notice in writing. FPAML was entitled to receive an investment management fee on a quarterly basis at a rate of 2% per annum of the net asset value of the Company as at the valuation date as defined in the agreement. FPAML was also entitled to receive an incentive fee at a rate of 10% of the surplus net asset of the Company as at the last valuation date in a financial year as a defined in the agreement but the maximum aggregate annual value of the fee shall not be more than HK$440,000.

(c) During the year ended 31 March 2006, Mr. POON Ho-man is a common director and has beneficial interests in Friedmann Pacific Securities Limited ("FPSL") at the balance sheet date.

(d) The Company entered into a financial adviser agreement with FPSL for a period commencing from 1 December 2005 and ending on 30 November 2006 and each party shall have the right to terminate this agreement by giving not less than one month written notice to the other party. The fee will be HK$5,000 per month payable on the first day of every calendar month.

19. RELATED PARTY TRANSACTIONS *(Continued)*

Notes: *(Continued)*

(e) During the year ended 31 March 2006, Mr. POON Ho-man is a common director and has beneficial interests in Friedmann Pacific Financial Services Limited ("FPFSL") at the balance sheet date.

(f) The Company entered into a Licence Agreement with FPFSL commencing from 1 December 2005 and ending on 30 November 2008 or the date that the Principal Agreement being terminated. The Principal Agreement is the tenancy agreement made between FPFSL and the landlord dated 24 November 2005. The Licence Agreement can also be terminated at any time by either party serving not less than three months' prior notice in writing. Pursuant to the Licence Agreement, FPFSL is entitled to receive a monthly licence fee of HK$12,000 for granting the Company the use of an office premises.

20. RETIREMENT BENEFIT SCHEME

The Group has participated in a defined contribution Mandatory Provident Fund Scheme (the "Scheme") under the Mandatory Provident Fund Schemes Ordinance for all eligible employees in Hong Kong. The assets of the Scheme are held separately from those of the Group, in funds under the control of trustee. Under the scheme, each of the Group (the employer) and its employees makes monthly contributions to the Scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund Scheme Ordinance. The contributions from each of the employer and employees are subject to a maximum contribution of HK$1,000 per month and thereafter contributions are voluntary. No forfeited contribution is available to reduce the contributions payable in the future years.

The total contributions charged to the consolidated income statement for HK$44,823 (2005: HK$22,333), representing contributions payable to the Scheme by the Group in respect of the year ended 31 March 2006.

21. COMPARATIVE FIGURES

Certain comparative figures have been reclassified for better presentation.