1. GENERAL

The Company is a public limited company incorporated in Hong Kong with its shares listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the section headed "Corporate information" in the annual report.

The Company acts as an investment holding company and provides corporate management services to its subsidiaries. The principal activities of its subsidiaries and associates are set out in notes 19 and 20, respectively.

The financial statements are presented in Hong Kong dollars, which is the functional currency of the Company.

2. APPLICATION OF NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES

In the current year, the Group and the Company has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations ("INTs") (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are effective for accounting periods beginning on or after 1st January, 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. In particular, the presentation of share of tax of associates have been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's and the Company's accounting policies in the following areas that have an effect on how the results for the current and prior accounting years are prepared and presented:

Hotel properties

In previous periods, hotel properties of the Group are carried at revalued amount and no depreciation was provided on hotel properties held on leases of more than twenty years. In the current year, the Group has applied the cost model of HKAS 16 *Property, plant and equipment* to account for the Group's hotel properties. HKAS 16 requires the residual value of the hotel properties to be measured as the amount the Group would currently obtain from disposal of the hotel properties, after deducting the estimated costs of disposal, if the hotel properties were already of the age and in the condition expected at the end of their respective useful lives.

Upon application of HKAS 16 and Hong Kong Interpretation 2 *The appropriate policies for hotel properties*, the Group reviewed the residual values of its hotel properties, depreciation is provided on hotel properties and these changes are accounted for as a change in accounting policy in accordance with HKAS 8 *Accounting policies, changes in accounting estimates and errors*. In the meantime, deferred taxation relating to hotel properties has also been restated. Comparative figures have been restated (see note 3 for the financial impact).

2. APPLICATION OF NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Owner-occupied leasehold interest in land

In previous years, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current year, the Group has applied HKAS 17 *Leases*. Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively. Comparative figures have been restated (see note 3 for the financial impact).

Investment properties

In the current year, the Group has applied HKAS 40 *Investment property*. The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in profit or loss for the year in which they arise. In previous years, investment properties under Statement of Standard Accounting Practice ("SSAP") 13 were measured at open market values, with revaluation surplus or deficit credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and a revaluation surplus subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 form 1st April, 2005 onwards. Comparative figures have not been restated.

Deferred taxes related to investment properties

In previous years, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor Interpretation. In the current year, the Group has applied HK(SIC) Interpretation 21 ("HK(SIC) – INT 21") *Income taxes – Recovery of revalued non-depreciable assets* which removes the presumption that the carrying amount of investment properties is to be recovered through sale. Therefore, the deferred tax consequences of the investment properties are now assessed on the basis that reflect the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date. In the absence of any specific transitional provisions in HK(SIC) – INT 21, this change in accounting policy has been applied retrospectively. As the adoption of HK(SIC) – INT 21 has had no significant impact on the results and financial position for the current and prior accounting years, no prior period adjustment is required.

2. APPLICATION OF NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Leasehold land held for undetermined future use

Previously, leasehold land held for an undetermined future use was carried at cost less impairment and classified as property, plant and equipment. Under HKAS 17, the Group classifies its leasehold land held for an undetermined future uses as investment properties and use the fair value model to account for such leasehold land in accordance with HKAS 40. Changes in the fair value of the leasehold land are recognised directly in profit and loss. This change in accounting policy has been applied retrospectively. Comparative figures have been restated (see note 3 for the financial impact).

Financial instruments

In the current year, the Group and the Company 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 1st 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 and the Company are presented for the current and prior accounting years. The principal effects resulting from the implementation of HKAS 39 in respect of classification and measurement of financial assets and financial liabilities are summarised below:

By 31st March, 2005, the Group and the Company classified and measured its investments in equity securities in accordance with the benchmark treatment of SSAP 24. Under SSAP 24, the Group's and the Company's investments in equity securities are classified as "investment securities" or "other investments". "Investment securities" are carried at cost less impairment losses (if any) while "other investments" are measured at fair value, with unrealised gains or losses included in profit or loss. Under HKAS 39, the Group's and the Company's investments in equity securities are classified as "financial assets at fair value through profit or loss" or "available-for-sale financial assets" which are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively.

On 1st April, 2005, the Group and the Company reclassified other investments and investment securities to held-for-trading investments and available-for-sale investments respectively and measured them in accordance with the transitional provisions of HKAS 39. Comparative figures have not been restated (see note 3 for the financial impact).

2. APPLICATION OF NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Others

At the date of authorisation of these financial statements, the Group and the Company has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective.

HKAS 1 (Amendment)	Capital disclosures[1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures[2]
HKAS 21 (Amendment)	Net investment in a foreign operation[2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions[2]
HKAS 39 (Amendment)	The fair value option[2]
HKAS 39 & HKFRS 4 (Amendments)	Financial guarantee contracts[2]
HKFRS 6	Exploration for and evaluation of mineral resources[2]
HKFRS 7	Financial instruments: Disclosures[1]
HK(IFRIC) – INT 4	Determining whether an arrangement contains a lease[2]
HK(IFRIC) – INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds[2]
HK(IFRIC) – INT 6	Liabilities arising from participating in a specific market-waste electrical and electronic equipment[3]
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[4]
HK(IFRIC) – INT 8	Scope of HKFRS 2[5]
HK(IFRIC) – INT 9	Reassessment of embedded derivatives[6]

1 Effective for annual periods beginning on or after 1st January, 2007.
2 Effective for annual periods beginning on or after 1st January, 2006.
3 Effective for annual periods beginning on or after 1st December, 2005.
4 Effective for annual periods beginning on or after 1st March, 2006.
5 Effective for annual periods beginning on or after 1st May, 2006.
6 Effective for annual periods beginning on or after 1st June, 2006.

The directors of the Company anticipate that the application of these standards, amendments or interpretations will have no material impact on the financial statements of the Group and the Company, except for HKAS 39 and HKFRS 4 (Amendments) which require all financial guarantee contracts to be initially measured at fair value. The directors consider the impact resulting from this amendment cannot be reasonably estimated as at the balance sheet date.

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

(a) Effects on the results for the current and prior years:

	THE GROUP	
	2006	2005
	HK$	HK$
Increase in release of prepaid lease payments	**(28,016)**	(28,016)
Depreciation of self-operated hotel property	**(2,859,548)**	(1,240,442)
Derecognition of revaluation increase in hotel property	**–**	(1,301,340)
Decrease in fair value of investment properties recognised in income statement	**(1,116,830)**	(2,731,770)
Increase in loss for the year	**(4,004,394)**	(5,301,568)

Analysis by line items presented according to their function:

	THE GROUP	
	2006	2005
	HK$	HK$
Derecognition of revaluation increase in hotel property	**–**	(1,301,340)
Decrease in fair value of investment properties	**(1,116,830)**	(2,731,770)
Increase in administrative expenses	**(2,887,564)**	(1,268,458)
Increase in loss for the year	**(4,004,394)**	(5,301,568)

In addition, share of taxation of associates has been reclassified and included in the share of results of associates as follows:

	THE GROUP	
	2006	2005
	HK$	HK$
Decrease in share of results of associates	**(2,711,415)**	(1,178,439)
Decrease in taxation	**2,711,415**	1,178,439
	–	–

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) Effects on the balance sheet as at 31st March, 2005 and 1st April, 2005:

	As at 31.3.2005 (originally stated) HK$	Effect of HK INT 2, HKAS 8, HKAS 16 and HKAS 17 HK$	Effect of HKAS 40 HK$	As at 31.3.2005 (restated) HK$	Effect of HKAS 39 HK$	As at 1.4.2005 (restated) HK$
THE GROUP						
Total effects on assets:						
Investment properties	32,038,810	–	42,812,000	74,850,810	–	74,850,810
Property, plant and equipment	161,864,863	(25,198,118)	(43,087,502)	93,579,243	–	93,579,243
Prepaid lease payments						
– non-current portion	–	10,335,652	–	10,335,652	–	10,335,652
– current portion	–	251,582	–	251,582	–	251,582
Investments in securities						
– non-current portion	188,291,795	–	–	188,291,795	(188,291,795)	–
– current portion	8,334,872	–	–	8,334,872	(8,334,872)	–
Available-for-sale investments	–	–	–	–	188,291,795	188,291,795
Held-for-trading investments	–	–	–	–	8,334,872	8,334,872
	390,530,340	(14,610,884)	(275,502)	375,643,954	–	375,643,954
Total effects on equity:						
Accumulated losses	(111,180,984)	(14,610,884)	(275,502)	(126,067,370)	–	(126,067,370)
THE COMPANY						
Total effects on assets:						
Investments in securities						
– non-current portion	157,026,351	–	–	157,026,351	(157,026,351)	–
– current portion	2,440,550	–	–	2,440,550	(2,440,550)	–
Available-for-sale investments	–	–	–	–	157,026,351	157,026,351
Held-for-trading investments	–	–	–	–	2,440,550	2,440,550
	159,466,901	–	–	159,466,901	–	159,466,901

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) Effects on the equity as at 1st April, 2004:

	As originally stated	HK INT 2 HKAS 8, HKAS 16 and HKAS 17	Effect of HKAS 40	As restated
	HK$	HK$	HK$	HK$
THE GROUP				
Accumulated losses	(119,972,853)	(10,968,045)	1,383,227	(129,557,671)

4. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The financial statements have been prepared in accordance with the new Hong Kong Financial Reporting Standards. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Companies Ordinance. The principal accounting policies adopted are below:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st March each year.

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.

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

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Acquisition of additional interest in a subsidiary

When the Group increases its interest in an enterprise that is already an entity controlled by the Company, goodwill arising on such acquisition represents the difference between the cost of additional interest acquired and the increase in the Group's share of the fair value of the identifiable assets, liabilities and contingent liabilities. No revaluation surplus or deficit on revaluating all of the identifiable assets, liabilities and contingent liabilities of the subsidiary to current fair value is recognised in the consolidated balance sheet. The difference between the fair value, representing the amount of consideration less the amount of goodwill, and the carrying amount of the net assets attributable to the additional interest acquired is recognised as a reserve movement. This difference represents the portion of the revaluation difference that arose since the original acquisition date that is attributable to the Group's increased interest in the subsidiary. The difference will be recognised in the income statement upon the earlier of the disposal of that subsidiary or the disposal of or impairment of the assets to which it relates.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Interests in associates

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate, the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the associate, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any identified impairment loss.

Depreciation is provided to write off the cost of the assets over their estimated useful lives, and after taking into account their estimated residual value, using the straight-line method.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (Continued)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year in which the item is derecognised.

Investment properties

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

Leasehold land held for undetermined future use is regarded as held for capital appreciation purpose and classified as an investment property, and carried at fair value. Changes in fair value of the leasehold land are recognised directly in profit or loss for the period in which changes take place.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year in which the item is derecognised.

Owner-occupied leasehold interest in land

The land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are classified as prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis.

Intangible asset

The intangible asset represents the cost of acquisition of a sauna business licence in the People's Republic of China (the "PRC") and is initially recognised at cost. After initial recognition, the intangible asset, which has finite useful life, is carried at cost less amortisation and any identified impairment loss. Amortisation is provided on a straight-line basis over its estimated useful life.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its 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 recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Revenue recognition

Revenue is measured at the fair value of consideration received or receivable.

Revenue from hotel operation is recognised when services are rendered.

Rental income under operating leases is recognised on a straight-line basis over the term of the relevant lease.

Sales of securities are recognised on a trade-date basis.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Income from investment in intangible asset is recognised on a straight-line basis over the term of license period.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported 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 or deductible. The Group's liability for current tax is calculated using tax rates that have enacted or substantively enacted by the balance sheet.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and 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. Such assets and liabilities are not recognised if the temporary difference arises 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 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 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 in equity.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

Borrowing costs

All borrowing costs are recognised as, and included in, finance costs in the income statement in the period in which they are incurred.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets held-for-trading, loans and receivables, 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:

Financial assets held-for-trading

At each balance sheet date subsequent to initial recognition, financial assets held for trading are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, amount due from related companies, amount due from an associate, bank deposits, and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as any of the other categories (under HKAS 39). At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse to the income statement in subsequent periods.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Available-for-sale financial assets (Continued)

For available-for-sale equity investments that do not have a quoted market price 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, they are measured at cost less any identified impairment loss at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not reverse in subsequent periods.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

The Group's financial liabilities (including trade and other payables, amounts due to directors, amounts due to related companies, amount due to a minority shareholder, amount due to associates and bank borrowings are measured at amortised cost, using the effective interest method after initial recognition.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet dates, 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:

Useful lives of property, plant and equipment

In applying the accounting policy on property, plant and equipment with respect to depreciation, management estimates the useful lives of various categories of property, plant and equipment according to the industrial experiences gained over the development history of the Group and also by reference to the relevant industrial norm.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Income taxes

As at 31st March, 2006 and 2005, a deferred tax asset of HK$7,519,423 and HK$7,519,423 respectively in relation to accelerated tax depreciation and unused tax losses has been recognised as set out in note 39. No deferred tax asset has been recognised in respect of tax losses of HK$34,542,000 and HK$65,535,000 as at 31st March, 2006 and 2005 respectively due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less or more than expected, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in the income statement for the period in which such a reversal or further recognition takes place.

6. TURNOVER

	2006 HK$	2005 HK$ (restated)
Revenue from securities trading	**42,898,881**	7,485,517
Revenue from hotel operation	**12,861,220**	13,478,741
Rental income from:		
Service apartment	**6,192,753**	5,051,138
Investment properties	**8,400**	1,764,475
Dividend income from securities investment	**306,835**	254,220
Interest income from loan advance to an associate	**–**	919,493
Income from investment in intangible asset	**1,260,730**	1,226,415
	63,528,819	30,179,999

7. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into five operating divisions – hotel operation, property letting, securities investment and trading, and investment holding. Others include unallocated business operation. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Hotel operation	–	operation of a hotel
Property letting	–	leasing of investment properties and service apartment
Securities investment and trading	–	investment and trading in securities
Investment holding	–	investment in a sauna business licence

7. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

Business segments (Continued)

Segment information about these businesses is presented below.

2006

	Hotel operation HK$	Property letting HK$	Securities investment and trading HK$	Investment holding HK$	Others HK$	Consolidated HK$
REVENUE						
Turnover	12,861,220	6,201,153	43,205,716	1,260,730	–	63,528,819
RESULTS						
Segment results	(1,933,496)	(6,118,513)	1,489,182	(624,670)	–	(7,187,497)
Bank interest income						1,032,760
Unallocated corporate expenses						(11,366,453)
Finance costs						(2,078,339)
Write off of special reserve						(37,225,662)
Share of results of associates						(13,685,451)
Loss before taxation						(70,510,642)
Taxation						–
Loss for the year						(70,510,642)
ASSETS						
Segment assets	37,338,831	56,536,252	200,422,405	4,656,200	143,532,566	442,486,254
Interests in associates	–	–	–	–	61,615,454	61,615,454
Consolidated total assets						504,101,708
LIABILITIES						
Segment liabilities	2,309,724	5,626,575	105,553	–	7,526,302	15,568,154
Deferred tax liabilities						7,519,423
Finance lease obligation						1,226,336
Borrowings						45,050,728
Consolidated total liabilities						69,364,641
OTHER INFORMATION						
Capital additions	(5,933,017)	(963,163)	–	–	(1,588,305)	(8,484,485)
Depreciation	(2,888,393)	(4,271,164)	–	–	(922,432)	(8,081,989)
Release of prepaid lease payments	(28,016)	–	–	–	(223,566)	(251,582)
Allowance for doubtful debts	–	(115,491)	–	–	–	(115,491)
Amortisation of intangible asset	–	–	–	(1,885,400)	–	(1,885,400)
Loss on disposal of property, plant and equipment	–	–	–	–	(183,848)	(183,848)

7. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

Business segments (Continued)

2005

	Hotel operation HK$	Property letting HK$	Securities investment and trading HK$	Investment holding HK$	Others HK$	Consolidated HK$ (restated)
REVENUE						
Turnover	13,478,741	6,815,613	7,739,737	1,226,415	919,493	30,179,999
RESULTS						
Segment results	(548,834)	539,677	2,586,379	(596,962)	919,493	2,899,753
Bank interest income						6,003
Unallocated corporate expenses						(9,324,458)
Finance costs						(3,908,175)
Share of results of associates						13,929,605
Gain before taxation						3,602,728
Taxation						(112,427)
Gain for the year						3,490,301
ASSETS						
Segment assets	34,206,746	85,042,145	197,172,388	6,541,600	83,551,677	406,514,556
Interests in associates						133,386,080
Consolidated total assets						539,900,636
LIABILITIES						
Segment liabilities	2,473,402	9,338,815	41,942	–	6,192,857	18,047,016
Unallocated segment liabilities						18,629,215
Deferred tax liabilities						7,519,423
Finance lease obligation						346,224
Borrowings						29,545,304
Consolidated total liabilities						74,087,182
OTHER INFORMATION						
Capital additions	(7,441,218)	(29,724,032)	–	–	(58,487)	(37,223,737)
Depreciation	(2,357,660)	(3,154,873)	–	–	(1,089,672)	(6,602,205)
Allowance for doubtful debts	–	(467,582)	–	–	–	(467,582)
Release of prepaid lease payment	(28,016)	–	–	–	(223,566)	(251,582)
Amortisation of intangible asset	–	–	–	(1,885,400)	–	(1,885,400)
Impairment loss on property, plant and equipment reserves	–	2,517,803	–	–	–	2,517,803
Loss on disposal of property, plant and equipment	–	(13,431)	–	(11,011)	–	(24,442)

7. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

Geographical segments

The Group's operations are located in Hong Kong and the PRC.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/services:

	2006 HK$	2005 HK$
Hong Kong	**57,336,066**	25,128,861
Other regions in the PRC	**6,192,753**	5,051,138
	63,528,819	30,179,999

The following is an analysis of the carrying amount of segment assets, and additions to intangible assets, investment properties, property, plant and equipment, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		**Additions to investment properties, property, plant and equipment**	
	2006 HK$	2005 HK$	**2006 HK$**	2005 HK$
Hong Kong	**386,239,506**	347,364,489	**7,708,869**	34,978,654
Other regions in the PRC	**56,246,748**	59,150,067	**775,616**	2,245,083
	442,486,254	406,514,556	**8,484,485**	37,223,737

8. DIRECTORS' EMOLUMENTS

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

Name of directors	Fees HK$	Salaries and other benefits HK$	Retirement benefit schemes contributions HK$	Total HK$
2006				
Mr. Deacon Te Ken Chiu	**20,000**	**–**	**–**	**20,000**
Mr. Derek Chiu	**10,000**	**950,414**	**12,000**	**972,414**
Mr. Desmond Chiu	**10,000**	**–**	**–**	**10,000**
Ms. Margaret Chiu	**10,000**	**240,390**	**12,000**	**262,390**
Madam Chiu Ju Ching Lan	**10,000**	**300,000**	**–**	**310,000**
Mr. Dick Tat Sang Chiu	**10,000**	**–**	**–**	**10,000**
Mr. David Chiu	**10,000**	**–**	**–**	**10,000**
Mr. Dennis Chiu	**10,000**	**–**	**–**	**10,000**
Mr. Duncan Chiu	**10,000**	**180,000**	**9,000**	**199,000**
Mr. Ip Shing Hing	**120,000**	**–**	**–**	**120,000**
Mr. Ng Wing Hang	**120,000**	**–**	**–**	**120,000**
Mr. Choy Wai Shek	**120,000**	**–**	**–**	**120,000**
Mr. Chan Chi Hing	**10,000**	**–**	**–**	**10,000**
Mr. Tang Sung Ki	**10,000**	**435,400**	**12,000**	**457,400**
	480,000	**2,106,204**	**45,000**	**2,631,204**
2005				
Mr. Deacon Te Ken Chiu	20,000	–	–	20,000
Mr. Derek Chiu	10,000	844,347	12,000	866,347
Mr. Desmond Chiu	10,000	–	–	10,000
Ms. Margaret Chiu	10,000	246,364	12,000	268,364
Madam Chiu Ju Ching Lan	10,000	300,000	4,000	314,000
Mr. Dick Tat Sang Chiu	10,000	–	–	10,000
Mr. David Chiu	10,000	–	–	10,000
Mr. Dennis Chiu	10,000	–	–	10,000
Mr. Duncan Chiu	10,000	280,000	9,000	299,000
Mr. Ip Shing Hing	74,167	–	–	74,167
Mr. Ng Wing Hang	60,000	–	–	60,000
Mr. Choy Wai Shek	60,000	–	–	60,000
Mr. Chan Chi Hing	10,000	–	–	10,000
Mr. Tang Sung Ki	10,000	452,815	12,000	474,815
	314,167	2,123,526	49,000	2,486,693

In addition to the above, certain leasehold land and buildings of the Group are occupied by a director and the estimated rateable value of this director's quarter amounts to approximately HK$292,800 (2005: HK$266,760).

9. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2005: three) were directors whose emoluments are disclosed in note 8. The emoluments of the remaining two (2005: two) individuals were as follows:

	2006 HK$	2005 HK$
Salaries and other benefits	**622,883**	624,400
Retirement benefit schemes contributions	**24,000**	24,000
	646,883	648,400

10. FINANCE COSTS

	2006 HK$	2005 HK$
Interest on bank and other borrowings:		
Wholly repayable within five years	**31,310**	3,109,330
Not wholly repayable within five years	**2,016,465**	756,781
Interest on finance leases	**30,564**	42,064
	2,078,339	3,908,175

11. WRITE OFF OF SPECIAL RESERVE

The amount represents the differences between the fair value and the carrying amount of the property, plant and equipment attributable to the additional interest in a subsidiary being acquired by the Group. During the year, the directors reviewed the carrying value of the asset to which the reserve related by reference to a professional valuation carried out, on 31st March, 2006 and determined that the asset was fully impaired. Accordingly, the amount was recognised in the income statement.

12. (LOSS) PROFIT BEFORE TAXATION

	2006 HK$	2005 HK$ (restated)
(Loss) profit before taxation has been arrived at after charging:		
Amortisation of intangible asset (included in cost of sales)	**1,885,400**	1,885,400
Depreciation:		
Owned assets	**7,896,625**	6,421,366
Assets held under finance leases	**185,364**	180,839
	9,967,389	8,487,605
Allowance for doubtful debts	**115,491**	467,582
Release of prepaid lease payments	**251,582**	251,582
Auditors' remuneration		
Current year	**650,000**	490,000
Underprovision in prior years	**24,409**	–
Directors' remuneration and other staff costs, including retirement benefit schemes contributions of HK$416,213 (2005: HK$494,902)	**4,514,392**	10,972,432
Exchange loss, net	**–**	43,717
Decrease in fair value of held-for-trading investments	**3,486,881**	–
Loss on disposal of property, plant and equipment	**183,848**	24,442
Operating lease rentals in respect of:		
Buildings	**4,041,585**	4,771,427
Other equipment	**–**	27,000
and after crediting:		
Bank interest income	**1,032,760**	68,025
Gain on disposal of investment securities	**–**	1,198,500
Exchange gain, net	**1,077,134**	–
Impairment loss on property, plant and equipment reversed (included in administrative expenses)	**–**	2,517,803
Other interest income	**484,212**	–
Rental income, net of outgoings of HK$2,199,616 (2005: HK$2,020,103)	**4,001,537**	4,795,510
Unrealised holding gain on listed other investments	**–**	4,284,278

13. TAXATION

No provision for Hong Kong Profits Tax (2005: HK$112,427 at 17.5%) has been made in the financial statements as the Company and its subsidiaries have no assessable profit in both years. The amount in 2005 represented underprovision of Hong Kong Profits Tax in prior years.

The taxation charge for the year can be reconciled to the (loss) profit before taxation per consolidated income statement as follows:

	2006	2005
	HK$	HK$
		(restated)
(Loss) profit before taxation	**(70,510,642)**	3,602,728
Tax at the domestic income tax rate of 17.5% (2005: 17.5%)	**(12,339,362)**	630,478
Tax effect of share of results of associates	**2,394,953**	(2,437,681)
Tax effect of expenses not deductible for tax purposes	**7,139,786**	2,158,144
Tax effect of income not taxable for tax purposes	**(315,217)**	(2,292,258)
Underprovision in respect of prior years	**–**	112,427
Tax effect of tax losses not recognised	**4,198,895**	2,274,409
Tax effect of utilisation of tax losses previously not recognised	**(58,091)**	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(665,559)**	–
Others	**(355,405)**	(333,092)
Taxation charge for the year	**–**	112,427

Details of deferred taxation are set out in note 39.

14. (LOSS) EARNINGS PER SHARE

(a) Basic (loss) earnings per share

The calculation of basic (loss) earnings per share is based on the loss for the year of HK$70,510,642 (2005: profit of HK$3,490,301, as restated) and 488,842,675 (2005: 488,842,675) ordinary shares in issue during the year.

(b) Diluted (loss) earnings per share

No diluted loss per share is presented as the exercise of the potential dilutive ordinary shares would result in a reduction in loss per share for the year.

No dilutive earnings per share has been presented for last year because the exercise price of the Company's option was higher than the average market price for shares in last year.

14. (LOSS) EARNINGS PER SHARE (CONTINUED)

The following table summarises the impact on basic (loss) earnings per share as a result of the application of the new HKFRSs:

	2006	2005
	HK cents	HK cents
Figures before adjustment	**(13.60)**	1.80
Adjustment arising from changes in accounting policies	**(0.82)**	(1.09)
As reported/restated	**(14.42)**	0.71

15. PROPERTY, PLANT AND EQUIPMENT

	THE GROUP						THE COMPANY
	Land and buildings in Hong Kong HK$	Buildings in PRC HK$	Hotel property in Hong Kong HK$	Furniture, fixtures, equipment, motor vehicles and others HK$	Leasehold improvements HK$	Total HK$	Furniture, fixtures, equipment, motor vehicles and others HK$
COST							
At 1st April, 2004							
As originally stated	68,607,600	79,168,004	40,338,777	11,362,885	–	199,477,266	1,973,314
Effect of changes in accounting policies	(66,158,776)	–	–	6,748,435	601,750	(58,808,591)	–
Reclassification	–	–	(3,015,369)	3,015,369	–	–	–
As restated	2,448,824	79,168,004	37,323,408	21,126,689	601,750	140,668,675	1,973,314
Additions	–	2,222,951	–	5,352,856	–	7,575,807	33,486
Disposals	–	–	–	(159,338)	–	(159,338)	(25,044)
At 31st March, 2005	2,448,824	81,390,955	37,323,408	26,320,207	601,750	148,085,144	1,981,756
Exchange adjustments	–	1,037,127	–	209,366	–	1,246,493	–
Additions	–	674,578	–	7,366,812	255,548	8,296,938	1,332,759
Disposals	–	–	–	(995,174)	–	(995,174)	(995,174)
Transfer from investment properties	19,333,020	–	–	–	–	19,333,020	–
At 31st March, 2006	21,781,844	83,102,660	37,323,408	32,901,211	857,298	175,966,421	2,319,341
DEPRECIATION AND IMPAIRMENT							
At 1st April, 2004							
As originally stated	15,516,968	22,324,653	–	5,555,961	–	43,397,582	465,349
Effect of changes in accounting polices	(12,098,229)	–	15,427,009	3,258,371	571,662	7,158,813	–
As restated	3,418,739	22,324,653	15,427,009	8,814,332	571,662	50,556,395	465,349
Provided for the year	38,697	3,338,929	746,467	2,448,024	30,088	6,602,205	198,123
Impairment loss reversed	(2,517,803)	–	–	–	–	(2,517,803)	–
Eliminated on disposals	–	–	–	(134,896)	–	(134,896)	(14,033)
At 31st March, 2005	939,633	25,663,582	16,173,476	11,127,460	601,750	54,505,901	649,439
Exchange adjustments	–	348,826	–	135,772	–	484,598	–
Provided for the year	493,591	3,643,098	746,468	3,071,057	127,775	8,081,989	204,072
Eliminated on disposals	–	–	–	(505,425)	–	(505,425)	(505,425)
At 31st March, 2006	1,433,224	29,655,506	16,919,944	13,828,864	729,525	62,567,063	348,086
CARRYING VALUES							
At 31st March, 2006	20,348,620	53,447,154	20,403,464	19,072,347	127,773	113,399,358	1,971,255
At 31st March, 2005	1,509,191	55,727,373	21,149,932	15,192,747	–	93,579,243	1,332,317

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Buildings	Over the shorter of the terms of the lease, or 50 years
Leasehold improvement, furniture, fixtures, equipment, motor vehicles and others	10% to 33.3%

The properties located in Hong Kong with net book value HK$42,866,230 (2005: HK$35,109,245) and the PRC with net book value HK$55,662,750 (2005: HK$58,469,998) are held under medium-term leases.

The carrying values of the Group's and the Company's furniture, fixtures, equipment, motor vehicles and others includes an amount of HK$1,836,767 (2005: HK$1,194,292) in respect of assets held under finance leases.

16. INVESTMENT PROPERTIES

	THE GROUP HK$ (restated)
AT FAIR VALUE	
At 1st April, 2004	
As originally stated	28,820,000
Effect of change in accounting policies	57,543,770
As restated	86,363,770
Additions	29,647,930
Disposals	(26,950,000)
Decrease in fair value recognised in income	(14,210,890)
At 31st March, 2005	74,850,810
Transfer to property, plant and equipment	(19,333,020)
Additions	187,547
Disposals	(1,020,000)
Decrease in fair value recognised in income	(29,337)
At 31st March, 2006	54,656,000

Certain investment properties with carrying value of HK$21,400,000 (2005: HK$21,400,000) are registered in the name of a company controlled by Mr. Deacon Te Ken Chiu and his family (the "Chiu Family") as trustee for the Group. At 31st March, 2005, an investment property with a carrying value of HK$1,020,000 is registered in the name of the spouse of Mr. Derek Chiu, a director of the Company, as trustee for the Group. This property has been disposed of during the year.

All of the Group's investment properties are situated in Hong Kong held under medium-leases.

16. INVESTMENT PROPERTIES (CONTINUED)

The fair value of the Group's investment properties at 31st March, 2006 have been arrived at on the basis of a valuation carried out on that date by Lanbase Surveyors Limited, an independent firm of professional property valuers not connected with the Group. Lanbase Surveyors Limited are members of the Hong Kong Institute of Surveyors, and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using fair value model and are classified and accounted for as investment properties. As at 31st March, 2006, the carrying amount of such property interests amounted to HK$54,656,000 (2005: HK$74,850,810).

17. PREPAID LEASE PAYMENTS

The prepaid lease payments represent leasehold land in Hong Kong held under medium-term leases and are analysed for reporting purposes as:

	THE GROUP	
	2006	2005
	HK$	HK$
Non-current assets	**10,084,070**	10,335,652
Current assets	**251,582**	251,582
	10,335,652	10,587,234

18. INTANGIBLE ASSET

	THE GROUP AND THE COMPANY
	HK$
GROSS AMOUNT	
At 1st April, 2004, 31st March, 2005 and 31st March, 2006	11,312,400
AMORTISATION	
At 1st April, 2004	2,885,400
Charged for the year	1,885,400
At 1st April, 2005	4,770,800
Charged for the year	1,885,400
At 31st March, 2006	6,656,200
CARRYING VALUES	
At 31st March, 2006	4,656,200
At 31st March, 2005	6,541,600

18. INTANGIBLE ASSET (CONTINUED)

The intangible asset represents the cost of acquisition of a sauna business licence operating in the PRC. Under an agreement signed with a PRC partner on 23rd September, 2002, the Group transferred the right of business operation to the PRC partner for a period of four years commencing from 1st October, 2002 at an annual fee of RMB1,300,000. The intangible asset is amortised over the licence period of the asset of six years.

19. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2006	2005
	HK$	HK$
Unlisted shares, at cost	**89,209,222**	89,209,227
Less: Impairment loss recognised	**(11,419,494)**	(11,419,494)
	77,789,728	77,789,733

Particulars of the subsidiaries of the Company at 31st March, 2006 are as follows:

Name of subsidiary	Paid up issued ordinary share capital/ registered capital	Proportion of nominal value of issued ordinary share capital/ registered capital held by the Company Directly %	Indirectly %	Principal activities
Alabama Investment Company Limited	HK$9,000 Ordinary shares	97.8	–	Hotel operation
Anway Century Limited	HK$1 Ordinary share	100	–	Inactive
Brighten Heart Limited	HK$1 Ordinary share	100	–	Property investment
Cankon Properties Limited	HK$2 Ordinary shares	100	–	Property holding
Far East Communication Technology Limited	HK$2 Ordinary shares	100	–	Investment holding
Faubert Investment Limited	HK$2 Ordinary shares	100	–	Property investment

19. INTERESTS IN SUBSIDIARIES (CONTINUED)

Name of subsidiary	Paid up issued ordinary share capital/ registered capital	Proportion of nominal value of issued ordinary share capital/ registered capital held by the Company		Principal activities
		Directly	Indirectly	
		%	%	
Gaingrace Limited	HK$1 Ordinary share	100	–	Property investment
Garmelo Secretarial Limited	HK$2 Ordinary shares	100	–	Provision of company secretarial services
Grand Sparkle Limited	HK$1 Ordinary share	100	–	Property investment
Jeanstar Limited	HK$1 Ordinary share	100	–	Property investment
Jenago Limited	HK$2 Ordinary shares	100	–	Inactive
Kingwell Century Limited	HK$2 Ordinary shares	100	–	Property holding
Lai Chi Kok Amusement Park Company, Limited	HK$25,200,000 Ordinary shares	100	–	Property investment
Long Challenge Limited	HK$10,000 Ordinary shares	100	–	Investment holding
Mainstar International Limited	HK$1 Ordinary share	100	–	Property investment
Neochem Development Limited	HK$100 Ordinary shares	100	–	Property sub-letting
Ongrade Limited	HK$1 Ordinary share	100	–	Property investment
Rex Entertainment Limited	HK$100,000 Ordinary shares	100	–	Property investment

19. INTERESTS IN SUBSIDIARIES (CONTINUED)

Name of subsidiary	Paid up issued ordinary share capital/ registered capital	Proportion of nominal value of issued ordinary share capital/ registered capital held by the Company Directly %	Indirectly %	Principal activities
Saneworld Limited	HK$1 Ordinary share	100	–	Property investment
Sintex Holdings Limited	US$1 Ordinary share	100	–	Investment holding
Superlight Limited	HK$2 Ordinary shares	100	–	Investment holding
Beijing Hai Lian Property Management Co., Ltd.	RMB25,115,180 Paid up registered capital	–	90	Property investment and service apartments operation
Chartersend Limited	HK$2 Ordinary shares	–	100	Inactive
Far East Global Entertainment Limited	HK$2 Ordinary shares	–	100	Property sub-letting
Jones Town Limited	HK$2 Ordinary shares	–	100	Property investment
Oneyon Limited	HK$2 Ordinary shares	–	100	Investment holding
Tradeland Investments Limited	HK$250,000 Ordinary shares	–	100	Investment holding
Yuk Sue Investment Limited	HK$2 Ordinary shares	–	100	Securities trading and investment

All the subsidiaries are incorporated and operate in Hong Kong except for Sintex Holdings Limited which is incorporated in the British Virgin Islands and operate in Hong Kong, and Beijing Hai Lian Property Management Co., Ltd. which is a Sino-foreign equity joint venture registered and operates in the PRC.

None of the subsidiaries had any debt securities outstanding at the end of the year.

20. INTERESTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2006	2005	**2006**	2005
	HK$	HK$	**HK$**	HK$
Unlisted shares, at cost	**212,578,514**	212,578,514	**212,578,512**	212,578,512
Share of post-acquisition profit, net of dividend	**(150,963,060)**	(79,192,434)	**–**	–
Impairment loss recognised	**–**	–	**(163,600,000)**	(139,000,000)
	61,615,454	133,386,080	**48,978,512**	73,578,512

The directors of the Company have reviewed the carrying amount of the investment in an associate of the Company as at 31st March, 2006, and have determined to recognise an impairment loss of HK$24,600,000 (2005: HK$13,000,000), by reference to the carrying value of the underlying assets of the associate.

Particulars of the associates of the Group at 31st March, 2006 are as follows:

Name of associate	Place of incorporation/ operation	Issued share capital	Proportion of nominal value of issued share capital held by the Group %	Principal activities
Bestyard Limited	Hong Kong	HK$2 Ordinary shares	50	Property sub-letting
Bolan Holdings N.V. #	Netherlands Antilles/ Australia	US$100 Common shares US$6,000 Non-cumulative 5% preference shares	45	Investment holding
Central More Limited #	Hong Kong	HK$2 Ordinary shares	50	Property development
Nob Hill Management Limited #	Hong Kong	HK$2 Ordinary shares	50	Property management
Polyspring Limited	Hong Kong	HK$4 Ordinary shares	50	Inactive

\# In order to avoid unreasonable delay in the production of the Group's consolidated financial statements, the financial statements of these associates which are prepared to 31st December are used.

20. INTERESTS IN ASSOCIATES (CONTINUED)

The summarised financial information in respect of the Group's associates is set out below:

	2006	2005
	HK$	HK$
Total assets	**403,377,268**	512,541,533
Total liabilities	**(269,259,485)**	(229,414,382)
Net assets	**134,117,783**	283,127,151
Group's share of net assets of associates	**61,615,454**	133,386,080
Revenue	**4,483,333**	12,655,200
(Loss) profit for the year	**(27,814,706)**	27,632,715
Group's share of result of associates for the year	**(13,685,451)**	13,929,605

21. INVESTMENTS IN SECURITIES

The investment securities at 31st March, 2005 comprised:

	Investment securities	**Other investments**	**Total**
	HK$	HK$	HK$
THE GROUP			
Equity securities:			
Listed – Hong Kong	–	16,215,122	16,215,122
Unlisted – overseas	180,411,545	–	180,411,545
	180,411,545	16,215,122	196,626,667
Market values of listed securities	–	16,215,122	16,215,122
Carrying amount analysed for reporting purposes as:			
Non-current assets	180,411,545	7,880,250	188,291,795
Current assets	–	8,334,872	8,334,872
	180,411,545	16,215,122	196,626,667

21. INVESTMENTS IN SECURITIES (CONTINUED)

	Investment securities HK$	Other investments HK$	Total HK$
THE COMPANY			
Equity securities:			
Listed – Hong Kong	–	2,440,550	2,440,550
Unlisted – Overseas	157,026,351	–	157,026,351
	157,026,351	2,440,550	159,466,901
Market values of listed securities	–	2,440,550	2,440,550
Carrying amount analysed for reporting purpose as:			
Non-current assets	157,026,351	–	157,026,351
Current assets	–	2,440,550	2,440,550
	157,026,351	2,440,550	159,466,901

22. AVAILABLE-FOR-SALE INVESTMENTS

The available-for-sale investments at 31st March, 2006 comprise:

	THE GROUP HK$	THE COMPANY HK$
Equity securities listed in Hong Kong, at fair value	8,532,000	–
Unlisted equity securities overseas, at cost	180,411,545	157,026,351
	188,943,545	157,026,351

At the balance sheet date, the listed available-for-sale investments are stated at fair value determined by reference to the quoted market bid prices available on the Stock Exchange. The unlisted equity securities are stated at cost as their fair values cannot be measured reliably.

The unlisted equity securities are measured at cost less impairment, if any, at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Group are of the opinion that their fair values cannot be measured reliably.

22. AVAILABLE-FOR-SALE INVESTMENTS (CONTINUED)

Particulars of the available-for-sale investments at 31st March, 2006 are as follows:

Name of company	Effective percentage of issued ordinary share capital held by the Group %	Place of incorporation	Principal activities
Warwick Holdings S.A.	16.09	Luxemburg	Investment holding, hotel investment and operation
Far East Consortium International Limited ("FEC")	0.16	Cayman Islands (Listed in Hong Kong)	Investment holding and property investment

The Group's interest in a former overseas associate, Warwick Holdings S.A., was reclassified as investment securities in early January 1988 after the Group disposed of part of its interest therein and the Group was no longer in a position to exercise significant influence over the investee. The investment is stated at its carrying value at the date of reclassification, which comprises its cost of acquisition plus the Group's share of its post-acquisition profits accounted for using the equity method up to that date, as reduced by any impairment loss.

The Chiu Family together with the related trusts are controlling shareholders of Warwick Holdings S.A. and FEC.

23. HELD-FOR-TRADING INVESTMENTS

The held-for-trading investments at 31st March, 2006 comprises:

	THE GROUP HK$	THE COMPANY HK$
Equity securities listed in Hong Kong, at fair value	2,470,300	720,000
Warrants listed in Hong Kong, at fair value	7,121,310	–
	9,591,610	720,000

The fair values of held-for-trading investments have been determined by reference to the quoted market bid prices available on the Stock Exchange.

24. INVENTORIES

The amount represents food and beverage and other consumable, of which HK$330,681 (2005: HK$281,477) are stated at net realisable value.

25. TRADE AND OTHER RECEIVABLES

The Group generally allows an average credit period of not more than 30 days to its customers.

The following is an aged analysis of trade receivables at the balance sheet date:

	THE GROUP	
	2006	2005
	HK$	HK$
0 – 30 days	**79,157**	259,853
31 – 60 days	**40,100**	52,666
Over 60 days	**296,086**	136,015
Trade receivables	**415,343**	448,534
Other receivables	**7,906,078**	7,031,009
	8,321,421	7,479,543

Included in other receivables of the Group and the Company are amounts of HK$1,864,000 (2005: HK$1,748,000) which bear interests ranging from 3.5% to Hong Kong Prime Rate plus 1% per annum.

26. AMOUNTS DUE FROM SUBSIDIARIES

The amounts are unsecured and repayable on demand. Except for an amount of HK$72,174,496 (2005: HK$62,185,479), which bears interest at Hong Kong Prime Rate minus 4% per annum, the remaining amounts are interest-free.

27. AMOUNTS DUE FROM/TO ASSOCIATES

The amounts are unsecured, interest-free and repayable on demand.

28. AMOUNTS DUE FROM RELATED COMPANIES

Details of the amounts due from companies controlled by the directors are as follows:

Name of company	Name of directors related	THE GROUP Balance at 31.3.2006 HK$	THE GROUP Balance at 1.4.2005 HK$	THE GROUP Maximum amount outstanding during the year HK$	THE COMPANY Balance at 31.3.2006 HK$	THE COMPANY Balance at 1.4.2005 HK$	THE COMPANY Maximum amount outstanding during the year HK$
Far East Technology International Limited	Deacon Te Ken Chiu David Chiu Margaret Chiu Dennis Chiu Derek Chiu Desmond Chiu Duncan Chiu	420,716	420,715	420,716	420,716	420,716	420,176
Tang Dynasty City Pte. Ltd.	Deacon Te Ken Chiu Dennis Chiu Derek Chiu Margaret Chiu Duncan Chiu (Alternate to Deacon Te Ken Chiu)	251,772	383,715	383,715	–	–	–
		672,488	804,430		420,716	420,716	

The above amounts are unsecured, interest-free and repayable on demand.

29. PLEDGED BANK DEPOSITS, BANK BALANCES AND CASH

Pledged bank deposits, bank balance and cash comprise short-term bank deposits at prevailing market interest rates and the directors consider that their carrying amounts approximates to their fair values.

30. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables at the balance sheet date:

	THE GROUP	
	2006	2005
	HK$	HK$
0 – 30 days	**668,825**	780,172
31 – 60 days	**356,828**	466,670
Over 60 days	**1,634,882**	1,019,269
Trade payables	**2,660,535**	2,266,111
Other payables	**4,240,637**	24,273,203
	6,901,172	26,539,314

31. AMOUNTS DUE TO SUBSIDIARIES

The amounts are unsecured, interest-free and repayable on demand.

32. AMOUNTS DUE TO DIRECTORS

The amounts are unsecured, interest-free and repayable on demand.

33. AMOUNTS DUE TO RELATED COMPANIES

Name of company	**Name of common directors**	THE GROUP		THE COMPANY	
		2006	2005	**2006**	2005
		HK$	HK$	**HK$**	HK$
Great Eastern Advertising & Publishing Co., Ltd.	Derek Chiu	**68,562**	93,585	**68,562**	93,585
Tang Dynasty City Pte. Ltd.	Deacon Te Ken Chiu Dennis Chiu Derek Chiu Margaret Chiu Duncan Chiu (Alternate to Deacon Te Ken Chiu)	**–**	–	**131,942**	–
Far East Theatres Management Limited	Deacon Te Ken Chiu Chiu Ju Ching Lan Dick Tat Sang Chiu David Chiu	**66,838**	7,225	**66,838**	7,225
		135,400	100,810	**267,342**	100,810

The amounts are unsecured, interest-free and repayable on demand.

34. AMOUNT DUE TO A MINORITY SHAREHOLDER

The amount is unsecured, interest-free and repayable on demand.

35. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2006	2005	**2006**	2005
	HK$	HK$	**HK$**	HK$
THE GROUP AND THE COMPANY				
Amounts payable under finance leases:				
Within one year	**596,892**	260,132	**507,363**	238,190
In the second to fifth year inclusive	**770,165**	115,117	**718,973**	108,034
	1,367,057	375,249	**1,226,336**	346,224
Less: Future finance charges	**(140,721)**	(29,025)	**–**	–
Present value of lease obligations	**1,226,336**	346,224	**1,226,336**	346,224
Less: Amount due within one year shown under current liabilities			**(507,363)**	(238,190)
Amount due after one year			**718,973**	108,034

It is the Group's policy to lease certain of its motor vehicles under finance leases. The average lease term ranges from four to five years. Interest rates are fixed at the contract date ranging from 2.5% to 3.6%. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

36. SECURED BANK BORROWINGS

	THE GROUP		THE COMPANY	
	2006	2005	**2006**	2005
	HK$	HK$	**HK$**	HK$
Bank borrowings comprise:				
Mortgage loans	**27,041,410**	12,905,700	**–**	–
Bank loans	**18,009,318**	11,710,483	**18,009,319**	11,710,483
	45,050,728	24,616,183	**18,009,319**	11,710,483
The above borrowings are repayable as follows:				
Within one year	**3,465,700**	2,392,254	**2,101,165**	1,301,165
More than one year, but not exceeding two years	**3,575,490**	1,853,162	**2,101,165**	1,301,165
More than two years, but not exceeding five years	**11,400,623**	5,669,187	**6,303,495**	3,903,494
More than five years	**26,608,915**	14,701,580	**7,503,494**	5,204,659
	45,050,728	24,616,183	**18,009,319**	11,710,483
Less: Amount due within one year shown under current liabilities	**(3,465,700)**	(2,392,254)	**(2,101,165)**	(1,301,165)
Amount due after one year	**41,585,028**	22,223,929	**15,908,154**	10,409,318

Included in the above borrowings of the Group and the Company is an amount of US$1,334,528 (2005: US$1,501,344) which are denominated in currencies other the functional currencies of the relevant group entities.

The bank borrowings carry floating-rate interest ranging from 2.30% to 5.75% (2005: 2.68% to 4.75%) per annum.

37. SHARE CAPITAL

	Authorised 2006 & 2005 HK$	Issued and fully paid 2006 & 2005 HK$
Ordinary shares of HK$1 each	750,000,000	488,842,675

38. RESERVES

	Share premium HK$	Capital reserve HK$	Capital redemption reserve HK$	Accumulated losses HK$	Total HK$
THE COMPANY					
At 1st April, 2004	92,805,386	21,223,231	28,990,000	(145,906,356)	(2,887,739)
Loss for the year	–	–	–	(54,633,318)	(54,633,318)
At 31st March, 2005	92,805,386	21,223,231	28,990,000	(200,539,674)	(57,521,057)
Loss for the year	–	–	–	(21,358,154)	(21,358,154)
At 31st March, 2006	92,805,386	21,223,231	28,990,000	(221,897,828)	(78,879,211)

The Company did not have any reserve available for distribution to shareholders at the balance sheet date.

39. DEFERRED TAXATION

The followings are the major deferred tax liabilities (assets) recognised by the Group and movements thereon during the current and prior years:

	Accelerated tax depreciation HK$	Tax losses HK$	Total HK$
At 1st April, 2004	7,519,423	–	7,519,423
Charge to income statement	3,969,998	(3,969,998)	–
At 31st March, 2005	11,489,421	(3,969,998)	7,519,423
Charge to income statement	(1,884,203)	1,884,203	–
At 31st March, 2006	9,605,218	(2,085,795)	7,519,423

For the purposes of balance sheet presentation, the above deferred tax assets and liabilities have been offset.

39. DEFERRED TAXATION (CONTINUED)

At 31st March, 2006, the Group has unused tax losses of approximately HK$111,896,000 (2005: HK$88,221,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$11,919,000 (2005: HK$22,686,000) of such tax losses. No deferred tax asset has been recognised in respect of the remaining tax losses of approximately HK$99,977,000 (2005: HK$65,535,000) due to the unpredictability of future profit streams. The unrecognised tax losses may be carried forward indefinitely except for an amount of approximately HK$30,044,000 (2005: HK$25,076,000) which will expire in the following years:

	2006	2005
	HK$	HK$
2007/2006	**4,102,000**	2,963,000
2008/2007	**7,232,000**	4,102,000
2009/2008	**5,572,000**	7,232,000
2010/2009	**5,207,000**	5,572,000
2011/2010	**7,931,000**	5,207,000
	30,044,000	25,076,000

At 31st March, 2006, the Company has unused tax losses of approximately HK$28,333,000 (2005: HK$21,672,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

40. PROVISION FOR LONG SERVICE PAYMENTS

The Group did not have any formal retirement scheme before participating in the Mandatory Provident Fund Scheme and makes provision for long service payments on an annual basis. The directors are of the opinion that the provision at the balance sheet date is sufficient to cover the Group's probable obligations. The level of this provision will be reviewed on an annual basis and adjusted as appropriate.

Movements in the provision for long service payments during the year are as follows:

	THE GROUP		**THE COMPANY**	
	2006	2005	**2006**	2005
	HK$	HK$	**HK$**	HK$
At beginning of the year	**2,164,534**	2,304,071	**1,176,900**	1,200,000
Amount utilised	**(109,521)**	(139,537)	**–**	(23,100)
At end of the year	**2,055,013**	2,164,534	**1,176,900**	1,176,900

41. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into a finance lease in respect of the acquisition of property, plant and equipment with a total capital value at the inception of the lease of HK$1,317,000 (2005: Nil).

Included in trade and other payables at 31st March, 2005 was an outstanding consideration payable in respect of the acquisition of investment properties of HK$20,090,000 in 2005. During the year, the Group obtained new bank loan in the amount of HK$16,390,000 for the payment of the consideration payable.

42. PLEDGE OF ASSETS

At the balance sheet date, the bank credit facilities of the Group and the Company amounted to approximately HK$57,169,000 (2005: HK$31,734,000) and HK$30,009,000 (2005: HK$18,710,000) respectively, of which approximately HK$45,051,000 (2005: HK$29,545,000) and HK$18,009,000 (2005: HK$16,640,000) were utilised, respectively. These facilities were secured by the following:

	THE GROUP		THE COMPANY	
	2006	2005	**2006**	2005
	HK$	HK$	**HK$**	HK$
Property, plant and equipment	**65,769,852**	33,758,178	**–**	–
Investment properties	**11,290,380**	8,590,000	**–**	–
Bank deposits	**2,238,753**	2,178,192	**2,116,051**	2,058,071
	79,298,985	44,526,370	**2,116,051**	2,058,071

43. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2006	2005	**2006**	2005
	HK$	HK$	**HK$**	HK$
Guarantee given to a bank in respect of banking facilities utilised by a subsidiary	**–**	–	**19,950,747**	7,765,178

44. COMMITMENTS

(a) Operating lease arrangements

The Group as lessee:
At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of premises which fall due as follows:

	THE GROUP	
	2006	2005
	HK$	HK$
Within one year	**4,138,585**	4,224,764
In the second to fifth year inclusive	**16,274,339**	15,849,057
Over five years	**54,925,894**	57,452,830
	75,338,818	77,526,651

Leases are negotiated for terms ranging from two to twenty-eight years with fixed rentals over the lease term.

The Group as lessor:
Property rental income earned during the year was HK$6,201,153 (2005: HK$6,815,613). The properties are expected to generate an average rental yield of 10% per annum and have committed tenants for a term of two years.

At the balance sheet date, the Group had contracted with tenants for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	THE GROUP	
	2006	2005
	HK$	HK$
Within one year	**–**	4,200

(b) Capital commitments

	THE GROUP	
	2006	2005
	HK$	HK$
Capital expenditure contracted for but not provided in the financial statements in respect of:		
Acquisition of property, plant and equipment	**1,725,502**	630,409
Acquisition of investment properties	**40,800,000**	–
	42,525,502	630,409

45. RETIREMENT BENEFIT SCHEMES

The Group operates a Mandatory Provident Fund Scheme (the "MPF") for all qualifying employees in Hong Kong commencing from December 2000. The assets of the Schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the MPF, which contribution is matched by employees.

According to the relevant laws and regulations in the PRC, the PRC subsidiary is required to contribute a certain percentage of the salaries of its employees to the state-managed retirement benefit scheme. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

46. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following transactions with an associate:

	2006 **HK$**	2005 HK$
Management fee received	**–**	500,000
Interest received	**–**	879,930
Rental paid	**636,906**	333,833

Details of amounts due from/to associates are disclosed in note 27.

In addition, a subsidiary entered into a lease agreement with its minority shareholder for the use of land located in the PRC at an annual rental of RMB4,200,000 for a term of twenty-eight years commencing from 1996. During the year, rentals of HK$4,068,585 (2005: HK$3,962,000) were paid to the minority shareholder.

47. SHARE OPTION SCHEME

In accordance with the Company's share option scheme (the "Scheme"), which was adopted pursuant to an ordinary resolution passed on 22nd September, 1995, the Board of Directors of the Company may grant options to eligible employees, including executive directors of the Company and its subsidiaries, to subscribe for shares in the Company.

The following table discloses movements of the Company's share options held by the directors during the current and prior years:

			Number of shares issued upon exercise of the share options			
Name of director	**Date of grant**	**Exercise price per share**	**At 1.4.2004 & 1.4.2005**	**Expired during the year**	**At 31.3.2006**	**Exercisable period**
		HK$				
Mr. Deacon Te Ken Chiu	15.11.1995	1.42	5,000,000	(5,000,000)	–	November 1995 – October 2005
Mr. Derek Chiu	16.10.1995	1.44	590,000	(590,000)	–	October 1995 – September 2005
	9.9.1997	3.01	1,000,000	–	1,000,000	September 1997 – August 2007
Madam Chiu Ju Ching Lan	11.4.1996	1.60	4,000,000	–	4,000,000	April 1996 – March 2006
Ms. Margaret Chiu	19.11.1997	1.74	7,000,000	–	7,000,000	November 1997 – October 2007
Mr. Tang Sung Ki	11.4.1996	1.60	150,000	–	150,000	April 1996 – March 2006
	29.1.2000	1.00	6,000,000	–	6,000,000	January 2000 – December 2009
			23,740,000	(5,590,000)	18,150,000	
Exercisable at end of the year					18,150,000	
Weighted average exercise price			HK$1.51	HK$1.42	HK$1.53	

Particulars of the Scheme are set out as follows:

(a) The purpose of the Scheme is to motivate employees of the Company or any subsidiary and to allow them to participate in the growth of the Company.

(b) The directors may, at their discretion, invite employees of the Group, including executive directors of any member of the Group, to take up options at HK$10 per option to subscribe for shares at a price calculated in accordance with paragraph mentioned below.

47. SHARE OPTION SCHEME (CONTINUED)

(c) The maximum number of shares in respect of which options may be granted (together with shares issued pursuant to options exercised and shares in respect of which any option remains outstanding) under the Scheme will not exceed 10% of the issued share capital of the Company (excluding any shares issued pursuant to the Scheme) from time to time.

(d) No option may be granted to any employee which if exercised in full would result in such employee becoming entitled to subscribe for such number of shares as, when aggregated with the total number of shares already issued and issuable to him or her under the Scheme, exceeding 25% of the aggregate number of shares for the time being issued and issuable under the Scheme.

(e) An option may be exercised in accordance with the terms of the Scheme at any time during a period to be determined by the Board and notified to each grantee and in any event such period of time not exceeding a period of 10 years which shall commence immediately after the date on which the option is accepted in accordance with the Scheme and shall expire on the last day of such period.

(f) The Scheme will remain in force for a period of 10 years commencing on 22nd September, 1995 being the date on which it was adopted by resolution of the Company in general meeting.

(g) The exercise price is determined by the directors of the Company at a price not less than 80% of the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date of offer of the options or the nominal value of the shares, whichever is the higher.

No options were granted in both years.

As the Scheme no longer complies with the amendment rules in The Rules Governing the Listing of Securities on the Stock Exchange announced on 23rd August, 2001, no further share option can be granted under the Scheme from 1st September, 2001. Nevertheless, all share options granted prior to 1st September, 2001 will continue to be exercisable in accordance with the Scheme.

48. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade and other receivables, amounts due from associates/related companies, bank balances and cash, trade and other payables, deposits received, amounts due to associates/directors/related companies/a minority shareholder, bank borrowings, and obligations under finance leases. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below:

Currency risk

Certain trade receivables, payables, and bank loans of the Group are denominated in foreign currencies. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

48. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Cash flow interest rate risk

The Group is exposed to cash flow interest rate risk on variable-rate bank borrowings. Management monitors the related cash flow interest rate exposures closely and will consider hedging significant cash flow interest rate risk exposure should the need arise.

Credit risk

The Group's maximum exposure to credit risk in the event of the counter parties' failure to perform their obligations as at 31st March, 2006 in relation to its trade receivables. In order to minimise the credit risk, the Group reviews the recoverable amount at each balance sheet date to ensure that adequate allowances are made for irrecoverable amounts. In this regard, the directors of the Group consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because majority of the counterparties are banks and creditworthy financial institutions.

Price risk

The Group is exposed to equity security price risk through its available-for-sale investments and held-for-trading investments. The management manages this exposure by maintaining a portfolio of investments with different risk profiles.

Fair value

The carrying amounts of the Group's major financial instruments (including trade and other receivables, amounts due from associates/related companies, bank balances and cash, trade and other payables, amounts due to associates/directors/related companies/a minority shareholder and bank borrowings, and obligations under finance leases) approximate their fair values due to the short maturity.