NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group (hereafter defined) is set out below.

The HKICPA has issued a number of new and revised HKFRSs that are effective or available for early adoption for accounting periods beginning on or after 1 January 2005. Information on the changes in accounting policies resulting from initial application of these new and revised HKFRSs for the current and prior accounting periods reflected in these financial statements is provided in note 2.

(b) Change in financial year end

On 9 July 2004, the directors of the Company resolved to change the financial year end date of the Group (hereafter defined) and the Company from 31 December to 31 March in order to align with the business cycle of the healthcare product retailing business.

The financial statements for the year presented cover a period of twelve months from 1 April 2005 to 31 March 2006. Accordingly, the comparative figures (which cover a period of fifteen months from 1 January 2004 to 31 March 2005) for the consolidated income statement, consolidated cash flow statement, consolidated statement of changes in equity and related notes are not comparable with those of the current year.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 March 2006 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and a jointly controlled entity.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

– investment properties (see note 1(h)); and

– financial instruments classified as securities held for trading and available-for-sale securities (see note 1(g)).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 45.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Subsidiaries and controlled entities

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

An investment in a controlled subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Minority interests at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year/period between minority interests and the equity shareholders of the Company.

Where losses attributable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses attributable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

In the Company's balance sheet, an investment in subsidiary is stated at cost less impairment losses (see note 1(l)), unless the investment is classified as held for sale.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Associates and jointly controlled entities

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group and other parties, where the contractual arrangement establishes that the Group and one or more of the other parties share joint control over the economic activity of the entity.

An investment in an associate or a jointly controlled entity is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associates' or the jointly controlled entities' net assets, unless it is classified as held for sale. The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associates and jointly controlled entities for the year/period, including any impairment loss on goodwill relating to the investment in associates and jointly controlled entity recognised for the year/period (see notes 1(f) and (l)).

Where the Group's share of losses exceeds its interest in the associate or the jointly controlled entity, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or the jointly controlled entity. For this purpose, the Group's interest in the associate or the jointly controlled entity is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the jointly controlled entity.

Unrealised profits and losses resulting from transactions between the Group and its associates and jointly controlled entities are eliminated to the extent of the Group's interest in the associate or jointly controlled entity, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

In the Company's balance sheet, its investments in associates are stated at cost less impairment losses (see note 1(l)), unless it is classified as held for sale.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Goodwill

Goodwill represents the excess of the cost of a business combination or an investment in an associate or a jointly controlled entity over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 1(l)). In respect of associates or jointly controlled entities, the carrying amount of goodwill is included in the carrying amount of the interest in the associate or jointly controlled entity.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associate or a jointly controlled entity is recognised immediately in profit or loss.

On disposal of a cash generating unit, an associate or a jointly controlled entity during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(g) Other investments in debt and equity securities

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and jointly controlled entities, are as follows:

Investments in securities held for trading are classified as current assets and are initially stated at fair value. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss.

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses (see note 1(l)).

Other investments in securities are classified as available-for-sale securities and are initially recognised at fair value plus transaction costs. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised directly in equity, except for impairment losses (see note 1(l)) and, in the case of monetary items such as debt securities, foreign exchange gains and losses which are recognised directly in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss.

Investments are recognised/derecognised on the date the Group and/or the Company commits to purchase/sell the investments or they expire.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 1(k)) to earn rental income and/or for capital appreciation.

Investment properties are stated in the balance sheet at fair value. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 1(w)(iv).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 1(k)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 1(k).

(i) Other property, plant and equipment

Other property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 1(l)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

Leasehold land and buildings in Hong Kong	over the shorter of remaining lease term, or 50 years
Land use rights and buildings outside Hong Kong in the People's Republic of China ("PRC")	over the period of the lease
Furniture, fixtures and fittings	3 to 20 years
Plant, machinery and equipment	2 to 10 years
Motor vehicles	3 to 10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Intangible assets (other than goodwill)

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development.

Intangible assets represent product trademarks, patent rights for the manufacturing of healthcare products and patent rights for software development acquired by the Group and are stated at cost less accumulated amortisation and impairment losses (see note 1(l)). Amortisation is charged to profit or loss on a straight-line basis over the estimated useful life of 10 to 20 years.

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

(k) Leased assets

(i) Classification of assets leased to the Group

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exception:

– property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 1 (h)).

(ii) Operating lease charges

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

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised as follows:

– For unquoted equity securities and current receivables that are carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for current receivables are reversed if in a subsequent period the amount of the impairment loss decreases. Impairment losses for equity securities are not reversed.

– For financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets).

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

– For available-for-sale securities, the cumulative loss that had been recognised directly in equity is removed from equity and is recognised in profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

  Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in equity.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Impairment of assets *(Continued)*

(ii) Impairment of other assets

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

– property, plant and equipment (other than properties carried at revalued amounts);

– intangible assets;

– investments in subsidiaries, associates and jointly controlled entity (except for those classified as held for sale); and

– goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, the recoverable amount of goodwill is estimated annually whether or not there is any indication of impairment.

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– *Recognition of impairment losses*

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Impairment of assets *(Continued)*

(ii) ***Impairment of other assets*** *(Continued)*

– *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(m) Inventories

(i) ***Trading and manufacturing***

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

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

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

(ii) ***Property development***

Properties held for sale are carried at the lower of cost and net realisable value. Cost is determined by apportionment of the total development costs for that development project, including borrowing costs capitalised (see note 1(y)), attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Construction contracts

The accounting policy for contract revenue is set out in note 1(w)(iii). When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the balance sheet date. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Construction contracts in progress at the balance sheet date are recorded in the balance sheet at the net amount of costs incurred plus recognised profit less recognised losses and progress billings, and are presented in the balance sheet as the "Gross amount due from customers for contract work" (as an asset) or the "Gross amount due to customers for contract work" (as a liability), as applicable. Progress billings not yet paid by the customer are included in the balance sheet under "Debtors, prepayments and other receivables". Amounts received before the related work is performed are included in the balance sheet, as a liability, as "Creditors, accruals and other payables".

(o) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts (see note 1(l)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts (see note 1(l)).

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Convertible notes

Convertible notes that can be converted to share capital at the option of the holder, where the number of shares issued does not vary with changes in their fair value, are accounted for as compound financial instruments. At initial recognition the liability component of the convertible notes is calculated as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the other reserve until either the note is converted or redeemed.

If the note is converted, the other reserve, together with the carrying value of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, the other reserve is released directly to retained profits.

(q) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings using the effective interest method.

(r) Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(t) Employee benefits

(i) Short-term employee benefits

Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year/period in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Contributions to defined contribution retirement plans

Contributions to the Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance, are recognised as an expense in the income statement as incurred.

The employees of the PRC subsidiaries participate in defined contribution retirement plans managed by the local government authority whereby the subsidiaries are required to contribute to the schemes at fixed rates of the employees' salary costs. In addition to the local government defined contribution retirement plans, certain subsidiaries also participate in supplementary defined contribution retirement plans managed by independent insurance companies whereby the subsidiaries are required to make contributions to the retirement plans at fixed rates of the employees' salary costs. The Group's contributions to these plans are charged to the income statement when incurred. The subsidiaries have no obligation for the payment of retirement and other post-employment benefits of staff other than the contributions described above.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Employee benefits *(Continued)*

(iii) Share-based payments

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

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

(iv) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(u) Income tax

Income tax for the year/period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

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

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Income tax *(Continued)*

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Income tax *(Continued)*

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(v) Provisions and contingent liabilities

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

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

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Fee income

Fee income from value-added technical services is recognised when the services are rendered.

(iii) Contract revenue

When the outcome of a construction contract can be estimated reliably:

– revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract; and

– revenue from a cost plus contract is recognised by reference to the recoverable costs incurred during the period plus an appropriate proportion of the total fee, measured by reference to the proportion that costs incurred to date bear to the estimated total costs of the contract.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

(iv) Rental income from operating leases

Rental income receivables under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Revenue recognition *(Continued)*

(v) Dividends

- Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

- Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(vi) Interest income

Interest income is recognised as it accrues using the effective interest method.

(x) Translation of foreign currencies

Foreign currency transactions during the year/period are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

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

The results of foreign operations outside Hong Kong in the PRC are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

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

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(y) Borrowing costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

(z) Related parties

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

(aa) Segment reporting

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

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

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

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

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new and revised HKFRSs that are effective for accounting periods beginning on or after 1 January 2005.

The accounting policies of the Group and/or Company after the adoption of these new and revised HKFRSs have been summarised in note 1. The following sets out information on the significant changes in accounting policies for the current and prior accounting periods reflected in these financial statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 46).

(a) Summary of the effect of changes in accounting policies

(i) Effect on opening balance of total equity at 1 April 2005

The following table sets out the adjustments that have been made to the opening balances at 1 April 2005. This is the effect of the opening balance adjustment made as at 1 April 2005.

	Note	Retained profits $'000	Capital and other reserves $'000	Total $'000	Minority interests $'000	Total equity $'000
Effect of new policy (increase/(decrease))						
Opening balance adjustment:						
HKAS 39						
– Convertible notes		(22,483)	112,668	90,185	–	90,185
Total effect at 1 April 2005	2(d)	(22,483)	112,668	90,185	–	90,185

2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(a) Summary of the effect of changes in accounting policies *(Continued)*

(ii) Effect on profit after taxation for the year ended 31 March 2006 (estimated)

The following table provides an estimate of the extent to which the profit for the year ended 31 March 2006 is higher or lower than it would have been had the previous policies still been applied in the year, where it is practicable to make such estimates.

As retrospective adjustments have not been made for the changes in the policy as explained in note 2(d), the amounts shown for the period ended 31 March 2005 may not be comparable to the amounts shown for the current year.

		Year ended 31 March 2006			Period from 1 January 2004 to 31 March 2005		
	Note	**Equity shareholders of the Company $'000**	**Minority interests $'000**	**Total $'000**	Equity shareholders of the Company $'000	Minority interests $'000	Total $'000
Effect of new policy (increase/(decrease) in profit)							
HKAS 39							
– Convertible notes		**(20,929)**	**–**	**(20,929)**	–	–	–
Total effect for the year	2(d)	**(20,929)**	**–**	**(20,929)**	–	–	–
Effect on earnings per share:							
– Basic		**(1.39) cents**			–		
– Diluted		**(0.78) cents**			–		

2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(b) Employee share option scheme (HKFRS 2, Share-based payment)

In prior years, no amounts were recognised when employees (which term includes directors) were granted share options over shares in the Company. If the employees chose to exercise the options, the nominal amount of share capital and share premium were credited only to the extent of the options' exercise price receivable.

With effect from 1 April 2005, in order to comply with HKFRS 2, the Group has adopted a new policy for employee share options. Under the new policy, the Group recognises the fair value of such share options as an expense with a corresponding increase recognised in a capital reserve within equity.

The Group has taken advantage of the transitional provisions set out in HKFRS 2, under which the new recognition and measurement policies have not been applied to the following grants of options:

(a) all options granted to employees on or before 7 November 2002; and

(b) all options granted to employees after 7 November 2002 but which had vested before 1 January 2005.

No adjustments to the opening balances as at 1 April 2005 are required as all outstanding options were granted to employees before 7 November 2002 or granted after 7 November 2002 but which had vested before 1 January 2005.

Details of the employee share option scheme are set out in note 33.

2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(c) Changes in presentation (HKAS 1, Presentation of financial statements)

(i) Presentation of shares of associates' and jointly controlled entities' taxation (HKAS 1, Presentation of financial statements)

In prior years, the Group's share of taxation of associates and jointly controlled entities accounted for using the equity method was included as part of the Group's income tax in the consolidated income statement. With effect from 1 April 2005, in accordance with the implementation guidance in HKAS 1, the Group has changed the presentation and includes the share of taxation of associates and jointly controlled entities accounted for using the equity method in the respective shares of profit or loss reported in the consolidated income statement before arriving at the Group's profit or loss before tax. These changes in presentation have been applied retrospectively with comparatives restated.

As a result of this new presentation, there is no impact on the Group's share of profits less losses of associates and a jointly controlled entity for the year ended 31 March 2006 (2005: share of profits less losses of associates decreased by $23,000). The Group's income tax has decreased by the same amount for the period ended 31 March 2005 and there is no net effect on net assets in either year/period.

(ii) Minority interests (HKAS 1, Presentation of financial statements and HKAS 27 Consolidated and separate financial statements)

In prior years, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and as deduction from net assets. Minority interests in the results of the Group for the year/period were also separately presented in the income statement as a deduction before arriving at the profit attributable to shareholders (the equity shareholders of the Company).

With effect from 1 April 2005, in order to comply with HKAS 1 and HKAS 27, the Group has changed its accounting policy relating to presentation of minority interests. Under the new policy, minority interests are presented as part of equity, separately from interests attributable to the equity shareholders of the Company. Further details of the new policy are set out in note 1(d). These changes in presentation of minority interests have been applied retrospectively with comparatives in the consolidated balance sheet, income statement and statement of changes in equity restated.

2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(d) Financial instruments (HKAS 32, Financial instruments: Disclosure and presentation and HKAS 39, Financial instruments: Recognition and measurement)

In prior years, convertible notes issued were stated at their principal value.

With effect from 1 April 2005, and in accordance with HKAS 32 and HKAS 39, the Group has changed its accounting policies relating to financial instruments to those as set out in notes 1(g), (l) and (o) to (r). Convertible notes issued are split into their liability and equity components at initial recognition. The liability component is subsequently carried at amortised cost. The equity component is recognised in the other reserve until the note is either converted (in which case it is transferred to share premium) or the note is redeemed (in which case it is released directly to retained profits).

This change was adopted by way of an adjustment to the opening balance of the other reserve as at 1 April 2005 of $112,668,000 and retained profits of $22,483,000. Comparative amounts have not been restated as this is prohibited by the transitional arrangements in HKAS 39.

As a result of this new policy, profit attributable to equity shareholders of the Company for the year ended 31 March 2006 has decreased by $20,929,000.

(e) Investment property (HKAS 40, Investment property and HK(SIC) Interpretation 21, Income taxes – Recovery of revalued non-depreciable assets)

Changes in accounting policies relating to investment properties are as follows:

(i) Timing of recognition of movements in fair value in the income statement

In prior years, movements in the fair value of the Group's investment properties were recognised directly in the investment property revaluation reserve except when, on a portfolio basis, the reserve was insufficient to cover a deficit on the portfolio, or when a deficit previously recognised in the income statement had reversed, or when an individual investment property was disposed of. In these limited circumstances movements in the fair value were recognised in the income statement.

Upon adoption of HKAS 40 as from 1 April 2005, the Group has adopted a new policy for investment properties. Under this new policy, all changes in the fair value of investment properties are recognised directly in profit or loss in accordance with the fair value model in HKAS 40.

Further details of the new policy for investment properties are set out in note 1(h).

2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(e) Investment property (HKAS 40, Investment property and HK(SIC) Interpretation 21, Income taxes – Recovery of revalued non-depreciable assets) *(Continued)*

(ii) Measurement of deferred tax on movements in fair value

In prior years, the Group was required to apply the tax rate that would be applicable to the sale of an investment property to determine whether any amounts of deferred tax should be recognised on the revaluation of investment property. Consequently, deferred tax was only provided to the extent that tax allowances already given would be clawed back if the property were disposed of at its carrying value, as there would be no additional tax payable on disposal.

As from 1 April 2005, in accordance with HK(SIC) Interpretation 21, the Group recognises deferred tax on movements in the value of an investment property using tax rates that are applicable to the property's use, if the Group has no intention to sell it and the property would have been depreciable had the Group not adopted the fair value model. Further details of the policy for deferred tax are set out in note 1(u).

(iii) Description of transitional provisions and effect of adjustments

All the above changes in accounting policies relating to investment properties have been adopted retrospectively. There is no effect on the profit attributable to the equity shareholders of the Company and net assets as a result of the adoption of the new accounting policies relating to investment property.

(f) Definition of related parties (HKAS 24, Related party disclosures)

As a result of the adoption of HKAS 24, Related party disclosures, the definition of related parties as disclosed in note 1(z) has been expanded to clarify that related parties include entities that are under the significant influence of a related party that is an individual (i.e. key management personnel, significant shareholders and/or their close family members) and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group. The clarification of the definition of related parties has not resulted in any material changes to the previously reported disclosures of related party transactions nor has it had any material effect on the disclosures made in the current year, as compared to those that would have been reported had Statement of Standard Accounting Practice 20, Related party disclosures, still been in effect.

3 TURNOVER

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are the manufacturing, distribution and sale of healthcare products, electronic and electrical products, office equipment and provision of related services, and media-related business. Further details of the principal subsidiaries are set out in note 47 on the financial statements.

Turnover represents the invoiced value of goods sold and services provided to customers by the Group less returns, discounts, business tax and value-added tax, and fee income from value-added technical services. The amount of each significant category of revenue recognised in turnover during the year/period is as follows:

	Year ended 31 March 2006 $'000	Period from 1 January 2004 to 31 March 2005 $'000
Manufacturing, distribution and sale of healthcare products	**996,658**	1,054,709
Manufacturing, distribution and sale of electronic and electrical products, office equipment and provision of related services	**1,032,729**	1,300,810
Media-related business	**6,080**	5,988
	2,035,467	2,361,507

4 OTHER REVENUE

	Year ended 31 March 2006 $'000	Period from 1 January 2004 to 31 March 2005 $'000
Refunds of value-added tax and business tax (Note)	**13,083**	–
Interest income	**11,285**	4,339
Rental received from investment properties less outgoings	**1,497**	2,505
Dividend income from listed securities	**–**	2,964
Others	**1,008**	5,158
	26,873	14,966

Note: On 1 November 2005, the regional government of Shanghai granted tax refunds to the Group's subsidiaries in Shanghai for 50% of their payment of enterprise income tax, value-added tax and business tax from 2004. During the year, the subsidiaries have successfully obtained tax refunds of Rmb13,541,000 (equivalent to approximately $13,083,000) from the regional government of Shanghai for their payments of value-added tax and business tax during the period ended 31 March 2005 and year ended 31 March 2006. There was no payment of enterprise income tax by the subsidiaries in the current year and prior period.

5 OTHER NET INCOME

	Year ended 31 March 2006 $'000	Period from 1 January 2004 to 31 March 2005 $'000
Gain on disposal of property, plant and equipment	**1,189**	33,510
Net exchange (loss)/gain	**(1,189)**	1,307
	–	34,817

6 NON-OPERATING INCOME

	Year ended 31 March 2006 $'000	Period from 1 January 2004 to 31 March 2005 $'000
Net realised/unrealised (loss)/gain on trading securities	**(5,358)**	53,182
Gain on disposal of available-for-sale securities	**17,267**	–
(Provision)/write-back of provision for impairment loss on available-for-sale securities	**(7,506)**	78,893
Loss on disposal of interest in subsidiaries	**(2,059)**	(2,447)
(Loss)/gain on disposal/deemed disposal of associates	**(987)**	2,212
Impairment loss on goodwill	**–**	(3,518)
Gain on repurchase of convertible notes (note 32(d))	**24,930**	–
Provision for other receivables	**(19,266)**	(10,943)
Provision for diminution in value of a property held for sale	**(3,720)**	(3,722)
Reversal of impairment loss on properties	**1,958**	10,102
Others	**2,156**	2,069
	7,415	125,828

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	Year ended 31 March 2006 $'000	Period from 1 January 2004 to 31 March 2005 $'000
(a) Finance costs:		
Interest on bank advances and other borrowings repayable within five years	**31,445**	9,207
Interest on other loan	**4,156**	2,028
Other borrowing costs	**1,875**	3,738
Total borrowing costs	**37,476**	14,973
(b) Other items:		
Cost of inventories	**1,383,421**	1,644,450
Staff costs (including retirement costs of $5,318,000 (period ended 31 March 2005: $9,295,000))	**143,155**	160,028
Amortisation of other intangible assets	**1,876**	1,982
Research and development costs	**2,680**	3,974
Provision for write-down in value of obsolete inventories written back	**(3,184)**	(213)
Provision for bad and doubtful debts	**13,939**	8,043
Depreciation	**11,588**	13,756
Management fees	**3,382**	4,123
Auditors' remuneration		
– audit services	**2,450**	3,000
– other services	**1,320**	1,550
Operating lease charges: minimum lease payments for land and buildings	**29,812**	24,613

8 DIRECTORS' REMUNERATION

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

	Directors' fees $'000	Salaries and other emoluments $'000	Retirement scheme contributions $'000	Year ended 31 March 2006 Total $'000
Executive directors				
Duan Yongji	–	1,104	–	1,104
Shi Yuzhu	–	180	–	180
Shen Guojun	–	787	–	787
Chen Xiaotao	–	–	–	–
Zhang Disheng	–	834	16	850
Liu Wei	–	388	5	393
Independent non-executive directors				
Ng Ming Wah, Charles	170	–	–	170
Andrew Y Yan	150	–	–	150
Liu Ji	104	–	–	104
Yuan Zhenyu	–	–	–	–
	424	3,293	21	3,738

8 DIRECTORS' REMUNERATION *(Continued)*

	Directors' fees $'000	Salaries and other emoluments $'000	Retirement scheme contributions $'000	Period from 1 January 2004 to 31 March 2005 Total $'000
Executive directors				
Duan Yongji	–	1,395	–	1,395
Shi Yuzhu	–	–	–	–
Shen Guojun	–	1,042	–	1,042
Chen Xiaotao	–	1,250	17	1,267
Zhang Disheng	–	1,038	17	1,055
Liu Wei	–	288	4	292
Zhu Xiduo	–	55	–	55
Independent non-executive directors				
Ng Ming Wah, Charles	99	–	–	99
Andrew Y Yan	488	–	–	488
Liu Hongru	73	–	–	73
Yuan Zhenyu	87	–	–	87
	747	5,068	38	5,853

In addition, directors are eligible under the Company's share option scheme to subscribe for shares in the Company. There were no options granted to the directors during the year/period. The details of these benefits in kind are disclosed under the paragraph "Share Option Scheme" in the directors' report and note 33.

During the year ended 31 March 2006, two directors agreed to waive part of their emoluments totalling $13,463,000 (period ended 31 March 2005: $14,925,000) to which they are entitled under the service contracts entered into with the Company.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five individuals with the highest emoluments comprise two (2005: four) directors whose emoluments are disclosed in note 8 and three (period ended 31 March 2005: one) employees. Details of the emoluments in respect of these employees are as follows:

	Year ended 31 March 2006 $'000	Period from 1 January 2004 to 31 March 2005 $'000
Salary, housing and other emoluments	**2,829**	1,000
Discretionary bonuses	**–**	–
Share-based payments	**–**	–
Retirement scheme contributions	**45**	17
	2,874	1,017

The emoluments of the above employees are within the following bands:

	Year ended 31 March 2006 Number of employees	Period from 1 January 2004 to 31 March 2005 Number of employees
$0 – $1,000,000	**3**	–
$1,000,001 – $1,500,000	**–**	1

10 INCOME TAX

(a) Income tax in the consolidated income statement represents:

	Year ended 31 March 2006 $'000	Period from 1 January 2004 to 31 March 2005 (restated) $'000
Current tax		
Provision for Hong Kong Profits Tax	**–**	–
Provision for income tax outside Hong Kong in the PRC ("PRC enterprise income tax")	**17,512**	2,401
	17,512	2,401
Deferred tax		
Origination and reversal of temporary differences (note 36(a))	**1,010**	725
	18,522	3,126

No provision for Hong Kong Profits Tax has been made as the Hong Kong companies of the Group sustained losses for taxation purposes during the year/period. PRC enterprise income tax is calculated at the applicable rates on the estimated taxable income earned by the companies in the PRC.

10 INCOME TAX *(Continued)*

(a) Income tax in the consolidated income statement represents: *(Continued)*

Reconciliation between tax expense and accounting profit at applicable tax rates:

	Year ended 31 March 2006 $'000	Period from 1 January 2004 to 31 March 2005 (restated) $'000
Profit before taxation	**78,539**	241,206
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	**31,787**	64,122
Tax effect of non-deductible expenses	**41,141**	21,407
Tax effect of non-taxable revenue	**(67,795)**	(100,651)
Tax effect of unused tax losses not recognised	**13,389**	18,248
Actual tax expense	**18,522**	3,126

(b) Current taxation in the balance sheets represents:

	Group 2006 $'000	Group 2005 $'000	Company 2006 $'000	Company 2005 $'000
Provision for Hong Kong Profits Tax – provisional profits tax paid	**(24)**	(24)	**–**	–
Provision for PRC enterprise income tax	**31,666**	15,289	**–**	–
Balance of PRC enterprise income tax recoverable relating to prior years	**–**	(3,128)	**–**	–
	31,642	12,137	**–**	–

11 PROFIT FOR THE YEAR/PERIOD ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit for the year/period attributable to equity shareholders of the Company includes a profit of $78,346,000 (period ended 31 March 2005: $255,570,000) which has been dealt with in the financial statements of the Company.

12 DIVIDENDS

	Year ended 31 March 2006 $'000	Period from 1 January 2004 to 31 March 2005 $'000
Final dividend proposed after the balance sheet date of 0.8 cent (2005: 1.3 cents) per share	**12,533**	19,642
Special dividend in respect of the previous financial year, approved and paid during the year, of Nil cents (2005: 3 cents) per share	**–**	43,188

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

13 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit for the year/period attributable to equity shareholders of the Company of $63,908,000 (period ended 31 March 2005: $160,426,000) and the weighted average number of ordinary shares of approximately 1,507,510,000 shares (period ended 31 March 2005: 1,445,239,000 shares) in issue during the year/period, calculated as follows:

(i) Weighted average number of ordinary shares

	Year ended 31 March 2006 '000	Period from 1 January 2004 to 31 March 2005 '000
Issued ordinary shares at 1 April 2005/1 January 2004	**1,472,479**	1,218,046
Effect of conversion of convertible notes	**35,826**	87,719
Effect of share options exercised	**–**	139,474
Effect of repurchase of own shares	**(795)**	–
Weighted average number of ordinary shares at 31 March	**1,507,510**	1,445,239

13 EARNINGS PER SHARE *(Continued)*

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit for the year/period attributable to the equity shareholders of the Company of $92,290,000 (period ended 31 March 2005: $168,231,000) and the weighted average number of ordinary shares of approximately 2,695,329,000 shares (period ended 31 March 2005: 2,628,578,000 shares) calculated as follows:

(i) Profit attributable to equity shareholders of the Company (diluted)

	Year ended 31 March 2006 $'000	Period from 1 January 2004 to 31 March 2005 $'000
Profit attributable to equity shareholders	**63,908**	160,426
Effect of effective interest on liability component of convertible notes	**28,382**	7,805
Profit attributable to equity shareholders (diluted)	**92,290**	168,231

(ii) Weighted average number of ordinary shares (diluted)

	Year ended 31 March 2006 Number of shares '000	Period from 1 January 2004 to 31 March 2005 Number of shares '000
Weighted average number of ordinary shares at 31 March	**1,507,510**	1,445,239
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	**–**	37,546
Effect of conversion of convertible notes	**1,187,819**	1,145,793
Weighted average number of ordinary shares (diluted) at 31 March	**2,695,329**	2,628,578

14 RETIREMENT SCHEMES

Pursuant to the requirements of the Mandatory Provident Fund Schemes Ordinance ("MPF Scheme") and related guidelines, the Group's and employees' contributions to the MPF Scheme are based on 5% of the relevant income of the relevant staff. The Group's contributions payable to the MPF Scheme are charged to the income statement. Retirement costs for the MPF Scheme for the year were $194,000 (period ended 31 March 2005: $172,000).

The employees of the subsidiaries in the PRC are members of the Central Pension Scheme operated by the Government of the PRC. The subsidiaries are required to contribute a certain percentage of the employee's payroll to the Central Pension Scheme to fund the benefits. The obligation for the Group with respect to the Central Pension Scheme is the required contributions under the Central Pension Scheme.

Other than the above, certain subsidiaries also participate in supplementary defined contribution retirement plans managed by independent insurance companies whereby the subsidiaries are required to make contributions to the retirement plans at fixed rates of the employees' salary costs.

Retirement costs for the Central Pension Scheme and supplementary retirement plans for the year were $5,124,000 (period ended 31 March 2005: $9,123,000).

15 SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

15 SEGMENT REPORTING *(Continued)*

Business segments

The Group comprises the following main business segments:

Healthcare : The manufacture, distribution and sale of healthcare products.

Electronics : The manufacture, distribution and sale of electronic and electrical products, office equipment and provision of related services.

Media-related business : The provision of ancillary services for the development of the cable television and other media-related business.

	Healthcare		**Electronics**		**Media-related business**		**Unallocated**		**Consolidated**	
	Year ended 31 March 2006 $'000	Period from 1 January 2004 to 31 March 2005 $'000	**Year ended 31 March 2006 $'000**	Period from 1 January 2004 to 31 March 2005 $'000	**Year ended 31 March 2006 $'000**	Period from 1 January 2004 to 31 March 2005 $'000	**Year ended 31 March 2006 $'000**	Period from 1 January 2004 to 31 March 2005 $'000	**Year ended 31 March 2006 $'000**	Period from 1 January 2004 to 31 March 2005 $'000
Revenue from external customers	**996,658**	1,054,709	**1,032,729**	1,300,810	**6,080**	5,988	**-**	–	**2,035,467**	2,361,507
Other revenue from external customers	**13,148**	355	**2,024**	4,789	**253**	14	**11,448**	9,808	**26,873**	14,966
Total	**1,009,806**	1,055,064	**1,034,753**	1,305,599	**6,333**	6,002	**11,448**	9,808	**2,062,340**	2,376,473
Segment result	**145,109**	172,762	**(24,367)**	(6,060)	**(5,656)**	(4,494)	**(5,892)**	(14,924)	**109,194**	147,284
Net valuation (losses)/gains on investment properties									**(1,040)**	878
Non-operating income									**7,415**	125,828
Finance costs									**(37,476)**	(14,973)
Share of profits less losses of associates	**-**	–	**(10,468)**	(16,514)	**17,020**	–	**(1,005)**	123	**5,547**	(16,391)
Share of loss of a jointly controlled entity	**-**	–	**-**	–	**(5,101)**	(1,420)	**-**	–	**(5,101)**	(1,420)
Income tax									**(18,522)**	(3,126)
Profit for the year/period									**60,017**	238,080

15 SEGMENT REPORTING *(Continued)*

Business segments *(Continued)*

	Healthcare		Electronics		Media-related business		Unallocated		Consolidated	
	Year ended 31 March 2006 $'000	Period from 1 January 2004 to 31 March 2005 $'000	**Year ended 31 March 2006 $'000**	Period from 1 January 2004 to 31 March 2005 $'000	**Year ended 31 March 2006 $'000**	Period from 1 January 2004 to 31 March 2005 $'000	**Year ended 31 March 2006 $'000**	Period from 1 January 2004 to 31 March 2005 $'000	**Year ended 31 March 2006 $'000**	Period from 1 January 2004 to 31 March 2005 $'000
Depreciation and amortisation for the year/period	**3,899**	3,707	**6,103**	8,817	**1,382**	732	**2,080**	2,482	**13,464**	15,738
Impairment loss/(reversal of impairment loss)	**-**	–	**-**	3,518	**-**	–	**(1,958)**	(10,102)	**(1,958)**	(6,584)
Significant non-cash expenses (other than depreciation and amortisation)	**(3,405)**	2,021	**24,286**	6,752	**-**	–	**9,140**	10,000	**30,021**	18,773
Segment assets	**1,582,925**	1,451,388	**635,839**	691,536	**10,343**	16,684	**979,896**	1,218,241	**3,209,003**	3,377,849
Interest in associates	**-**	–	**24,880**	42,951	**353,672**	–	**9,916**	10,514	**388,468**	53,465
Interest in a jointly controlled entity	**-**	–	**-**	–	**-**	185,296	**-**	–	**-**	185,296
Total assets									**3,597,471**	3,616,610
Segment liabilities	**93,322**	87,777	**170,964**	225,632	**1,345**	864	**775,986**	851,417	**1,041,617**	1,165,690
Capital expenditure incurred during the year/period	**3,337**	4,977	**15,728**	6,245	**3,023**	4,556	**1,339**	3,852	**23,427**	19,630

Geographical segments

No analysis of the Group's turnover and contribution from operations by geographical segment has been presented as almost all the Group's operating activities are carried out in the PRC. There is no other geographical segment with segment assets equal to or greater than 10 per cent of the Group's total assets.

16 INVESTMENT PROPERTIES

	Group		Company	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Valuation:				
At 1 April 2005/1 January 2004	**84,009**	84,411	**3,900**	4,100
Exchange adjustments	**1,202**	224	**–**	–
Additions during the year/period	**4,037**	21	**–**	21
Disposals during the period	**–**	(900)	**–**	–
(Deficit)/surplus on revaluation	**(1,040)**	878	**–**	(221)
Transfer from/(to) fixed assets (note 17(a))	**66**	(625)	**–**	–
At 31 March	**88,274**	84,009	**3,900**	3,900

(a) The analysis of valuation of investment properties is as follows:

	Group		Company	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Held in Hong Kong under long-term leases	**1,880**	1,700	**–**	–
Held outside Hong Kong in the PRC under medium-term leases	**86,394**	82,309	**3,900**	3,900
	88,274	84,009	**3,900**	3,900

(b) The investment properties held in Hong Kong and outside Hong Kong in the PRC were revalued at 31 March 2006 on an open market value basis in their existing state by reference to comparable market transactions and where appropriate on the basis of capitalisation of the net rental income allowing for reversionary income potential. The valuations were carried out by independent firms of surveyors, Jointgoal Surveyors and DTZ Debenham Tie Leung Limited, who have among their staff Fellows of the Hong Kong Institute of Surveyors, with recent experience in the location and category of property being valued.

16 INVESTMENT PROPERTIES *(Continued)*

(c) The gross carrying amounts of investment properties of the Group held for use in operating leases were $88,274,000 (2005: $84,009,000).

The Group leases out investment properties under operating leases. The leases typically run for an initial period of 6 months to 2 years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

(d) The Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	Group		**Company**	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Within 1 year	**5,069**	2,006	**407**	255
After 1 year but within 5 years	**2,463**	–	**296**	–
	7,532	2,006	**703**	255

17 PROPERTY, PLANT AND EQUIPMENT

(a) Group

	Land and buildings held for own use $'000	Furniture, fixtures and fittings $'000	Plant, machinery and equipment $'000	Motor vehicles $'000	Total $'000
Cost or valuation:					
At 1 April 2005	127,480	10,057	24,367	33,420	195,324
Transfer to investment properties (note 16)	(66)	–	–	–	(66)
Additions through acquisition of a subsidiary	–	631	1,513	–	2,144
Other additions	4,044	1,997	7,714	5,635	19,390
Reductions through disposal of a subsidiary	–	(207)	(791)	(507)	(1,505)
Other disposals	(6,363)	(150)	(531)	(2,953)	(9,997)
Exchange adjustments	1,250	91	568	756	2,665
At 31 March 2006	126,345	12,419	32,840	36,351	207,955
Representing:					
Cost	125,652	12,419	32,840	36,351	207,262
Valuation in 1992	693	–	–	–	693
	126,345	12,419	32,840	36,351	207,955
Accumulated amortisation and depreciation:					
At 1 April 2005	50,533	3,210	15,771	20,641	90,155
Charge for the year	2,624	1,179	3,428	4,357	11,588
Additions through acquisition of a subsidiary	–	306	742	–	1,048
Reductions through disposal of a subsidiary	–	(21)	(567)	(384)	(972)
Written back on disposals	(4,297)	(51)	(448)	(2,604)	(7,400)
Reversal of impairment loss (Note)	(1,958)	–	–	–	(1,958)
Exchange adjustments	657	34	365	437	1,493
At 31 March 2006	47,559	4,657	19,291	22,447	93,954
Net book value:					
At 31 March 2006	78,786	7,762	13,549	13,904	114,001

17 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(a) Group *(Continued)*

	Land and buildings held for own use $'000	Furniture, fixtures and fittings $'000	Plant, machinery and equipment $'000	Motor vehicles $'000	Total $'000
Cost or valuation:					
At 1 January 2004	137,606	4,096	19,012	27,179	187,893
Transfer from investment properties (note 16)	625	–	–	–	625
Additions through acquisition of a subsidiary	–	1,301	–	1,484	2,785
Other additions	1,747	5,381	6,894	5,587	19,609
Reductions through disposal of subsidiaries	(3,054)	(187)	(561)	(660)	(4,462)
Other disposals	(9,726)	(538)	(1,062)	(283)	(11,609)
Exchange adjustments	282	4	84	113	483
At 31 March 2005	127,480	10,057	24,367	33,420	195,324
Representing:					
Cost	126,787	10,057	24,367	33,420	194,631
Valuation in 1992	693	–	–	–	693
	127,480	10,057	24,367	33,420	195,324
Accumulated amortisation and depreciation:					
At 1 January 2004	60,291	2,401	13,552	15,460	91,704
Charge for the period	3,513	1,145	3,329	5,769	13,756
Additions through acquisition of a subsidiary	–	18	–	25	43
Reductions through disposal of subsidiaries	(1,174)	(123)	(528)	(517)	(2,342)
Written back on disposals	(2,122)	(235)	(641)	(157)	(3,155)
Reversal of impairment loss (Note)	(10,102)	–	–	–	(10,102)
Exchange adjustments	127	4	59	61	251
At 31 March 2005	50,533	3,210	15,771	20,641	90,155
Net book value:					
At 31 March 2005	76,947	6,847	8,596	12,779	105,169

17 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(a) Group *(Continued)*

Note: Due to the recovery of the Hong Kong property market, the Group reassessed the recoverable amount of the land and buildings held for own use at the balance sheet date and $1,958,000 (2005: $10,102,000) of the recognised impairment loss was reversed during the year (included in "Non-operating income"). The estimates of recoverable amount were determined on an open market value basis by an independent firm of surveyors, Vigers Appraisal & Consulting Limited who have among their staff Fellows of the Hong Kong Institute of Surveyors.

(b) Company

	Furniture, fixtures and fittings $'000	Motor vehicles $'000	Total $'000
Cost or valuation:			
At 1 April 2005	2,709	3,321	6,030
Additions	623	–	623
Disposals	(15)	–	(15)
At 31 March 2006	3,317	3,321	6,638
Accumulated amortisation and depreciation:			
At 1 April 2005	1,906	3,220	5,126
Charge for the year	450	55	505
Written back on disposals	(14)	–	(14)
At 31 March 2006	2,342	3,275	5,617
Net book value:			
At 31 March 2006	975	46	1,021

17 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(b) Company *(Continued)*

	Furniture, fixtures and fittings $'000	Motor vehicles $'000	Total $'000
Cost or valuation:			
At 1 January 2004	1,890	3,229	5,119
Additions	832	92	924
Disposals	(13)	–	(13)
At 31 March 2005	2,709	3,321	6,030
Accumulated amortisation and depreciation:			
At 1 January 2004	1,503	2,637	4,140
Charge for the period	410	583	993
Written back on disposals	(7)	–	(7)
At 31 March 2005	1,906	3,220	5,126
Net book value:			
At 31 March 2005	803	101	904

17 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(c) The analysis of cost or valuation of land and buildings is as follows:

	Group	
	2006	2005
	$'000	$'000
Held in Hong Kong under long-term leases	**47,084**	47,084
Held outside Hong Kong in the PRC under medium-term leases	**75,021**	76,177
Held outside Hong Kong in the PRC under short-term leases	**4,240**	4,219
	126,345	127,480

(d) Land and buildings held by a subsidiary with carrying value of $24,000,000 (2005: $22,600,000) was pledged as security for banking facilities amounting to $35,000,000 (2005: $40,000,000), which were utilised to the extent of $2,670,000 at 31 March 2006 (2005: $4,000,000) (note 29).

18 GOODWILL

	Group $'000
Cost:	
At 1 April 2005 and 31 March 2006	1,140,132
Accumulated impairment losses:	
At 1 April 2005 and 31 March 2006 (note (ii))	3,518
Carrying amount:	
At 31 March 2006	1,136,614
Cost:	
At 1 January 2004	3,518
Addition arising on acquisition of a subsidiary (note (i))	1,136,614
At 31 March 2005	1,140,132
Accumulated impairment losses:	
At 1 January 2004	–
Impairment loss (note (ii))	3,518
At 31 March 2005	3,518
Carrying amount:	
At 31 March 2005	1,136,614

18 GOODWILL *(Continued)*

Notes:

(i) In March 2004, the Group acquired the entire issued share capital of Central New International Limited ("Central New") which holds a 75% interest in Shanghai GoldPartner Biotech Co., Ltd at a consideration of approximately $1,172 million, satisfied as to $600 million by cash and as to the remaining of approximately $572 million by the issue of convertible notes of the Company (note 32(b)). This acquisition has given rise to goodwill of approximately $1,137 million.

Goodwill primarily related to the distribution network of "Naobaijin" and "GoldPartner" which is the main purpose of the acquisition and the synergy effect that can be achieved by centralising the logistical arrangements of the healthcare product distribution network and that of the consumer electronic and electrical products.

(ii) Impairment test for cash-generating unit containing goodwill

The healthcare manufacturing and distribution unit contains the whole of the goodwill arising from the acquisition of Central New. The impairment test of this unit is based on value in use calculations. Those calculations use cash flow projections based on actual operating results for the year ended 31 March 2006 and approved budget for the year ending 31 March 2007. In view of the introduction of new products in the coming years, cash flows for the years ending 31 March 2008, 2009 and 2010 are extrapolated using 12 per cent, 16 per cent and 20 per cent growth rate respectively and remain constant thereafter for a further 11-year period. The growth rate is consistent with the growth rate for the industry. Pre-tax discount rates ranging from 9.46 to 9.76 per cent have been used in discounting the projected cash flows.

The key assumption is the annual growth of the turnover of the healthcare products and it is determined based on the statistical analysis of the annual consumption of healthcare products in the PRC adjusted for actual experience. The turnover growth of the healthcare products is considered to be in line with the cash flow projections.

The carrying amount of the unit approximates to its recoverable amount. Any adverse change in the key assumption could reduce the recoverable amount below carrying amount.

19 OTHER INTANGIBLE ASSETS

Group

	Trademark and patent rights $'000	Computer software $'000	Total $'000
Cost:			
At 1 April 2005	36,605	10,178	46,783
Exchange adjustments	920	256	1,176
Reductions through disposal of a subsidiary	–	(10,434)	(10,434)
At 31 March 2006	37,525	–	37,525
Accumulated amortisation and impairment losses:			
At 1 April 2005	1,982	10,178	12,160
Amortisation for the year	1,876	–	1,876
Exchange adjustments	50	256	306
Reductions through disposal of a subsidiary	–	(10,434)	(10,434)
At 31 March 2006	3,908	–	3,908
Carrying amount:			
At 31 March 2006	33,617	–	33,617

19 OTHER INTANGIBLE ASSETS *(Continued)*

Group *(Continued)*

	Trademark and patent rights $'000	Computer software $'000	Total $'000
Cost:			
At 1 January 2004	–	10,178	10,178
Additions arising on acquisition of a subsidiary	36,605	–	36,605
At 31 March 2005	36,605	10,178	46,783
Accumulated amortisation and impairment losses:			
At 1 January 2004	–	10,178	10,178
Amortisation for the period	1,982	–	1,982
At 31 March 2005	1,982	10,178	12,160
Carrying amount:			
At 31 March 2005	34,623	–	34,623

The amortisation charge for the year/period is included in "Other operating expenses" in the consolidated income statement.

20 INTEREST IN SUBSIDIARIES

	Company	
	2006 $'000	2005 $'000
Unlisted investments, at cost	**316,564**	326,065
Amounts due from subsidiaries (Note)	**2,072,460**	1,889,541
Amounts due to subsidiaries (Note)	**(1,848)**	(2,719)
	2,387,176	2,212,887
Less: Impairment loss	**(237,366)**	(184,765)
	2,149,810	2,028,122

Note: Except for an amount of $1,848,000 (2005: $1,799,000) due to subsidiaries and $Nil (2005: $78,232,000) due from subsidiaries which are interest-bearing at London Inter Bank Offered Rate ("LIBOR") plus 1% (2005: LIBOR plus 1%) per annum, all the amounts due from/to subsidiaries are unsecured, interest-free and have no fixed terms of repayments.

Details of the principal subsidiaries are set out in note 47 on the financial statements. All of these are controlled subsidiaries as defined under note 1(d) and have been consolidated into the Group's financial statements.

21 INTEREST IN ASSOCIATES

	Group		Company	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Unlisted investments, at cost	**–**	–	**10,424**	25,191
Share of net assets	**318,231**	69,209	**–**	–
Goodwill (Note a)	**75,654**	1,759	**–**	–
	393,885	70,968	**10,424**	25,191
Less: Impairment loss (Note b)	**(5,417)**	(17,503)	**–**	(14,800)
	388,468	53,465	**10,424**	10,391

(a) In April 2005, the Group acquired a 40% interest in Me To You Holdings Limited ("MTY") at a consideration of US$19.2 million (equivalent to approximately $149,760,000) by cash. This acquisition has given rise to goodwill of approximately $76 million.

MTY is mainly engaged in the wireless telecommunication value-added services ("VAS") business in the PRC, providing location-based and leisure-oriented wireless information services to the general public of the PRC, and delivering mobile data solutions to commercial enterprises through its nation-wide data and voice network platforms. As the wireless telecommunication VAS market in the PRC has substantial growth potential, goodwill arising from the acquisition primarily represents the future economic benefits that MTY expects to generate from its established position in the wireless telecommunication VAS market in the PRC and the synergy effect that can be achieved from the business cooperation between MTY and the Group's existing media-related operations.

Impairment test for cash-generating unit containing goodwill

For the purpose of impairment testing of goodwill arising from acquisition of MTY, goodwill is wholly allocated to the media-related business undertaken by MTY. The recoverable amount of such cash generating unit is determined based on value in use calculations. These calculations use cash flow projections based on actual operating results in 2005. Cash flows from each income source for the year ending 31 March 2007 are extrapolated using an average growth rate of 31.6 per cent and the overall cash flows of MTY remain constant for perpetuity. The growth rate of individual income source complies with general expectations for the business. The present value of cash flows is calculated by discounting with a pre-tax interest rate of 16 per cent.

21 INTEREST IN ASSOCIATES *(Continued)*

(b) In 2002, the Group granted a loan of $15,300,000 to the founders of an associate, Beijing East.net Information Technology Co., Ltd ("East.net") which was secured by the 51% equity interest in East.net owned by these founders with a share pledge agreement dated 22 January 2002 (the "Agreement") entered into between the Group and these founders. Pursuant to the Agreement, the Group is obliged to take over the founders' equity interest in East.net if they breach the Agreement for the default of payment. On 31 January 2006, the Group has taken over the founders' equity interest in East.net as the founders have defaulted the settlement of the loan. As a result, the Group's equity interest in East.net increased from 49% at 31 March 2005 to 100% at 31 March 2006. Accordingly, the Group's investment in East.net and the impairment loss of $14,800,000 made in prior years as well as the loan receivable from the founders have been reclassified as investment in subsidiaries and it has been consolidated into the Group's financial statements for the year ended 31 March 2006.

(c) Details of the principal associates are set out in note 48 on the financial statements.

(d) **Summary financial information on associates**

	Assets $'000	Liabilities $'000	Equity $'000	Revenue $'000	Profit/ (loss) $'000
2006					
100 per cent	**1,125,915**	**(258,135)**	**867,780**	**255,915**	**5,310**
Group's effective interest	**420,070**	**(101,839)**	**318,231**	**85,148**	**5,547**
2005					
100 per cent	356,108	(131,318)	224,790	74,977	(51,227)
Group's effective interest	110,412	(41,203)	69,209	20,074	(16,391)

22 INTEREST IN A JOINTLY CONTROLLED ENTITY

	2006	2005
	$'000	$'000
Share of net assets	**–**	14,134
Amount due from a jointly controlled entity	**–**	171,162
	–	185,296

During the year, the Group accepted the offer from China Cable Media Group Limited ("CCMG") for the issuance and allotment of 8,839,812 new ordinary shares of CCMG at a subscription price of US$2.509 per ordinary share, credited as fully paid, in satisfaction of the shareholders' loan of approximately US$22 million owed by CCMG to the Group. Suntop Investments Limited ("Suntop"), the other shareholder of CCMG, also accepted the offer from CCMG for the issuance and allotment of 2,169,143 new ordinary shares and 844,975 new preference shares in satisfaction of the shareholders' loan owed by CCMG to Suntop. In addition, a new investor subscribed for 13,522,803 new preference shares of CCMG. Upon completion of the conversion and subscription, the Group's interest in CCMG decreased from 50% at 31 March 2005 to approximately 36.90% at 31 March 2006, and CCMG ceased to be a jointly controlled entity of the Group as the Group no longer shares joint control over CCMG. Nevertheless, the Group can exert significant influence over CCMG through sufficient board representation. Accordingly, the Group's interest in CCMG has been reclassified as interest in associates.

23 OTHER FINANCIAL ASSETS

	Group		Company	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Available-for-sale equity securities (2005: Non-trading securities)				
Listed in Hong Kong	**1,687**	9,193	**1,687**	9,193
Unlisted	**42,359**	147,972	**39,070**	125,091
	44,046	157,165	**40,757**	134,284
Loan receivable (Note)	**–**	15,300	**–**	15,300
Less: Impairment loss	**–**	(15,300)	**–**	(15,300)
	–	–	**–**	–
	44,046	157,165	**40,757**	134,284
Market value of listed securities	**1,687**	9,193	**1,687**	9,193

Note: Loan receivable as at 31 March 2005 was the amount advanced to the founders of an associate, East.net which was secured by the 51% equity interest in East.net owned by these founders. During the year, the Group has taken over the founders' equity interest in East.net and the loan receivable and impairment loss of $15,300,000 made in prior years have been reclassified as investment in subsidiaries accordingly.

24 TRADING SECURITIES

	Group		Company	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Equity securities, at market value				
Listed in Hong Kong	**142,192**	1,050	**141,375**	–
Listed outside Hong Kong	**541,683**	606,221	**–**	–
	683,875	607,271	**141,375**	–
Debt securities, at fair value				
Unlisted	**–**	39,202	**–**	39,202
	683,875	646,473	**141,375**	39,202

Equity securities listed outside Hong Kong represent ordinary shares of SINA Corporation ("SINA") with nominal value of US$0.133 (equivalent to $1.04) each. SINA is incorporated in the Cayman Islands and listed on NASDAQ in the United States.

25 INVENTORIES

	Group	
	2006	2005
	$'000	$'000
Trading and manufacturing		
Raw materials	**14,930**	12,678
Work in progress	**847**	1,143
Finished goods	**116,732**	142,581
	132,509	156,402
Property development		
Properties held for sale	**2,899**	6,457
	135,408	162,859

The amount of trading and manufacturing inventories carried at net realisable value is $21,497,000 (2005: $25,060,000).

Properties held for sale are carried at net realisable value based on management estimates by reference to prevailing market conditions.

26 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Debtors, prepayments and other receivables	**323,849**	427,648	**4,957**	67,815
Gross amount due from customers for contract work	**6,267**	17,753	**–**	–
Amounts due from associates	**40,166**	11,232	**5,353**	5,198
Amounts due from related companies	**16,622**	26,827	**3,946**	1,794
	386,904	483,460	**14,256**	74,807

All of the trade and other receivables are expected to be recovered within one year.

The Group's credit policy is set out in note 37(a).

Included in debtors, prepayments and other receivables at 31 March 2005 were bills receivable of $12,801,000 pledged to a bank for banking facilities granted by the bank to a subsidiary. At 31 March 2006, there are no pledged bills receivable.

Included in debtors, prepayments and other receivables are trade debtors (net of impairment losses for bad and doubtful debts) with the following ageing analysis as of the balance sheet date:

	Group	
	2006	2005
	$'000	$'000
Current	**187,660**	190,916
Due over 6 months but within 12 months	**2,723**	3,913
Due over 12 months but within 24 months	**–**	315
	190,383	195,144

27 PLEDGED DEPOSITS

	Group		Company	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Pledged deposits with banks	**145**	33,815	**–**	33,000

At 31 March 2006, deposit of $145,000 was pledged as security against trade finance banking facilities extended to a subsidiary. At 31 March 2005, fixed deposits of $33,000,000 and $815,000 respectively were pledged as securities against bank loan facilities and trade finance banking facilities extended to certain subsidiaries.

28 CASH AND CASH EQUIVALENTS

	Group		Company	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Deposits with banks and other financial institutions	**87,712**	76,990	**34,424**	15,896
Cash at bank and in hand	**494,049**	427,520	**82,988**	174,110
Cash and cash equivalents in the balance sheets and consolidated cash flow statement	**581,761**	504,510	**117,412**	190,006

29 BANK LOANS

	Group	
	2006	2005
	$'000	$'000
Secured (Note)	**2,670**	32,275
Unsecured	**–**	2,828
	2,670	35,103

All bank loans are repayable within 1 year or on demand at the balance sheet date. The bank loans bear interest at rates ranging from 5.75% to 7.5% (2005: from 2.88% to 5.5%) per annum.

Note: At 31 March 2006, the banking facilities of certain subsidiaries of the Group are secured by fixed deposits of $Nil (2005: $33,000,000) (note 27) and mortgages over land and buildings with an aggregate carrying value of $24,000,000 (2005: $22,600,000) (note 17(d)). At 31 March 2006, such banking facilities amounting to $35,000,000 (2005: $68,275,000), were utilised to the extent of $2,670,000 (2005: $32,275,000).

30 OTHER LOAN

	Group	
	2006	2005
	$'000	$'000
Secured and repayable on demand	**116,385**	–

The other loan is secured by 2,500,000 ordinary shares of SINA held by the Group with carrying value of US$69.8 million (equivalent to approximately $541 million) as at 31 March 2006. The other loan bears interest at a rate of LIBOR plus 0.5% per annum and is repayable on demand.

31 TRADE AND OTHER PAYABLES

	Group		Company	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Creditors, accruals and other payables	**304,940**	271,669	**72,418**	16,520
Amounts due to associates	**264**	419	**–**	–
Amounts due to related companies	**10,863**	12,900	**99**	99
	316,067	284,988	**72,517**	16,619

All of the trade and other payables are expected to be settled within one year.

Included in creditors, accruals and other payables are trade creditors with the following ageing analysis:

	Group	
	2006	2005
	$'000	$'000
Due within 6 months or on demand	**78,131**	112,770
Due after 6 months but within 12 months	**721**	620
Due after 12 months but within 24 months	**79**	218
Due after 24 months but within 36 months	**37**	252
	78,968	113,860

32 CONVERTIBLE NOTES

	Group and Company	
	2006	2005
	$'000	$'000
Balance at 1 April 2005/1 January 2004		
As previously reported	**832,955**	210,000
Opening balance adjustment	**(90,185)**	–
Balance after opening balance adjustment	**742,770**	210,000
Issued during the period	**–**	751,955
Conversion during the year/period	**(19,363)**	(129,000)
Repurchased during the year	**(170,335)**	–
Effective interest for the year	**20,929**	–
Balance at 31 March	**574,001**	832,955

(a) On 6 June 2003, the Company and a placing agent entered into an agreement whereby (i) the placing agent agreed to procure subscribers to subscribe as principals for the convertible notes (the "Original Notes") of a principal amount of at least $50 million, and (ii) the Company granted to the placing agent the option (the "Option") to require the Company to issue additional convertible notes up to an additional principal amount of $350 million for subscription by the subscribers upon the terms and conditions of the placing agreement. The Option was exercisable by the placing agent on or before 13 January 2005. In 2003, Original Notes of $220 million were issued. The Original Notes bear interest at a rate of 3% per annum, payable annually in arrears with the first interest payment to be made on the date falling twelve months from the date of issue of such convertible notes. During the year ended 31 December 2003, $10 million Original Notes were converted into 19,230,769 ordinary shares of the Company.

During the period ended 31 March 2005, additional Original Notes of $180 million were issued pursuant to the placing agreement.

The Original Notes will be redeemed at 100% of the principal amount plus any accrued and unpaid interest on the maturity date. The Company can redeem in whole or in part the issued Original Notes prior to their maturity dates by serving at least seven calendar days written notice and payment of 100% of the principal amount plus an early redemption fee of 7% on the redeemed amount and any accrued and unpaid interest. The Original Notes holders can, by written notice to the Company, within fourteen days immediately after the expiry of a six-month period following the date of issue of the respective Original Notes, require the Company to redeem the Original Notes at an amount equivalent to 100% of the principal amount of the Original Notes plus a 1.7% premium.

32 CONVERTIBLE NOTES *(Continued)*

(a) *(Continued)*

The Original Notes are convertible at any time on the day following 90 calendar days after the date of issue of the Original Notes up to the fourteenth days prior to and exclusive of the maturity date at a conversion price of $0.52 per share (subject to adjustments). The maturity date of each Original Note is the date falling sixty months from (and inclusive of) the date of issue of such convertible notes.

(b) On 4 March 2004, convertible notes of approximately $572 million (the "Notes") were issued as part of the consideration for the acquisition of a subsidiary. The Notes are non-interest bearing and will mature in 5 years after the issue date.

The Company has the right to redeem the Notes at 100% of the principal amount in amounts of $500,000 or integral multiples thereof prior to the maturity date by giving not less than seven business days written notice.

The Notes comprise Series A, Series B and Series C Notes in the principal amounts of $190 million, $190 million and $192 million respectively, and are convertible by the holder at any time after 12 months, 15 months and 27 months respectively from the date of issue of the Notes at a conversion price of $0.76 per share, subject to adjustments.

(c) During the year, $20 million Original Notes were converted into 38,461,538 ordinary shares of the Company (note 34).

(d) On 20 December 2005, the Company entered into a Repurchase Agreement with Ready Finance Limited, pursuant to which the Company has conditionally agreed to repurchase $191,955,403 nominal value of the Company's approximately $566 million outstanding Notes (the "Repurchase") held by Ready Finance Limited for a cash consideration of $145,406,003. Upon completion, the said repurchased Notes were cancelled, and approximately $374 million of the remaining outstanding Notes maturing 3 March 2009 continue to be held by Ready Finance Limited. The gain of $24,930,000 arising from the Repurchase has been included in "Non-operating income" in the consolidated income statement.

(e) The effective interest rate of the Original Notes and the Notes for the year ended 31 March 2006 is 4% (period ended 31 March 2005: 4%).

(Expressed in Hong Kong dollars)

33 EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Group adopted a share option scheme (the "Scheme") pursuant to the shareholders' resolution in a general meeting on 12 April 2002, following the amendments on the Listing Rules which came into effect from September 2001.

Under the terms of the Scheme, the directors may at their discretion invite employees and directors of the Company or any of its subsidiaries and associates to take up options to subscribe for shares of the Company. The Scheme is valid and effective for a period of ten years, ending on 11 April 2012, after which no further options will be granted. The exercise price of options is determinable by the Board and is the highest of (i) the nominal value of the shares; (ii) the average of the closing prices of the shares on the Stock Exchange of Hong Kong Limited ("Stock Exchange") for five business days immediately preceding the date of the grant; and (iii) the closing price of the shares on the Stock Exchange on the date of the offer.

The exercise period of the options granted is determinable by the Board, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the grant. A nominal consideration of $1 is payable on acceptance of the grant of options. Each option gives the holder the right to subscribe for one share.

(a) The number and weighted average exercise prices of share options are as follows:

	2006		2005	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
At 1 April 2005/1 January 2004	**$0.620**	**191,312,000**	$0.620	209,262,000
Lapsed	**–**	**–**	$0.792	(7,950,000)
Exercised (note 34)	**–**	**–**	$0.476	(10,000,000)
At 31 March	**$0.620**	**191,312,000**	$0.620	191,312,000
Exercisable at 31 March	**$0.620**	**191,312,000**	$0.603	173,787,000

(Expressed in Hong Kong dollars)

33 EQUITY SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

(b) The terms of unexpired and unexercised share options at balance sheet date are as follows, whereby all options are settled by physical delivery of shares:

Date granted	Exercise period	Exercise price	2006 Number	2005 Number
Options granted to directors and contracted employees				
22 May 2002	22 May 2002 to 21 May 2012	$0.792	**17,356,000**	17,356,000
22 May 2002	22 August 2002 to 21 May 2012	$0.792	**17,525,000**	17,525,000
22 May 2002	22 August 2003 to 21 May 2012	$0.792	**17,525,000**	17,525,000
22 May 2002	22 August 2004 to 21 May 2012	$0.792	**17,525,000**	17,525,000
22 May 2002	22 August 2005 to 21 May 2012	$0.792	**17,525,000**	17,525,000
31 December 2002	31 December 2002 to 30 December 2012	$0.476	**103,856,000**	103,856,000
			191,312,000	191,312,000

34 SHARE CAPITAL

	2006		2005	
	Number of shares '000	Amount $'000	Number of shares '000	Amount $'000
Authorised:				
Ordinary shares of $0.1 each	**5,000,000**	**500,000**	5,000,000	500,000
Issued and fully paid:				
At 1 April 2005/1 January 2004	**1,472,479**	**147,248**	1,218,046	121,805
Shares issued under share option scheme (note 33(a))	**–**	**–**	10,000	1,000
Shares issued upon conversion of convertible notes (note 32(c))	**38,461**	**3,846**	244,433	24,443
Purchase of own shares (note (i))	**(2,026)**	**(203)**	–	–
At 31 March	**1,508,914**	**150,891**	1,472,479	147,248

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

34 SHARE CAPITAL *(Continued)*

(i) Purchase of own shares

During the year, the Company repurchased its own ordinary shares on the Stock Exchange as follows:

Date of repurchase	Number of shares repurchased	Highest price paid per share	Lowest price paid per share	Aggregate price paid
		$	$	$'000
31 October 2005	50,000	0.37	0.37	19
7 November 2005	300,000	0.41	0.40	122
8 November 2005	800,000	0.41	0.405	328
10 November 2005	376,000	0.42	0.42	158
11 November 2005	500,000	0.42	0.42	211
	2,026,000			838

The repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. Pursuant to section 49H of the Hong Kong Companies Ordinance, an amount equivalent to the par value of the shares cancelled of $203,000 was transferred from retained profits to the capital redemption reserve. The premium paid on the repurchase of the shares of $635,000 was charged to retained profits.

35 CAPITAL AND RESERVES

(a) Group

	Share capital $'000	Share premium $'000	Capital redemption reserve $'000	Capital reserve $'000	Investment revaluation reserve $'000	Exchange fluctuation reserve $'000	Retained profits $'000	Sub-total $'000	Minority interests $'000	Total equity $'000
At 1 January 2004	121,805	1,030,815	151	14,257	–	1,565	606,027	1,774,620	882,984	2,657,604
Dividend approved and paid during the period (note 12)	–	–	–	–	–	–	(43,188)	(43,188)	–	(43,188)
Minority interest's share of dividend	–	–	–	–	–	–	–	–	(554,372)	(554,372)
Unrealised loss on revaluation of investments in securities	–	–	–	–	(6,711)	–	–	(6,711)	–	(6,711)
Impairment loss realised	–	–	–	–	6,711	–	–	6,711	–	6,711
Share premium on issue of shares										
– under share option scheme (note 34)	1,000	3,756	–	–	–	–	–	4,756	–	4,756
– upon conversion of convertible notes (note 34)	24,443	104,409	–	–	–	–	–	128,852	–	128,852
Capital reserve released on disposal of subsidiaries	–	–	–	(152)	–	–	–	(152)	–	(152)
Share of minority interest in acquisitions of subsidiaries	–	–	–	–	–	–	–	–	19,883	19,883
Share of minority interest on winding up of a subsidiary	–	–	–	–	–	–	–	–	(2,016)	(2,016)
Share of minority interest on disposal of subsidiaries	–	–	–	–	–	–	–	–	(1,321)	(1,321)
Exchange differences arising on consolidation	–	–	–	–	–	2,479	–	2,479	315	2,794
Profit for the period	–	–	–	–	–	–	160,426	160,426	77,654	238,080
At 31 March 2005	147,248	1,138,980	151	14,105	–	4,044	723,265	2,027,793	423,127	2,450,920

35 CAPITAL AND RESERVES *(Continued)*

(a) Group *(Continued)*

	Share capital $'000	Share premium $'000	Capital redemption reserve $'000	Capital reserve $'000	Other reserve $'000	Investment revaluation reserve $'000	Exchange fluctuation reserve $'000	Retained profits $'000	Sub-total $'000	Minority interests $'000	Total equity $'000
At 1 April 2005											
– as previously reported	147,248	1,138,980	151	14,105	–	–	4,044	723,265	2,027,793	423,127	2,450,920
– opening balance adjustment in respect of convertible notes (note 2(d))	–	–	–	–	112,668	–	–	(22,483)	90,185	–	90,185
– amount after opening balance adjustment	147,248	1,138,980	151	14,105	112,668	–	4,044	700,782	2,117,978	423,127	2,541,105
Dividend approved and paid during the year (note 12)	–	–	–	–	–	–	–	(19,642)	(19,642)	–	(19,642)
Minority interest's share of dividend	–	–	–	–	–	–	–	–	–	(64,102)	(64,102)
Unrealised loss on revaluation of available-for-sale securities	–	–	–	–	–	(7,506)	–	–	(7,506)	–	(7,506)
Impairment loss realised	–	–	–	–	–	7,506	–	–	7,506	–	7,506
Share premium on issue of shares upon conversion of convertible notes (note 34)	3,846	16,388	–	–	(890)	–	–	–	19,344	–	19,344
Repurchase of convertible notes	–	–	–	–	(34,182)	–	–	34,182	–	–	–
Shares repurchased (note 34)	(203)	–	203	–	–	–	–	(838)	(838)	–	(838)
Share of capital reserve of an associate	–	–	–	72	–	–	–	–	72	–	72
Share of minority interest in additional interests in a subsidiary	–	–	–	–	–	–	–	–	–	(415)	(415)
Share of minority interest on disposal of a subsidiary	–	–	–	–	–	–	–	–	–	(2,378)	(2,378)
Exchange differences arising on consolidation	–	–	–	–	–	–	22,532	–	22,532	159	22,691
Profit for the year	–	–	–	–	–	–	–	63,908	63,908	(3,891)	60,017
At 31 March 2006	150,891	1,155,368	354	14,177	77,596	–	26,576	778,392	2,203,354	352,500	2,555,854

The application of the share premium account and the capital redemption reserve is governed by sections 48B and 49H respectively of the Hong Kong Companies Ordinance.

The capital reserve and exchange fluctuation reserve have been set up and will be dealt with in accordance with the accounting policies adopted for goodwill arising on or derived from acquisition or disposal of subsidiaries and associates prior to 1 April 2004 and the foreign currency translation, in notes 1(f) and (x) respectively.

Other reserve comprises the value of unexercised equity component of convertible notes issued by the Company recognised in accordance with the accounting policy adopted for convertible notes in note 1(p).

The investment revaluation reserve has been set up and will be dealt with in accordance with the accounting policies adopted for the gain or loss on revaluation and disposal of available-for-sale securities in note 1(g).

(Expressed in Hong Kong dollars)

35 CAPITAL AND RESERVES *(Continued)*

(b) Company

	Share capital $'000	Capital redemption reserve $'000	Share premium $'000	Other reserve $'000	Investment revaluation reserve $'000	Retained profits $'000	Total equity $'000
At 1 January 2004	121,805	151	1,030,815	–	–	166,281	1,319,052
Dividend approved and paid during the period	–	–	–	–	–	(43,188)	(43,188)
Unrealised loss on revaluation of investments in securities	–	–	–	–	(4,951)	–	(4,951)
Impairment loss realised	–	–	–	–	4,951	–	4,951
Share premium on issue of shares							
– under share option scheme	1,000	–	3,756	–	–	–	4,756
– upon conversion of convertible notes	24,443	–	104,409	–	–	–	128,852
Profit for the period	–	–	–	–	–	255,570	255,570
At 31 March 2005	147,248	151	1,138,980	–	–	378,663	1,665,042
At 1 April 2005							
– as previously reported	147,248	151	1,138,980	–	–	378,663	1,665,042
– opening balance adjustment in respect of convertible notes	–	–	–	112,668	–	(22,483)	90,185
– amount after opening balance adjustment	147,248	151	1,138,980	112,668	–	356,180	1,755,227
Dividend approved and paid during the year	–	–	–	–	–	(19,642)	(19,642)
Unrealised loss on revaluation of available-for-sale securities	–	–	–	–	(7,506)	–	(7,506)
Impairment loss realised	–	–	–	–	7,506	–	7,506
Share premium on issue of shares upon conversion of convertible notes	3,846	–	16,388	(890)	–	–	19,344
Repurchase of convertible notes	–	–	–	(34,182)	–	34,182	–
Shares repurchased	(203)	203	–	–	–	(838)	(838)
Profit for the year	–	–	–	–	–	78,346	78,346
At 31 March 2006	150,891	354	1,155,368	77,596	–	448,228	1,832,437

At 31 March 2006, the amount of distributable reserves of the Company amounted to $448,228,000 (2005: $378,663,000).

36 DEFERRED TAXATION

(a) Deferred tax assets and liabilities recognised:

(i) Group

The components of deferred tax (assets)/liabilities recognised in the consolidated balance sheet and the movements during the year/period are as follows:

	Depreciation allowances in excess of related depreciation $'000	Deferred revenue $'000	Provision for obsolete inventories $'000	Provision for bad and doubtful debts $'000	Reversal of overprovision and accruals $'000	Tax losses $'000	Total $'000
Deferred tax arising from:							
At 1 January 2004	67	(800)	(1,722)	(2,942)	223	(67)	(5,241)
Charged/(credited) to consolidated income statement	646	219	(186)	281	(96)	(139)	725
At 31 March 2005	713	(581)	(1,908)	(2,661)	127	(206)	(4,516)
At 1 April 2005	713	(581)	(1,908)	(2,661)	127	(206)	(4,516)
Charged/(credited) to consolidated income statement	415	(410)	931	141	3	(70)	1,010
At 31 March 2006	1,128	(991)	(977)	(2,520)	130	(276)	(3,506)

36 DEFERRED TAXATION *(Continued)*

(a) Deferred tax assets and liabilities recognised: *(Continued)*

(ii) Company

The components of deferred tax (assets)/liabilities recognised in the balance sheet and the movements during the year/period are as follows:

	Depreciation allowances in excess of related depreciation $'000	Tax losses $'000	Total $'000
At 1 January 2004	67	(67)	–
(Credited)/charged to income statement	(39)	39	–
At 31 March 2005	28	(28)	–
At 1 April 2005	28	(28)	–
Charged/(credited) to income statement	35	(35)	–
At 31 March 2006	63	(63)	–

	Group		Company	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Net deferred tax assets recognised on the consolidated balance sheet	**(4,358)**	(5,023)	**–**	–
Net deferred tax liabilities recognised on the consolidated balance sheet	**852**	507	**–**	–
	(3,506)	(4,516)	**–**	–

36 DEFERRED TAXATION *(Continued)*

(b) Deferred tax assets not recognised:

In accordance with the accounting policy set out in note 1(u), the Group has not recognised deferred tax assets in respect of unused tax losses of $34,038,000 (2005: $33,946,000) and deductible temporary differences of $32,219,000 (2005: $32,901,000) as it is not probable that there will be sufficient taxable profits available against which the unused tax losses and deductible temporary differences can be utilised. The tax losses do not expire under current tax legislation.

37 FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. These risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, credit evaluations are performed on all customers requiring credit over a certain amount. These receivables are due ranging from 60 days to 90 days from the date of billing. Debtors with balances that are more than 6 months overdue are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instruments.

37 FINANCIAL INSTRUMENTS *(Continued)*

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's Board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

(c) Interest rate risk

The Group has interest rate risk as certain interest-bearing borrowings are on a variable rate basis. The interest rates and terms of repayment of the interest-bearing borrowings of the Group are disclosed in notes 29, 30 and 32. The Group does not expect any changes in interest rates which might materially affect the Group's result of operations.

During the year, the Group and the Company had not entered into any interest rate swap contracts.

(d) Foreign currency risk

Almost all the Group's operating activities are carried out in the PRC with most of the transactions denominated in Renminbi. The Group is exposed to foreign currency risk arising from the exposure of Renminbi against Hong Kong dollars as a result of its investments in the PRC and certain of the general and administrative expenses are settled in Hong Kong dollars. In addition, Renminbi is not freely convertible into foreign currencies and the conversion of Renminbi into foreign currencies is subject to rules and regulations of the foreign exchange control promulgated by the PRC government. The Group considers there is no material foreign currency risk and the Group did not enter into any derivative contracts to hedge its foreign currency risk.

On 21 July 2005, the People's Bank of China adjusted the exchange of Renminbi to United State dollars from 8.2765 to 8.1100 of which the Group believes that such appreciation of Renminbi does not have any adverse impact on the current operating results and financial position of the Group. The appreciation of Renminbi has contributed to an increase of $23 million in the Group's exchange fluctuation reserve as at 31 March 2006.

37 FINANCIAL INSTRUMENTS *(Continued)*

(e) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 March 2006 and 2005 except as follows:

	Note	**2006** Carrying amount $'000	**2006** Fair value $'000	2005 Carrying amount $'000	2005 Fair value $'000
Group					
Amounts due from associates	(i)	**40,166**	**–**	11,232	–
Available-for-sale equity securities (2005: Non-trading securities – unlisted)	(ii)	**42,359**	**–**	147,972	–
Convertible notes	(iii)	**574,001**	**530,018**	832,955	733,460
Company					
Amounts due from subsidiaries	(i)	**2,072,460**	**–**	1,889,541	–
Amounts due from associates	(i)	**5,353**	**–**	5,198	–
Available-for-sale equity securities (2005: Non-trading securities – unlisted)	(ii)	**39,070**	**–**	125,091	–
Convertible notes	(iii)	**574,001**	**530,018**	832,955	733,460

Notes:

(i) The amounts due from associates and subsidiaries are unsecured, interest-free and have no fixed repayment terms. Given these terms it is not meaningful to disclose fair values.

(ii) These investments do not have a quoted market price in an active market and their fair value cannot be reliably measured. They are recognised at cost less impairment losses.

(iii) In accordance with the transitional provisions in HKAS 39, the carrying value and fair value of the convertible notes at 31 March 2005 has not been restated and therefore includes the option to convert which was classified as equity by way of an opening balance adjustment at 1 April 2005 (see note 2(d) to these financial statements).

37 FINANCIAL INSTRUMENTS *(Continued)*

(f) Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table set out in note 37(e) above.

Convertible notes

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

38 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisition of subsidiaries

(i) During the year ended 31 March 2006, the Group has taken over the founders' equity interest in East.net as the founders have defaulted the settlement of the loan and the Group's equity interest in East.net increased from 49% at 31 March 2005 to 100% at 31 March 2006 (note 21(b)). In addition, the Group acquired an additional 4% equity interest in Shanghai Stone Hu Guang Technology Shareholding Company Limited ("Shanghai Hu Guang") from the minority shareholders of Shanghai Hu Guang at a consideration of Rmb1. From the respective dates of acquisition to 31 March 2006, Shanghai Hu Guang and East.net contributed net profit of $371,000 and net loss of $794,000 respectively to the consolidated net profit attributable to equity shareholders of the Company for the year. If the acquisition of the additional 4% equity interest in Shanghai Hu Guang and the take over of the equity interest in East.net had occurred on 1 April 2005, the Group's turnover would have been $2,042,583,000 and net profit attributable to equity shareholders of the Company would have been $61,069,000.

(ii) During the period ended 31 March 2005, the Group acquired the entire issued share capital of Central New and an additional 25% equity interest in Shenzhen Shentong Printing Equipment Co., Ltd ("SSPE") from the minority shareholders of SSPE. From the respective dates of acquisition to 31 March 2005, Central New and SSPE contributed net profit of $129,439,000 and net loss of $372,000 respectively to the consolidated net profit attributable to equity shareholders of the Company for the period. If the acquisition of the additional 25% equity interest in SSPE had occurred on 1 January 2004, the Group's turnover would have been $2,361,507,000 and net profit attributable to equity shareholders of the Company would have been $159,685,000. Since the group structure of Central New did not exist before the acquisition by the Group, its contribution to the Group's turnover and net profit attributable to equity shareholders of the Company as though the acquisition had occurred on 1 January 2004 and therefore not available for disclosure.

38 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(a) Acquisition of subsidiaries *(Continued)*

	Year ended 31 March 2006 $'000	Period from 1 January 2004 to 31 March 2005 $'000
Net assets acquired:		
Property, plant and equipment	**1,096**	2,743
Intangible assets	**–**	36,605
Other financial assets	**–**	47
Inventories	**–**	1,956
Trade and other receivables	**257**	40,561
Cash at bank and in hand	**67**	58,108
Trade and other payables	**(694)**	(60,226)
Minority shareholders' interests	**415**	(19,416)
	1,141	60,378
(Excess of interest in fair values of the subsidiaries' identifiable net assets over cost of acquisition)/ goodwill on acquisition of subsidiaries	**(1,141)**	1,135,220
Total consideration	**–**	1,195,598
Satisfied by:		
Cash consideration	**–**	380,218
Other financial assets	**–**	4,807
Issue of convertible notes	**–**	571,955
Other receivables	**–**	238,618
	–	1,195,598

38 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(a) Acquisition of subsidiaries *(Continued)*

During the year ended 31 March 2006, the excess of the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities of East.net and Shanghai Hu Guang over cost of acquisition amounting to $1,141,000 is recognised as "Non-operating income" in the consolidated income statement. During the period ended 31 March 2005, goodwill had arisen on acquisition of Central New amounting to $1,136,614,000 because the distribution network of "Naobaijin" and "GoldPartner" did not meet the criteria for recognition as an intangible asset at the date of acquisition. The excess of the Group's interest in the net fair value of SSPE's identifiable assets, liabilities and contingent liabilities over cost of acquisition amounting to $1,394,000 was recognised as "Non-operating income" in the consolidated income statement.

(b) Analysis of the net inflow/(outflow) of cash and cash equivalents in respect of the acquisition of subsidiaries

	Year ended 31 March 2006 $'000	Period from 1 January 2004 to 31 March 2005 $'000
Cash consideration	**–**	(380,218)
Cash and cash equivalents acquired	**67**	58,108
Net inflow/(outflow) of cash and cash equivalents in respect of the acquisition of subsidiaries	**67**	(322,110)

38 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(c) Disposal of interests in subsidiaries

	Year ended 31 March 2006 $'000	Period from 1 January 2004 to 31 March 2005 $'000
Net assets disposed of:		
Property, plant and equipment	**533**	2,120
Other financial assets	**(930)**	(256)
Inventories	**623**	2,554
Trade and other receivables	**5,426**	6,933
Cash at bank and in hand	**9,849**	6,576
Trade and other payables	**(8,077)**	(4,083)
Minority shareholders' interests	**(2,378)**	(3,004)
	5,046	10,840
Capital reserve released on disposal	**–**	(152)
Loss on disposal	**(2,059)**	(2,447)
	2,987	8,241
Satisfied by:		
Cash consideration	**2,987**	3,933
Trade and other receivables	**–**	4,308
	2,987	8,241

38 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(d) Analysis of the net outflow of cash and cash equivalents in respect of the disposal of interests in subsidiaries

	Year ended 31 March 2006 $'000	Period from 1 January 2004 to 31 March 2005 $'000
Cash consideration	**3,017**	3,933
Cash and cash equivalents disposed of	**(9,849)**	(6,576)
Net outflow of cash and cash equivalents in respect of the disposal of interests in subsidiaries	**(6,832)**	(2,643)

(e) Major non-cash transactions

(i) During the year ended 31 March 2006, the Group accepted the offer from CCMG for the issuance and allotment of new ordinary shares of CCMG at a subscription price of US$2.509 per ordinary share, credited as fully paid, in satisfaction of the shareholders' loan of approximately US$22 million owed by CCMG to the Group (note 22). Accordingly, the Group's interest in CCMG of $185,296,000 at 31 March 2005 has been reclassified from interest in a jointly controlled entity to interest in associates. In addition, the Group acquired 40% interest in MTY at a consideration of US$19.2 million (equivalent to approximately $149,760,000) by cash (note 21(a)). A deposit of $52,216,000 for this transaction was made in March 2005 and was included in "Trade and other receivables" at 31 March 2005.

(ii) During the period ended 31 March 2005, the Group acquired the entire issued share capital of Central New at a consideration of approximately $1,172 million (note 18). Out of the total consideration, $600 million was satisfied by cash and the remaining balance of $572 million was satisfied by the issue of convertible notes (note 32(b)). An earnest money of $237 million for this transaction was made in 2003 and was included in "Trade and other receivables" at 31 December 2003.

39 COMMITMENTS

(a) Capital commitments

Capital commitments outstanding at balance sheet date not provided for in the financial statements were as follows:

	Group		Company	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Contracted for	**233**	837	**–**	–

(b) Operating lease commitments

At balance sheet date, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Group		Company	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Within 1 year	**13,526**	6,245	**1,256**	1,022
After 1 year but within 5 years	**9,368**	9,285	**–**	–
After 5 years	**13**	501	**–**	–
	22,907	16,031	**1,256**	1,022

40 CONTINGENT LIABILITIES

	Group		Company	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Guarantees given to banks in respect of credit facilities granted to subsidiaries	**–**	–	**100,000**	105,000
Guarantees given to banks in respect of letters of credit issued but not yet utilised	**–**	1,315	**–**	–
Counter guarantee for bank loans given to an investee company	**–**	7,621	**–**	7,621
	–	8,936	**100,000**	112,621

41 MATERIAL RELATED PARTY TRANSACTIONS

The following material transactions with related parties were, in the opinion of the directors, carried out in the ordinary course of business and on normal commercial terms:

		Year ended 31 March 2006 $'000	Period from 1 January 2004 to 31 March 2005 $'000
(a)	Transactions with and amounts paid to or received from Stone Group Corporation ("SGC"), a minority shareholder of the Group:		
	Sale of traded products	**3,725**	23,560
	Purchase of traded products and component parts	**4,815**	155
	Management fees (based on actual cost incurred) paid in relation to training, secretarial and general administrative services (note (i))	**3,382**	4,123
	Rental paid for staff quarters	**970**	1,245
	Rental income on properties (note (ii))	**783**	954
	Handling fee (note (iii))	**46**	62
(b)	Purchase of traded products and component parts from a minority shareholder of a subsidiary	**–**	7,040
(c)	Transactions with associates of the Group:		
	– Sales of traded products	**–**	315
	– Purchases of traded products and component parts	**2,549**	4,651
(d)	Sales of traded products to companies controlled by a director	**–**	10,412

41 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(e) One of the subsidiaries of SGC ("SGC Company") entered into an agreement with a wholly owned subsidiary of the Group, whereby certain units of the investment property owned by this subsidiary are leased to SGC Company. SGC Company may sub-lease the units and will bear all the expenses of the investment property. The Group is entitled to share a portion of the net profit but not the loss, after deduction of expenses and relevant taxes, generated by SGC Company. A profit of RMB550,000 (equivalent to approximately $531,000) was shared by the Group in this arrangement for the year ended 31 March 2006 (period ended 31 March 2005: $648,000).

(f) **Key management personnel remuneration**

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	Year ended 31 March 2006 $'000	Period from 1 January 2004 to 31 March 2005 $'000
Short-term employee benefits	**6,714**	9,332
Post-employment benefits	**86**	104
Equity compensation benefits	**–**	–
	6,800	9,436

Total remuneration is included in "staff costs" (see note 7(b)).

Notes:

(i) On 24 September 2003, the Company entered into a management contract whereby SGC agreed to provide secretarial and other related services and the use of office equipment to the Group at reimbursement cost which shall not exceed $3,500,000 per annum for a term of five years commencing from 23 July 2003.

(ii) A subsidiary of the Group acquired the Stone Building situated in Beijing from SGC during 1996 and leased various units of the Stone Building to SGC for a lease term of three years commencing from 1 August 1996. The lease term has been renewed on an annual basis thereafter. The rental income received for the year ended 31 March 2006 was calculated at a daily rate of RMB6 per square metre which was considered to be not materially different from the then market rental.

(iii) In March 1999, Beijing Stone New Technology Industrial Company Limited ("Beijing New Technology") entered into an agreement with SGC, pursuant to which Beijing New Technology appointed SGC to act as its agent to deal with all import procedural matters during the year 1999. The agreement may be renewed on an annual basis thereafter. A handling fee was payable to SGC pursuant to the agreement and was calculated at 1.3% of the cost of goods shipped which was considered to be not materially different from the then market price.

42 POST BALANCE SHEET EVENT

After the balance sheet date, the directors proposed a final dividend. Further details are disclosed in note 12.

43 COMPARATIVE FIGURES

Certain comparative figures have been reclassified as a result of the changes in accounting policies. Further details are disclosed in note 2.

44 PARENT AND ULTIMATE HOLDING COMPANY

At 31 March 2006, the directors consider the parent and ultimate controlling party of the Group to be Beijing Stone Investment Company Limited and the Beijing Stone Investment Co., Ltd Employees' Shareholding Society respectively, which are established in the PRC. These entities do not produce financial statements available for public use.

45 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

Key sources of estimation uncertainty

Notes 18 and 37 contain information about the assumptions and their risk factors relating to goodwill impairment and financial instruments. Other key sources of estimation uncertainty are as follows:

– ***Valuation of investment properties***

Investment properties are included in the balance sheet at their open market value, which is assessed annually by independent qualified valuers, after taking into consideration the net income allowing for reversionary potential.

The assumptions adopted in the property valuations are based on the market conditions existing at the balance sheet date, with reference to current market sales prices and the appropriate capitalisation rate.

45 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

Key sources of estimation uncertainty *(Continued)*

– ***Assessment of useful economic lives for depreciation of fixed assets***

In assessing the estimated useful lives of fixed assets, management takes into account factors such as the expected usage of the asset by the Group based on past experience, the expected physical wear and tear (which depends on operational factors), technical obsolescence arising from changes or improvements in production or from a change in the market demand for the product or service output of the asset. The estimation of the useful life is a matter of judgment based on the experience of the Group.

Management reviews the useful lives of fixed assets annually, and if expectations are significantly different from previous estimates of useful economic lives, the useful lives and, therefore, the depreciation rate for the future periods will be adjusted accordingly.

– ***Assessment of impairment of non-current assets***

Management assesses the recoverable amount of each asset based on its value in use (using relevant rates) or on its net selling price (by reference to market prices), depending upon the anticipated future plans for the asset. Estimating the value in use of an asset involves estimating the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and applying the appropriate discount rate to these future cash flows. Cash flow projections for remaining useful life of the asset and the most recent financial budgets/forecasts are approved by management.

– ***Recognition of deferred tax assets***

The recognition of deferred tax assets requires formal assessment by the Group of the future profitability of related operations. In making this judgment, the Group evaluates, amongst other factors, the forecast financial performance, changes in technology and operational and financing cashflows.

(Expressed in Hong Kong dollars)

46 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDED 31 MARCH 2006

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the accounting period ending 31 March 2006 and which have not been adopted in these financial statements:

		Effective for accounting periods beginning on or after
HK(IFRIC) 4	Determining whether an arrangement contains a lease	1 January 2006
Amendments to HKAS 19	Employee benefits – Actuarial Gains and Losses, Group Plans and Disclosures	1 January 2006
Amendments to HKAS 21	The effects of changes in foreign exchange rates – Net investment in a foreign operation	1 January 2006
Amendments to HKAS 39	Financial instruments: Recognition and measurement:	
	– Cash flow hedge accounting of forecast intragroup transactions	1 January 2006
	– The fair value option	1 January 2006
	– Financial guarantee contracts	1 January 2006
Amendments, as a consequence of the Hong Kong Companies (Amendment) Ordinance 2005, to:		
– HKAS 1	Presentation of financial statements	1 January 2006
– HKAS 27	Consolidated and separate financial statements	1 January 2006
– HKFRS 3	Business combinations	1 January 2006
HKFRS 4	Financial guarantee contracts	1 January 2006
Amendment to HKAS 1	Presentation of financial statements: capital disclosures	1 January 2007

(Expressed in Hong Kong dollars)

46 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDED 31 MARCH 2006 *(Continued)*

In addition, the Hong Kong Companies (Amendment) Ordinance 2005 came into effect on 1 December 2005 and would be first applicable to the Group's financial statements for the period beginning 1 April 2006.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of HKAS 19 and the amendments to HKAS 1, HKAS 27 and HKFRS 3 made as a result of the Hong Kong Companies (Amendment) Ordinance 2005 are not applicable to any of the Group's operations and that the adoption of the rest of them is unlikely to have a significant impact on the Group's results of operations and financial position.

47 SUBSIDIARIES

Details of the principal subsidiaries, which materially affected the results or assets of the Group at 31 March 2006, are as follows:

Name of company	Place of incorporation/ establishment and operation	Issued and fully paid capital/ registered capital	Attributable interest	Principal activities
Stone Advance Technology Limited	Hong Kong	$40,000,000	100%	Sourcing of electronic and office equipment, and component parts
Stone Potant Limited	Hong Kong	$1,000,000	100%	Sourcing of electronic and office equipment, and component parts
Prexton Investment Limited	Hong Kong	$10,000	100%	Property investment
Key Success Trading Limited	Hong Kong	$2	100%	Property investment
Gold Vantage Investments Limited	Hong Kong	$2	100%	Property Investment

(Expressed in Hong Kong dollars)

47 SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation/ establishment and operation	Issued and fully paid capital/ registered capital	Attributable interest	Principal activities
Shanghai GoldPartner Biotech Co., Ltd.	PRC	$100,000,000	75%	Manufacture, sale and distribution of healthcare products
Beijing Stone Electronic Technology Co., Ltd.	PRC	US$20,000,000	100%	Investment holding
Beijing Stone New Technology Industrial Co., Ltd.*	PRC	RMB175,000,000	100%	Investment holding and distribution and sale of electronic and electrical products and office equipment
Shenzhen Shentong Printing Equipment Co., Ltd.	PRC	US$3,000,000	80%	Provision of sub-contracting services
Beijing East.net Information Technology Co., Ltd	PRC	RMB8,276,800	100%	Provision of internet related services
Beijing Stone Industrial Control Technology Company Limited*	PRC	RMB30,000,000	61.67%	Sale of industrial controllers products
Beijing Stone Computer Co., Ltd.* ("Beijing Stone Computer")	PRC	RMB50,000,000	51%	Manufacture and distribution of computers and network components

(Expressed in Hong Kong dollars)

47 SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation/ establishment and operation	Issued and fully paid capital/ registered capital	Attributable interest	Principal activities
Sun Stone Media Group Limited*	BVI	US$1##	51%	Investment holding
Tianjin Stone Computer Equipment Corporation Limited*	PRC	US$800,000	75%	Manufacture and sale of fluorescent electronic ballasts
Stone Online Sci & Tech Co., Ltd. (Beijing)*	PRC	RMB22,500,000	80%	Investment holding
Shanghai Stone Hu Guang Technology Shareholding Company Limited*	PRC	RMB14,000,000^	51%	Sale and distribution of communication equipments and chemical products
Guangdong Sunnet Cafe Development Co., Ltd.	PRC	RMB20,200,000	51%	Operation of internet cafe chains
Beijing Stone Intelligence Transportation System Integration Co., Ltd.*	PRC	RMB10,000,000	80%	Installation of intelligent transportation facilities and communication devices

* Indirect holding.

This subsidiary is 100% owned by Sun Stone New Media Limited in which the Company has 51% direct interest.

^ This subsidiary is 100% owned by Beijing Stone Computer in which the Company has 51% indirect interest.

(Expressed in Hong Kong dollars)

48 ASSOCIATES

Details of the principal associates, which materially affected the results or assets of the Group at 31 March 2006, are as follows:

Name of company	Place of incorporation/ establishment and operation	Issued and fully paid capital/ registered capital	Attributable interest	Principal activities
Beijing Stone Zhi Neng Technology Company*	PRC	RMB16,000,000	23.5%	Provision of terminal network system and mobile messaging services system
Beijing Stone Digital Technology Co., Ltd.*	PRC	RMB50,000,000	30%	Provision of electronic commerce service
China Cable Media Group Limited	Cayman Islands	US$29,376,733	36.9%	Investment holding
Dailan Free-trading Zone Hua Qing International Engineering & Trading Co., Ltd	PRC	RMB24,000,000	51%	Provision of e-commerce and logistic management
Censoft Company Limited*	PRC	RMB30,000,000	30%	Development and distribution of application software
Me To You Holdings Limited	Cayman Islands	US$50,000	40%	Investment holding

* Indirect holding.