Notes to the Consolidated Financial Statements

Year ended 31st March 2006

1. GENERAL

The Company is an exempted limited company incorporated in Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the "corporate information" section of the annual report.

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

The principal activities of the Company and its subsidiaries ("the Group") are securities trading, provision of information technology services and property investment. The principal activities of its principal subsidiaries are set out in note (33).

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

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

Business combinations

In the current year, the Group has applied HKFRS 3 "Business Combinations" which is effective for business combinations for which the agreement date is on or after 1st January 2005. The principal effects of the application of HKFRS 3 to the Group are summarised below:–

Goodwill

In previous years, goodwill arising on acquisition was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3. On 1st April 2005, the Group eliminated the carrying amount of the related accumulated amortisation of HK$2,910,000 with a corresponding decrease in the cost of goodwill (see notes (19) and (22)). The Group has discontinued amortising such goodwill from 1st April 2005 onwards and such goodwill will be tested for impairment at least annually. Goodwill arising on acquisitions after 1st April 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current year. Comparative figures for 2005 have not been restated (see note (4) for the financial impact).

Notes to the Consolidated Financial Statements

Year ended 31st March 2006

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES *(continued)*

Financial instruments

In the current year, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1st January 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 39 are summarised below:–

Classification and measurement of financial assets and financial liabilities

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

Debt and equity securities previously accounted for under the benchmark treatment of Statement of Standard Accounting Practice ("SSAP") 24

By 31st March 2005, the Group classified and measured its debt and equity securities in accordance with the benchmark treatment of SSAP 24, investments in debt or equity securities are classified as "investment securities", "other investments" or "held-to-maturity investments" as appropriate. "Investment securities" are carried at cost less impairment losses (if any) while "other investments" are measured at fair value, with unrealised gains or losses included in profit or loss. Held-to-maturity investments are carried at amortised cost less impairment losses (if any). From 1st April 2005 onwards, the Group has classified and measured its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. Available-for-sale equity investments that do not have quoted market prices in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost less impairment after initial recognition. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method after initial recognition.

On 1st April 2005, the Group classified and measured its debt and equity securities in accordance with the transitional provisions of HKAS 39. As a result, investments in securities amounting to approximately HK$30,297,000 has been reclassified to available-for-sale investments and financial assets at fair value through profit or loss amounting to approximately HK$14,360,000 and HK$15,937,000 on 1st April 2005 respectively (see note (4) for the financial impact).

Notes to the Consolidated Financial Statements

Year ended 31st March 2006

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets and financial liabilities other than debt and equity securities

From 1st April 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)". The Group's financial liabilities comprise other financial liabilities which are carried at amortised cost using the effective interest method after initial recognition.

Derecognition

HKAS 39 provides more rigorous criteria for the derecognition of financial assets than the criteria applied in previous years. Under HKAS 39, a financial asset is derecognised, when and only when, either the contractual rights to the asset's cash flows expire, or the asset is transferred and the transfer qualifies for derecognition in accordance with HKAS 39. The decision as to whether a transfer qualifies for derecognition is made by applying a combination of risks and rewards and control tests. The Group has applied the relevant transitional provisions and applied the revised accounting policy prospectively in relation to transfer of financial assets from 1st April 2005 onwards. This change in accounting policy has had no material effect on the results for the current year.

Investment in an associate

In the current year, the Group has applied HKAS 28 "Investments in Associates". Under HKAS 28, the results, assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate, the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate (see note (3) for details).

Notes to the Consolidated Financial Statements

Year ended 31st March 2006

3. PRIOR YEAR ADJUSTMENTS

The Group's investment in the China Investment Fund Company Limited ("CIF") and its subsidiaries (collectively referred to as "CIF Group") represents approximately 27% (2005: 26%) holding of the ordinary shares of CIF. In prior years, the Group has not accounted for the CIF Group as an associate but investments in securities as the investment in the shares of CIF is intended to be held for the purpose of future disposal. The investment in CIF had not been disposed of within twelve months from the date of acquisition. Under HKAS 28, the investment in CIF is accounted for using equity method as from the date of acquisition. Financial statements for the years since acquisition have been restated.

(i) Investment in CIF was included in investments in securities for the year ended 31st March 2005. Prior year adjustment has been made to reclassify the investment in securities to interest in an associate, resulting in a decrease in the Group's investment in securities as at 1st April 2005 amounted to approximately HK$18,835,000 and a corresponding increase in the Group's interest in an associate.

(ii) Investment in CIF (included in investments in securities) as at 31st March 2005 had been stated at market value and adjusted for the unrealised holding gain on trading securities amounted to approximately HK$2,029,000. Prior year adjustment has been made to restate the carrying value of the investment in CIF to cost, resulting in an increase in retained profits of the Group as at 1st April 2004 amounted to approximately HK$4,027,000, a decrease in the Group's unrealised holding gain on trading securities for the year ended 31st March 2005 amounted to approximately HK$1,998,000 and a corresponding decrease in the Group's interest in an associate.

(iii) HKAS 28 requires retrospective application of the equity method of accounting. Share of result of an associate commences since acquisition. Prior year adjustment has been made to adjust for the share of loss of an associate since acquisition, resulting in a decrease in retained profits of the Group as at 1st April 2004 amounted to approximately HK$357,000, an increase in share of loss of an associate for the year ended 31st March 2005 amounted to approximately HK$558,000 and a corresponding decrease in the Group's interest in an associate.

The following table discloses the adjustments that have been made in the consolidated income statement and consolidated balance sheet as previously reported for the year ended 31st March 2005.

Effect of prior year adjustments	**Prior year adjustments**			
Increase/(decrease) of:–	(i)	(ii)	(iii)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Retained profits as at 1st April 2004	–	4,027	(357)	3,670
Investments in securities	(18,835)	–	–	(18,835)
Interest in an associate	18,835	2,029	(915)	19,949
Unrealised holding gain on trading securities	–	(1,998)	–	(1,998)
Share of loss of an associate	–	–	558	558
Basic earnings per share *(in HK cents)*	–	(0.37)	(0.11)	(0.48)

Notes to the Consolidated Financial Statements

Year ended 31st March 2006

4. SUMMARY OF THE EFFECT OF THE CHANGES IN ACCOUNTING POLICIES/PRIOR YEAR ADJUSTMENTS

The effect of the changes in the accounting policies described in note (2) above on the results for the current and prior years are as follows:–

	2006	2005
	HK$'000	*HK$'000*
Increase in fair value changes of financial assets at fair value through profit or loss	**145**	–
Non-amortisation of goodwill	**2,912**	–
Decrease in loss for the year	**3,057**	–

Analysis of decrease in loss for the years by line items presented according to their function:–

	2006	2005
	HK$'000	*HK$'000*
Increase in fair value changes of financial assets at fair value through profit or loss	**145**	–
Amortisation of goodwill	**2,912**	–
Decrease in loss for the year	**3,057**	–

Notes to the Consolidated Financial Statements

Year ended 31st March 2006

4. SUMMARY OF THE EFFECT OF THE CHANGES IN ACCOUNTING POLICIES/PRIOR YEAR ADJUSTMENTS *(continued)*

The cumulative effects of the application of the new HKFRSs and prior year adjustments on the consolidated balance sheet as at 31st March 2005 and 1st April 2005 are summarised as follows:–

	As at 31/3/2005 (originally stated)	HKAS 1	Prior year adjustments *(note (3))*	As at 31/3/2005 (restated)	HKAS 39	As at 1/4/2005 (restated)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Investments in securities	49,132	–	(18,835)	30,297	(30,297)	–
Available-for-sale investments	–	–	–	–	14,360	14,360
Financial assets at fair value through profit or loss	–	–	–	–	15,937	15,937
Interest in an associate	–	–	19,949	19,949	–	19,949
Other assets/liabilities	45,351	–	–	45,351	–	45,351
Total assets and liabilities	94,483	–	1,114	95,597	–	95,597
Share capital	532	–	–	532	–	532
Retained profits	37,467	–	1,114	38,581	–	38,581
Other reserves	55,703	–	–	55,703	–	55,703
Minority interests	–	781	–	781	–	781
Total equity	93,702	781	1,114	95,597	–	95,597
Minority interests	781	(781)	–	–	–	–
	94,483	–	1,114	95,597	–	95,597

Notes to the Consolidated Financial Statements

Year ended 31st March 2006

4. SUMMARY OF THE EFFECT OF THE CHANGES IN ACCOUNTING POLICIES/PRIOR YEAR ADJUSTMENTS *(continued)*

The financial effects of the application of the new HKFRSs and prior year adjustments to the Group's equity as at 1st April 2004 are summarised below:–

	As originally stated	**HKAS 1**	**Prior year adjustments** *(note (3))*	**As restated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Share capital	532	–	–	532
Retained profits	20,020	–	3,670	23,690
Other reserves	81,456	–	–	81,456
Minority interests	–	195	–	195
Total equity	102,008	195	3,670	105,873
Minority interests	195	(195)	–	–

The Group has not early applied the following new standards, interpretations and amendments that have been issued but are not yet effective as at 31st March 2006. The directors anticipate that the application of these new standards, interpretations and amendments will have no material impact on the consolidated financial statements of the Group.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures[2]
HKAS 21 (Amendment)	Net Investment in a Foreign Operation[2]
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions[2]
HKAS 39 (Amendment)	The Fair Value Option[2]
HKAS 39 & HKFRS 4 (Amendments)	Financial Guarantee Contracts[2]
HKFRS 6	Exploration for and Evaluation of Mineral Resources[2]
HKFRS 7	Financial Instruments: Disclosures[1]
HK(IFRIC)-Int 4	Determining whether an Arrangement Contains a Lease[2]
HK(IFRIC)-Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds[2]
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment[3]
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[4]
HK(IFRIC)-Int 8	Scope of HKFRS 2[5]
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives[6]

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

Notes to the Consolidated Financial Statements

Year ended 31st March 2006

5. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements included applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all of its subsidiaries.

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

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

Goodwill

Goodwill arising on an acquisition of an associate or subsidiaries for which the agreement date is before 1st January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant associate or subsidiaries at the date of acquisition.

For previously capitalised goodwill, the Group has discontinued amortisation from 1st April 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash generating unit to which the goodwill relates may be impaired.

Goodwill arising on an acquisition of an associate or subsidiaries for which the agreement date is on or after 1st January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary or associate at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Notes to the Consolidated Financial Statements

Year ended 31st March 2006

5. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Goodwill *(continued)*

Capitalised goodwill arising on an acquisition of subsidiaries is presented separately in the consolidated balance sheet. Capitalised goodwill arising on an acquisition of an associate (which is accounted for using the equity method) is included in the cost of the investment of the relevant associate.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. Impairment loss for goodwill is not reversed in subsequent years.

On subsequent disposal of an associate or subsidiaries, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Revenue recognition

Service income is recognised when services are provided to customers.

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

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

Income from securities trading is recognised when the related bought and sold notes are executed.

Leasing

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

Notes to the Consolidated Financial Statements

Year ended 31st March 2006

5. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments

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

Financial assets

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated at fair value through profit or loss on initial recognition. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the year in which they arise.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as any of the other categories (set out above). At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse in subsequent periods. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss. For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. Impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent years.

Notes to the Consolidated Financial Statements

Year ended 31st March 2006

5. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Loans and receivables

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

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are mainly other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Other financial liabilities

Other financial liabilities including accrued liabilities and other payables and amounts due to minority shareholders are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

For financial liabilities, they are removed from the Group's consolidated balance sheet (i.e. when the obligation specified in the relevant contract is discharged, cancelled or expired). The difference between the carrying amount of the financial liability derecognised and the consideration received or receivable is recognised in profit or loss.

Notes to the Consolidated Financial Statements

Year ended 31st March 2006

5. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Retirement benefits costs

Payments to state-managed retirement benefits scheme and defined contribution retirement benefit schemes are charged as expenses as they fall due.

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the year in which they arise, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financial statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

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

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1st January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the exchange fluctuation reserve.

Notes to the Consolidated Financial Statements

Year ended 31st March 2006

5. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes income statement items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date.

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

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

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

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

Notes to the Consolidated Financial Statements

Year ended 31st March 2006

5. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment (other than goodwill – see the accounting policies in respect of goodwill above)

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

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

Interest in an associate

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

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Property, plant and equipment

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

Depreciation is provided to write off the cost of items of property, plant and equipment, over their estimated useful lives, using the straight-line method.

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

Notes to the Consolidated Financial Statements

Year ended 31st March 2006

6. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies which are described in note (4) above, management has made the following judgments that have significant effect on the amounts recognised in the consolidated financial statements. The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also discussed below.

Allowances for bad and doubtful debts

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

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. As at 31st March 2006, the carrying amount of goodwill for subsidiaries is approximately HK$8,803,000 (net of accumulated impairment loss of approximately HK$2,500,000). Details of the recoverable amount calculation are disclosed in note (28).

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include accounts receivable, deposits and other receivables, accrued liabilities and other payables, and amounts due to minority shareholders. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. Besides, certain receivables of the Group are denominated in foreign currencies. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Notes to the Consolidated Financial Statements

Year ended 31st March 2006

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(continued)

Price risk

The Group's available-for-sale investments and financial assets at fair value through profit or loss are measured at fair value at each balance sheet date. Therefore, the Group is exposed to equity and debt securities price risk. The management manages this exposure by maintaining a portfolio of investments with different risk profiles.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31st March 2006 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual account receivable at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

8. TURNOVER

	2006	2005
	HK$'000	*HK$'000*
Securities trading	**8,862**	–
Service income for providing information technology	**2,606**	2,763
	11,468	2,763

9. OTHER INCOME

	2006	2005
	HK$'000	*HK$'000*
Interest income	**391**	176
Waiver of accrued liabilities and other payables	**25**	2,140
Exchange gain, net	**83**	–
Other income	**98**	140
	597	2,456

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10. SEGMENT INFORMATION

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.

Business segments

The Group comprises the following main business segments:

(a) Securities trading – invest in securities listed on global stock markets;

(b) Property investment – invest in residential units and office space for their rental income potential; and

(c) Information technology – provide information technology service and wireless internet access.

Segment information about these businesses is presented below.

	Securities trading		**Property investment**		**Information technology**		**Consolidated**	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000* (restated)	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000* (restated)	***HK$'000***	*HK$'000* (restated)
Segment turnover	**8,862**	–	**–**	–	**2,606**	2,763	**11,468**	2,763
Segment results	**(7,221)**	(2,291)	**–**	28,350	**(2,562)**	(6,687)	**(9,783)**	19,372
Interest income							**391**	176
Other income							**206**	2,280
Unallocated corporate expenses							**(5,214)**	(5,793)
Finance costs							**(412)**	–
Share of result of an associate	**(4,740)**	(558)	**–**	–	**–**	–	**(4,740)**	(558)
(Loss)/profit for the year							**(19,552)**	15,477

Notes to the Consolidated Financial Statements

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10. SEGMENT INFORMATION *(continued)*

Business segments *(continued)*

Consolidated balance sheet	Securities trading 2006 HK$'000	Securities trading 2005 HK$'000 (restated)	Property investment 2006 HK$'000	Property investment 2005 HK$'000 (restated)	Information technology 2006 HK$'000	Information technology 2005 HK$'000 (restated)	Unallocated 2006 HK$'000	Unallocated 2005 HK$'000	Consolidated 2006 HK$'000	Consolidated 2005 HK$'000 (restated)
Segment assets	**18,142**	30,297	**19,110**	19,110	**3,259**	10,075	**–**	–	**40,511**	59,482
Interest in an associate	**15,938**	19,949	**–**	–	**–**	–	**–**	–	**15,938**	19,949
Goodwill	**–**	–	**–**	–	**8,803**	8,807	**–**	–	**8,803**	8,807
Unallocated corporate assets	**–**	–	**–**	–	**–**	–	**–**	–	**15,781**	11,734
Total assets									**81,033**	99,972
Segment liabilities	**–**	–	**–**	–	**971**	313	**–**	–	**971**	313
Unallocated corporate liabilities	**–**	–	**–**	–	**–**	–	**–**	–	**3,991**	4,062
Total liabilities									**4,962**	4,375
Other segment information:–										
Depreciation	**–**	–	**–**	–	**389**	268	**–**	–	**389**	268
Capital expenditure	**–**	–	**–**	–	**299**	912	**–**	–	**299**	912
Amortisation of goodwill	**–**	66	**–**	–	**–**	2,827	**–**	–	**–**	2,893
Impairment loss recognised in respect of goodwill	**–**	–	**–**	–	**–**	2,500	**–**	–	**–**	2,500
Write off of accounts and other receivables	**–**	–	**–**	–	**992**	–	**9**	–	**1,001**	–
Goodwill eliminated on deregistration of a subsidiary	**–**	–	**–**	–	**–**	–	**4**	–	**4**	–
Loss on disposal of property, plant and equipment	**–**	–	**–**	–	**21**	–	**–**	–	**21**	–
Net unrealised holding losses on trading securities	**–**	2,283	**–**	–	**–**	–	**–**	–	**–**	2,283

Notes to the Consolidated Financial Statements

Year ended 31st March 2006

10. SEGMENT INFORMATION *(continued)*

Geographical segments

In determining the Group's geographical segments, turnover is attributed to the segments based on the location of the stock exchange and customers, and assets are attributed to the segments based on the location of the assets.

The following table presents certain turnover, assets and expenditure information for the geographical segments of the Group.

	Hong Kong ("HK")		The People's Republic of China ("PRC") (excluding HK)		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(restated)				(restated)
Segment turnover	**8,862**	–	**2,606**	2,763	**11,468**	2,763
Carrying amount of segment assets	**77,810**	86,720	**3,223**	13,252	**81,033**	99,972
Other segment information:–						
Capital expenditure	**–**	–	**299**	912	**299**	912

11. FINANCE COSTS

	2006	2005
	HK$'000	*HK$'000*
Interest on other borrowings	**412**	–

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Year ended 31st March 2006

12. (LOSS)/PROFIT BEFORE TAXATION

	2006	2005
	HK$'000	*HK$'000*
		(restated)
(Loss)/profit before taxation has been arrived at after charging:–		
Staff costs (excluding directors' emoluments, *note (13a)*)		
Wages and salaries	**1,029**	804
Retirement benefits scheme contributions	**125**	85
	1,154	889
Auditors' remuneration		
– current year	**293**	288
– over-provision in previous years	**(31)**	–
Amortisation of goodwill	**–**	2,893
Impairment loss recognised in respect of goodwill	**–**	2,500
Goodwill eliminated on deregistration of a subsidiary *(note (19))*	**4**	–
Depreciation on property, plant and equipment	**389**	268
Operating lease charges on rented premises	**349**	191
Loss on disposal of property, plant and equipment	**21**	–
Net unrealised holding losses on trading securities	**–**	2,283
Write off of accounts and other receivables	**1,001**	–
Exchange loss, net	**–**	41
And after crediting:–		
Exchange gain, net	**83**	–

Notes to the Consolidated Financial Statements

Year ended 31st March 2006

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

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

		Other emoluments			
	Directors' fees	Basic salaries, allowance and benefits in kind	Performance related incentive payments	Retirement benefits scheme contributions	Total emoluments
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Yu Tat Chi, Michael	–	60	–	3	63
Mak Wai Fong[1]	–	38	–	2	40
Lam Williamson[2]	–	359	43	10	412
Lok Shing Kwan, Sunny[3]	3	–	–	–	3
Tang Ping Sum	60	–	–	–	60
Chan Cheong Yee	60	–	–	–	60
Lo Kwok Chee, Johnny[4]	57	–	–	–	57
Total for 2006	180	457	43	15	695
Yu Tat Chi, Michael	–	64	–	3	67
Mak Wai Fong[1]	–	165	16	7	188
Wong Hon Kit[6]	–	216	–	6	222
Chan Tak Lam[5]	–	–	–	–	–
Lok Shing Kwan, Sunny[3]	65	–	–	–	65
Tang Ping Sum	65	–	–	–	65
Chan Cheong Yee	30	–	–	–	30
Total for 2005	160	445	16	16	637

1 Resigned on 24th May 2005
2 Appointed on 24th May 2005 and resigned on 2nd June 2006
3 Resigned on 20th April 2005
4 Appointed on 19th April 2005
5 Resigned on 1st April 2004
6 Appointed on 1st April 2004 and resigned on 30th September 2004

There was no arrangement under which a director waived or agreed to waive any remuneration in both years.

During the years ended 31st March 2006 and 2005, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

Notes to the Consolidated Financial Statements

Year ended 31st March 2006

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(continued)*

(b) Employees' emoluments

Of the five highest emoluments paid individuals in the Group, one (2005: two) was a director, whose emoluments are set out in note (13a) above. Details of the emoluments of the remaining four (2005: three) highest paid, non-director employees are as follows:–

	2006	2005
	HK$'000	*HK$'000*
Basic salaries, housing benefits, other allowances and benefits in kind	**312**	171
Retirement benefit scheme contributions	**60**	34
	372	205

Their emoluments were within the following band:–

	No. of employee	
	2006	2005
Nil – HK$1,000,000	**4**	3

During the years ended 31st March 2006 and 2005, no emoluments were paid by the Group to the highest paid, non-director employees as an inducement to join or upon joining the Group or as compensation for loss of office.

14. INCOME TAX EXPENSE

Hong Kong profits tax is calculated at 17.5% on estimated assessable profits, however, Hong Kong profits tax has not been provided for in the consolidated financial statements as all group entities did not derive any assessable profits for the year.

For the year ended 31st March 2005, Hong Kong profits tax had not been provided for in the consolidated financial statements as the Group had sufficient tax losses brought forward from previous years to offset against the assessable profits for that year.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. No tax is payable for other jurisdictions as the subsidiaries did not derive any assessable profits for both years.

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Year ended 31st March 2006

14. INCOME TAX EXPENSE *(continued)*

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

	2006	2005
	HK$'000	*HK$'000*
		(restated)
(Loss)/profit before taxation	**(19,552)**	15,477
Tax at the Hong Kong profits tax rate of 17.5%	**(3,422)**	2,708
Tax effect of expenses not deductible for tax purpose	**1,316**	98
Tax effect of income not taxable for tax purpose	**(45)**	(2,267)
Deferred tax asset in respect of tax losses and other temporary differences not recognised	**2,151**	217
Tax effect of utilisation of tax losses previously not recognised	**–**	(756)
Taxation for the year	**–**	–

Details of the potential deferred tax asset not recognised in the year are set out in note (27).

15. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share is based on the loss for the year attributable to equity holders of the Company of approximately HK$20,703,000 (2005: profit for the year of approximately HK$14,891,000) and on the weighted average number of 532,100,000 (2005: 532,100,000) shares in issue during the year.

No diluted earnings per share has been presented as there were no potential ordinary shares in issue in both years.

Earnings per share for the year ended 31st March 2005 has been restated. Details are set out in note (3).

16. DIVIDENDS

The directors do not recommend the payment of a dividend for the year ended 31st March 2006 (2005: Nil).

Notes to the Consolidated Financial Statements

Year ended 31st March 2006

17. PROPERTY, PLANT AND EQUIPMENT

	Furniture, equipment, and computer software
	HK$'000
COST	
At 1st April 2004	680
Additions	912
At 31st March 2005 and 1st April 2005	1,592
Additions	299
Disposals	(32)
Exchange adjustment	3
At 31st March 2006	1,862
ACCUMULATED DEPRECIATION	
At 1st April 2004	56
Charge for the year	268
At 31st March 2005 and 1st April 2005	324
Charge for the year	389
Written back on disposals	(8)
Exchange adjustment	3
At 31st March 2006	708
NET BOOK VALUES	
At 31st March 2006	1,154
At 31st March 2005	1,268

The above item of property, plant and equipment is depreciated on a straight-line basis at the 20%-25% per annum.

18. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1st April 2004	30,800
Disposals	(30,800)
At 31st March 2005, 1st April 2005 and 31st March 2006	–

All of the investment properties of the Group were disposed of in the year ended 31st March 2005.

The investment properties were located in Hong Kong and held under medium-term lease.

Notes to the Consolidated Financial Statements

Year ended 31st March 2006

19. GOODWILL

	HK$'000
COST	
At 1st April 2004, 31st March 2005 and 1st April 2005	14,134
Eliminated on deregistration of a subsidiary *(note (12))*	(4)
Elimination of accumulated amortisation upon the application of HKFRS 3 *(see note (2))*	(2,827)
At 31st March 2006	11,303
AMORTISATION	
At 1st April 2004	–
Charge for the year	2,827
At 31st March 2005 and 1st April 2005	2,827
Elimination of accumulated amortisation upon the application of HKFRS 3 *(see note(2))*	(2,827)
At 31st March 2006	–
IMPAIRMENT	
At 1st April 2004	–
Impairment loss recognised for the year	2,500
At 31st March 2005 and 1st April 2005	2,500
Impairment loss recognised for the year	–
At 31st March 2006	2,500
CARRYING VALUES	
At 31st March 2006	8,803
At 31st March 2005	8,807

Goodwill was amortised over 5 years. The amortisation of approximately HK$2,827,000 was charged to the consolidated income statement in previous years. Upon the application of HKFRS 3, the Group has discontinued amortising the goodwill from 1st April 2005 onwards and goodwill will be tested for impairment at least annually.

Particulars regarding impairment testing on goodwill are disclosed in note (28).

Notes to the Consolidated Financial Statements

Year ended 31st March 2006

20. INVESTMENTS IN SECURITIES

Investments in securities as at 31st March 2005 are set out below. Upon the application of HKAS 39 on 1st April 2005, investment securities were reclassified to appropriate categories under HKAS 39 (see note (2) for details).

	Held to maturity debt securities *HK$'000*	Trading securities *HK$'000* (restated) *(Note a)*	Other securities *HK$'000*	Total *HK$'000* (restated)
Equity securities:–				
Listed	–	15,937	–	15,937
Unlisted *(Note b)*	–	–	14,000	14,000
	–	15,937	14,000	29,937
Debt securities:–				
Unlisted	360	–	–	360
	360	15,937	14,000	30,297
Total:–				
Listed in Hong Kong	–	15,937	–	15,937
Unlisted	360	–	14,000	14,360
	360	15,937	14,000	30,297
Market value of listed securities	N/A	15,937	N/A	30,297
Carrying amount analysed for reporting purposes as:–				
Current	–	15,937	–	15,937
Non-current	360	–	14,000	14,360
	360	15,937	14,000	30,297

Note a: Details are set out in note (3).

Note b: Included above was the Group's investment in Mithian Investments Limited ("Mithian"), a company incorporated in British Virgin Islands ("BVI"), with carrying amount of HK$14,000,000 (2005: HK$14,000,000). The Group's investment represents a 7% holding of the ordinary shares of Mithian.

Notes to the Consolidated Financial Statements

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21. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments as at 31st March 2006 comprise:–

	HK$'000
Unlisted investments:–	
– equity securities	14,000
– club membership	360
Total	14,360
Analysed for reporting purposes as:–	
Non-current assets	14,360

The above unlisted investments represent investments in unlisted equity securities and club membership issued by private entities incorporated in BVI and HK respectively. They are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

22. INTEREST IN AN ASSOCIATE

	2006	2005
	HK$'000	*HK$'000*
		(restated)
Cost of investment in an associate listed in HK	**20,983**	20,348
Share of post-acquisition losses and reserves, net of dividends received	**(5,572)**	(832)
Share of net assets	**15,411**	19,516
Goodwill	**527**	433
	15,938	19,949
Fair value of listed investment	**19,634**	18,962

During the year, the Group acquired additional interest of 0.93% in the associate.

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22. INTEREST IN AN ASSOCIATE *(continued)*

The movement of goodwill is set out below.

	HK$'000
COST	
At 1st April 2004	147
Additions	369
At 31st March 2005 and 1st April 2005	516
Elimination of accumulated amortisation upon the application of HKFRS 3 *(see note (2))*	(83)
Additions	94
At 31st March 2006	527
AMORTISATION	
At 1st April 2004	17
Charge for the year	66
At 31st March 2005 and 1st April 2005	83
Elimination of accumulated amortisation upon the application of HKFRS 3 *(see note (2))*	(83)
At 31st March 2006	–
CARRYING VALUES	
At 31st March 2006	527
At 31st March 2005	433

Goodwill was amortised over 5 years.

Particulars regarding impairment testing on goodwill are disclosed in note (28).

Notes to the Consolidated Financial Statements

Year ended 31st March 2006

22. INTEREST IN AN ASSOCIATE *(continued)*

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

	2006	2005
	HK$'000	*HK$'000*
		(restated)
Total assets	**54,149**	71,970
Total liabilities	**(188)**	(235)
Net assets	**53,961**	71,735
Group's share of net assets of an associate	**15,411**	19,516
Turnover	**28,208**	10,675
Loss for the year	**17,839**	2,105
Group's share of result of an associate for the year	**4,740**	558

As at 31st March 2006, the Group had interests in the following associate:–

Name of company	Form of business structure	Place of incorporation/ operation	Class of shares held	Proportion of ownership interest Directly %	Proportion of ownership interest Indirectly %	Principal activities
China Investment Fund Company Limited ("CIF")*	Incorporated	HK	Ordinary	0.93	26.34	Investing in listed and unlisted securities

The result of CIF incorporated into the consolidated financial statements are derived from financial statements made up to 31st December 2005. For the purpose of applying the equity method of accounting, the financial statements of CIF for the year ended 31st December 2005 have been used, and no appropriate adjustment has been made for the effects of transactions between that date and 31st March 2006.

* *Company listed on the Stock Exchange*

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23. ACCOUNTS RECEIVABLE

The Group normally allows an average credit period of 30 to 60 days to its trade customers. The Group extends the normal credit term to 120 days to certain major and reputable customers.

The following is an aged analysis of the Group's accounts receivable at the balance sheet date:–

	2006	2005
	HK$'000	*HK$'000*
0 – 30 days	**283**	628
31 – 60 days	**32**	141
61 – 120 days	**–**	35
>120 days	**196**	125
	511	929

The fair values of the Group's accounts receivable at 31st March 2006 approximate to the corresponding carrying amounts.

24. DEPOSIT PAID FOR ACQUISITION OF A SUBSIDIARY

At 24th September 2004, the Group entered into an agreement with a third party to acquire the entire issued share capital of Faithouse Company Limited ("transaction"), a limited company incorporated in HK, whose sole business is the investment holding of the entire interest in the Land – Lot No. 1198 in D.D. 217 located at Tai Chung Hau, Sai Kung, New Territories, Hong Kong. By 31st March 2005, the Group had paid a deposit of US$2,450,000 (equivalent to approximately HK$19,110,000) for the transaction.

Pursuant to the announcement dated 23rd March 2006 and a rescission agreement made on the same date, the transaction was terminated. Full repayment of the deposit paid was agreed to be made on or before 20th April 2006 without interest.

The directors are of the view that the carrying amount of the deposit at 31st March 2006 is not less than its recoverable amount.

Notes to the Consolidated Financial Statements

Year ended 31st March 2006

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss as at 31st March 2006 comprise:–

	HK$'000
Held for trading:–	
– Equity securities listed in Hong Kong	3,782

The fair values of the above financial assets at fair value through profit or loss are determined based on the quoted market bid prices available on the relevant exchange.

26. ACCRUED LIABILITIES AND OTHER PAYABLES

Included in accrued liabilities and other payables is an amount of HK$360,000 received from an agreement entered into between the Group and a minority shareholder for the disposal of a wholly owned subsidiary ("Disposed Subsidiary"). As at the balance sheet date, the Disposed Subsidiary had assets and liabilities other than the club membership of which the Group planned to reorganise to other subsidiaries. Pursuant to a supplemental agreement dated 31st March 2005, the sole asset of the Disposed Subsidiary at the completion date of the transaction should only be a club membership which was included in available-for-sale investments of HK$360,000 as at 31st March 2006. Further refer to a Supplemental Agreement dated 30th December 2005, the completion date of the transaction was extended to 31st December 2007 or shall be fixed on a later date to be mutually agreed by both parties.

The directors consider that the carrying amounts of accrued liabilities and other payables approximate their fair values.

27. DEFERRED TAXATION

At the balance sheet date, the Group has estimated unrecognised tax losses of HK$77,636,000 (2005: HK$64,328,000 (restated)) available to set off against future taxable income. No deferred tax asset has been recognised for such tax losses due to the unpredictability of future profit streams. These tax losses may be carried forward indefinitely.

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28. IMPAIRMENT TESTING ON GOODWILL

The carrying amounts of goodwill as at 31st March 2006 related to the following associate and subsidiaries are as follows:–

	HK$'000
Associate	
CIF *(Note (21)) (Note a)*	527
Subsidiaries	
Wish Technologies Limited ("WISH") *(Note b)*	238
Power2Roam Company Limited ("P2R") *(Note b)*	8,565
	8,803

Notes:–

(a) For the goodwill of the associate, management of the Group determines that there is no impairment of this associate containing goodwill as the fair value of this associate was greater than its carrying amount.

(b) The recoverable amounts of P2R and WISH have been determined on the basis of value in use calculations. Their recoverable amounts are based on certain similar key assumptions. Both value in use calculations use cash flow projections based on financial budgets approved by management covering a 5-year period, and a discount rate of 5%. Both sets of cash flows beyond the 5-year period are extrapolated using a steady 4.5% growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Cash flow projections during the budget period for both P2R and WISH are also based on the expected gross margins during the budget period. Budgeted gross margins have been determined based on past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of P2R and WISH to exceed the aggregate recoverable amount of P2R and WISH.

29. SHARE CAPITAL OF THE COMPANY

	Number of shares	**Amount** *HK$'000*
Ordinary shares of HK$0.001 each		
Authorised:–		
At 1st April 2004 and 31st March 2005 and 2006	250,000,000,000	250,000
Issued and fully paid:–		
At 1st April 2004 and 31st March 2005 and 2006	532,100,000	532

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29. SHARE CAPITAL OF THE COMPANY *(continued)*

Share options

On 20th August 2003, at the annual general meeting, the Company adopted share option scheme ("the Scheme") under which the board of directors may, at their discretion, invite any full time and part time employees, directors, suppliers, customers, consultants, advisors or shareholders of any of the companies within the Group to take up options to subscribe for ordinary shares of the Company at any time during ten years from the date of adoption of the Scheme.

The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and other schemes of the Group must not in aggregate exceed 10% of the shares in issue as at the date of approval of the Scheme (the "10% Limit"). The Company may obtain approval from the shareholders of the Company to refresh the 10% Limit, provided that the total number of shares which may be issued upon exercise of all options to be granted under the Scheme and other schemes of the Group under the limit as refreshed must not exceed 10% of the number of shares in issue at the date of approval of the refresher mandate.

The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company shall not exceed such number of shares as shall represent 30% of the issued share capital of the Company from time to time.

The total number of shares issued and may be issued upon exercise of the options granted to each eligible person under the Scheme and any other share option schemes of the Company (including exercised, cancelled and outstanding options) in the 12-month period up to and including the proposed date of grant for such options must not exceed 1% of the then number of issued shares of the Company, without prior approval from the Company's shareholders.

Option granted under the Scheme must be accepted within 6 months from the date of grant and in any event no later than the last date of the period of ten years from the date of adoption of the Scheme. Upon acceptance, the grantee shall pay HK$10.00 to the Company as consideration for the grant.

The subscription price for the shares under the Scheme shall be a price determined by the board of directors of the Company and notified to an eligible participant and shall be at least the higher of: (i) the nominal value of a share; (ii) the closing price of the shares as stated in the daily quotation sheet issued by the Stock Exchange on the date of grant, which shall be a business day; and (iii) the average closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant.

No share option has been granted since the date when the Scheme becomes effective.

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30. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Schemes Ordinance in December 2000, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries operating in the PRC are required to participate in a central pension scheme (the "Central Scheme") operated by the local municipal government in the PRC. The respective local municipal government in the PRC, undertakes to assume the retirement benefits obligations of all existing and future retired staff of these subsidiaries. The only obligation of these subsidiaries with respect to the Central Scheme is to meet the required contributions under the Central Scheme. The contributions, which are calculated based on 23% of the monthly salaries of the current employees, are charged to the consolidated income statement as they become payable in accordance with the rules of the Central Scheme.

31. CONTINGENT LIABILITIES

A letter dated 9th January 2003 has been sent to Eric Edward Hotung, C.B.E., a previous director and a substantial shareholder of the Company, from a former legal adviser (the "Previous Lawyer") alleging that there was an unpaid bill amounting to approximately HK$1.1 million in relation to professional services rendered more than 5 years ago and which were extended to Cosmopolitan Properties and Securities Limited, a wholly-owned subsidiary of the Company. According to the records of Eric Edward Hotung, C.B.E., all professional fees claimed by the Previous Lawyer has been settled and the alleged claim is unsubstantiated. Save as disclosed above, no member of the Group is engaged in any litigation or arbitration of material importance and these is no litigation or claim of material importance known to the directors to be pending or threatened by or against the Company or any of its subsidiaries.

32. OPERATING LEASE COMMITMENT

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

	2006	2005
	HK$'000	*HK$'000*
Within one year	**176**	120

Operating lease payments represent rentals payable by the Group for certain of its office premises. The leases were negotiated for a term of one year and with fixed rentals.

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Year ended 31st March 2006

33. PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries held by the Company as at 31st March 2006 are as follows:–

Name of company	Place of incorporation/ operation	Nominal value of issued ordinary share capital/paid up registered capital	Proportion of ownership interest Directly %	Proportion of ownership interest Indirectly %	Principal activities
Cosmopolitan Properties and Securities Limited	HK	HK$1,000	100	–	Securities trading and property investment
Core Success Limited	Samoa	US$1	100	–	Securities trading
Groupsource Investments Limited	BVI	US$1	100	–	Investment holdings
Village Properties Limited	HK	HK$20	–	100	Investment holdings
Cyberlogistic International Holdings Limited (previously known as "Power Wish Global Technology Limited") *(Note a)*	BVI	US$400	–	49	Investment holdings
Power2Roam Company Limited *(Note b)*	HK	HK$1,000	–	50.36	Provision of wireless Internet access technology
Wish Technologies Limited *(Note c)*	HK	HK$100	–	35.89	Investment holdings
WISH Technologies China Limited (衍科軟件科技(上海)有限公司) *(Note d)*	PRC	US$140,000	–	35.89	Provision of property management system solutions

Note a: The Group holds 49% of the equity interest in Cyberlogistic International Holdings Limited ("Cyberlogistic"), through Village Properties Limited. Cyberlogistic is accounted for as a subsidiary of the Company by virtue of control as the Company gained majority representation in the board of directors of Cyberlogistic by an agreement among all shareholders of Cyberlogistic.

Note b: Cyberlogistic owns 64% of the equity shares in P2R. The Group therefore has control over P2R. The Group also holds 19% of the equity shares of P2R through Village Properties Limited.

Note c: This company is a 99% held subsidiary of a 74% held subsidiary of Cyberlogistic and is accordingly accounted for as a subsidiary of the Company by virtue of control.

Note d: This company is a 100% held subsidiary of Wish Technologies Limited.

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33. PRINCIPAL SUBSIDIARIES *(continued)*

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities subsisting at the end of the year or at any time during the year.

34. RELATED PARTY TRANSACTION

During the year, the Group entered into a supplemental agreement with a minority shareholder to dispose of a wholly-owned subsidiary of which the details are set out in note (26).