1. CORPORATE INFORMATION

Heritage International Holdings Limited is a limited liability company incorporated in Bermuda. The principal place of business of the Company is located at 32nd Floor, China United Centre, 28 Marble Road, North Point, Hong Kong.

During the year, the Group was primarily involved in property investment, investments in securities, money lending and investment holding.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, a derivative financial instrument and certain equity investments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2006. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The following new and revised HKFRSs affect the Group and are adopted for the first time for the current year's financial statements:

HKAS 1	Presentation of Financial Statements
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 Amendment	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HKFRS 5	Non-current Assets Held for Sale and Discontinued Operations
HK-Int 4	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases

Except for HKASs 17, 24, 32, 36, 39, HKFRSs 2, 3 and 5, the adoption of the above HKFRSs has had no material impact on the accounting policies of the Group and the Company and the methods of computation in the Group's and the Company's financial statements.

HKAS 17 has specific provisions regarding the classification of the land and buildings elements of a lease of land and buildings.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

In prior years, the Group classified its entire interests in leasehold land and buildings held under operating leases as property, plant and equipment, without considering the land and buildings elements separately for the purposes of lease classification.

Upon the adoption of HKAS 17, the land and buildings elements of the Group's leasehold interests in land and buildings are considered separately for the purposes of lease classification. As permitted by HKAS 17, as the Group's prepaid land lease payments under operating leases cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

HKAS 17 has had no material impact for these financial statements on the amount recorded for leasehold land and buildings.

HKAS 24 has expanded the definition of related parties and affected the Group's related party disclosures.

The impact of adopting the other HKFRSs is summarised as follows:

(a) HKAS 32 and HKAS 39 – Financial Instruments

(i) Equity securities

In prior years, the Group classified its investments in equity securities as investment securities, which were held for non-trading purposes and were stated at cost less any impairment losses, on an individual basis. Upon the adoption of HKAS 39, these securities held by the Group at 1 April 2005 in the amount of HK$8,243,000 are designated as available-for-sale investments under the transitional provisions of HKAS 39 and accordingly are stated at fair value with gains or losses being recognised as a separate component of equity until subsequent derecognition or impairment. When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

(a) HKAS 32 and HKAS 39 – Financial Instruments (continued)

(i) Equity securities (continued)

In prior years, the Group classified its investments in equity securities for trading purposes as other investments, and were stated at their fair values on an individual basis with gains and losses recognised in the income statement. Upon the adoption of HKAS 39, these securities held by the Group at 1 April 2005 in the amount of HK$134,751,000 are designated as financial assets at fair value through profit or loss under the transitional provisions of HKAS 39 and accordingly are stated at fair value with gains or losses being recognised in the income statement.

The adoption of HKAS 39 has not resulted in any change in the measurement of these equity securities.

(ii) Convertible notes

In prior years, convertible notes were stated at amortised cost. Upon the adoption of HKAS 32, convertible notes are split into liability and equity components. The effects of the above changes are summarised in note 2.4 to the financial statements. In accordance with HKAS 32, comparative amounts have been restated.

(b) HKFRS 2 – Share-based Payment

In prior years, no recognition and measurement of share-based payment transactions in which employees (including directors) were granted share options over shares in the Company were required until such options were exercised by employees, at which time the share capital and share premium were credited with the proceeds received.

Upon the adoption of HKFRS 2, when employees (including directors) render services as consideration for equity instruments ("equity-settled transactions"), the cost of the equity-settled transactions with employees is measured by reference to the fair value at the date at which the instruments are granted.

The main impact of HKFRS 2 on the Group is the recognition of the cost of these transactions and a corresponding entry to equity for employee share options. The revised accounting policy for share-based payment transactions is described in more detail in note 2.5 "Summary of significant accounting policies" below.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

(b) HKFRS 2 – Share-based Payment (continued)

The Group has adopted the transitional provisions of HKFRS 2 under which the new measurement policies have not been applied to (i) options granted to employees on or before 7 November 2002; and (ii) options granted to employees after 7 November 2002 but which had vested before 1 April 2005 when the Group first applied HKFRS 2.

As the Group did not have any employee share options which were granted during the period from 7 November 2002 to 31 March 2005 but had not yet vested as at 1 April 2005, the adoption of HKFRS 2 has had no impact on the accumulated losses as at 31 March 2004 and at 31 March 2005. The Group has recognised the cost of options which were granted during the year in the current year's income statement in accordance with the revised accounting policy.

The effects of adopting HKFRS 2 are summarised in note 2.4 to the financial statements.

(c) HKFRS 3 – Business Combinations and HKAS 36 – Impairment of Assets

In prior years, goodwill arising on acquisitions prior to 1 January 2001 was eliminated against the consolidated reserves in the year of acquisition and was not recognised in the income statement until disposal or impairment of the acquired businesses.

Goodwill arising on acquisitions on or after 1 January 2001 was capitalised and amortised on the straight-line basis over its estimated useful life and was subject to impairment testing when there was any indication of impairment.

The adoption of HKFRS 3 and HKAS 36 has resulted in the Group ceasing annual goodwill amortisation and commencing testing for impairment at the cash-generating unit level annually (or more frequently if events or changes in circumstances indicate that the carrying value may be impaired).

Under the transitional provisions of HKFRS 3, goodwill previously eliminated against the consolidated reserves remains eliminated against the consolidated reserves and is not recognised in the income statement when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

This change in accounting policy has had no effect on the consolidated income statement and the consolidated reserves.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

(d) HKFRS 5 – Non-current Assets Held for Sale and Discontinued Operations

HKFRS 5 requires a component of the Group to be classified as discontinued when the criteria to be classified as held for sale have been met or when that component of the Group has been disposed of. An item is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Such a component represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, herein collectively referred to as the "New HKFRSs", that have been issued but are not yet effective, in these financial statements. Unless otherwise stated, these New HKFRSs are effective for annual periods beginning on or after 1 January 2006:

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

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

The HKAS 1 Amendment shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosures about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 requires disclosures relating to financial instruments and incorporates many of the disclosure requirements of HKAS 32. This HKFRS shall be applied for annual periods beginning on or after 1 January 2007.

In accordance with the amendments to HKAS 39 regarding financial guarantee contracts, financial guarantee contracts are initially recognised at fair value and are subsequently measured at the higher of (i) the amount determined in accordance with HKAS 37 and (ii) the amount initially recognised, less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18.

The HKAS 19 Amendment, HKAS 39 Amendment regarding cash flow hedge accounting of forecast intragroup transactions, HKFRSs 1 and 6 Amendments, HKFRS 6, HKFRS-Int 5, HK(IFRIC)-Int 6 and HK(IFRIC)-Int 7 do not apply to the activities of the Group. HK(IFRIC)-Int 6, HK(IFRIC)-Int 7, HK(IFRIC)-Int 8 and HK(IFRIC)-Int 9 shall be applied for annual periods beginning on or after 1 December 2005, 1 March 2006, 1 May 2006 and 1 June 2006, respectively.

The Group has not early adopted these New HKFRSs in the financial statements for the year ended 31 March 2006. The Group has already commenced an assessment of the impact of these New HKFRSs but is not yet in a position to state whether these New HKFRSs would have a significant impact on its results of operations and financial position.

2.4 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES

(a) Effect on the consolidated balance sheet

	Effect of adopting		
At 1 April 2005	**HKASs 32# and 39* Change in classification of equity investments**	**HKAS 32# Convertible notes**	**Total**
Effect of new policies (Increase/(decrease))			
	HK$'000	HK$'000	HK$'000
Assets			
Available-for-sale investments	8,243	–	8,243
Investment securities	(8,243)	–	(8,243)
Equity investments at fair value through profit or loss	134,751	–	134,751
Other investments	(134,751)	–	(134,751)
			–
Liabilities/equity			
Convertible notes (current liabilities)	–	2,247	2,247
Other payables and accruals	–	(2,247)	(2,247)
Convertible notes (non-current liabilities)	–	(1,350)	(1,350)
Equity component of convertible notes	–	1,654	1,654
Share premium	–	81	81
Accumulated losses	–	(385)	(385)
			–

* Adjustments taken effect prospectively from 1 April 2005

Adjustments/presentation taken effect retrospectively

2.4 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES (continued)

(a) Effect on the consolidated balance sheet (continued)

At 31 March 2006	Effect of adopting					
	HKASs 32 and 39	HKAS 32	HKFRS 2	HKASs 32 and 39	HKFRS 5	
Effect of new policies (Increase/(decrease))	Change in classification of equity investments	Convertible notes	Equity-settled share option arrangements	Derivative financial instrument	Non-current asset held for sale	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets						
Available-for-sale investments	121,985	–	–	–	–	121,985
Investment securities	(121,985)	–	–	–	–	(121,985)
Equity investments at fair value through profit or loss	307,808	–	–	–	–	307,808
Other investments	(307,808)	–	–	–	–	(307,808)
Non-current asset held for sale	–	–	–	–	10,900	10,900
Investment properties	–	–	–	–	(10,900)	(10,900)
						–
Liabilities/equity						
Derivative financial instrument	–	–	–	752	–	752
Contributed surplus	–	1,283	–	–	–	1,283
Share option reserve	–	–	674	–	–	674
Share premium	–	203	–	–	–	203
Available-for-sale investment revaluation reserve	–	–	–	(542)	–	(542)
Accumulated losses	–	(1,486)	(674)	(210)	–	(2,370)
						–

2.4 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES (continued)

(b) Effect on the balances of equity at 1 April 2005

Effect of a new policy (Increase/(decrease))	Effect of adopting HKAS 32 Convertible notes HK$'000
Equity component of convertible notes	1,654
Share premium	81
Accumulated losses	(385)
	1,350

(c) Effect on the consolidated income statement for the years ended 31 March 2006 and 2005

	Effect of adopting			
	HKASs 32 and 39	HKAS 32	HKFRS 2	
Effect of new policies	Derivative financial instrument HK$'000	Convertible notes HK$'000	Employee share option scheme HK$'000	Total HK$'000
Year ended 31 March 2006				
Increase in other income and gains	–	1,030	–	1,030
Increase in general and administrative expenses	–	–	(674)	(674)
Increase in finance costs	–	(2,131)	–	(2,131)
Increase in other expenses, net	(210)	–	–	(210)
Total increase in loss	(210)	(1,101)	(674)	(1,985)
Increase in basic loss per share (HK cent)	–	(0.02)	(0.01)	(0.03)

2.4 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES (continued)

(c) Effect on the consolidated income statement for the years ended 31 March 2006 and 2005 (continued)

	Effect of adopting			
	HKASs 32 and 39	HKAS 32	HKFRS 2	
Effect of new policies	**Derivative financial instrument**	**Convertible notes**	**Employee share option scheme**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 March 2005				
Increase in other income and gains	–	994	–	994
Increase in finance costs	–	(1,379)	–	(1,379)
Total increase in loss	–	(385)	–	(385)
Increase in basic loss per share (HK cent)	–	(0.08)	–	(0.08)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture entity and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group/Company has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

Goodwill on acquisitions for which the agreement date is on or after 1 January 2005

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and

- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with HKAS 14 "Segment Reporting".

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

An impairment loss recognised for goodwill is not reversed in a subsequent period.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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 the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation), had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is a member of the key management personnel of the Group;

(c) the party is a close member of the family of any individual referred to in (a) or (b);

(d) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (b) or (c); or

(e) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

Changes in the values of property, plant and equipment are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the income statement. Any subsequent revaluation surplus is credited to the income statement to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to consolidated reserves as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land and buildings	Over the lease terms
Leasehold improvements	20%
Furniture, fixtures and office equipment	20%
Motor vehicles	25% – 30%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair value less costs to sell.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets

Applicable to the year ended 31 March 2005:

The Group classified its equity investments, other than subsidiaries, as investment securities and other investments.

Investment securities

Investment securities are non-trading investments in listed and unlisted equity securities intended to be held for a continuing strategic or long term purpose. Investment securities are included in the balance sheet at cost less any impairment losses, on an individual investment basis.

When a decline in the fair value of a security below its carrying amount has occurred, unless there is evidence that the decline is temporary, the carrying amount of the security is reduced to its fair value, as estimated by the directors. The amount of the impairment is charged to the income statement for the period in which it arises. When the circumstances and events which led to the impairment in value cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amount of the impairment previously charged is credited to the income statement to the extent of the amount previously charged.

Other investments

Other investments are investments in equity securities held for trading purposes and are stated at their fair values on the basis of their quoted market prices at the balance sheet date, on an individual investment basis. The gains or losses arising from changes in the fair value of a security are credited or charged to the income statement in the period in which they arise.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Applicable to the year ended 31 March 2006:

Financial assets of the Group in the scope of HKAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, i.e., the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category "financial assets at fair value through profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted securities that are designated as available for sale or are not classified in any of the other two categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Applicable to the year ended 31 March 2006: (continued)

Available-for-sale financial assets (continued)

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

Impairment of financial assets (applicable to the year ended 31 March 2006)

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (applicable to the year ended 31 March 2006) (continued)

Assets carried at amortised cost (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement.

Derecognition of financial assets (applicable to the year ended 31 March 2006)

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;

- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay in full without material delay to a third party under a "pass-through" arrangement; or

- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (applicable to the year ended 31 March 2006) (continued)

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in net profit or loss when the liabilities are derecognised as well as through the amortisation process.

Convertible notes

The component of convertible notes that exhibits characteristics of a liability is recognised as a liability in the balance sheet, net of transaction costs. On issuance of convertible notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible note; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Convertible notes (continued)

Transaction costs are apportioned between the liability and equity components of the convertible notes based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

Derecognition of financial liabilities (applicable to the year ended 31 March 2006)

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Derivative financial instruments (applicable to the year ended 31 March 2006)

Derivative financial instruments are classified as held for trading unless they are designated as effective hedging instruments. They are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to net profit or loss for the year.

Cash and cash equivalents

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

For the purpose of the balance sheets, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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

(a) rental income, on a time proportion basis over the lease terms;

(b) income from the sale of equity securities, on a trade-date basis;

(c) dividend income, when the shareholder's right to receive payment has been established;

(d) investment management income, in the period in which such services have been rendered; and

(e) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Employee benefits

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using an option pricing model, further details of which are given in note 26. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Share-based payment transactions (continued)

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

The Group has adopted the transitional provisions of HKFRS 2 in respect of equity-settled awards and has applied HKFRS 2 only to equity-settled awards granted after 7 November 2002 that had not vested on 1 April 2005 and to those granted on or after 1 April 2005.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the 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.

Foreign currency transactions

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS

In the process of applying the Group's accounting policies, management has made the following judgements which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS (continued)

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(i) the property investment segment engages primarily in the investments in commercial and residential properties for their rental income potential and/or their appreciation in values;

(ii) the investments in securities segment engages in the purchase and sale of securities and the holding of equity investments primarily for interest income, dividend income and capital appreciation;

(iii) the money lending segment engages in money lending operations in Hong Kong; and

(iv) the investment holding segment engages in holding investments for a continuing strategic or long term purpose, primarily for their dividend income and capital appreciation.

4. SEGMENT INFORMATION (continued)

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

(a) Business segments

The following tables present revenue, loss and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 March 2006 and 2005.

Group

	Property investment		Investments in securities		Money lending		Investment holding		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000 (Restated)
Segment revenue:										
Revenue from external customers	4,467	1,141	220,959	78,823	16,861	5,445	–	6,556	242,287	91,965
Other revenue	–	257	–	–	117	–	5,748	2,590	5,865	2,847
	4,467	1,398	220,959	78,823	16,978	5,445	5,748	9,146	248,152	94,812
Segment results	14,875	18,761	26,477	19,247	11,823	(4,202)	(64,367)	(44,056)	(11,192)	(10,250)
Unallocated interest income, other income and gains									462	1,072
Unallocated expenses									(5,779)	(3,463)
Finance costs									(4,760)	(3,833)
Loss before tax									(21,269)	(16,474)
Tax									(2,907)	(3,458)
Loss for the year									(24,176)	(19,932)

	Property investment		Investments in securities		Money lending		Investment holding		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000 (Restated)
Assets and liabilities										
Segment assets	**163,665**	73,277	**308,138**	135,170	**212,852**	95,340	**211,584**	108,369	**896,239**	412,156
Unallocated assets									**8,700**	1,543
Total assets									**904,939**	413,699
Segment liabilities	**54,633**	33,402	**11,818**	–	**-**	–	**12,991**	36,571	**79,442**	69,973
Unallocated liabilities									**4,462**	4,776
Total liabilities									**83,904**	74,749

4. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

	Property investment		Investments in securities		Money lending		Investment holding		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000 (Restated)
Other segment information:										
Depreciation – unallocated amounts									**2,438**	728
Impairment of available-for-sale investments/ investment securities recognised in the income statement	**–**	–	**–**	–	**–**	–	**57,572**	46,212	**57,572**	46,212
Changes in fair value of investment properties	**13,183**	18,911	**–**	–	**–**	–	**–**	–	**13,183**	18,911
Impairment of goodwill	**–**	–	**–**	–	**–**	–	**–**	(2,688)	**–**	(2,688)
Fair value gains/(losses) of equity investments at fair value through profit or loss, net	**–**	–	**77,406**	(9,705)	**–**	–	**–**	–	**77,406**	(9,705)
Impairment of loans receivables	**–**	–	**–**	–	**(4,040)**	(5,322)	**–**	–	**(4,040)**	(5,322)
Impairment of loan interest receivables	**–**	–	**–**	–	**(704)**	(133)	**–**	–	**(704)**	(133)
Capital expenditure	**66,117**	52,912	**–**	–	**–**	–	**–**	769	**66,117**	53,681
Unallocated amounts									**13,586**	1,627
									79,703	55,308

(b) Geographical segments

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments for the years ended 31 March 2006 and 2005.

Group

	Hong Kong		Macau		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:						
Revenue from external customers	**242,287**	85,409	**–**	6,556	**242,287**	91,965
Other external revenue	**117**	2,847	**5,748**	–	**5,865**	2,847
	242,404	88,256	**5,748**	6,556	**248,152**	94,812
Other segment information:						
Segment assets	**855,076**	323,674	**49,863**	90,025	**904,939**	413,699
Capital expenditure	**79,703**	55,308	**–**	–	**79,703**	55,308

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents gross rental income received and receivable from investment properties; interest income earned from money lending operations; interest income and dividend income from equity investments; and proceeds from sale of equity investments at fair value through profit or loss/other investments during the year.

An analysis of revenue, other income and gains is as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
		(Restated)
Revenue		
Gross rental income from investment properties	**4,467**	1,141
Interest income from money lending operations	**16,861**	5,445
Interest income from unlisted debt securities	**–**	736
Dividend income from investments at fair value through profit or loss/other investments	**439**	263
Dividend income from investment securities	**–**	6,556
Proceeds from sale of equity investments at fair value through profit or loss/other investments	**220,520**	77,824
	242,287	91,965
Other income and gains		
Gain on disposal of investment properties	**–**	257
Other interest income	**4,735**	430
Investment management income	**–**	2,160
Gains on redemption of convertible notes	**1,030**	994
Others	**562**	78
	6,327	3,919

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	Notes	**2006 HK$'000**	2005 HK$'000
Depreciation	13	**2,438**	728
Employee benefits expense (excluding directors' remuneration *(note 8)*):			
Wages, salaries and allowances		**2,425**	3,142
Equity-settled share option expenses		**674**	–
Retirement benefits scheme contributions (defined contribution scheme)*		**97**	181
		3,196	3,323
Auditors' remuneration		**1,410**	1,230
Minimum lease payments under operating leases in respect of land and buildings		**235**	931
Foreign exchange differences		**272**	–
Impairment of loans receivables**		**4,040**	5,322
Impairment of loan interest receivables**		**704**	133
Write-back of bad debt provision**		**(625)**	–
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		**990**	342
Impairment of available-for-sale investments/investment securities**		**57,572**	46,212
Impairment of goodwill**	28(a)	**–**	2,688
Loss/(gain) on disposal of subsidiaries	28(b)	**(118)**	496
Loss on disposal of items of property, plant and equipment		**16**	361
Fair value loss on a derivative financial instrument		**210**	–
Losses/(gains) on sale of equity investments at fair value through profit or loss/other investments, net		**50,641**	(33,898)
Gains arising from changes in fair value of investment properties	14	**(13,183)**	(18,911)
Gain on disposal of investment properties		**–**	(257)
Gross rental income from investment properties		**(4,467)**	(1,141)

* At 31 March 2006, the Group had no material forfeited contributions available to reduce its contributions to the retirement benefits scheme in future years (2005: Nil).

** These items are included in "Other expenses, net" on the face of the consolidated income statement.

7. FINANCE COSTS

	Group	
	2006	2005
	HK$'000	HK$'000
		(Restated)
Interest on:		
Bank loans not wholly repayable within five years	**2,340**	141
Convertible notes	**2,131**	3,626
Other borrowings wholly repayable within five years	**1,304**	292
Total interest	**5,775**	4,059
Less: Interest expense classified as cost of sales	**(1,015)**	(226)
Total finance costs for the year	**4,760**	3,833

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Fees	**492**	372
Other emoluments:		
Salaries and allowances	**4,044**	2,754
Retirement benefits scheme contributions (defined contribution scheme)	**48**	37
Employee share option benefits#	**1**	–
	4,093	2,791
	4,585	3,163

During the year, certain directors were granted share options with an aggregate fair value of approximately HK$600 (2005:Nil), in respect of their services to the Group, under the share option scheme of the Company, and the directors subsequently surrendered those options to the Company during the year, further details of which are set out in note 26 to the financial statements.

8. DIRECTORS' REMUNERATION (continued)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2006 HK$'000	2005 HK$'000
Mr. Chan Sze Hung	120	120
Mr. Miu Frank H.	120	120
Mr. To Shing Chuen	120	120
Mr. Ha Kee Choy Eugene	120	–
Mr. Chung Yuk Lun*	1	–
	481	360

* Mr. Chung Yuk Lun has been re-designated from a non-executive director to an independent non-executive director effective from 28 February 2006 and the fee paid to him as disclosed above covers the period from 28 February 2006 to 31 March 2006.

There were no other emoluments payable to the independent non-executive directors during the year (2005: Nil).

8. DIRECTORS' REMUNERATION (continued)

(b) Executive directors and a non-executive director

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement benefits scheme contributions HK$'000	Total remuneration HK$'000
2006				
Executive directors:				
Mr. Kwong Kai Sing, Benny	**–**	**1,800**	**12**	**1,812**
Ms. Lo Ki Yan, Karen	**–**	**1,200**	**12**	**1,212**
Mr. Ong Peter	**–**	**444**	**12**	**456**
Ms. Poon Chi Wan	**–**	**600**	**12**	**612**
	–	**4,044**	**48**	**4,092**
Non-executive director:				
Mr. Chung Yuk Lun	**11**	**–**	**–**	**11**
	11	**4,044**	**48**	**4,103**
Employee share option benefits*				**1**
Total remuneration				**4,104**

* During the year, each of Mr. Kwong Kai Sing, Benny, Ms. Lo Ki Yan, Karen, Mr. Ong Peter and Ms. Poon Chi Wan was granted share options with a fair value of approximately HK$150.

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement benefits scheme contributions HK$'000	Total remuneration HK$'000
2005				
Executive directors:				
Mr. Kwong Kai Sing, Benny	–	1,788	12	1,800
Ms. Lo Ki Yan, Karen	–	102	1	103
Mr. Ong Peter	–	276	12	288
Ms. Poon Chi Wan	–	588	12	600
	–	2,754	37	2,791
Non-executive director:				
Mr. Chung Yuk Lun	12	–	–	12
	12	2,754	37	2,803

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2005: three) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining one (2005: two) non-director, highest paid employee for the year are as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Salaries and allowances	**460**	625
Employee share option benefits	**226**	–
Retirement benefits scheme contributions	**12**	21
	698	646

The number of non-director, highest paid employee(s) whose remuneration fell within the following band is as follows:

	Number of employee(s)	
	2006	2005
Nil to HK$1,000,000	**1**	2

During the year, share options were granted to a non-director, highest paid employee in respect of his services to the Group, further details of which are included in the disclosures in note 26 to the financial statements. The fair value of such options, which has been charged to the income statement, was determined as at the date of the grant and was included in the above non-director, highest paid employee's remuneration disclosures.

10. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2006	2005
	HK$'000	HK$'000
Group:		
Current – Hong Kong	**600**	74
Current – overseas	**–**	30
Deferred *(note 24)*	**2,307**	3,354
Total tax charge for the year	**2,907**	3,458

A reconciliation of the tax credit applicable to loss before tax using the Hong Kong statutory tax rate (the statutory tax rate of the Company's and the majority of its subsidiaries' principal place of business) in which the Company and the majority of subsidiaries are domiciled to the tax charge at the effective tax rate is as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
		(Restated)
Loss before tax	**(21,269)**	(16,474)
Tax credit at the Hong Kong statutory tax rate of 17.5% (2005: 17.5%)	**(3,722)**	(2,883)
Income not subject to tax	**(1,105)**	(1,241)
Expenses not deductible for tax	**12,773**	9,445
Tax losses utilised from previous periods	**(6,449)**	(3,561)
Others	**1,410**	1,698
Tax charge at the Group's effective tax rate	**2,907**	3,458

11. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The net loss from ordinary activities attributable to equity holders of the Company for the year ended 31 March 2006 dealt with in the financial statements of the Company, was a loss of HK$43,772,000 (2005 (restated): HK$54,084,000) (note 27(b)).

12. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

(a) Basic loss per share

The calculation of basic loss per share amounts is based on the net loss for the year attributable to ordinary equity holders of the Company of HK$24,176,000 (2005 (restated): HK$19,932,000) and the weighted average number of 5,393,751,933 (2005 (restated): 499,135,776) ordinary shares in issue during the year. The basic loss per share amounts for the current year and the prior year have been adjusted to reflect the rights issue and the consolidation of shares during the year (note 25).

(b) Diluted loss per share

Diluted loss per share amounts for the years ended 31 March 2006 and 2005 have not been disclosed, as the share options, warrants and convertible notes outstanding during these years had an anti-dilutive effect on the basic loss per share amounts for these years.

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 March 2006					
At 1 April 2005:					
Cost	16,023	1,019	1,212	774	19,028
Accumulated depreciation	(133)	(41)	(424)	(215)	(813)
Net carrying amount	15,890	978	788	559	18,215
At 1 April 2005, net of accumulated depreciation	15,890	978	788	559	18,215
Additions	–	1,076	2,580	9,930	13,586
Disposals	–	–	–	(2,862)	(2,862)
Disposal of subsidiaries *(note 28(b))*	–	–	(76)	–	(76)
Depreciation provided during the year	(565)	(283)	(698)	(892)	(2,438)
Transfer from investment properties *(note 14)**	11,600	–	–	–	11,600
Surplus on revaluation at transfer to investment properties**	3,692	–	–	–	3,692
Transfer to investment properties *(note 14)***	(10,300)	–	–	–	(10,300)
At 31 March 2006, net of accumulated depreciation	20,317	1,771	2,594	6,735	31,417
At 31 March 2006:					
Cost	21,015	2,095	3,697	7,074	33,881
Accumulated depreciation	(698)	(324)	(1,103)	(339)	(2,464)
Net carrying amount	20,317	1,771	2,594	6,735	31,417

* An investment property of the Group has become owner-occupied during the year and its fair value at the date of reclassification became its deemed cost for subsequent accounting for as property, plant and equipment.

** A leasehold land and building of the Group was revalued at the date of change in use as an investment property by RHL Appraisal Limited, independent professionally qualified valuers, at an open market value of HK$10,300,000 based on its existing use (note 14). A revaluation surplus of HK$3,692,000 resulting from the valuation has been credited and the corresponding deferred tax effect of HK$646,000 has been debited to the Group's asset revaluation reserve.

13. PROPERTY, PLANT AND EQUIPMENT (continued)

Group

	Leasehold land and buildings HK$'000	Leasehold improve-ments HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 March 2005					
At 1 April 2004:					
Cost	–	489	459	1,754	2,702
Accumulated depreciation	–	(220)	(242)	(1,355)	(1,817)
Net carrying amount	–	269	217	399	885
At 1 April 2004, net of accumulated depreciation	–	269	217	399	885
Additions	16,023	1,019	272	182	17,496
Acquisition of subsidiaries *(note 28(a))*	–	–	511	412	923
Disposals	–	(196)	(13)	(152)	(361)
Depreciation provided during the year	(133)	(114)	(199)	(282)	(728)
At 31 March 2005, net of accumulated depreciation	15,890	978	788	559	18,215
At 31 March 2005:					
Cost	16,023	1,019	1,212	774	19,028
Accumulated depreciation	(133)	(41)	(424)	(215)	(813)
Net carrying amount	15,890	978	788	559	18,215

The Group's leasehold land and buildings are situated in Hong Kong and held under long term leases. As at 31 March 2006, the Group's leasehold land and buildings were pledged to secure certain bank loans granted to the Group (note 21).

14. INVESTMENT PROPERTIES

	Group	
	2006	2005
	HK$'000	HK$'000
Carrying amount at beginning of year	**55,800**	13,420
Additions	**66,117**	36,889
Disposal of subsidiaries *(note 28(b))*	**–**	(4,880)
Disposals	**–**	(8,540)
Transfer to owner-occupied property *(note 13)*	**(11,600)**	–
Transfer from owner-occupied property *(note 13)*	**10,300**	–
Changes in fair value of investment properties	**13,183**	18,911
Carrying amount at 31 March	**133,800**	55,800
Classified as a non-current asset held for sale *(note)*	**(10,900)**	–
	122,900	55,800

Note: On 8 March 2006, the Group entered into a provisional agreement with a third party to dispose of an investment property located at Unit 5 on Ground Floor, China United Centre, No.28 Marble Road, North Point, Hong Kong, with a carrying amount of HK$10,900,000 for a cash consideration of HK$10,280,000. The transaction was completed on 28 June 2006. Accordingly, this investment property was classified as a non-current asset held for sale at the balance sheet date.

The Group's investment properties are all situated in Hong Kong and are held under the long term leases.

The Group's investment properties were revalued on 31 March 2006 by RHL Appraisal Limited, independent professionally qualified valuers, at HK$133,800,000 on an open market, existing use basis. The investment properties are currently or expected to be leased to third parties under operating leases, further summary details of which are included in note 30(a) to the financial statements.

At 31 March 2006, the Group's investment properties with an aggregate value of HK$133,800,000 (2005: HK$55,800,000) were pledged to secure general banking facilities granted to the Group (note 21).

Further particulars of the Group's investment properties are included on page 108.

15. INTERESTS IN SUBSIDIARIES

	Company 2006 HK$'000	Company 2005 HK$'000
Unlisted shares, at cost	**1**	1
Amounts due from subsidiaries	**1,074,013**	604,010
Amounts due to subsidiaries	**(43,536)**	(14,000)
	1,030,478	590,011
Provision for amounts due from subsidiaries	**(327,991)**	(270,514)
	702,487	319,497

The balances with subsidiaries are unsecured and have no fixed terms of repayment. Except for an amount due from a subsidiary of HK$233,181,000 which bears interest at 6.8% per annum, the balances with subsidiaries are interest-free. The carrying amounts of these amounts due from/to subsidiaries approximate to their fair values.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ and operations	Nominal value of issued and fully paid ordinary share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Brilliant Crown Trading Limited	Hong Kong	HK$1,000,000	–	100	Holding of motor vehicles
Dollar Group Limited	British Virgin Islands/ Hong Kong	US$1	–	100	Investments in securities
Double Smart Finance Limited	Hong Kong	HK$2	–	100	Money lending
Heritage Strategic Enterprises Limited	Hong Kong	HK$10,000	–	100	Provision of corporate services

15. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ and operations	Nominal value of issued and fully paid ordinary share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Mass Nation Investments Limited	British Virgin Islands/ Hong Kong	US$1	–	100	Investment holding
Overseas Global Limited	British Virgin Islands/ Hong Kong	US$1	–	100	Investment holding
Planner Ford Limited	Hong Kong	HK$2	–	100	Provision of corporate services
Prostar Hong Kong Limited	Hong Kong	HK$2	100	–	Provision of corporate services
Rightmind Developments Limited	British Virgin Islands/ Hong Kong	US$1	100	–	Investment holding
Silver Target Limited	British Virgin Islands/ Hong Kong	US$1	–	100	Property investment
Wealth Champion Limited	British Virgin Islands/ Hong Kong	US$1	–	100	Property investment
Bestford Properties Limited	Hong Kong	HK$100	–	100	Property investment
Earn Best Investments Limited	British Virgin Islands/ Hong Kong	US$1	–	100	Property investment

15. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ and operations	Nominal value of issued and fully paid ordinary share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Great Gains International Limited	Hong Kong	HK$100	–	100	Property investment
High Heritage Group Limited	British Virgin Islands/ Hong Kong	US$1	–	100	Property investment
International Stamps & Coins Auction Limited	Hong Kong	HK$2	–	100	Holding of motor vehicles
Power Speed Limited	British Virgin Islands/ Hong Kong	US$1	–	100	Investment holding
Rainbow Fair Development Limited	Hong Kong	HK$2	–	100	Holding of motor vehicles

The above table lists the subsidiaries of the Company 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.

15. INTERESTS IN SUBSIDIARIES (continued)

The movement of the goodwill arising from the acquisition of subsidiaries in the prior year is as follows:

	HK$'000
31 March 2005 and 2006	
At 1 April 2004	–
Acquisition of subsidiaries *(note 28(a))*	2,688
Impairment of goodwill *(note 6)*	(2,688)
At 31 March 2005 and 31 March 2006	–
At 31 March 2005 and 2006:	
Cost	2,688
Accumulated impairment	(2,688)
Net carrying amount	–

16. AVAILABLE-FOR-SALE INVESTMENTS/INVESTMENT SECURITIES

	Group	
	2006	2005
	HK$'000	HK$'000
Club membership debenture	**630**	630
Listed equity investments at fair value:		
Hong Kong	**104,000**	–
Elsewhere	**12,434**	–
	116,434	–
Unlisted equity investments, at cost	**128,105**	73,225
Less: Provision for impairment	**(123,184)**	(65,612)
	4,921	7,613
	121,985	8,243

During the year, the profit of the Group's available-for-sale investments recognised directly in equity amounted to HK$51,500,000 (2005: Nil).

The above investments consist of investments in equity securities which were designated as available-for-sale financial assets on 1 April 2005 and have no fixed maturity date or coupon rate. For unlisted equity investments, as management has considered that the variability in the range of reasonable fair value estimates for the unquoted equity investments is significant and the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, these investments are stated at cost less any impairment losses.

The fair values of the listed equity investments are based on their quoted market prices as at 31 March 2006.

At the balance sheet date, an available-for-sale investment of the Group with a carrying value of approximately HK$104 million (2005: Nil) was pledged to a financial institution to secure certain margin financing facilities provided to the Group.

At the date of approval of these financial statements, the aggregate market value of listed available-for-sale investments held by the Group as at the balance sheet date was approximately HK$50,551,000.

16. AVAILABLE-FOR-SALE INVESTMENTS/INVESTMENT SECURITIES (continued)

At 31 March 2006, the carrying amount of the Group's shareholding in the following listed equity securities classified as available-for-sale investment exceeded 10% of total assets of the Group.

Company name	Place of incorporation	Principal activities	Particular of issued share capital	Interest held by the Group as available-for-sale equity investment*
Willie International Holdings Limited ("Willie")	Hong Kong	Investment in trading securities, brokerage and financial services, property investment, and investment holding	Ordinary shares of HK$0.1 each	6.7%

* *Excluding equity interest in Willie held as equity investments at fair value through profit or loss, which represented approximately 12% equity interest in Willie at the balance sheet date.*

Included in the available-for-sale investments of the Group as at 31 March 2006 were beneficial interests in 20% of the respective nominal value of the issued ordinary share capital of two equity investees (the "Equity Investees"). The Equity Investees were not treated as associates, because in the opinion of the directors, the Equity Investees were acquired and held with a view to the ultimate realisation of capital gain from subsequent disposal and the Group is not in a position to exercise significant influence over the Equity Investees.

Particulars of the Equity Investees are as follows:

Company name	Place of incorporation	Class of shares held	Percentage of the nominal value of issued ordinary share capital held by the Group 2006	2005
King Kong International Investment Limited (in Portuguese, King Kong International Investimentos, Limitada) ("King Kong")	Macau	Ordinary	**20**	20
Found Macau Investments International Limited ("Found Macau")	Macau	Ordinary	**20**	–

Mr. Peter Ong, a director of the Company, is a director of King Kong and had a 30% beneficial interest in the issued share capital of King Kong as at 31 March 2006. King Kong did not distribute any profits to the Group during the year (2005: HK$6,556,000).

17. LOAN ADVANCE

In the prior year, Rightmind Developments Limited ("Rightmind"), a direct wholly-owned subsidiary of the Company, entered into a conditional verbal agreement (the "Verbal Agreement"), where by Rightmind agreed, amongst other things, (i) to acquire 20% equity interest in Found Macau; (ii) to become a party to a shareholders agreement relating to Found Macau (the "Shareholders Agreement"); and (iii) to make a shareholders loan of HK$100 million to Found Macau (the "Found Macau Loan") (collectively the "Transactions"). Found Macau is an investment holding company incorporated in the British Virgin Islands and it intends to directly or indirectly invest in gaming, entertainment and related businesses in Macau. As Mr. Lao Hin Chun, the stepfather of Mr. Peter Ong (a director of the Company), is one of the founders and shareholders of Found Macau at the date of the Verbal Agreement, the Transactions constituted major and connected transactions under Rule 14.06 and Rule 14A.13 of the Listing Rules and were subject to the approval of independent shareholders at a special general meeting of the Company (the "SGM").

The necessary independent shareholders' approval was obtained in the SGM and as at 31 March 2005, Rightmind had advanced HK$50 million to Found Macau, which constituted part of the Found Macau Loan. The balance of the Found Macau Loan of HK$50 million was satisfied, on 7 April 2005, by the issue of certain new convertible notes of the Company with a principal amount of HK$50 million as further detailed in note 22 to the financial statements. On the same date, pursuant to the Verbal Agreement, the 20% equity interest in Found Macau (note 16) was transferred to Rightmind and Rightmind has effectively become a party to the Shareholder Agreement dated 22 January 2005, via a deed of adherence entered into by Rightmind.

18. LOAN TO AN INVESTEE COMPANY

The loan to an investee company as at 31 March 2006 represented the Found Macau Loan (note 17) which is carried at amortised cost using the effective interest method. The balance is unsecured, bears an effective interest rate of approximately 10.2% per annum, and is repayable after eight years from 21 March 2005 (date of drawdown).

As at 31 March 2005, the loan to an investee company represented a shareholder loan to King Kong which was unsecured, interest-free and was repaid during the year.

19. LOANS RECEIVABLE

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Loans receivable	**213,200**	107,950	**–**	12,500
Less: Provision for impairment	**(10,750)**	(15,785)	**–**	(625)
	202,450	92,165	**–**	11,875
Less: Balances due within one year included in current assets	**(200,450)**	(92,165)	**–**	(11,875)
Non-current portion	**2,000**	–	**–**	–

Loans receivable represent receivables arising from the money lending business of the Group, and bear interest at rates ranging from 2% below the Hong Kong dollar prime rate (the "Prime Rate") to 3% above the Prime Rate per annum. The granting of these loans are approved and monitored by the Company's executive directors in charge of the Group's money lending operations.

In the prior year, included in the loans receivable was a loan granted to an officer of the Company of HK$5,000,000. Particulars of this loan, disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance, are as follows:

Group

Name	**31 March 2006**	**Maximum amount outstanding during the year**	**1 April 2005**	**Security held**
	HK$'000	HK$'000	HK$'000	
Mr. Wong Siu Lun, Alan	–	8,000	5,000	Nil

The loan granted to the officer was unsecured, bore interest at Prime Rate plus 2% per annum and was repaid during the year.

20. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS/OTHER INVESTMENTS

	Group	
	2006	2005
	HK$'000	HK$'000
Hong Kong listed equity investments, at market value	**307,808**	134,751

At the balance sheet date, the Group's investments in these securities were pledged to certain financial institutions to secure certain margin financing facilities provided to the Group.

At the date of approval of these financial statements, the market value of listed equity securities held by the Group as at the balance sheet date was approximately HK$158,979,000 (2005: HK$72,326,000).

21. INTEREST-BEARING BANK BORROWINGS

	Effective interest rate (%)	Maturity	Group 2006 HK$'000	Group 2005 HK$'000	Company 2006 HK$'000	Company 2005 HK$'000
Current						
Bank loans – secured	HIBOR^+1.25		**2,520**	2,520	**-**	–
Bank loans – secured	Prime*-2.25		**991**	–	**991**	–
Bank loans – secured	Prime*		**7,726**	–	**-**	–
			11,237	2,520	**991**	–
Non-current						
Bank loans – secured	HIBOR^+1.25	2012	**24,540**	27,060	**-**	–
Bank loans – secured	Prime*-2.25	2013	**7,858**	–	**7,858**	–
Bank loans – secured	Prime*	2007	**7,500**	–	**-**	–
Bank loans – secured	Prime*	2025	**7,940**	–	**-**	–
			47,838	27,060	**7,858**	–
			59,075	29,580	**8,849**	–

^ Denotes the Hong Kong Interbank Offered Rate.

* Represents the Hong Kong dollar prime rate as quoted by Liu Chong Hing Bank Limited and Wing Hang Bank Limited.

21. INTEREST-BEARING BANK BORROWINGS (continued)

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Analysed into:				
Bank loans repayable:				
Within one year	**11,237**	2,520	**991**	–
In the second year	**11,237**	2,520	**991**	–
In the third to fifth years, inclusive	**11,210**	7,560	**2,974**	–
Beyond five years	**25,391**	16,980	**3,893**	–
	59,075	29,580	**8,849**	–

Notes:

(a) Certain of the Group's bank loans are secured by:

(i) mortgages over the Group's leasehold land and buildings situated in Hong Kong, which had an aggregate carrying value at the balance sheet date of approximately HK$20,317,000 (2005: HK$15,890,000);

(ii) mortgages over the Group's investment properties situated in Hong Kong, which had an aggregate carrying value at the balance sheet date of approximately HK$133,800,000 (2005: HK$55,800,000);

(iii) a corporate guarantee given by the Company up to HK$38,260,000 (2005: HK$30,000,000); and

(iv) a personal guarantee to the extent of HK$89,000,000 given by a substantial beneficial shareholder of the Company at the balance sheet date.

(b) The Group's investments in listed equity securities with an aggregate carrying value of approximately HK$411,808,000 (2005: HK$134,751,000) were pledged to certain financial institutions to secure certain margin financing facilities provided to the Group which were not utilised as at 31 March 2006 and 2005.

The carrying amounts of the Group's and the Company's borrowings approximate to their fair values.

22. CONVERTIBLE NOTES

On 15 April 2004, the Company issued redeemable convertible notes with an aggregate principal amount of HK$75,000,000 (the "2004 CNs") to certain third parties. The 2004 CNs were unsecured, bore interest at 6.8% per annum, which were payable on an annual basis, and had an original maturity date on the third anniversary of the date of issue. The Company was able to redeem the 2004 CNs at 100% of the outstanding principal amount from the date of issue of the 2004 CNs up to 14 days prior to (and excluding) the maturity date. The 2004 CNs were convertible at the option of the noteholders into ordinary shares of the Company in amounts or integral multiples of HK$1,000,000 at any time from the date of issue of the 2004 CNs up to 14 days prior to (and excluding) the maturity date at a price of HK$0.16 per share (which was later adjusted to HK$0.15 per share on 19 November 2004, as a result of a rights issue of the Company).

On 7 May 2004, the 2004 CNs with face values aggregating HK$16,000,000 were converted into 100,000,000 ordinary shares of the Company of HK$0.01 each at a conversion price of HK$0.16 per share – note 25(g).

On 27 July 2004, the 2004 CNs with face values aggregating HK$23,000,000 were redeemed by the Company at their face values.

As at 31 March 2005, the Company had outstanding 2004 CNs of an aggregate principal amount of HK$36,000,000.

On 7 April 2005, the Company made a fresh issue of redeemable convertible notes with an aggregate principal amount of HK$150,000,000 (the "2005 CNs"). The 2005 CNs were unsecured, non-interest-bearing and had an original maturity date on 7 April 2010. The 2005 CNs were convertible at the option of the noteholders into the Company's ordinary shares at a conversion price of HK$0.05 per share in amounts or integral multiples of HK$500,000 at any time from date of issue up to 7 days prior to (and excluding) the maturity date of the 2005 CNs.

On 7 April 2005, the Company early redeemed the then outstanding 2004 CNs with face values aggregating HK$36,000,000 with the funds available from the 2005 CNs. As all the holders of the 2004 CNs had also subscribed for the 2005 CNs, they had set off with the Company the subscription monies payable by them to the Company for the 2005 CNs against the amount payable by the Company to them on the redemption of the 2004 CNs.

22. CONVERTIBLE NOTES (continued)

During the year, the 2005 CNs with a total principal amount of HK$114,000,000 were converted into 2,280,000,000 ordinary shares of the Company of HK$0.01 each at a conversion price of HK$0.05 per share – note 25(h). The remaining 2005 CNs with face values aggregating HK$36,000,000 were early redeemed by the Company during the year.

The fair value of the liability component of the convertible notes was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in shareholders' equity.

The net proceeds received from the issue of the convertible notes have been split between the liability and equity components, as follows:

	Group and Company	
	2006	2005
	HK$'000	HK$'000
		(Restated)
Liability component at beginning of year	**36,897**	–
Nominal value of convertible notes issued during the year	**150,000**	75,000
Equity component	**(63,154)**	(4,372)
Liability component at the issuance date	**86,846**	70,628
Interest expense	**2,131**	3,626
Interest paid	**(2,247)**	–
Conversion during the year	**(66,124)**	(15,148)
Redemption during the year	**(57,503)**	(22,209)
Liability component at 31 March	**–**	36,897
Portion classified as non-current	**–**	34,650
Current portion	**–**	2,247

23. DERIVATIVE FINANCIAL INSTRUMENT

	Group	
	2006	2005
	HK$'000	HK$'000
Buy-back option	**752**	–

The derivative financial instrument represents the fair value of an option granted by the Group to an independent third party, from whom the Group acquired an available-for-sale investment during the year, to buy back certain interest in that equity investment at a pre-determined price of NT$5.8 exercisable within a 5-day period commencing from 6 January 2008. The fair value of the option was reassessed at the balance sheet date using the Black-Scholes option pricing model. Changes in the fair value of the option amounting to HK$210,000 were charged to the income statement during the year (2005: Nil).

24. DEFERRED TAX LIABILITIES

The movements in deferred tax liabilities during the year are as follows:

Deferred tax liabilities

Group

	Revaluation of properties	
	2006	2005
	HK$'000	HK$'000
At beginning of year	**3,354**	–
Deferred tax charged to the income statement during the year *(note 10)*	**2,307**	3,354
Deferred tax debited to equity during the year	**646**	–
At 31 March 2006	**6,307**	3,354

There was no material unprovided deferred tax charge in respect of the year or as at the balance sheet date (2005: Nil).

24. DEFERRED TAX LIABILITIES (continued)

At 31 March 2006, the Group had tax losses arising in Hong Kong of HK$13,086,000 (2005: HK$49,626,000), subject to the agreement by the Hong Kong Inland Revenue Department, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in companies that have been loss-making for some time or due to the unpredictability of future profit streams of those companies.

25. SHARE CAPITAL

Shares

	Company	
	2006	2005
	HK$'000	HK$'000
Authorised:		
25,000,000,000 (2005: 50,000,000,000) ordinary shares of HK$0.02 (2005: HK$0.01) each	**500,000**	500,000
Issued and fully paid:		
7,134,081,943 (2005: 9,608,987,344) ordinary shares of HK$0.02 (2005: HK$0.01) each	**142,682**	96,090

As a part of the Company's capital reorganisation as further detailed in note 25(I) and pursuant to an ordinary resolution passed on 10 August 2005, the Company cancelled the then entire authorised but unissued share capital of 48,358,976,587 ordinary shares of HK$0.01 each and subsequently increased the authorised share capital of the Company by the creation of 23,358,976,587 ordinary shares of HK$0.02 each, ranking pari passu in all respects with the existing share capital of the Company.

25. SHARE CAPITAL (continued)

Shares (continued)

A summary of the movements of the Company's issued capital and share premium account is as follows:

	Notes	Number of shares in issue	Issued capital	Share premium account	Total
			HK$'000	HK$'000	HK$'000
				(Restated)	(Restated)
At 1 April 2004		2,243,991,157	22,440	2	22,442
Placement/allotment of new shares	(a)	3,254,000,000	32,540	66,098	98,638
Warrants exercised	(b)	609	–	–	–
Issue of compensation shares	(c)	250,000,000	2,500	2,150	4,650
Issue of consideration shares	(d)	558,000,000	5,580	1,674	7,254
Share options exercised	(e)	1,103,000,000	11,030	26,821	37,851
Rights issue	(f)	2,099,995,578	21,000	4,200	25,200
Conversion of 2004 CNs	(g)	100,000,000	1,000	15,081	16,081
Share issue expenses		–	–	(1,540)	(1,540)
At 31 March 2005 and 1 April 2005		9,608,987,344	96,090	114,486	210,576
Conversion of 2005 CNs	(h)	2,280,000,000	22,800	91,322	114,122
Warrants exercised	(i)	6,790	–	1	1
Share options exercised	(j)	186,000,000	3,720	540	4,260
Share consolidation	(k)	(10,700,094,721)	–	–	–
Capital reorganisation	(l)	–	(131,282)	–	(131,282)
Rights issue	(m)	4,695,058,530	93,902	140,852	234,754
Repurchase of shares	(n)	(47,876,000)	(4,788)	–	(4,788)
Placement of new shares	(o)	500,000,000	50,000	30,000	80,000
Placement of new shares	(p)	612,000,000	12,240	20,835	33,075
Share issue expenses		–	–	(10,151)	(10,151)
At 31 March 2006		7,134,081,943	142,682	387,885	530,567

25. SHARE CAPITAL (continued)

Shares (continued)

Notes:

(a) Pursuant to three subscription agreements, two dated 3 June 2004 and the other dated 18 December 2004, and a placement agreement dated 3 March 2005, 448,000,000, 600,000,000, 728,000,000, 1,478,000,000 ordinary shares of HK$0.01 each were allotted and issued for cash to independent third parties at a price of HK$0.037 per share on 17 June 2004 and 2 August 2004, HK$0.04 per share on 11 January 2005 and HK$0.0208 per share on 23 March 2005, respectively.

(b) During the year ended 31 March 2005, 609 warrants were exercised and 609 new ordinary shares of HK$0.01 each were allotted and issued at a subscription price of HK$0.16 per share for a total cash consideration, before expenses, of HK$97.

(c) On 3 June 2004, the Company entered into a settlement agreement with Clinton Engineering Limited ("Clinton") to settle the legal proceedings between the two parties. In consideration of Clinton's agreement of withdrawing the legal proceedings against the Company, the Company agreed to pay to Clinton a total of HK$4,800,000 by a combination of HK$150,000 in cash and the remaining HK$4,650,000 either in cash or 250,000,000 ordinary shares of the Company of HK$0.01 each. HK$150,000 in cash was paid on 8 June 2004 and the Company settled the remaining HK$4,650,000 by the issue of 250,000,000 ordinary shares of the Company of HK$0.01 each in August 2004. Further details of the settlement agreement were also set out in a circular of the Company dated 14 July 2004.

(d) On 27 August 2004, the Company entered into a sale and purchase agreement with an independent third party to acquire 608,000,000 shares of China Sci-Tech Holdings Limited at a consideration of HK$7,254,000, which was satisfied by the issue of 558,000,000 ordinary shares of the Company of HK$0.01 each. Further details of the sale and purchase agreement were also set out in a circular of the Company dated 23 September 2004.

(e) The subscription rights attaching to 1,103,000,000 share options were exercised at subscription prices ranging from HK$0.0282 to HK$0.0486 per share, resulting in the issue of 1,103,000,000 ordinary shares of HK$0.01 each for a total cash consideration, before expenses, of approximately HK$37,851,000.

(f) A rights issue (the "2005 Rights Issue") of one rights share for every two existing shares held by members on the register of members on 18 November 2004 was made, at an issue price of HK$0.012 per rights share, resulting in the issue of 2,099,995,578 ordinary shares of HK$0.01 each for a total cash consideration, before expenses, of approximately HK$25,200,000. Further details of the 2005 Rights Issue were also set out in a prospectus of the Company dated 24 November 2004.

(g) During the year ended 31 March 2005, 100,000,000 new ordinary shares of HK$0.10 each of the Company were issued upon the conversion of the 2004 CNs with face values aggregating HK$16,000,000 issued by the Company as further detailed in note 22.

25. SHARE CAPITAL (continued)

Shares (continued)

Notes: (continued)

(h) During the year ended 31 March 2006, 2,280,000,000 new ordinary shares of HK$0.01 each of the Company were issued upon the conversion of the 2005 CNs with face values aggregating HK$114,000,000 issued by the Company as further detailed in note 22.

(i) During the year ended 31 March 2006, 6,790 warrants were exercised and 6,790 new ordinary shares of HK$0.01 each were allotted and issued at a subscription price of HK$0.16 per share for a total cash consideration, before expenses, of HK$1,086.

(j) The subscription rights attaching to 186,000,000 share options were exercised at subscription prices ranging from HK$0.022 to HK$0.025 per share (note 26), resulting in the issue of 186,000,000 ordinary shares of HK$0.01 each for a total cash consideration, before expenses, of approximately HK$4,260,000.

(k) Effective from 9 June 2005, every 10 shares in the issued and unissued ordinary share capital of the Company of HK$0.01 each were consolidated into one consolidated share of HK$0.10 each. Further details of the share consolidation are also set out in the Company's circular dated 9 May 2005.

(l) The Company effected a capital reorganisation on 11 August 2005 which involved: (i) a reduction of the nominal value of each issued ordinary share of the Company from HK$0.10 to HK$0.02 each by the cancellation of HK$0.08 of the paid-up capital for each issued ordinary share; and (ii) a transfer of the credit arising from the capital reduction of approximately HK$131,282,000 to the Company's contributed surplus account. Further details of the capital reorganisation are also set out in the Company's circular dated 18 July 2005.

(m) A rights issue (the "2006 Rights Issue") of five rights shares for every two existing shares held by members on the register of members on 25 November 2005 was made, at an issue price of HK$0.05 per rights share, resulting in the issue of 4,695,058,530 ordinary shares of HK$0.02 each for a total cash consideration, before expenses, of approximately HK$235,000,000. Further details of the 2006 Rights Issue were also set out in a prospectus of the Company dated 2 December 2005.

25. SHARE CAPITAL (continued)

Shares (continued)

Notes: (continued)

(n) In June 2005, the Company repurchased its own ordinary shares of HK$0.10 each on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as follows:

Month/year	Number of shares repurchased	Highest price paid per share HK$	Lowest price paid per share HK$	Aggregate price paid HK$'000
June 2005	47,876,000	0.102	0.089	4,649

The repurchased shares were cancelled and accordingly, the issued share capital of the Company was reduced by the nominal value of these shares. The difference between the issued capital repurchased and the value of cash consideration paid was credited to the capital redemption reserve of the Company.

(o) On 14 June 2005, the Company allotted and issued a total of 500,000,000 ordinary shares of HK$0.10 each for cash to independent third parties at a price of HK$0.16 per share.

(p) On 29 August 2005 and 30 March 2006, the Company allotted and issued a total of 237,000,000 and 375,000,000 ordinary shares of HK$0.02 each for cash to independent third parties at a price of HK$0.10 and HK$0.025 per share, respectively.

Share options

Details of the Company's share option schemes and the share options issued under the schemes are included in note 26 to the financial statements.

Warrants

As at 31 March 2005, the Company had 448,779,326 warrants outstanding (the "Warrants"), which entitled the holders thereof to subscribe for 448,779,326 ordinary shares of the Company of HK$0.01 each at an initial subscription price of HK$0.017 per share (adjusted to HK$0.16 per share with effect from 19 November 2004 as a result of the 2005 Rights Issue), payable in cash, from 13 October 2003 to 12 April 2005.

During the year, 6,790 warrants were exercised for 6,790 ordinary shares of the Company of HK$0.01 each at a subscription price of HK$0.16 per share. On 12 April 2005, all the Company's outstanding warrants expired.

26. SHARE OPTION SCHEMES

The Company adopted a share option scheme on 10 October 1996, which was subsequently amended on 30 September 1997, for the purposing of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations (the "Old Share Option Scheme"). The provisions of the Old Share Option Scheme did not comply with the current requirements of Chapter 17 of the Listing Rules. Accordingly, pursuant to an ordinary resolution passed at a special general meeting of the Company held on 28 September 2004, a new share option scheme (the "New Share Option Scheme") which complies with Chapter 17 of the Listing Rules was adopted to replace the Old Share Option Scheme and the Old Share Option Scheme was terminated with immediate effect.

Eligible participants of the New Share Option Scheme include the Company's directors, including the independent non-executive directors, and other employees of the Group and of the investee entities. The New Share Option Scheme became effective on 28 September 2004 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the New Share Option Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the New Share Option Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

26. SHARE OPTION SCHEMES (continued)

Under the New Share Option Scheme, the offer of a grant of share options may be accepted within 15 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. There is no provision as to the minimum period for which the share options must be held or the performance targets which must be achieved before the share options can be exercised. The exercise period of the share options granted is determinable by the directors and commences on the date of grant and ends on a date which is not later than ten years from the date of the offer of the share options or the expiry date of the New Share Option Scheme, if earlier.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the Old Share Option Scheme and the New Share Option Scheme during the year:

26. SHARE OPTION SCHEMES (continued)

Name or category of participant	At 1 April 2005 '000	Granted during the year '000	Exercised during the year '000	Surrendered during the year '000	Forfeited during the year '000	At 31 March 2006 '000	Date of grant share options*	Exercise period of share options**	Exercise price options** HK$	Price of Company's shares*** At grant date of options HK$	Price of Company's shares*** At exercise of share options HK$
	Number of share options**										
(i) Old Share Option Scheme											
An employee	33,645	–	–	–	(33,645)	–	30-01-2004	30-01-2004 to 30-01-2014	0.760	0.108	–
(ii) New Share Option Scheme											
Directors											
Mr. Kwong Kai Sing, Benny	–	37,500	–	(37,500)	–	–	15-02-2006	15-02-2006 to 15-02-2016	0.054	0.017	–
Ms. Lo Ki Yan, Karen	–	37,500	–	(37,500)	–	–	15-02-2006	15-02-2006 to 15-02-2016	0.054	0.017	–
Mr. Ong Peter	–	37,500	–	(37,500)	–	–	15-02-2006	15-02-2006 to 15-02-2016	0.054	0.017	–
Ms. Poon Chi Wan	–	37,500	–	(37,500)	–	–	15-02-2006	15-02-2006 to 15-02-2016	0.054	0.017	–
	–	150,000	–	(150,000)	–						
Other employees											
In aggregate	–	130,000	(130,000)	–	–	–	02-03-2006	02-03-2006 to 02-03-2016	0.022	0.025	0.025
	–	56,000	(56,000)	–	–	–	08-03-2006	08-03-2006 to 08-03-2016	0.025	0.025	0.026
	–	186,000	(186,000)	–	–	–					
	–	336,000	(186,000)	(150,000)	–	–					

* The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

** The exercise price and the number of the share options are subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital. Pursuant to the provisions of the Old Share Option Scheme, the rights issues of the Company constitute events giving rise to an adjustment to the exercise price of the share options granted under that scheme. Accordingly, adjustments have been made to the exercise price and the number of outstanding share options under the Old Share Option Scheme in such manner as deemed appropriate by the directors of the Company in accordance with the Old Share Option Scheme.

The Company will determine the adjustments required to be made to the exercise price of the share options as a result of the rights issues and will give notice to the holders of the share options granted under the Old Share Option Scheme according to the terms of that scheme.

*** The price of the Company's shares disclosed as at the date of grant and the date of exercise of the share options is the Stock Exchange closing price on the trading day on which the options were granted or exercised.

The fair value of the share options granted during the year was HK$674,000.

26. SHARE OPTION SCHEMES (continued)

The fair value of equity-settled share options granted during the year was estimated as at the date of grant, using an option pricing valuation model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the year ended 31 March 2006:

Dividend yield (%)	–
Expected volatility (%)	77.36
Historical volatility (%)	77.36
Risk-free interest rate (%)	3.71-3.79
Expected life of option (year)	0.25
Weighted average share price (HK$)	0.0368

The expected life of the options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

The 186,000,000 share options exercised during the year resulted in the issue of 186,000,000 ordinary shares of the Company and new share capital of HK$3,720,000 and share premium of HK$540,000 (before issue expenses), as detailed in note 25(j) to the financial statements.

At the balance sheet date, the Company had no options outstanding under the Old Share Option Scheme and New Share Option Scheme.

Subsequent to the balance sheet date, on 10 May 2006, a total of 566,000,000 share options were granted to the directors of the Company in respect of their services to the Group in the forthcoming year. These share options vested on 10 May 2006 and have an exercise price of HK$0.025 per share and an exercise period ranging from 10 May 2006 to 10 May 2016. The price of the Company's shares at the date of grant was HK$0.027 per share.

At the date of approval of these financial statements, the Company had no share option outstanding under the New Share Option Scheme.

27. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

(b) Company

	Notes	Reserves: Share premium account HK$'000 (Restated)	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000 (Restated)	Total HK$'000	Equity component of convertible notes HK$'000 (Restated)
At 1 April 2004		2	1,038	186,548	–	(46,143)	141,445	–
Issue of 2004 CNs	22	–	–	–	–	–	–	4,372
Placement/allotment of new shares	25(a)	66,098	–	–	–	–	66,098	–
Issuance of compensation shares	25(c)	2,150	–	–	–	–	2,150	–
Issuance of consideration shares	25(d)	1,674	–	–	–	–	1,674	–
Share options exercised	25(e)	26,821	–	–	–	–	26,821	–
Exercise of share rights	25(f)	4,200	–	–	–	–	4,200	–
Conversion of 2004 CNs	25(g)	15,081	–	–	–	–	15,081	(933)
Redemption of 2004 CNs		–	–	–	–	–	–	(1,785)
Share issue expenses		(1,540)	–	–	–	–	(1,540)	–
Loss for the year (as restated)		–	–	–	–	(54,084)	(54,084)	–
At 31 March 2005		114,486	1,038	186,548	–	(100,227)	201,845	1,654
At 1 April 2005								
As previously reported		114,405	1,038	186,548	–	(99,842)	202,149	–
Prior year adjustments		81	–	–	–	(385)	(304)	1,654
As restated		114,486	1,038	186,548	–	(100,227)	201,845	1,654
Issue of 2005 CNs	22	–	–	–	–	–	–	63,154
Redemption of 2004 CNs		–	–	(998)	–	–	(998)	(1,654)
Conversion of 2005 CNs		91,322	–	–	–	–	91,322	(47,997)
Redemption of 2005 CNs		–	–	2,281	–	–	2,281	(15,157)
Warrants exercised	25(i)	1	–	–	–	–	1	–
Share options exercised	25(j)	540	–	–	–	–	540	–
Capital reorganisation	25(l)	–	–	131,282	–	–	131,282	–
Exercise of share rights	25(m)	140,852	–	–	–	–	140,852	–
Repurchase of shares	25(n)	–	139	–	–	–	139	–
Placement of new shares	25(o), (p)	50,835	–	–	–	–	50,835	–
Equity-settled share option arrangements	26	–	–	–	674	–	674	–
Share issue expenses		(10,151)	–	–	–	–	(10,151)	–
Loss for the year		–	–	–	–	(25,692)	(25,692)	–
At 31 March 2006		387,885	1,177	319,113	674	(125,919)	582,930	–

27. RESERVES (continued)

Under the Bermuda Companies Act 1981, the Company's share premium account may be distributed in the form of fully paid bonus shares.

Under the Bermuda Companies Act 1981, the Company may make distributions to its members out of the contributed surplus in certain circumstances.

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisition of subsidiaries in the prior year

	2005
	HK$'000
Net assets acquired:	
Property, plant and equipment *(note 13)*	923
Prepayments, deposits and other receivables	26
Cash and cash equivalents	406
Other payables and accrued liabilities	(43)
	1,312
Goodwill on acquisition	2,688
	4,000
Satisfied by:	
Cash	4,000

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:

	2005
	HK$'000
Cash consideration	(4,000)
Cash and cash equivalents acquired	406
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	(3,594)

The subsidiaries acquired in the prior year did not contribute any revenue to the Group and incurred a loss of HK$1,851,000 for the prior year.

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Disposal of subsidiaries

	2006	2005
	HK$'000	HK$'000
Net assets disposed of:		
Property, plant and equipment *(note 13)*	**76**	–
Investment properties *(note 14)*	**–**	4,880
Prepayments, deposits and other receivables	**121**	–
Cash and cash equivalents	**208**	–
Other payables and accruals	**(23)**	(559)
Tax payable	**–**	(225)
Amounts due to group companies	**–**	(3,109)
	382	987
Amounts due from subsidiaries disposed of	**–**	3,109
Gain/(loss) on disposal of subsidiaries	**118**	(496)
	500	3,600
Satisfied by:		
Cash	**500**	3,600

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2006	2005
	HK$'000	HK$'000
Cash consideration	**500**	3,600
Cash and cash equivalents disposed of	**(208)**	–
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**292**	3,600

The result of the subsidiary disposed of during the year had no significant impact on the Group's consolidated turnover or loss after tax for the year. The results of the subsidiaries disposed of during the year ended 31 March 2005 contributed HK$120,000 to the Group's consolidated turnover and a profit after tax of HK$115,000 to the Group's consolidated loss after tax for that year.

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(c) Major non-cash transactions

(i) On 7 April 2005, the Company early redeemed the then outstanding 2004 CNs with face values aggregating HK$36,000,000 with the funds available from the 2005 CNs. As all the holders of the 2004 CNs had also subscribed for the 2005 CNs, they had set off with the Company the subscription monies payable by them to the Company for the 2005 CNs against the amount payable by the Company to them on redemption of the 2004 CNs, as further detailed in note 22 to the financial statements.

(ii) On 7 April 2005, the Company issued a convertible note in the principal amount of HK$50,000,000 to Found Macau to satisfy its contribution obligation as a shareholder of Found Macau as detailed in note 17 to the financial statements. On 11 April 2005, Found Macau exercised the conversion rights of the HK$50,000,000 convertible note to convert it into 1,000,000,000 new ordinary shares of the Company of HK$0.01 each at the exercise price of HK$0.05 per share.

(iii) On 22 April 2005, 22 June 2005, 25 July 2005 and 26 July 2005, the Group subscribed convertible notes in principal amount of HK$52 million issued by Willie with zero coupon. These notes were convertible at the option of the Group at a conversion price of HK0.25 per share. In December 2005, the Group fully converted these convertible notes into 208,000,000 ordinary shares of Willie and held them as available-for-sale investment, as further detailed in note 16 to the financial statements.

(iv) During the year ended 31 March 2005, the Group settled part of the compensation in relation to the legal proceedings of HK$4,650,000 by the issue of 250,000,000 ordinary shares of the Company of HK$0.01 each as further detailed in note 25(c) to the financial statements.

(v) During the year ended 31 March 2005, the Group acquired 608,000,000 shares of China Sci-Tech Holdings Limited at a consideration of HK$7,254,000, which was settled by the issue of 558,000,000 new ordinary shares of the Company of HK$0.01 each, as further detailed in note 25(d) to the financial statements.

(vi) On 7 May 2004, 100,000,000 new ordinary shares of the Company of HK$0.01 each were issued to a holder of convertible notes upon the conversion of the Company's convertible notes as further detailed in note 22 to the financial statements.

(vii) During the year ended 31 March 2005, a director of an investee entity of the Company transferred 15,000,000 shares of the investee entity to the Group, which was recorded as an investment security, as a settlement of the loan receivable of HK$15,000,000 due from that director.

29. PLEDGES OF ASSETS

Details of the Group's interest-bearing bank and other borrowings, which are secured by the assets of the Group, are included in notes 13, 14, 16, 20 and 21 to the financial statements.

30. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 14 to the financial statements) under operating lease arrangements, with leases negotiated for terms ranging from one to three years.

At 31 March 2006, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Within one year	**3,977**	2,432
In the second to fifth years, inclusive	**2,547**	4,249
	6,524	6,681

(b) As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms of one to three years.

At 31 March 2006, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Within one year	**–**	102

At the balance sheet date, the Company did not have any significant operating lease arrangements.

31. COMMITMENTS

In addition to the operating lease commitments detailed in note 30(b) above, the Group had the following commitments at the balance sheet date:

(a) On 30 March 2006, the Group entered into a conditional sale and purchase agreement with an independent third party to acquire the entire issued share capital and the shareholders' loans of Wiseteam Assets Limited ("Wiseteam") at a cash consideration of HK$49,000,000. Wiseteam is the registered owner of a property located at 30/F, China United Centre, 28 Marble Road, North Point, Hong Kong. A purchase deposit of HK$4,900,000 was paid upon signing the agreement and the remaining balance of HK$44,100,000 shall be payable upon completion. Please refer to note 35(b) for further details of the transaction.

(b) On 25 October 2005, the Group entered into a framework agreement (the "Original Agreement") with independent third parties, to conditionally subscribe for a 20% equity interest in Shanghai Newline Advertising Inc. ("Shanghai Newline"), a limited liability company in the People's Republic of China (the "PRC"), at a cash consideration of HK$20,000,000. The Group also had the right to further increase its shareholding interest in Shanghai Newline to 40% by injecting another HK$20,000,000 in cash into Shanghai Newline. A deposit of HK$2,000,000 was paid and the remaining balance of HK$18,000,000 will be paid by the Group upon the completion of the subscription, which is subject to, inter alia, the passing of the necessary resolution by the shareholders of the Company, approval from the foreign investment approval authorities and other relevant authorities in the PRC for the proposed acquisition. The transaction was further detailed in note 35(e) to the financial statements.

(c) During the year, the Group entered into a sale and purchase contract with an independent third party to acquire a motor vehicle at a cash consideration of HK$1,827,000. A purchase deposit of HK$450,000 was paid and the remaining balance of HK$1,377,000 shall be payable upon the delivery of the motor vehicle.

At the balance sheet date, the Company did not have any significant commitments.

32. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Company	
	2006	2005
	HK$'000	HK$'000
Guarantees given to banks in connection with facilities granted to subsidiaries	**38,260**	30,000

As at 31 March 2006, the banking facilities granted to certain subsidiaries subject to guarantees given to banks by the Company were utilised to the extent of approximately HK$35,225,000 (2005: HK$29,600,000).

33. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

(a) On 2 August 2005, the Group entered into a conditional sale and purchase agreement with Collier Assets Limited ("Collier"), which is wholly owned by a director of the Company, for the acquisition of the entire issued share capital in Apex Novel Limited ("Apex") at a cash consideration of HK$73.8 million. The principal activity of Apex is investment holding and Apex is the registered owner of a property located at Unit No. 1, Sunshine Villa, 28 Mount Kellett Road, The Peak, Hong Kong. A deposit of HK$35 million was paid by the Group to Collier upon signing of the sale and purchase agreement. On 7 November 2005, as the majority of the Company's shareholders voted against the proposed acquisition, the acquisition was hence withdrawn. The deposit of HK$35 million was subsequently refunded to the Group.

(b) Compensation of key management personnel of the Group:

	2006	2005
	HK$'000	HK$'000
Short term employee benefits	**4,504**	3,196
Post-employment benefits	**60**	49
Share-based payments	**226**	–
	4,790	3,245

Further details of directors' emoluments are included in note 8 to the financial statements.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank loans, convertible notes, and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as loans receivable, other receivables, other payables, available-for-sale investments and equity investments at fair value through profit or loss, which arise directly from its operations.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, credit risk and liquidity risk as further detailed below. The board reviews and agrees policies for managing each of these risks. The Group's accounting policies in relation to derivatives are set out in note 2.5 to the financial statements.

Cash flow interest rate risk

The Group's exposure to interest rate risk relates primarily to its interest-bearing financial assets and liabilities. Interest-bearing financial assets are mainly loans receivable primarily at floating interest rates which are mostly short term in nature whereas financial liabilities are mainly bank borrowings at floating interest rates. The Group's policy is to obtain the most favorable interest rate available.

Credit risk

Loans receivable and other receivables represent the Group's major exposure to the credit risk arising from default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets in the consolidated balance sheet. The Group's loans receivable arise from the ordinary course of business of the Group and are closely monitored by the directors on an ongoing basis.

Liquidity risk

The Group's liquidity risk is minimal in the current year and is managed by matching the raising of loans or equity funding to cover expected cash demands. 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 adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term.

35. POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date, the following significant events of the Group, not disclosed elsewhere in the financial statements, took place:

(a) On 28 March 2006, the Group entered into a Convertible Note Subscription Agreement with DKR Soundshore Oasis Holding Fund Limited (the "Subscriber") pursuant to which the Subscriber will subscribe in cash for the Company's new convertible notes (the "new CNs") in the principal amount of HK$100 million.

On 6 April 2006, the Group also entered into a Convertible Notes Placing Agreement with Get Nice Investment Limited (the "Placing Agent") pursuant to which the Placing Agent agreed amongst other things: (i) to procure, on an underwritten basis, placees to subscribe in cash for the new CNs in the principal amount of HK$100 million; (ii) to procure, on a best effort basis, placees to subscribe in cash for new CNs up to the principal amount of HK$100 million; and (iii) to procure, on a best effort basis, placees to subscribe in cash for new CNs up to the principal amount of HK$100 million upon written request by the Company in the event that the parties do not proceed to completion of the Convertible Notes Subscription Agreement.

The placement of the new CNs in an aggregate principal amount of HK$200 million was completed on 16 June 2006. The Company received notices for partial conversion of the issued new CNs and as a result of which the Company has issued a total of 3,648 million ordinary shares of the Company of HK$0.02 each to independent placees at the conversion price of HK$0.025 per share during the period from 27 June 2006 to 3 July 2006. The total outstanding principal amount of the new CNs after the conversion was HK$108.8 million.

On 10 July 2006, the Company entered into a letter of subscription agreement with the Subscriber pursuant to which the Subscriber confirmed to subscribe in cash for the new CNs in the principal amount of HK$50 million (instead of HK$100 million). On the same date, the Company entered into a supplemental agreement with the Placing Agent pursuant to which the Placing Agent agreed to procure subscribers on a best effort basis to subscribe for up to HK$50 million principal amount of the new CNs. On 15 July 2006, new CNs in the principal amount of HK$50 million were fully placed by the Placing Agent.

(b) As detailed in note 31(a) to the financial statements, the acquisition of the entire equity interest in and the shareholders' loans of Wiseteam was completed on 5 June 2006.

35. POST BALANCE SHEET EVENTS (continued)

(c) On 8 March 2006, the Group entered into a provisional agreement with an independent third party to dispose of an investment property located at Unit 5 on Ground Floor, China United Centre, 28 Marble Road, North Point, Hong Kong, for a cash consideration of HK$10,280,000. The transaction was completed on 28 June 2006 and resulted in a loss on disposal before tax of approximately HK$620,000.

(d) On 8 June 2006, the Group entered into a conditional agreement for the sale of an available-for-sale investment to an independent third party, Inner Mongolia Development (Holdings) Limited ("Inner Mongolia"), a company listed on the Stock Exchange, for a consideration of HK$11,000,000, which is to be satisfied by 55,000,000 ordinary shares of Inner Mongolia of HK$0.20 each. The transaction was completed on 23 June 2006 and resulted in a gain on disposal before tax of approximately HK$4,000,000.

(e) In relation to the proposed subscription of an equity interest in Shanghai Newline as detailed in note 31(b) above, the contracted parties had subsequently agreed to revise the structure of the transaction contemplated in the Original Agreement and Shanghai Newline had undergone a restructuring process whereby New Range Investments Limited ("New Range"), a company incorporated in Hong Kong, is set up to hold, through a limited liability company established in the PRC, the entire equity interest in Shanghai Newline. On 28 June 2006, the Group entered into a new acquisition agreement (the "New Agreement") to subscribe for a 20% equity interest in New Range. There are no material variations between the terms and conditions of the New Agreement and those of the Original Agreement. The change of the shareholding structure was mainly to facilitate a possible listing of the business of Shanghai Newline on an overseas stock exchange. Further details of the transaction are also set out in a circular and an announcement of the Company dated 15 February 2006 and 30 June 2006, respectively.

36. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

As at the balance sheet date, the fair values of the Group's financial assets and financial liabilities were not materially different from their carrying amounts.

37. COMPARATIVE AMOUNTS

As further explained in notes 2.2 and 2.4 to the financial statements, due to the adoption of new and revised HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year and opening balance adjustments have been made and certain comparative amounts have been reclassified/restated to conform with the current year's presentation and accounting treatment.

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 July 2006.