1. GENERAL INFORMATION

Corporation Information

The Company is a public limited company incorporated in the Cayman Islands with its shares listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate holding company is Automatic Result Limited ("Automatic Result") which is incorporated in the British Virgin Islands with limited liability. The address of its registered office is P.O. Box 2681 GT, Century Yard, Cricket Square, Hutchins Drive, George Town, Grand Cayman, British West Indies and its principal place of business address is Room 2302, 23/F., Lippo Centre Tower II, 89 Queensway, Admiralty, Hong Kong.

The principal activity of the Company is investment holding. There were no significant changes in the nature of the Company's principal activities during the year. Particulars of the principal activities of its subsidiaries are set out in note 17 to the financial statements.

By a special resolution passed on 12 December 2005, the name of the Company was changed from "New Spring Holdings Limited" to "Uni-Bio Science Group Limited" and the Company adopted the Chinese name "聯康生物科技集團有限公司" as part of its trade name.

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

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

The HKICPA has issued a number of new and revised HKFRSs that are effective or available for early adoption for accounting periods beginning on or after 1 January 2005. Information on the changes in accounting policies resulting from initial application of these new and revised HKFRSs for the current and prior accounting periods reflected in these financial statements is provided in note 3.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 March 2006 comprise the Company and its subsidiaries (together referred to as the "Group").

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

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 33.

(c) Subsidiaries and controlled entities

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Subsidiaries and controlled entities *(continued)*

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

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

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 2(g)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(d) Goodwill

Goodwill represents the excess of the cost of a business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses.

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

(e) Property, plant and equipment

The following items of property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 2(g)):

– other items of plant and equipment.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained profits.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Property, plant and equipment *(continued)*

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

Plant and machinery	6.6 – 20%
Furniture, fixtures and equipment	10 – 20%
Leasehold improvements	15 – 18%
Motor vehicles	15 – 20%

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

(f) Leased assets

(i) Classification of assets leased to the Group

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

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Company or Group will obtain ownership of the asset, the life of the asset, as set out in note 2(g). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(g). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Leased assets *(continued)*

(iii) Operating lease charges

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

(g) Impairment of assets

Impairment of other assets

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

– property, plant and equipment;
– investments in subsidiaries
– goodwill

If any such indication exists, the asset's recoverable amount is estimated. In additions, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

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

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Impairment of assets *(continued)*

– Recognition of impairment losses

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

– Reversals of impairment losses

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

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

(h) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost, calculated on the first-in, first-out basis, comprises materials, direct labour and an appropriate absorption of all production overhead expenditure. Net realizable value is determined on the basis of anticipated sale proceeds less estimated selling expenses.

(i) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts (see note 2(g)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts (see note 2(g)).

(j) Interest-bearing borrowings

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

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Trade and other payables

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

(l) Cash and cash equivalents

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

(m) Employee benefits

(i) Retirement benefit obligations the Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution scheme, the assets of which are held in separate trustee-administered funds.

Under the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, with the employees' contributions subject to a cap of monthly relevant income of HK$20,000. The Group's contributions to the scheme are expensed as incurred and vested in accordance with the scheme's vesting scales. Where employees leave the scheme prior to the full vesting of the employer's contributions, the amount of forfeited contributions is used to reduce the contributions payable by the Group.

(ii) *Pensions obligations*

The Group contributes to a defined contribution retirement scheme which is available to all employees. Contributions to the scheme by the Group and employees are calculated as a percentage of employee's basic salaries. The retirement benefit scheme cost charges to the profit and loss account represents contributions payable by the Group to the funds.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred. The assets of the scheme are held separately from those of the Group in independently administered funds.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Employee benefits

(iii) Share based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the Binomial option pricing model or Black Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

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

(iv) Termination benefits

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

(n) Income tax

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) Income tax *(continued)*

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) Income tax *(continued)*

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

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

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

– the same taxable entity; or

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

(o) Provisions and contingent liabilities

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(p) Revenue recognition

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

(i) Sales of goods

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

(ii) Interest income

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

(iii) Operating lease rental income

Operating lease rental income is recognised on a straight-line basis.

(q) Translation of foreign currencies

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(r) Borrowing costs

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

The capitalization of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(s) Related parties

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

(t) Segment reporting

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

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

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

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(t) Segment reporting *(continued)*

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

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

(u) Dividends

Dividends proposed or declared after the balance sheet date are not recognized as a liability at the balance sheet date.

3. CHANGE IN ACCOUNTING POLICIES

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

The accounting policies of the Group and/or Company after the adoption of these new and revised HKFRSs have been summarized in note 2. The following sets out information on the significant changes in accounting policies for the current and prior accounting periods reflected in these financial statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting year.

3. CHANGE IN ACCOUNTING POLICIES *(continued)*

(a) The cumulative effects of the application of the new HKFRSs as at 31 March 2005 and 1 April 2005 are summarised below:

	Year ended 31 March 2005 HK$'000 (as previously reported)	Effect on new policy (increase/ (decrease)) in the income statement for the year HKAS 1 HK$'000	Year ended 31 March 2005 HK$'000 (as adjusted by changes in accounting policies)
Consolidated income statement			
Turnover	134,270	–	134,270
Cost of sales	(102,610)	–	(102,610)
Gross profit	31,660	–	31,660
Other income	2,345	–	2,345
Other operating expenses	(28,859)	–	(28,859)
Profit from operations	5,146	–	5,146
Finance costs	(4,483)	–	(4,483)
Profit/(loss) before taxation	663	–	663
Income tax	(87)	–	(87)
	576	–	576
Minority interests	(663)	663	–
(Loss)/Profit for the year	(87)	663	576
Attributable to:			
Equity shareholders of the Company	(87)	–	(87)
Minority interests	–	663	663
	(87)	663	576

3. CHANGE IN ACCOUNTING POLICIES *(continued)*

(a) Consolidated balance sheet items *(continued)*

	As at 31 March 2005 HK$'000 (as previously reported)	Effect on new policy increase/ (decrease) HKAS 1 HK$'000	As at 31 March 2005 HK$'000 (as adjusted by changes in accounting policies)
Consolidated balance sheet items			
Non current assets			
Property, plant and equipment	80,839	–	80,839
Intangible assets	6,538	–	6,538
Deferred tax assets	139	–	139
	87,516	–	87,516
Current assets			
Inventories	19,824	–	19,824
Other current assets	75,774	–	75,774
	95,598	–	95,598
Current Liabilities	(89,547)	–	(89,547)
Net current assets	6,051	–	6,051
Non current liabilities			
– Minority interests	975	(975)	–
– Other non current liabilities	17,037	–	17,037
	18,012	(975)	17,037
	75,555	–	76,530
Capital and Reserves			
Share capital	18,000	–	18,000
Retained profits	43,247	–	43,247
Other reserves	14,308	–	14,308
	75,555	–	75,555
Minority interests	–	975	975
	75,555	975	76,530

3. CHANGE IN ACCOUNTING POLICIES *(continued)*

(b) Estimated effect of changes in accounting policies on the current period

The following tables provide estimates of the extent to which each of the line items in the consolidated income statement and balance sheet and other significant related disclosure items for the year ended 31 March 2006 is higher or lower than it would have been had the previous policies still been applied in the year, where it is practicable to make such estimates.

	Effect on new policy (increase/(decrease)) HKFRS3 HK$'000
Consolidated income statements	
Turnover	–
Cost of sales	–
Gross profit	–
Other income	–
Other operating expenses	3,922
Profit from operations	3,922
Finance costs	–
Profit before taxation	3,922
Income tax	–
Profit for the year	3,922
Attributable to:	
Equity shareholders of the Company	3,922
Minority interests	–
	3,922
(Loss) per share	
Basic	(2.18) cents

3. CHANGE IN ACCOUNTING POLICIES *(continued)*

(b) Estimated effect of changes in accounting policies on the current period *(continued)*

	Effect on new policy (increase/(decrease)) HKFRS3 HK$'000
Other significant disclosure items:	
Amortisation of goodwill	2,616
Consolidated Balance sheet items	
Non current assets	
Property, plant and equipment	–
Intangible assets	3,922
Deferred tax assets	–
	3,922
Current assets	
Inventories	–
Other current assets	–
	–
Current Liabilities	–
Net Current Assets	–
Total assets less current liabilities	3,922
Capital and Reserves	
Share capital	–
Retained profits	3,922
Other reserves	–
	3,922
Minority interests	–
Non current liabilities	–
	3,922
Minority interests	–
	3,922

3. CHANGE IN ACCOUNTING POLICIES *(continued)*

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

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

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

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

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

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

As the Group has not granted options for the year and in prior years, the adoption of HKFRS 2 has no impact on the Group's net assets and results.

(d) Changes in presentation of minority interests (HKAS 1, Presentation of financial statements and HKAS 27, Consolidated and separate financial statements)

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

With effect from 1 January 2005, in order to comply with HKAS 1 and HKAS 27, the Group has changed its accounting policy relating to presentation of minority interests. Under the new policy, minority interests are presented as part of equity, separately from interests attributable to the equity shareholders of the Company. Further details of the new policy are set out in note 2(c). These change in presentation retrospectively with comparatives restated as shown in note 2(a).

3. CHANGE IN ACCOUNTING POLICIES *(continued)*

(e) Definition of related parties (HKAS 24, related party disclosures)

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

(f) Amortisation of positive and negative goodwill (HKFRS 3, Business combinations and HKAS 36, Impairment of assets)

(i) Amortisation of goodwill

In prior periods:

– positive or negative goodwill which arose prior to 1 January 2001 was taken directly to reserves at the time it arose, and was not recognsied in the income statement until disposal or impairment of the acquired business;

– positive goodwill which arose on or after 1 January 2001 was amortised on a straight line basis over its useful life and was subject to impairment testing when there were indications of impairment; and

– negative goodwill which arose on or after 1 January 2001 was amortised over the weighted average useful life of the depreciable/amortisable non-monetary assets acquired, except to the extent it related to identified expected future losses as at the date of acquisition. In such cases it was recognised in the income statement as those expected losses were incurred.

With effect from 1 April 2005, in order to comply with HKFRS 3 and HKAS 36, the Group has changed its accounting policies relating to goodwill. Under the new policy, the Group no longer amortises positive goodwill but tests it at least annually for impairment. Also with effect from 1 April 2005 and in accordance with HKFRS 3, if the fair value of the net assets acquired in a business combination exceeds the consideration paid (i.e. an amount arises which would have been known as negative goodwill under the previous accounting policy), the excess is recognised immediately in profit or loss at it arises.

The new policy in respect of the amortisation of positive goodwill has been applied prospectively in accordance with the transitional arrangements under HKFRS 3. As a result, comparative amounts have not been restated, the cumulative amount of impairment loss as at 1 April 2005 has been offset against the cost of the goodwill and no amortisation charge for goodwill has been recognised in the income statement for the year ended 31 March 2006.

3. CHANGE IN ACCOUNTING POLICIES *(continued)*

(f) Amortisation of positive and negative goodwill (HKFRS 3, Business combinations and HKAS 36, Impairment of assets) *(continued)*

(i) Amortisation of goodwill (continued)

Also in accordance with the transitional arrangement under HKFRS 3, goodwill which had previsouly been taken directly or reserves (i.e. goodwill which arose before 1 January 2001) will not be recognised in profit or loss on disposal or impairment of the acquired business, or under other circumstances.

The change in policy relating to negative goodwill had no effect on the financial statements as there was no negative goodwill deferred as at 31 March 2006.

(g) Possible impact of amendments, new standards and interpretations issued but not yet effective for the annual accounting period ended 31 March 2006

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

Amendments, as a consequence of the Hong Kong Companies (Amendment) ordinance 2005, to :

		Effective for the accounting period beginning on or after
– HKAS 1	Presentation of financial statements,	1 January 2006
– HKFRS 3	Business combinations	1 January 2006
– HKSA 27	Consolidated and separate financial statements	1 January 2006
– HKFRS 7	Financial instruments; disclosures	1 January 2007
Amendment to HKAS 1	Presentation of financial statements: capital disclosures	1 January 2007

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

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of HKFRS 6 and HK(IFRIC)5 and the amendments to HKAS 1, HKAS 27 and HKFRS 3 made as a result of the Hong Kong Companies (Amendment) Ordinance 2005 are not applicable to any of the Group's operations and that adoption of the rest of them is unlikely to have a significant impact on the Group's results of operation and financial position.

4. PRIOR YEAR ADJUSTMENT

The cumulative effects of the prior year adjustment as a result of undercharging of prior year's audit fee for the year ended 31 March 2005 and as at 31 March 2005 are summarised below:

	Year ended 31 March 2005 HK$'000 (as adjusted by changes in accounting policies)	Prior year adjustment HK$'000	Year ended 31 March 2005 HK$'000 (as restated)
Consolidated income statement			
Turnover	134,270	–	134,270
Cost of sales	(102,610)	–	(102,610)
Gross profit	31,660	–	31,660
Other income	2,345	–	2,345
Other operating expenses	(28,859)	(800)	(29,659)
Profit from operations	5,146	(800)	4,346
Finance costs	(4,483)	–	(4,483)
Profit/(loss) before taxation	663	(800)	(137)
Income tax	(87)	–	(87)
	576	(800)	(224)
Minority interests	–	–	–
Profit/(Loss) for the year	576	(800)	(224)
Attributable to:			
Equity shareholders of the Company	(87)	(800)	(887)
Minority interests	663	–	663
	576	(800)	(224)

4. PRIOR YEAR ADJUSTMENT *(continued)*

	As at 31 March 2005 HK$'000 (as adjusted by changes in accounting policies)	Prior year adjustment HK$'000	As at 31 March 2005 HK$'000 (as restated)
Consolidated balance sheet items			
Non current assets			
Property, plant and equipment	80,839	–	80,839
Intangible assets	6,538	–	6,538
Deferred tax assets	139	–	139
	87,516	–	87,516
Current assets			
Inventories	19,824	–	19,824
Other current assets	75,774	–	75,774
	95,598	–	95,598
Current Liabilities	(89,547)	(800)	(90,347)
Net current assets	6,051	(800)	5,251
Non current liabilities			
– Minority interests	–	–	–
– Other non current liabilities	17,037	–	17,037
	17,037	–	17,037
	76,530	(800)	75,730
Capital and Reserves			
Share capital	18,000	–	18,000
Retained profits	43,247	(800)	42,447
Other reserves	14,308	–	14,308
	75,555	(800)	74,755
Minority interests	975	–	975
	76,530	(800)	75,730

5. TURNOVER

The principal activities of the Group are manufacturing and trading of packaging products, paper gifts items and promotional products.

6. OTHER REVENUE AND NET INCOME

	2006 HK$'000	2005 HK$'000
Machine rental income and service income	1,177	–
Interest income	234	72
Sundry income	1,664	2,273
	3,075	2,345

7. (LOSS) BEFORE TAXATION

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

		2006 HK$'000	2005 HK$'000
(a)	**Finance costs**		
	Interest on bank advances and other borrowings wholly repayable within five years	2,230	2,377
	Finance charges on obligations under finance leases	542	1,095
	Other borrowing costs	1,358	1,011
	Total borrowing costs	4,130	4,483
(b)	**Staff costs (including directors' emoluments)**		
	Contributions to defined contribution retirement plans	219	291
	Redundancy costs	–	200
	Salaries, wages and other benefits	10,151	12,188
		10,370	12,679
(c)	**Other items**		
	Impairment losses for bad and doubtful debts	21,490	1,337
	Impairment losses of obsolete inventories	8,526	1,197
	Impairment loss of goodwill	6,538	–
	Amortisation of goodwill	–	2,616
	Loss on disposal of property, plant and equipment	3,188	2,005
	Depreciation		
	– assets held under finance leases	86	3,523
	– other assets	9,778	7,272
	Auditors' remuneration	780	1,198
	Operating lease charges: minimum lease payments		
	– property rentals	2,087	1,371
	Cost of inventories	78,513	102,610

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2005:17.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

Subsidiaries of the Company established in the People's Republic of China (the "PRC") is subject to the PRC Enterprise Income Tax ("EIT") on the taxable income as reported in its PRC statutory financial statements adjusted in accordance with relevant income tax laws. The applicable EIT rate is 33%. However, the subsidiaries have tax privileges granted by PRC Government that they are entitled to full exemption from EIT for the first two years and 50% reduction in EIT for the next three years, commencing from the first profitable year after offsetting all tax losses carried forward from the previous years.

(a) Taxation:

	2006 HK$'000	2005 HK$'000
Current tax – Hong Kong		
Provision for the year	81	83
(Over)/Under provision in respect of prior years	(1)	16
Current tax – Overseas		
Provision for the year	–	–
Over provision in respect of prior year	–	–
Deferred tax		
Origination and reversal of temporary differences	(3,634)	(12)
	(3,554)	87

8. INCOME TAX *(continued)*

(b) Reconciliation between tax expenses and accounting loss at applicable tax rates:

	2006 HK$'000	2005 HK$'000
Loss before taxation	(45,714)	(137)
Notional tax on loss before taxation, calculated at the rates applicable in the countries concerned	(8,000)	(24)
Tax effect of non-deductible expenses and non-taxable income	2,267	(279)
Tax effect of unused tax losses not recognised	3,124	234
Under provision in prior years	–	16
Others	(945)	140
Actual tax expenses	(3,554)	87

9. DIRECTORS' REMUNERATION

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

	Directors' fees HK$'000	Salaries allowances and benefits in kind HK$'000	Share-based payment HK$'000	Retirement scheme contributions HK$'000	2006 Total HK$'000
Executive Directors					
TONG Kit Shing	120	–	–	6	126
LIU Guo Yao	–	–	–	–	–
CHENG Wai Man	63	–	–	3	66
Independent non-executive Directors					
ZHOU Yaoming	26	–	–	–	26
LIN Jian	26	–	–	–	26
SO Yin Wai	26	–	–	–	26
	261	–	–	9	270

10. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2005: two) are Directors whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other three (2005: three) individual are as follows:

	2006 HK$'000	2005 HK$'000
Salaries and other emoluments	1,016	1,606
Share-based payments	–	–
Retirement scheme contributions	36	26
	1,052	1,632

The emoluments of the three (2005: three) individuals with the highest emoluments are within the following bands:

	2006 Number of individuals	2005 Number of individuals
HK$Nil – HK$1,000,000	3	3
HK$1,501,001 – HK$2,000,000	–	–

11. LOSS ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated loss attributable to equity shareholders of the Company includes a loss of HK$4,804,000 (2005: HK$2,182,000) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's loss for the year:

	2006 HK$'000	2005 HK$'000
Amount of consolidated loss attributable to equity shareholders dealt with in the Company's financial statements	4,804	2,182
Final dividends from subsidiaries and associates attributable to the loss of the previous financial year, approved and paid during the year	–	–
Company's loss for the year	4,804	2,182

12. (LOSS) PER SHARE

The calculation of basic loss per share is based on the following data:

	2006 HK$'000	2005 HK$'000
Loss for the year attributable to equity shareholders of the Company	42,446	887
No. of shares for the purposes of calculating basic loss per share	180,000,000	180,000,000

Diluted loss per share was not presented for both years as there were no dilutive potential ordinary shares at year end date.

13. SEGMENT REPORTING

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

Business segments

The Group comprises the following main business segments.

There are no sale or other transactions between the business segments.

Primary reporting format – business segments

	Packaging products		Paper gifts items		Promotional products		Consolidated	
	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000
Revenue from external customers	43,808	67,360	15,677	9,710	35,464	57,200	94,949	134,270
Segment results	7,951	13,593	2,852	3,163	5,633	14,904	16,436	31,660
Unallocated operating income and expenses							(59,379)	(27,314)
(Loss)/Profit from operations							(42,943)	4,346
Finance costs							(4,130)	(4,483)
Profit on disposal of investment in subsidiary							1,359	–
(Loss) before taxation							(45,714)	(137)
Income tax							3,554	(87)
(Loss) after taxation							(42,160)	(224)
Segment assets							128,813	176,362
Other unallocated assets							9,996	6,752
Total assets							138,809	183,114
Segment liabilities							52,243	52,565
Unallocated liabilities							52,962	54,819
Total liabilities							105,205	107,384
Capital expenditure							1,398	5,780
Depreciation							9,864	10,795

13. SEGMENT REPORTING *(continued)*

Geographical segments

For the year ended 31 March 2006

	Turnover HK$'000	Segment results HK$'000	Total assets HK$'000	Capital expenditure HK$'000
Hong Kong	87,984	15,386	43,845	132
PRC	6,516	982	94,964	1,266
Other countries	449	68	–	–
	94,949	16,436	138,809	1,398
Unallocated income		3,075		
Unallocated costs		(62,454)		
(Loss) from operation		(42,943)		

For the year ended 31 March 2005

	Turnover HK$'000	Segment results HK$'000	Total assets HK$'000	Capital expenditure HK$'000
Hong Kong	93,662	22,085	46,512	757
PRC	38,620	9,106	136,602	5,023
Other countries	1,988	469	–	–
	134,270	31,660	183,114	5,780
Unallocated income		2,345		
Unallocated costs		(29,659)		
Profit from operation		4,346		

14. DIVIDEND

The Directors of the Company do not recommend the payment of a dividend for the year ended 31 March 2006 (2005: nil).

15. PROPERTY, PLANT AND EQUIPMENT

The Group

	Leasehold land and buildings HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost or valuation						
At 1 April 2004	3,956	110,795	8,332	18,885	2,220	144,188
Additions	–	5,023	10	–	747	5,780
Disposals	(3,956)	(21,154)	–	–	(1,280)	(26,390)
At 31 March 2005 and 1 April 2005	–	94,664	8,342	18,885	1,687	123,578
Additions	–	885	513	–	–	1,398
Disposals	–	(11,780)	–	–	–	(11,780)
Disposals of subsidiary	–	(3,462)	(161)	(142)	(192)	(3,957)
At 31 March 2006	–	80,307	8,694	18,743	1,495	109,239
Accumulated depreciation						
At 1 April 2004	897	30,232	4,726	6,364	1,537	43,756
Charge for the year	69	6,853	818	2,776	279	10,795
Disposals	(966)	(9,848)	–	–	(998)	(11,812)
At 31 March 2005 and 1 April 2005	–	27,237	5,544	9,140	818	42,739
Additions	–	6,071	826	2,762	205	9,864
Disposals	–	(6,701)	–	–	–	(6,701)
Eliminated on disposal of subsidiary	–	(439)	(25)	(59)	(22)	(545)
At 31 March 2006	–	26,168	6,345	11,843	1,001	45,357
Net book value						
At 31 March 2006	–	54,139	2,349	6,900	494	63,882
At 31 March 2005	–	67,427	2,798	9,745	869	80,839

15. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The analysis of the cost or valuation of the above assets at 31 March 2006 and 31 March 2005 is as follows:

	Leasehold land and buildings	Plant and machinery	Furniture, fixtures and equipment	Leasehold improvements	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 March 2006						
At Cost	–	38,962	8,694	18,743	1,495	67,894
At valuation *(note(a))*	–	41,345	–	–	–	41,345
	–	80,307	8,694	18,743	1,495	109,239
At 31 March 2005						
At Cost	–	50,569	8,342	18,885	1,687	79,483
At valuation *(note(a))*	–	44,095	–	–	–	44,095
	–	94,664	8,342	18,885	1,687	123,578

Note:

(a) In previous years, revaluation of plant and machinery was performed by independent valuer for every three years. This is a change in the accounting policy that, in the opinion of the Directors, the amount of plant and machinery at 1 April 2004 is not restated on the balance sheet as the valuation is not materially different from the carrying amount in previous years.

The Directors of the Company have undertaken a review on the carrying value of plant and machinery at 31 March 2006 and are of the opinion that the valuation is not materially different from the above carrying amount.

The revaluations of the Group's plant and machinery do not constitute temporary difference (2005: timing difference) for tax purpose.

(b) The carrying amount of revalued plant and machinery held by the Group would have been HK$18,181,000 (2005: HK$27,084,000) had they been stated at cost less accumulated depreciation and impairment losses.

(c) At 31 March 2006, the net book value of plant and machinery pledged for the Group's facilities was approximately HK$34,115,000 (2005: HK$547,000).

16. INTANGIBLE ASSETS

Goodwill

	The Group
	HK$'000
Cost	
Arising from acquisition of a subsidiary and at 31 March 2005	13,250
At 1 April 2005	13,250
Opening balance adjustment to eliminate accumulated impairment loss	(6,617)
At 31 March 2006	6,633
Accumulated amortisation and impairment losses	
At 1 April 2004	
Accumulated amortisation	4,001
Accumulated impairment loss	95
	4,096
Amortisation for the year	2,616
Impairment loss for the year	–
At 31 March 2005 and 1 April 2005	6,712
Eliminated against cost at 1 January 2005	(6,617)
Impairment loss for the year	6,538
At 31 March 2006	6,633
Carrying amount	
At 31 March 2006	–
At 31 March 2005	6,538

In 2005, positive goodwill not already recognised directly in reserves was amortised on a straight-line basis over estimated useful life but not exceeding 20 years. The amortisation of positive goodwill for the year ended 31 March 2005 was included in "other operating expenses" in the consolidated income statement.

16. INTANGIBLE ASSETS *(continued)*

As explained further in note 2(d), with effect from 1 April 2005 the Group no longer amortises goodwill. In accordance with the transactional provisions set out in HKFRS 3, the accumulated amortisation of goodwill as at 1 April 2005 has been eliminated against the cost of goodwill as at that date.

Impairment loss on the cost of goodwill has been provided to the Group. The impairment loss for the year is included in the consolidated income statement.

17. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2006	2005
	HK$'000	HK$'000
Unlisted shares, at cost	71,870	71,870
Amounts due from subsidiaries	27,225	35,607
Amount due to a subsidiary	–	(850)

a) The amounts due from subsidiaries are unsecured and interest-free and have no fixed terms of repayment.

17. INVESTMENTS IN SUBSIDIARIES *(continued)*

b) The following is a list of the significant subsidiaries at 31 March 2006:

Name	Place of incorporation/ establishment	Principal activities and place of operation	Particulars of issued share capital	Interest held
Lelion Holdings Limited	British Virgin Islands	Investment holding	2 Ordinary shares of US$1 each	100% (1)
Joint Peace Limited	British Virgin Islands	Trading of paper products in Hong Kong and PRC	2 Ordinary shares of US$1 each	100%
Uni-Bio Management Limited	Hong Kong	Dormant	1 Ordinary share of HK$1 each	100%
New Master Group Limited	British Virgin Islands	Investment holding/ Hong Kong	200 Ordinary shares of US$1 each	100% (1)
Sun Hip Fung (JF) Printing Products Company Limited	Hong Kong	Trading of paper products/ Hong Kong	2 Ordinary shares of HK$1 each and 20,000 Non-voting deferred shares of HK$1 each	100%
New Shing Group Company Limited	Hong Kong	Manufacturing and trading of gift and toy boxes and other paper products in Hong Kong and PRC	2 Ordinary shares of HK$1 each and 10,000 Non-voting deferred shares of HK$1 each	100%

17. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ establishment	Principal activities and place of operation	Particulars of issued share capital	Interest held
Today Graphic Company Limited	Hong Kong	Dormant	2 Ordinary shares of HK$1 each and 20,000 Non-voting deferred shares of HK$1 each	100%
Today Advertising Products Company Limited	Hong Kong	Investment holding/ Hong Kong	2 Ordinary shares of HK$1 each and 200,000 Non-voting deferred shares of HK$1 each	100%
New Richest Holdings Limited	Hong Kong	Investment holding/ Hong Kong	10,000 Ordinary shares of HK$1each	63%
Pronto Print Limited	Hong Kong	Provision of printing and color separation services and trading of lenticular plastic products/ Hong Kong	50,000 Ordinary shares of HK$10 each	99.2%
Anson Printing Group Limited	Hong Kong	Provision of printing and color separation services/ Hong Kong	10,000 Ordinary shares of HK$1 each	51%

17. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ establishment	Principal activities and place of operation	Particulars of issued share capital	Interest held
Visual Products Limited	Hong Kong	Dormant	10,000 Ordinary shares of HK$1 each	100%
Great Tech Trading Limited	Hong Kong	Dormant	10,000 Ordinary shares of HK$1 each	100%
New Pearl Hot Stamping & Packaging Limited	Hong Kong	Provision of hot stamping and packaging services/ Hong Kong	10,000 Ordinary shares of HK$1 each	100%
力新時紙製品（深圳）有限公司	PRC wholly foreign owned enterprise	Manufacturing and sale of paper products in PRC	Registered capital of HK$3,000,000	100%

[1] Shares held directly by the company

18. INVENTORIES

	The Group 2006 HK$'000	2005 HK$'000
Raw materials	7,687	6,665
Work in progress	7,604	2,285
Finished goods	2,441	10,874
	17,732	19,824

19. TRADE RECEIVABLES

	The Group	
	2006	2005
	HK$'000	HK$'000
Trade receivables	16,633	31,996

Customers are generally granted with credit terms of 30 to 90 days. Longer payment terms are granted to those customers which have good payment history and long-term business relationship with the Group. (2005: 30 to 90 days). All of the trade receivables are expected to be recovered within one year. At 31 March 2006, the aging analysis of the trade receivables (net of impairment loss for bad and doubtful debts) were analysed as follows:

	The Group	
	2006	2005
	HK$'000	HK$'000
Within 30 days	11,961	11,731
31 – 60 days	2,894	2,567
61 – 90 days	949	3,335
Over 90 days	829	14,363
	16,633	31,996

20. TRADE PAYABLES

	The Group	
	2006	2005
	HK$'000	HK$'000
Trade payables	17,604	33,357

20. TRADE PAYABLES *(continued)*

At 31 March 2006, all the trade payables are expected to be settled within one year and the aging analysis of the trade payables was analysed as follows:

	The Group	
	2006	2005
	HK$'000	HK$'000
Within 30 days	4,030	4,669
31 – 60 days	3,292	2,023
61 – 90 days	1,219	2,206
Over 90 days	9,063	24,459
	17,604	33,357

21. LONG-TERM LOANS

(a) Bank and other loans

	The Group	
	2006	2005
	HK$'000	HK$'000
Bank loans repayable:		
Within one year	4,700	13,613
In the second year	37,637	2,238
In the third to fifth year	–	1,861
	42,337	17,712
Other loans, unsecured		
Within one year	9,000	9,000
	51,337	26,712
Current portion of non-current liabilities	(13,700)	(22,613)
	37,637	4,099

21. LONG-TERM LOANS *(continued)*

(b) Obligations under finance leases

At 31 March 2006, the Group had obligations under finance leases repayable as follows:

	The Group					
	2006			2005		
	Present value of the minimum lease payments HK$'000	Interest expenses relating to future periods HK$'000	Total minimum lease payments HK$'000	Present value of the minimum lease payments HK$'000	Interest expenses relating to future periods HK$'000	Total minimum lease payments HK$'000
Within 1 year	100	11	111	10,504	344	10,848
After 1 year but within 2 years	209	24	233	2,774	44	2,818
After 2 years but within 5 years	–	–	–	203	25	228
After 5 years	–	–	–	–	–	–
	209	24	233	2,977	69	3,046
	309	35	344	13,481	413	13,894

22. SHARE CAPITAL

	2006 HK$'000	2005 HK$'000
Authorized:		
2,000,000,000 ordinary shares of HK$0.10 each	200,000	200,000
Issued and fully paid:		
180,000,000 ordinary shares of HK$0.10 each	18,000	18,000

23. EQUITY SETTLED SHARE-BASED TRANSACTIONS

Under the share option system (the "Scheme") approved by the shareholders on 22 October 2001, the Directors of the Company may, at its discretion, invite Directors and employees of the Group to take up options to subscribe for shares in the Company representing up to 30 per cent of the issued share capital of the Company from time to time.

The subscription price for the shares in relation to option to be granted under the Scheme shall be determined by the Board and shall be at least the highest of (i) the nominal value of the shares of the Company; (ii) the closing price of the shares on the date of grant (the "Offer Date"); and (iii) the average closing price of the shares for the five business days immediately preceding the Offer Date. The options are exercisable within 10 years from the Offer date.

No options have been granted since the establishment of the Scheme to 31 March 2006.

24. RESERVES

The Group

	Share premium HK$	Capital reserve HK$	Statutory reserve HK$	Group Revaluation reserve HK$	Exchange reserve HK$	Retained profits HK$	Total HK$
At 1 April 2004	12,667	(243)	534	2,203	20	43,334	58,515
Valuation released upon of leasehold land and buildings and plant and machinery	–	–	–	(873)	–	–	(873)
Loss attributable to shareholders – Previously stated	–	–	–	–	–	(87)	(87)
Prior year adjustment – audit fee undercharging	–	–	–	–	–	(800)	(800)
At 31 March 2005	12,667	(243)	534	1,330	20	42,447	56,755
Representing:							
Reserves							56,755
At 1 April 2005	12,667	(243)	534	1,330	20	42,447	56,755
Recognition of profit from minority interests	–	–	–	–	–	1,081	1,081
Disposals of subsidiary	–	–	–	–	–	(886)	(886)
Loss attributable to shareholders	–	–	–	–	–	(42,446)	(42,446)
At 31 March 2006	12,667	(243)	534	1,330	20	196	14,504
Representing:							
Reserves							14,504

24. RESERVES *(continued)*

The Company

	Share premium HK$	Retained profits HK$	Total HK$
At 1 April 2004	84,270	281	84,551
Loss attributable to shareholders			
– Previously stated	–	(1,382)	(1,382)
Prior year adjustment			
– audit fee undercharging	–	(800)	(800)
At 31 March 2005	84,270	(1,901)	82,369
Representing:			
Reserves			82,369
At 1 April 2005	84,270	(1,901)	82,369
Loss attributable to shareholders	–	(4,806)	(4,806)
At 31 March 2006	84,270	(6,707)	77,563
Representing:			
Reserves			77,563

25. DEFERRED TAXATION

The major components of the deferred tax liabilities/(assets) provided for at the balance sheet date and for the year then ended are as follows:

Deferred tax liabilities

	The Group					
	Accelerated tax depreciation		Tax losses		Total	
	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000
1 April 2005	11,263	11,949	(1,302)	(1,800)	9,961	10,149
Charged/(credited) to consolidated income statement	(2,213)	(686)	(1,822)	498	(4,035)	(188)
31 March 2006	9,050	11,263	(3,124)	(1,302)	5,926	9,961

Deferred tax assets

	The Group					
	Accelerated tax depreciation		Tax losses		Total	
	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000
1 April 2005	–	(8)	(139)	(307)	(139)	(315)
Charged to consolidated income statement	–	8	–	168	–	176
31 March 2006	–	–	(139)	(139)	(139)	(139)

26. BANKING FACILITIES

As at 31 March 2006, the Group's banking facilities were secured by the followings:

1) Bank deposits of HK$13,040,000;
2) Personal guarantees by a former Director;
3) Certain interest in leasehold land and buildings of related party and related companies;
4) Part of the Group's machinery; and
5) Part of trade receivables

As at 31 March 2005, the Group's banking facilities were secured by the followings:

1) Corporate guarantees given by the Company and its subsidiaries;
2) Bank deposits of HK$6,170,000;
3) Personal guarantees of the Company's directors ; and
4) Certain interest in leasehold land and buildings of related party and related companies

27. CONTINGENT LIABILITIES

	The Group	
	2006	2005
	HK$'000	HK$'000
Guarantees for bank loans and overdrafts of subsidiaries	23,135	30,461
Guarantees for finance lease assets of subsidiaries	308	5,528
	23,443	35,989

28. COMMITMENTS

1) At 31 March 2006, the Group had capital commitments contracts but not provided for in respect of machineries of approximately HK$Nil (2005: HK$2,050,000).

2) **Commitments under operating leases**

At 31 March 2006, the Group had future aggregarate minimum lease payments under non-cancellable operating leases in respect of interest in land and buildings which expire as follows:

	The Group	
	2006	2005
	HK$'000	HK$'000
Not later than one year	**935**	1,205
Later than one year and not later than five years	**189**	532
	1,124	1,737

29. RELATED PARTY TRANSACTIONS

Save as disclosed in other notes to the financial statements, other significant related party transactions, which were carried out in the normal course of the Group's business and were charged at prices mutually agreed, are as follows:

	The Group	
	2006	2005
	HK$'000	HK$'000
Interest income		
– Beautiking Investments Limited	**–**	62
Rental paid		
– Beaumax Company Limited	**228**	228
– Beautiking Investments Limited	**384**	504
– Glory Motion Company Limited	**276**	276

30. DISPOSAL OF A SUBSIDIARY

During the year, the Group disposed of its subsidiary, New Spring Label & Packaging Limited. The net assets of New Spring Label & Packaging Limited at the date of disposal was as follows:

	HK$'000
Net Assets disposed of:	
Property, plant & equipment	3,412
Inventories	4,796
Trade and other receivable	619
Deposit and prepayments	876
Bank and cash balances	320
Trade payables	(1,000)
Other payables and accruals	(7,407)
Bank loan	(142)
Hire purchase creditor	(1,110)
	364
Minority interests	634
	998
Gain on disposal	1,359
Total consideration	2,357
Satisfied by:	
Other receivables	2,357

31. ULTIMATE HOLDING COMPANY

The Directors regard Automatic Result Limited, a company incorporated in the British Virgin Islands, as the ultimate holding company.

32. TAX DISPUTE

During the year, there was a tax dispute between New Spring Group Company Limited ("NSGC"), a wholly owned subsidiary of the Company, and the Inland Revenue Department (the "IRD"). A demand for additional profits tax for the year of assessment 1999/2000 amounting to HK$2,240,000 was issued by the IRD.

NSGC has appointed a tax representative who acts on their behalf to negotiate with the IRD for a proposed settlement arrangement on the tax dispute. As at 28 July 2006, the proposed settlement was not finalized between the parties.

In respect of the tax dispute, a director of NSGC ("NSGC Director") has undertaken to indemnify NSGC and the Group against any claim by the IRD on all additional tax liabilities and penalties charged to the Company in respect of the years prior to the current financial year.

To support the NSGC Director's commitment to NSGC and the Group with respect to the above proposed indemnity on all demands for tax liabilities payments in connection with the tax dispute, after the balance sheet date on 25 July 2006, the NSGC Director had provided a sum of bank deposits of no less than the HK$2,240,000 as an estimated additional assessment on profits tax demanded by the IRD as security pledge for the settlement of the tax dispute. Based on the currently available information, the Group expected the tax dispute to be finalized shortly. This deposit is interest free and the surplus of which (i.e. after net of the amount of final settlement of the dispute agree to be agreed and finalized by the IRD) will be repayable by the Company or any company within the Group to the NSGC Director upon full and final settlement of the tax dispute in relation to the NSGC.

33. ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimated impairment of intangible assets and goodwill

The Group performs annual tests on whether there has been impairment loss of intangible assets in accordance with the accounting policy stated in note 2(f). The recoverable amounts of cash generating units are determined based on value-in-use calculations. These calculations require the use of estimates and assumptions made by management on the future operation of the business, pre-tax discount rates, and other assumptions underlying the value-in-use calculations.

33. ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(b) Trade debtors

The aged debt profile of trade debtors is reviewed on a regular basis to ensure that the trade debtor balances are collectible and follow up actions are promptly carried out if the agreed credit periods have been exceeded. However, from time to time, the Group may experience delays in collection. Where recoverability of trade debtor balances are called into doubts, specific provisions for bad and doubtful debts are made based on credit status of the customers, the aged analysis of the trade receivable balances and write-off history. Certain receivables may be initially identified as collectible, yet subsequently become uncollectible and result in a subsequent write-off of the related receivable to the income statement. Changes in the collectibility of trade receivables for which provisions are not made could affect our results of operations.

(c) Useful lives of property, plant and equipment

In accordance with HKAS 16, the Group estimates the useful lives of property, plant and equipment in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. The Group also performs annual reviews on whether the assumptions made on useful lives continue to be valid.

34. FINANCIAL RISK MANAGMENT

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and price risk), credit risk, liquidity risk and cash flow and fair value interest-rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group's treasury function operates as a centralised service for managing financial risks and for providing cost efficient funding to Group.

(i) Foreign exchange risk

The Group operates mainly in both the People's Republic of China ("the PRC") and Hong Kong and majority of transactions are dominated in United States dollars, Hong Kong dollars and Renminbi. Therefore, the Group is exposed to foreign exchange risk arising from these currency exposures.

Hong Kong dollars and Renminbi are pegged to United States dollars and the foreign exchange exposure between them are considered limited.

34. FINANCIAL RISK MANAGMENT *(continued)*

ii) Price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated balance sheet as financial assets at fair value through profit or loss which are measured at fair value at each balance sheet date. The Group manages the price risk exposure by maintaining a portfolio of investments with different risk profiles.

iii) Credit risk

The Group's credit risk is primarily attributable to trade or other receivables. The Group has policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action in taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Group considers that the credit risk is significantly reduced.

iv) Liquidity risk

The Group manages its liquidity risk by regularly monitoring current and expected liquidity requirements and ensuring sufficient liquid cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet the Group's liquidity requirements in the short and long term.

35. POST BALANCE SHEET EVENTS

1. On 15 February 2006, the Company announced its proposal to raise, HK$180 million (before expenses) by way of an open offer on the basis of an assured allotment of two new Shares (each an "**Offer Share**") for every then existing Share held by shareholders other than overseas shareholders at the subscription price of HK$0.50 per Offer Share (the "**Open Offer**"). Automatic Result was the underwriter to the Open Offer. The Open Offer was approved at the extraordinary general meeting of the Company held on 17 March 2006. Upon Completion of the Open Offer on 6 April 2006, Automatic Result held 292,058,248 Shares or approximately 54.08% of the then entire issued share capital of the Company of 540,000,000 Shares.

2. On 26 April 2006, the Company announced that Lelion Holdings Limited ("**Lelion**"), a wholly-owned subsidiary of the Company entered into a conditional agreement to acquire the entire issued share capital of Figures Up Trading Limited ("**FUTL**") at the consideration of HK$472 million (subject to adjustments) ("**Acquisition**"). FUTL and its subsidiaries are principally engaged in the sale and distribution of pharmaceutical and healthcare products in the PRC.

35. POST BALANCE SHEET EVENTS *(continued)*

The aggregate consideration for the Acquisition was satisfied as to (i) HK274 million in cash and (ii) HK$198 million by the allotment and issue of an aggregate of 220 million Shares at an issue price of HK$0.90 each by the Company to the vendors of shares in FUTL.

The Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and was approved by shareholders of the Company at the extraordinary general meeting held on 6 June 2006.

In order to finance part of the cash portion of the consideration of the Acquisition, the Company entered into the subscription agreement ("**Subscription Agreement**") with Automatic Result, under which the Company has agreed to issue and Automatic Result has agreed to subscribe for a three-year HK$114 million zero coupon convertible bonds. The Subscription Agreement was approved by shareholders at the extraordinary general meeting held on 6 June 2006. The Acquisition and the Subscription Agreement were completed on 14 June 2006.

36. COMPARATIVE FIGURES

With a review of financial statements presentation, certain items in the financial statements were reclassified which would result in a more appropriate presentation of events or transactions. Accordingly, comparative figures have been reclassified to conform with the current year's presentation.

37. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board on 28 July 2006.